Chapter 1:
CONCEPT OF CUSTOMER RELATIONSHIP MANAGEMENT
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1.1 INTRODUCTION

Customer Relationship Management is a broad concept for retaining, creating and expanding customer relationships in Insurance sector. CRM enables organization to effectively manage relationship with their customers, it is an overall business strategy. CRM enables to anticipate, understand, manage and personalize the requirements of customer. Today, many business organizations such as insurance companies and other service providers realize its importance. They also understand the potential of CRM which helps them to attract new customers and retain existing ones which maximize their lifetime value.

In the current scenario management process acquires customers by understanding their needs. They retain customers by fulfilling their requirement more than their expectation and attracts new customers which is called Customer Relationship Management. It is also a process which invites total commitment on the part of the entire organisation regarding relationship strategies.

1.2 SIGNIFICANCE OF CRM

The changes in the markets differ their functions. In such a situation retaining customers is a difficult job. Similarly acquiring new customers is
Concept of Customer Relationship Management

almost impossible for us. So the traditional approach of marketing becomes insufficient in our achievement of marketing goals. Thus, scenario created the emergences of the new approach in relationship marketing. The relationship marketing approaches differs from traditional transactional approach.

The aspect of transactional marketing approach has focus on individual transaction. It does not concern continuous relationships with customer. Therefore its framework does not contain a strategic long term perspective. It only centres around tentative adjustments process regarding performance of marketing function.

Therefore in this context customers are viewed as outsiders. Under transactional approach customers satisfaction, expectation and multiple influences about decision making processes are not given due implication. It reflects very small attention paid to customer service and customer commitment.

On the other way relationship marketing focus on continue marketing instead of isolated individual transaction. The relationship marketing approach considers customer as insider for the organisation. It also aims to build up a long term perspective. In other words, it represents never ending relationship with the customer. The idea of retaining customers forever enables the relationship marketing approach centers around developing hard core loyal customers. In this approach high degree of customer commitment, contact and services are re-maintained.
Therefore it is cleared that the second approach has gradually taken the shape of customer relationship management. Relationship marketing has its narrow focus on the customer. It only focuses on the marketing function of the organisation concerned. But CRM focus more widely on customer and also on the entire function connected with customers. Such as value creation and delivery chain of the organisation concerned. Organisations have preferred the use of the term CRM instead of Relationship Marketing.

1.3 **EMERGENCE OF CRM**

The ways in which the customers and organisation interact has undergone significant changes over the year. Customers are becoming more demanding and the organisation has no choice but to respond to the customers need faster or lose them to the competitor. The time frame that they respond to the customer’s needs is shrinking. They now need to respond to the customer’s requirements proactively, as they cannot afford to wait till the customer complains or shows the first sign of dissatisfaction.

The basic reason for the emergence of customer relationship management is only the change in the marketing environment.

1.4 **AREAS OF CRM**

There are probably five different answerers, when five different LIC officers were asked about their views on Customer Relationship Management. It is not just a single application which solves all customers problem in the
organisation. Therefore there are some areas such as Sales, Marketing and Customer Service in which CRM can be applied.

The market became much more clear for customer because of new media. The results are an increasing pressure of competition and demanding customer. Therefore a binding and long-term customer relationship seems to be necessary in insurance sector. In modern era, the abilities to enhance customer reliability, consistency and durable relationship is critical in insurance sector.

In current situation of competitive insurance world, improvement day-by-day in customer services has most important tool for better further growth. Customer requirements, needs, necessities and complaints are part of their insurance business-life. It is so more important to LIC because it is a service industry. Therefore customer services and customers satisfaction are their primary work. The need for the study arises because insurance sector helps in economic development of the country. The customer is satisfied first by providing better services with the help of computer and other innovated technologies. Hence, there is need for customer survey, identifying their requirements and satisfaction.

1.5 TECHNIQUES IN CRM

Techniques in Customers Relationship Management can be classified in the following three types:

a) **Customer Service and Retention**: More competition and increased
regulation made it more difficult for LIC to stand out from the crowd. However, the development of CRM gave proactive LIC access to technology that helped them improve customer retention by using customer feedback to offer conveniences like ATMs and online Insurance. LIC can also use CRM tools to improve customer loyalty by using data collected through customer sign-ups, transactions and feedback processes.

b) **Call Centers:** LIC call centers use CRM solutions for various purposes. Cost-driven call centers use CRM to track call transactions and troubleshooting techniques to fine-tune the service resolution process. Metrics like average handle time and customer feedback ratings help LIC call centers improve their customer support for retention. Profit-driven call centers also leverage CRM customer account records for add-on selling opportunities.

c) **Sales:** Sales has taken on more importance in LIC with the evolution of CRM. Bundling of products and premier customer accounts are examples of techniques used by LIC to build single-product customer accounts into full product suites including a range of financial services. With CRM software, LIC can easily see what products you currently use, what products you are eligible for and what the benefits are should you add the additional product or service.
1.6 COMPLEX FACTORS WHILE MANAGING CRM

Managing customer relationship is becoming increasingly complex due to various factors. The important complex factors described are following:

a) **Increase in Product offerings:** Now customers are increasingly able to obtain the products, which meet their specific requirements and therefore they do not want to compromise. This makes them more demanding. If an organisation does not take steps to understand and respond to these demands, the competitor will.

b) **Competition:** With increased awareness, everybody is trying to attract and retain the same set of profitable customers. So, an organisation must act swiftly to maintain a favourable position.

c) **Compressed marketing cycle Time:** In this factor the attention span of a customer gets decreased. As organisation needs to reinforce the value which provide their customers on a continuous basis. Time span into one desire customer and the next customer desire is also decreasing. An organisation must perform each time to retain the customer. Therefore, it is becoming increasingly difficult to manage relationship with customers and achieve customer loyalty.

1.7 CRM STRATEGY

Successful organisation needs to react to these requirements in a timely fashion for which it needs to develop its CRM strategy. The CRM strategy is
The use of CRM tools and techniques can facilitate the process to a large extent. The number of large enterprises expanding their operations abroad and transforming into multinational, global companies is increasing. With this global expansion, the need to view CRM and other such initiatives at an enterprise wide level is becoming crucial. With such large scale international operations, the economies of scale and leverage that can be gained from establishing global brands make unified marketing driven by CRM increasingly attractive. This is specially true when weighed against the potential problems and lack of synergy cause by disparate locally driven marketing with little or no CRM integration. In today’s digital world it has become increasingly critical for organisations to be able to learn to adapt quick to the changes taking place.
in the new economy. Organisations that are able to mobilize all their resources and knowledge that exists within the organisation are in a better position to enhance their performance.

1.8 AN INSIGHT INTO CRM

In this globalized world managing relationships with customer and making them delighted has become a necessity. It is said that customer delight is the only key to success. Frightening as the situation may seem that it is a ground reality for many companies which had realised the customers need and started seriously giving more care to them than that of ever before.

The perception and understanding of LIC is based on the customers varied experiences with their employees and services. It is significantly accepted that the cost to bring a new customer is ten times higher than to retain the existing customer. In addition to this it is also agreed that the various choices has opened today for the customers. Therefore all this require a better understanding of the customer. What the customer expects from the LIC and their requirements to be understood. Even though all customers do not contribute equally to the profit of the LIC. If the customer relationship management starts properly it not only helps to improve the LIC but also helps to focus LIC effort where required the most.

1.9 IMPORTANCE OF CRM

Customer relationship management is the most efficient and strongest approach while creating and maintaining relationship with consumers. It is not
only pure business but it also develops strong personal bonding with the customers. This kind of bonding drives the business to new success levels.

In regarding with conducting CRM the organisation just wants to develop personal and emotional linkages. So that it is very easy for them to identify the actual customer’s requirement. It may help them to serve with a better quality and way of services. It is said that if organisation wants to be strong and fruitful, they should implement sophisticated strategies involved in customer relationship management.

In current situation about competitive insurance world, it is a must for improvement day-by-day customer services. It is also the most important tool for better future growth. Customer’s requirement and complaint are part of their LIC business life. Importance of CRM with broader perspective has shown below.

- A CRM system consists of a historical view and analysis of all the acquired or to be acquired customers. This helps in reduced searching and correlating customers and to foresee customer needs effectively and increase business.
- CRM contains each and every bit of details of a customer. Hence it is very easy to track a customer accordingly and it can be used to determine which customer can be profitable and which not.
- In CRM system, customers are grouped according to different aspects
according to the type of business they do or according to physical location and are allocated to different customer managers often called as account managers. This helps in focusing and concentrating on each and every customer separately.

• A CRM system is not only used to deal with the existing customers but is also useful in acquiring new customers. The process first starts with identifying a customer and maintaining all the corresponding details into the CRM system which is also called an ‘Opportunity of Business’. The Sales and Field representatives then try getting business out of these customers by sophistically following up with them and converting them into a winning deal. All this is very easily and efficiently done by an integrated CRM system.

• The strongest aspect of Customer Relationship Management is that it is very cost-effective. The advantage of decently implemented CRM system is that there is very less need of paper and manual work which requires lesser staff to manage and lesser resources to deal with. The technologies used in implementing a CRM system are also very cheap and smooth as compared to the traditional way of business.

• All the details in CRM system is kept centralized which is available anytime on fingertips. This reduces the process time and increases productivity.

Efficiently dealing with all the customers and providing them what they actually need increases the customer satisfaction. This increases the chance of
getting more business which ultimately enhances turnover and profit. If the customer is satisfied they will always be loyal to you and will remain in business forever resulting in increasing customer base and ultimately enhancing net growth of business.

In today’s commercial world, practice of dealing with existing customers and thriving business by getting more customers into loop is predominant and is mere a dilemma. Installing a CRM system can definitely improve the situation and help in challenging the new ways of marketing and business in an efficient manner. Hence in the era of business every organization should be recommended to have a full-fledged CRM system to cope up with all the business needs.

1.10 MODEL FOR CRM IN LIFE INSURANCE SECTOR

Customer Relationship Management helps Insurance sector to use of technology and human resources. This allows them to gain insight of consumer behavior and their values. If CRM works as it with the desire of the system then LIC can provide better customer service, help sales staff close deals faster, cross sell products more effectively, make call centers more efficient, discover new customers, simplify marketing and sales processes and increasing consumer revenue. It could not happen with just buying software and installing into the system. In this regarding LIC must decide what type of customer information they are asking. It is to be further decided that what they intend to
do with the information after that decide and run a model to be simply best. Therefore instant model design has imparted with this research as shown in below figure.

Model design for CRM in Insurance Sector

1.11 NEED OF RELATIONSHIP WITH CUSTOMERS

Building relationship with customers in current market trends is the most important aspect that an organization should focus on. Distinction and eminence are now most sustainable and affirm for which developing good relationship with customers is must. Some of the substantial outcomes of building a quality relationship is explained below by which need of relationship with customer are insight.

- **Better Customer perceptiveness:** As the customer lengthens to deal with a supplier, the supplier tends to explicate a better insight of customer’s needs and expectations. By this a high level of relationship
can be developed between them. This will result in selling more products and retain the business with the customers which finally will lead to profitable business.

- **Lead to Customer Satisfaction:** Customer satisfaction is the measure of how the needs and responses are collaborated and delivered to excel customer expectation. It can only be attained if the customer has an overall good relationship with the supplier. In today’s competitive business marketplace, customer satisfaction is an important performance exponent and basic differentiator of business strategies. Hence, the more is customer satisfaction; more is the business and the bonding with customer.

- **Lead to Customer Loyalty:** Customer loyalty is the tendency of the customer to remain in business with a particular supplier and buy the products regularly. This is usually seen when a customer is very much satisfied by the supplier and re-visits the organization for business deals, or when he is tended towards re-buying a particular product or brand over times by that supplier. To continue the customer loyalty the most important aspect an organization should focus on is customer satisfaction, hence it can be said that customer loyalty is also an outcome of good relationship.

- **Lead to Customer Retention:** Customer retention is a strategic process to keep or retain the existing customers and not letting them to diverge
or defect to other suppliers or organization for business and this is only possible when there is a quality relationship between customer and supplier. Usually a loyal customer is tended towards sticking to a particular brand or product as far as his basic needs continue to be properly fulfilled. He does not opt for taking a risk in going for a new product. More is the possibility to retain customers the more is the probability of net growth of business.

- **Chances of getting referrals:** It is always a cost-free advocacy by customers to provide referrals to supplier when they feel satisfied and encouraged and when they have a healthy relationship with customers. These referrals or customer’s reference of other customers acts like a piece of cake for suppliers as there is no cost and struggle involved in this. This could be treated as the best outcome of quality relationship what a supplier can think of.

- **Growth in revenue:** When suppliers have healthy relationship with customers the revenue of the organization always increases as customers tend to buy more and more. There is possibility that a satisfied customer seek to buy special category of related products apart from the regular ones from that particular supplier. For instance if a satisfied and loyal customer has a home insurance from an insurance company then there are positive chances that he could also insure his property and car also if he is fully satisfied with the services of that insurance company. This
will definitely result in growth of business.

- **Cost to serve is low**: Cost to serve existing satisfied customers is always very less for the supplier as they know and understand customers. Customers never come back with complaints and queries because they know the actual business flow and completely rely on the relationship with the supplier.

### 1.12 REAPING THE BENEFITS OF A CRM SOLUTION

Retail LIC are reshaping the way they must interact with their customers. A fully integrated, enterprise wide CRM platform ensures LIC have the core capabilities to take full advantage of their customer relationships and capitalize on these market dynamics rather than losing out because of them. These best practices reflect business results a financial services company must obtain by implementing its CRM solution.

- **Gaining sales momentum**: In today’s increasingly competitive environment, where maximizing organic growth is a LIC priority, sales momentum is essential. To build this momentum, LIC needs to focus simultaneously on increasing acquisition rates of new and emerging customer segments, improving retention of existing customers and saving at risk customers, increasing profitability of customer relationships, either at the top-line through increased sales, or at the bottom-line through more cost-effective service and improving integrated channel distribution strategies to get the right product, to the right client. At the
moment the customer has the need and also maximizing the value and return from CRM investments that have already been made.

- **Increasing acquisition of new customers:** A CRM solution should help a LIC target customers based on the value they bring to the LIC, now and throughout the life of the customer. LIC needs to ensure that their value propositions have traction with the right market segments. This will enable the LIC to identify, target and capture new customers. Clearly, customer insight and strategy are the core differentiators for the LIC.

- **Improving retention of existing customers:** Customer retention can be achieved by enhancing customer satisfaction and loyalty, improving problem resolution and creating the ability to identify and save at-risk customers. In fact, an at-risk customer actually represents a major opportunity for additional revenue – if handled correctly. However, the greatest danger for LIC is either not identifying at risk customers or not having the capabilities to do anything to recover them.

- **Increasing the profitability of customer relationships:** Boosting revenues require improving the product pipeline and close rates while reducing sales and service costs. On the revenue side, the LIC CRM solution should use customer intelligence to target specific offers and manage marketing campaigns for a high likelihood of acceptance. Customer treatment strategies should be fully integrated with a CRM
platform and the processes to support them. On the cost side, better channel management, CRM automation and integration will help increase the efficiency and effectiveness of sales and service.

- **Improving distribution and channel management:** To win profitable customers and build long-term relationships with them, LIC needs to have the right insight, products and services for the right customer at the lowest possible cost. From call centers to websites, every one of LIC’s multiple channels must be scalable, flexible, low-cost and fully integrated with all the other channels. This is the only way to consolidate customer information and provide consistent treatment across the enterprise. Each of the LIC’s channels must also be able to accommodate change and adapt to future trends in the marketplace.

- **Maximizing the value of past CRM investments:** As new technologies and channels emerge, the need to control costs and maximize the ROI from existing CRM investments raises many questions LIC should solve all of them and maximize the value of past CRM investment.

### 1.13 STAGES OF RELATIONSHIP WITH CUSTOMERS

Relationship regarding the customers may change time to time. It may be because of evolvement under distinguished situation. There are some stages where relationship with consumer may evolve.

a) **Exploration:** It is the process when customer investigates or tests the
supplier’s capabilities and performance or cross verifies the product’s or brand’s usefulness. If the test results fail to satisfy customer’s demands, the relationship can drastically come to an end.

b) **Awareness:** It is the process when the customer understands the motivational values of supplier or the products he sells.

c) **Expansion:** It is the process when the supplier wins customer’s faith and customer falls under huge interdependence of the supplier. This is time when there are more chances of business with that particular customer and expand business.

d) **Commitment:** It is a powerful stage when suppliers learn to adapting business rules and goal to excel.

e) **Dissolution:** It is a stage when customer requirement suddenly changes and he looks for better perspectives. This sudden change is the end of relationship.

Relationship or interaction with consumer may come to end due various reasons. It may be because of customer was not satisfied with the organisation services or he disagrees for other better brand and product.
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