CHAPTER IV

CONCEPTUAL FRAMEWORK OF CUSTOMER RELATIONSHIP MANAGEMENT

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4.1 INTRODUCTION

Customer Relationship Management evolves from business processes such as relationship marketing and the increased emphasis on improved customer retention through the effective management of customer relationship.\(^1\) One view on the customer relationship management is the utilization of customer related information or knowledge to deliver relevant products or services to customers.\(^2\) Another view of CRM is that it is technologically oriented, advanced in data base technologies such as data warehousing and data mining, which are crucial to the functionality and effectiveness of the CRM systems.\(^3\) CRM is considered as a holistic process of acquiring, retaining and growing customers.\(^4\) Thus the customer relationship management is not simply some application or software but the philosophy, the way a company works so as to build long lasting relationships with its customers.

4.2 CONCEPT OF CUSTOMER RELATIONSHIP MANAGEMENT

Relationship management was the one articulated by Parvatiyar and Sheth, cited in Lindgreen and Antio co,\(^5\); Ngai,\(^6\) “CRM is a comprehensive strategy and process of acquiring, relating and partnering with selective customers to create a value for the company and the customer. Kennedy et.al.\(^7\) limited the CRM into IT facet only. They defined that CRM was the information technology face of the business processes that aims to establish enduring and mutually beneficial relationships with customers in order to drive customer retention, value and profitability. Rosenberg\(^8\) mentioned that the CRM was the strategic use of information, process, technology and people to manage the
customer’s relationship with company across the whole customer life cycle. Broady - Preton et.al,\textsuperscript{9} defined the CRM as a prospective of how value is created for customers.

Customer relationship management is a, “Management process of acquiring customers by understanding their requirements, retaining customers by fulfilling their requirements more than their expectations and attracting new customers, through customer specific strategic marketing approaches”.

The main function of the organization is to bring buyers and sellers together to create customer. Keeping or maintaining the customers is also equally important for the long term relations and ultimately benefit the organization. The term relationship management communicates to the customers the long-term vision of the organization in maintaining the relations. Marketers should be able to understand that the sale is not the process. Rather, it is the beginning of the relations between the organization and the customers. The relationship intensifies in the subsequent sales. The principle of the customer relationship starts when the customer receives more than what he expects from the service provider, which satisfies and pleased by the value added service rendered by the organization. Satisfied customer tends to utilize the services of the organization whenever he needs a product or similar product offered by the organization. As the firms try to serve the customer in the same manner whenever he tries to utilize the service, it helps the organization to maximize the lifetime value of the customer relationship.\textsuperscript{10} With this relation, the buyers can purchase promises of satisfaction from the firms and prefer to
do business with firms they trust.\textsuperscript{11} It is an advantage for the organization also as the relation is able to increase the sales and reduce marketing cost in the long run.\textsuperscript{12} The firms should understand that no two buyers will buy for the same reason. Doing repeat business with the existing customer is beneficial for both the customer as well as for the long-term business perspectives. So, it is the responsibility of the marketers to utilize the resources available in the organization to create, interpret, and maintain relationship with the customers.\textsuperscript{13}

### 4.3 AN INSIGHT INTO CRM

In a globalized insurance environment and with severe competition in the insurance sector, an organization can survive only with its customer-centric strategies. The organization should focus on customer relationship management (CRM) in order to be customer friendly, enhancement of customer satisfaction and the resultant growth of the firm. A proper and timely platform is required to achieve this. Traditionally, marketing has been seen from the perspective of managing relationship with customer groups. Relationship marketing, however, takes a much broader view of the business. It emphasizes on a wider range of markets to provide the best value proposition in terms of both the product and also the customer service.\textsuperscript{14}

The CRM is the latest idea of managing and propagating insurance business more successfully. It is a tool that helps to design insurance products, which match with the customer expectations. It also helps to build customer trust and develop loyalty of the customer. The main strategy of CRM is to pay attention to customer’s needs, innovative
marketing channels, uniform quality outlets and identification of target market and also customer groups.

The new generation companies claim to grow by improving customer services by tuning up technology, training of staff and tackling existing markets. Private players are picking up market share from competitors. With better prospects offered in the technology sector, the capacities and capabilities of the life insurance sector to retain and improve customer base is strengthened.

The timely and efficient policy towards customer service makes this possible and acceptable to the insurers. The quality of customer relationship is often the differentiator. It is more so for life insurance business because the insurers are in the business of improving the quality of life of the customers. The understanding that a life insurance business is essentially one of partnership in helping customers and meets their lives, opportunities and adversities will go a long way in aligning the functional arms in the business.

For any organization, the main objective is profit maximization. But non-profit organizations are also paying more attention to efficient services and also protecting the interests of the customers. The primary objective of an insurance organization is to maintain transparency in transactions and provide full protection to policyholders. The insurers should be utmost transparent at the time of the sale of their products. They have to provide clear and complete information about the products. The biggest beneficiary of the competition among life insurers is the customer. A wide range of products,
customer-focused service and professional advice have become the mantras of the industry, with the customer forming the pivot of each company’s strategy.\textsuperscript{17}

CRM is a defensive marketing strategy that focuses on managing the customer’s experience by better understanding their needs and buying behaviour. It is a systematic way to strengthen the relationship between a company and its customers and transforming acquaintance.\textsuperscript{18} Given the importance of CRM in business success, insurers many times were eager to adopt the latest technology in different service applications, which will provide a competitive edge. But, the actual success lies in the proper and careful adoption of the latest technology. Employees are crucial to the success of CRM. Hence, they are to be trained effectively to handle changes.

\textbf{4.4 IMPLEMENTATION OF CRM}

Implementation of CRM technology includes collection of valuable information of the customers through previous contacts, surveys and queries. The information is collected through telex, e-mail, fax and call centers. It is best fit for providing quality service towards policyholders. Through the implementation of CRM, the insurer gets the advantages of innovative development of product, better operational efficiency and accelerated customer satisfaction.

The customers are becoming harder to convince and satisfy. They are more demanding, price and service-conscious, less forgiving and are approached easily by competitors with similar or higher offers. This challenge is not one of merely satisfying the customers but of inventing very much delighted, loyal and committed customers.
The most popular definition of customer satisfaction/dissatisfaction is that it is a comparison of customer expectations to perceptions regarding the actual service encounter. Comparing customer expectations with their perceptions is based on what marketers refer to as the expectancy model. If customer perception meets expectations, the expectations are said to be confirmed and the customer is satisfied. If perceptions and expectations are not equal, then the expectation is said to be disconfirmed.\textsuperscript{19}

CRM has proved to be an effective tool in the quest for better customer relationships for the insurance companies. The customer generally imposes tremendous faith in the agent. The clarifications regarding the customer’s questions should be answered in a correct and proactive manner by the agent.

With customer attrition rates increasing, the primary challenge for CRM is to ensure customer satisfaction and their retention. The key to customer satisfaction is to understand the individual customer’s behaviour and predict their needs and demands. In spite of the best intentions of the organization, customer might get dissatisfied with some aspect of his experience with the organization. Levels of dissatisfaction can range from displeasure to anger.\textsuperscript{20}

To ensure higher impetus on CRM initiatives, sales force automation is of great help. All routine data entry tasks are automated or outsourced. Online access to all required data and information helps sales people obtain current information as and when they require. This results in integration of both front end and back-end data.
With intense competition and declining customer loyalty in the insurance industry, the insurers have also to address not only the prospective and existing customers but also the lost ones as the distinct target group for their CRM initiatives through carefully planned revival programmers.

Many insurers have obtained the benefits of CRM. They have pleased the customers and retained them with their newly designed products, gained repeated purchases of the insurance products and increased profitability. Insurance companies need to focus on customer driven policies to satisfy the diversified needs of policyholders in the best possible manner. LIC of India depends on the technology for carrying out the routine tasks like online payment, online claim settlements, e-business and internet marketing.

E-CRM is an online customized approach to interact with the prospective and existing customers. It helps to understand, estimate and manage customer needs quickly. It reduces the costs of customer operations. But, implementation of e-CRM needs suitable infrastructure requirements on the web by the insurer.

Insurers who are entering the market and are offering different innovative products, have to give more importance to CRM. The life insurance agents also have to play an important role in building up the relationship with the policyholders. Relationship management is a suitable strategy for better taking care of the customers. CRM has got an integrated approach, which helps the manager, the agent and other officials to understand the present status of clients to facilitate smooth and continuous flow of information and
timely care of the consumer. Relationship management is the key factor for the success of an organization as it is instrumental for constructing a strong and supportive team of loyal customers.\(^{21}\)

**4.5 CUSTOMER SERVICE**

Customer service is the main key of insurance business. It is an attitude and a series of organized behaviour aimed at delivering measurable satisfaction and delight to customers. The customer has to play an important role in knowing his rights and obligations towards the purchase of insurance products. For this, the consumer has to get both pre and post-sale services from the insurers.

Customer service is the essence and heart of insurance business. Though it is not at all a new word in the business world, the new thing is the way customers are now treated by the organization. So the importance of serving customer is of utmost importance in the ever-increasing, ever-changing and highly competitive business scenario. Many studies have proved that retaining a customer is four times cheaper than acquiring a few. LIC of India had issued credit cards to the policyholders. The policyholders can make payment of premium to the corporation with the help of the credit card. This practice was also taken up by some private insurers. Many insurance companies are also making payments to policyholders through National Electronic Fund Transfer (NEFT) and Electronic Clearing Service (ECS) to ensure speed and safety of funds. Through the Key Performance Indicator (KPI), an insurer can give necessary information to the insured immediately.
Automated modes like ECS or standing instructions through a credit card ensure that the customer undertakes limited effort and decreases the risk of lapse for both the customer and the insurer. Use of mobile phones for remittance of insurance premium is likely to be a reality soon.  

LIC of India had satellite offices across the country to link up the branch network with the Head Office. As a result, the corporation took up the expansion of improved customer service even to rural areas. Now all customers can transfer insurance payments through any ATM terminal anywhere in the country. The private players are also providing services beyond their boundaries. Through call centers and touch points, the insurers are serving the customers better. With the advent of the information technology, e-mail and mobiles have also resulted in faster and safer customer services at a touch of the button.

The Government of India is taking steps for giving the unique identification number to Indian citizens. LIC of India had agreed with the authority to provide verification services wherever necessary for a certain fee of the policyholders. It helps prevent insurance fraud by colluding with hospitals and diagnostic centers. The IRDA is also planning to establish insurance fraud prevention authority for reducing the problem of insurance fraud. Another facility by the insurer to the policyholder is the establishment of cheque boxes at various counters like malls, ATM centers, etc. The cheques of the policyholders are collected through these centers and the same will be deposited in the
insurers’ accounts. The philosophy behind all these initiatives is to ensure total satisfaction of the consumer.

Treating the Customer Fairly (TCF) is a new management initiative that looks beyond mere customer satisfaction. It is a technique in which the gap between the customer’s desire and what he gets from the insurer actually is reduced. It helps to gain the confidence of the customer. Every customer will be treated fairly by the insurer. It helps improved customer loyalty, increased customer satisfaction and improved goodwill. TCF ensures maintenance of satiated customers and results in the long-term sustainable growth of the Indian life insurance industry.

The technology has also been used for providing customer services right from the proposal to the settling of a claim. The technology includes mobile, internet and electronic transfer. This increased the geographical spread of the business across the globe. Renewal of follow-up services like timely reminders, renewal notices and facility to renew policies are also initiated by the insurers to build-up strong renewal mechanism.

Customer Due Diligence (CDD) is another management technique, which helps the insurer to identify customer identity and verifying the beneficial owner. The insurers should apply CDD measures for determining the risk aptitude depending upon the type of customer, business relationship or transaction.

4.6 CLAIM ACTIVITY AND MANAGEMENT

The crux of every insurance activity is the elimination of risk and substitution of certainty for uncertainty. It helps in substituting risks with the costs of buying and
maintaining insurance policies. Insurance gives the insured a kind of peace of mind since he is assured of making up the loss in the event of such uncertainties in life. Unless the insurer has the ability to respond to claims, the whole purpose of insurance is defeated and becomes meaningless.

A claim on the policy is a demand on the part of an insurer to fulfill a promise committed to while writing the contract with the life assured. The fairness with which the claims are settled reflect the level of services the company provides to its customers which contributes significantly to customer satisfaction.

Careful management of claim settlement is of paramount importance to the success of an insurer. Reluctant claims settlement brings with it public ill will which may take years to overcome. Often negotiation with the claims department is the only direct contact that the insurance buyer has with the insurer. A bad impression received on that contact may result in the loss of business, court action, regulatory censure, or even suspension of the right to carry on business. On the other hand, an overly liberal claim settlement policy may ultimately result in higher rate levels and loss of business to competitors charging lower premiums.

A claim management transition is required to move to higher levels of speed and correctness in claim settlements, with sensitivity to the realities on the ground and customer distress at the time of loss. Claim time for the insured is a time for emotional and financial distress.
Claims processing is of vital importance and it has to be handled with utmost care for the elimination of fraud. It is also a complex process, which depends on the nature and type of insurance. Fraud is one of the biggest threats affecting an insurer and the insured. It occurs, when one of the parties gains undue benefit. As a part of claims process, an insurer has to identify the fraudulent cases. An insurer also recognizes the agents of suspicion, the types of losses and also predicts possible frauds. Effective fraud controlled claim process is very important for both insured and insurer. It is necessary for the insurers to reduce fraudulent claims to retain reputation.

Establishing a fraud prevention authority is an imminent need of the regulator and unless the insurable population is catered with right products in the right way, it would not be possible to enlist the new customers or to retain the existing customers. There is a need to quickly put an end to the hit-and-miss trends in insurance claims through a steady and progressive consumer education about the ills of fraudulent tendencies. There is absolutely no doubt that despite all the efforts taken, the average levels of understanding the insurance contracts are still a way behind what is desirable. There is a role for all the stakeholders in achieving higher success in this regard.25

The policies should be written in plain English in order to spread insurance awareness amongst common public. Plain English is a style of communication that focuses on putting across the content concisely and clearly. Only simple words should be used keeping the layman in mind. Life insurers charge lower premium for riders. But they are not sold exclusively. They are to be attached with the main insurance policies.
4.7 MATURITY AND DEATH CLAIMS

The claims were generally categorized into two classes, i.e., maturity and death claims. The maturity claims had to be settled at the time of maturity. The lump sum amount paid at the maturity date included the sum assured and also an accrued amount of bonus. The insurer normally dispatched advance intimations to the insured. The company was expected to make payment on the maturity date. Post-dated cheques were normally sent to the policyholders in advance. Maturity claim was payable under endowment type of policies including money back policies. The life assured should be alive on the date of maturity. The policy schedule provided for the payment of the maturity claim to the life assured or the assignee. Settlement procedure in a maturity claim was simple. After the receipt of the completed and stamped discharge voucher from the person entitled to the policy money along with the policy documents, claim amount will be paid by the insurer direct to the account of the policyholder.

Death claims occurred before the expiry of the term of the policy and on the death of the insured. At the time of death claims, the nominee should submit all the necessary documents to the insurer. Death claim was payable under all policies. The death of the life assured must occur before the end of the policy term. The premiums should have been paid up to the date of death or for at least three years. This was privilege offered by the insurer to the claimant in appreciation of the long association of the life assured with the insurer. The LIC of India is following this practice. The objective of this privilege
was to pay the full sum assured in certain cases, even if the premium was not paid up to the date of death.26

Under section 108 of the Indian Evidence Act, 1872, if it is proved that the person has not been heard of for seven years by those who would have naturally heard from him had he been alive, the presumption of law is that he is dead. His heirs can apply to the appropriate civil court and get a court order declaring that the life assured might be presumed to be dead. The date of the court’s order is taken as the date of death and a claim is payable by the insurer.27

In case of more than one person claimed to the policy money, it is called a rival claim. The insurer may advice the rivals to approach the court for resolution of the rivalry. The claimants should move the court within 15 days. The insurer had to wait till the court passes an order of resolution and also for payment.28

4.8 CLAIM REPUDIATION

Insurance is a business of collecting premiums and settling claims. In claim process, an insurer had to give support to all valid claims. At the time of selling an insurance policy, an insurer had to take correct information relating to the proposer’s health and financial conditions. Based on the information, the insurers have to decide the particular category of risk, the coverage amount and the premium accordingly. At the time of claim stage, if they find suppressed information, it may lead to rejection of the claim. The insurer should list out the genuine claims and settle the same immediately. Further, an insurer has also to publicize the reasons for repudiation of claims.
A proper and quick processing of a genuine claim goes a long way in building the reputation of the insurer while an indiscriminate repudiation is bound to affect its goodwill. A reduction in fraud levels resulted in decreasing the false claim payments. It is important that insurance selling process is transparent and educative for the customers. But, the policy may be invalid due to the misrepresentation or suppression of material facts by the insured at the time of submitting claims. The repudiation of a claim had to be considered by an insurer on the merits of the lapses of information given in the proposal form.

The larger the number of products and variants, the more confused is the customer. Any misunderstanding can result in disappointment and consequent rejection of a claim. Buying insurance products is complicated and mostly confusing to the customer. But, it is the responsibility of the customer to understand the provisions of his insurance policy.

The main responsibility of the claims department was to distinguish between the valid and invalid claims fairly. Section 45 and 47 of the Insurance Act, 1938 enabled the insurer to repudiate the claims as and when necessary. Sometimes, the claims may be repudiated on other grounds. If any of the clause or condition laid down in the policy document was contravened, then the insurer is compelled to repudiate the claim or pay the stipulated amount as per the relevant clause or condition.

It is a sad state of affairs that the claims of the insured persons were often deliberately and intentionally repudiated under the pretext of non disclosure of pre-
existing diseases. It was necessary that more care is taken at various levels while a claim was repudiated. In order to achieve this, it is desirable to put in place various layers of operational hierarchy before repudiating a claim. There is always a provision in the insurance organization to review the repudiated claims. The review may result in admitting the claims repudiated earlier. If the review also confirms the repudiation, the claimant has to be advised that it was not found possible to make the payment of the claim. The claimant can approach the grievance redressal machinery first, before he goes to the court of law.  

The approach of the insurers in the matter of repudiation of claims should be one of extreme care and caution. It should not be dealt with in a mechanical and routine manner. While legally, insurance companies were absolutely right in repudiating claims based on documentary evidence, morally they owed a duty to the customer’s family. Ability to keep repudiation to the absolute minimum is a key to business success in the changing insurance environment. On the whole, it is understood that the total number of claims repudiated or pending is less than five per cent in LIC of India and for the private sector it is over 15 per cent.

**4.9 BENEFITS PAID**

The benefits payable to the customers by the life insurers at different points of time during the policy period include the payment of survival and annuity benefits. It includes surrender amounts also. The profitability, the trust and the quality of customer
service rendered by an insurer are clearly influenced by the benefits payable to the customers.

Survival benefits are payable under money back policies. The life assured should be alive on the date on which the survival benefit is payable. If a policy is assigned, the assignee can receive the survival benefit though the life assured is alive.

Annuity payments are also made by the insured depending on the type of annuity and the mode of payment of annuity selected by the annuitant. Depending upon the structure of insurance product, the benefit payment arises.

The major point in surrender of a policy is that the policy is cancelled before the happening of an insured event. The accident and disability benefits as per the conditions mentioned in the policies are also to be paid by the insurers to the customer. Further, the critical illness benefit is also paid to the customer as a lump sum amount on the diagnosis of specified diseases.

4.10 COMPLAINT MANAGEMENT

One of the major ethical concerns faced by the insurance industry today was that of misconduct. It gave rise to a plethora of complaints which not only caused monetary loss to an insurer but also resulted in the loss of trust, reputation and brand image. Personal interactions and home visits were considered to be customer friendly in some parts of the country. The complainants not only wanted quick resolution but also satisfactory results and therefore, customer voice was given importance in the process
resolution. No error attitude and complaint management leads to higher customer satisfaction and patronage.

Establishment of a grievance redressal cell by IRDA is a right initiative by the regulator towards the protection of consumer rights. This Cell plays a facilitative and suggestive role by taking up complaints with the respective insurers. An effective complaint management system enhances customer satisfaction by creating a customer-focused environment that receives and attends to complaints and is open to feedback. Such a system helps the organization to improve its services towards customers. IRDA had also implemented an online Integrated Grievance Management System (IGMS) which provided a way for policyholders to register their complaints with the insurers. The complaints were submitted to the regulator’s repository and updating and status of regulator’s system was performed.

4.11 PROTECTION OF POLICYHOLDERS’ INTERESTS

Rendering efficient services and protecting the interests of the customer had been in the limelight world over. There had been an increasing emphasis on being fair to the customer, irrespective of the type of business that one pursues. Regulation of insurance had a beneficial effect on the institution by destructive practices arising from competition within the industry. IRDA (Protection of Policyholders’ Interests) Regulations, 2002 exclusively dealt with the matters to be stated in a life insurance policy and include other important items for protecting the interests of the policyholders. When a new policy is issued, insurers must advise the insured to read it in order to make sure that the cover granted conforms to his or her wishes. It is also necessary to pay attention to
endorsements. In some cases, they should override the more general provisions in the policy itself. The protection of policyholder regulations had played a very significant role in maintaining the interests and response to policyholders’ needs. It has helped in bringing transparency in transactions between insurers and insured in the sales process, documentation, service levels and grievance redressal. A life insurance policy clearly states the name of the plan, basis of participation, benefits payable, details of riders, date of commencement of risk, premiums payable, age at entry, provisions for nomination, assignment, loans, surrender and any other special cause relating to the policy. In the process of sale, the insurer or an agent or an intermediary shall act according to the code of conduct prescribed by the Regulatory Authority, the Life Insurance Council and also the recognized professional bodies or associations of agents or intermediaries. A life insurance company, upon receiving a claim, shall process the claim without delay. Any queries or requirement of additional documents shall be raised all at once and not in a piece-meal manner within a period of 15 days of the receipt of the claim.

A claim under a life policy shall be paid or disputed giving all the relevant reasons, within 30 days from the date of receipt of all relevant papers and clarifications required. When there is a delay on the part of the insurer in processing a claim, the insurer shall pay interest on the claim amount at a rate, which is two per cent above the bank rate. Any breach of obligations by an insurer or insurance agent or insurance intermediary may enable the regulator to initiate action against each or all of them jointly or severally. The IRDA reviews the functioning of the insurance company, from time to time, through inspections, meetings with the chief executives and chief finance officers,
the appointed actuaries and other senior officials, to form a view of compliance and how risk issues are being readdressed by the insurer.\textsuperscript{34}

4.12 CUSTOMER RELATIONSHIP MANAGEMENT IN SERVICE INDUSTRY

Relationship building with customers is now accepted as an over-riding goal of marketing and of the business as a whole. In service industries, the goal is especially emphasized since a repeat customer is believed to cost merely a fraction of what needs to be spent in servicing a new customer in service transaction. It is believed that relationships flourish when marketers play by the book, meet customers’ core expectations and exceed in respect of other features of their total offering.

Customer relationship management is well adopted by service organizations and they pioneered in utilizing it to the optimum extent\textsuperscript{35}. In reality, often products fail to meet the requirements and expectations of the customers resulting in subjective and or objective complaints. The phenomenon is more likely in services where the product is essentially intangible and variable services offer only a limited scope of quality correction before they reach customers. As per a preliminary estimate, the intensity of complaint is twice greater in a service industry than in comparison to product based service. Marketers of either goods or services were constantly reminded to make amends for any disappointment to the customers and resolve customers’ complaints. The negative word of mouth mentions emanating from the customer’s complaint is far more damaging and widespread than the recommendations of the satisfied customers.

A competitive environment has always made business to change and improve its process of working. After Manufacturing Resource Planning (MRP), Total Quality
Management (TQM), Quality Function Deployment (QFD), Electronic Data Interchange (EDI), Business Process Reengineering (BPR), Enterprise Resource Planning (ERP), Supply Chain Management (SCM), the next three letter mantra which has rewritten the marketing lexicon by driving a paradigm shift from a traditional transactional marketing to web enabled interactive relationship marketing is customer relationship marketing (CRM). In the recent years, the use of customer relationship management (CRM) had become a knowledge management (KM) tool that has fast become prevalent in sectors such as the telecommunication, finance and banking industries. The objectives of CRM would be achieved and benefits reaped by those businesses which can clearly distinguish between the old concepts of customer satisfaction to the newer concept of customer delight. Thus, achieving competitive advantage in services requires integration of services marketing with service delivery to meet or exceed customer expectation.

4.13 CUSTOMER ACQUISITION

Customer acquisition is the major objective of all the organizations. Different organizations provide services in order to increase their customer database. Customer acquisition strategies focus on various insurance products. The sources of input for acquisition include enquires, former customers, competitors, customer referrals, existing buyers, competitor’s former customers and so on.

4.13.1 Acquisition Sources

Every organization concentrates on getting more and more customers for their products and service by utilizing different strategies. Some of the major sources on which organization focus their attention are suspects, enquires, lapsed customers, former
customers, competitors, customers, competitors’ enquires, competitors’ lapsed customers, referrals existing and so on.

4.13.2 Managing Customer Acquisition and Retention Strategies

The suspects are the most important segment, who has the real potential to become prospective customers. Proper response to the enquiries, following a focused approach will result in customer acquisition. Identifying and rectifying the reason for lapses will help to recover the lapsed customers.

4.13.3 Approaches to Acquisition

Every organization tries to attract as much customers as they can for their products or services. Organizations follow acquisition strategies such as focused approach, integrated communication, customer interaction management (CIM) and consumer behaviour approach.

4.13.4 Focused Approach

Organizations are more focused towards people who can be categorized as knowers and preference is given to convert them into prospective customers. The former is that group, which knows only about the existence of product without any preference, while the latter has some preference, but not acted on it.

4.13.5 Integrated Communication

An organization should have an open and interactive communication with the prospective customers. It instills confidence in the minds of customers and helps to move them into acquisition.
4.13.6 Customer Interaction Management

Interaction plays a lead role in building customer relationships. Customer interaction management constitutes the customer relationship technologies with additions of technology-based interactive solutions. The customer interaction management stands for intensive interaction between customers and organizations, which is supported by technology enabled mechanisms such as:

i. Online interaction tools such as Interactive websites, e-mails, web communications, chat rooms and others.

ii. Offline interaction tools: such as telephones, fax, face to face interaction, interactive television network and others.

Customer interactive management requires customer database, profiling of the customer database and internal system of audit. Electronic data interchange helps to establish customer interaction management for transmitting information in a B2B environment (Business to business) and B2C environment (Business to customers).

4.13.7 Consumer Behaviour Approach

Companies also undertake research on consumer behaviour to identify the behavioural patterns of the customers. The likes and dislikes of the customers are identified and the organizations can focus their attention on providing more value-added service to attract customers and influence their behaviour to convert them into loyal customers of the organizations.
4.14 FACTORS IN ACQUISITION

4.14.1 Customer Retention

Customer retention is the process of keeping customers in the customer inventory for an unending period by meeting the needs and exceeding the expectations of those customers. Retaining customer is more important than of attracting the new customers, because the cost of servicing existing customers is less than the cost of providing services to new customers. Customer retention enables a long term relationship of mutual benefit, both to the organization and to the customer concerned. Customer retention speaks about customer loyalty where focus is on an emotional and committed relationship with the organization. Customer retention is the approach of converting casual customers into committed loyal customers.

4.14.2 Retention Strategies

Retained customers are the real assets of an organization, who help in spreading the goodwill of the organization. This helps in acquiring new customers to increase customer inventory. Hence, organizations are concentrating on retaining the existing customers. Customer retention minimizes customer acquisition cost. Organizations, now-a-days, are concentrating more on customer retention than acquisition. These retention strategies include competitive benchmarking, retention through satisfaction, organizational performance and data mining and others.

4.14.3 Competitive Benchmarking

Retention is targeted at the customers. Hence, it would be appropriate to ask the customers to rate the services provided by the company and based on the components
identified, the relative importance of the company with that of the competitors is measured. This helps to identify the services from the customer point of view.

4.14.4 Retention through Satisfaction

A satisfied customer tends to remain longer with the organization. Satisfaction is the state of mind that occurs when the customer feels that his expected requirement is fulfilled by what is offered by the organization. Organizations have to keep on building up their ability to continuously satisfy their target customers so as to maintain customer retention, because customers cannot be continuously retained by rendering expected level of satisfaction. Customers may change the level of satisfaction from expected to desired and further desired to existing level. Customer care programmes, which exceed customer expectation, will lead to higher rate of retention.

4.14.5 Organizational Performance

Retention strategies require an organization to be in continuous learning, learning from customers’ preference, competitors’ strategies, technology advantage, social, cultural changes, life style spending and buying patterns and so on and others. Organization having the characteristics of continuous learning can easily adopt itself to meet the customers’ need and increase their customer retention.

4.14.6 Data Mining

Data mining refers to the analysis of data to generate useful and meaningful information. This information can then be used for initiating marketing actions like special promotions and loyalty programmes. Data mining helps to execute customer strategy in an organization with an ultimate goal of lower cost, higher revenues and
profits. The primary objective of data mining is to attract new customers and retain existing ones. Banks, credit card companies, telecom companies and retailed chains among others are major believers in data mining.

4.14.7 Effective Complaint Management

An organization must have effective complaint management systems. The efficiency involved in managing complaints will have an impact on the retention of customers. The complaint management system should focus on maximizing satisfaction, while minimizing the response time. Careful handling is required to deal with unexpressed or unregistered complaints since it leads to customer attrition.

4.14.8 Employee Retention

Companies, in order to retain loyal customers, focus on employee retention. It is believed that employees with high morale, integrity and job satisfaction will provide quality service, which will in turn contribute to retain the loyal customers.

4.15 COMPONENTS OF CUSTOMER RELATIONSHIP MANAGEMENT
4.15.1 Service Quality in Insurance Sector

Service quality is conceptualized as providing services to meet customers’ requirement, needs and their expectation of services\(^\text{36}\), which underlines the GAPS model for measuring service quality.\(^\text{37}\) Service quality is believed to have direct influence on loyalty in terms of recommendations.\(^\text{38}\).

The service quality of life insurance sector has been measured with the help of the variables identified by the previous studies which are given in Table 4.1.
TABLE 4.1
Service Quality Variables in LIC of India

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Attributes related to Service Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Reliability</strong></td>
</tr>
<tr>
<td>1</td>
<td>Performs the service at the right time</td>
</tr>
<tr>
<td>2</td>
<td>Provides the best service</td>
</tr>
<tr>
<td>3</td>
<td>Well informed about the progress of complaint</td>
</tr>
<tr>
<td>4</td>
<td>Accurate and error free billing system</td>
</tr>
<tr>
<td></td>
<td><strong>Responsiveness</strong></td>
</tr>
<tr>
<td>5</td>
<td>Promptness of service</td>
</tr>
<tr>
<td>6</td>
<td>Queries taken seriously</td>
</tr>
<tr>
<td>7</td>
<td>Quick complaint registration</td>
</tr>
<tr>
<td>8</td>
<td>Willingness to attend the personal complaint of the customer</td>
</tr>
<tr>
<td></td>
<td><strong>Assurance</strong></td>
</tr>
<tr>
<td>9</td>
<td>Friendly and polite</td>
</tr>
<tr>
<td>10</td>
<td>Adequate knowledge to handle queries</td>
</tr>
<tr>
<td>11</td>
<td>Friendly behavior instills confidence in Customer</td>
</tr>
<tr>
<td>12</td>
<td>Feel safe in customer transactions</td>
</tr>
<tr>
<td></td>
<td><strong>Empathy</strong></td>
</tr>
<tr>
<td>13</td>
<td>Easily accessible</td>
</tr>
<tr>
<td>14</td>
<td>Customer is made to feel important</td>
</tr>
<tr>
<td>15</td>
<td>Gives individual attention to each customer</td>
</tr>
<tr>
<td>16</td>
<td>Understand specific needs of customer</td>
</tr>
<tr>
<td></td>
<td><strong>Tangibles</strong></td>
</tr>
<tr>
<td>17</td>
<td>Physical facilities are attractive</td>
</tr>
<tr>
<td>18</td>
<td>Easy to Contact the employees</td>
</tr>
<tr>
<td>19</td>
<td>Materials like Pamphlets and so on. are attractive</td>
</tr>
<tr>
<td>20</td>
<td>Installation of Modern equipments</td>
</tr>
<tr>
<td></td>
<td><strong>Convenience</strong></td>
</tr>
<tr>
<td>21</td>
<td>Convenient operating hours</td>
</tr>
<tr>
<td>22</td>
<td>Easy to lodge complaints/queries</td>
</tr>
<tr>
<td>23</td>
<td>Flexibility in payment of bills etc</td>
</tr>
<tr>
<td>24</td>
<td>Simple application formalities</td>
</tr>
</tbody>
</table>
Customer Retention Management

Customer retention management, an important dimension of CRM, is the process of keeping customers in the customer inventory for an unending period by meeting the needs and expectations of the customers. The important features of customer retention management are as follows:

The insurance sector in order to achieve success in its attempt of retaining customers should be a learning organization. A learning organization can easily adopt itself to meet the growing requirements of the customers and thereby, retain customers for a long period. Insurance industry should learn from the point of view of customers’ preferences, competitors’ strategies, technological advances, social, cultural changes, lifestyle, spending and consumption patterns and the like.

The insurance sector should assume the characteristics of a market leader. Usually, customers fall in line with market leaders more easily, in view of the advantages they would gain from those market leaders. Insurance industry should be more innovative. Innovation in terms of each component of marketing mix, relationship-building methods, incentive and rewards would be more helpful to retain customers. The insurance industry should evolve effective customer care programmes, which provide personalized care to all customers and would lead towards effective customer retention and. The insurance sector must have effective complaint management systems. The effective management of complaints has impact on retention rate of customers.

The industry should develop the culture of total employee involvement towards providing total satisfaction to customers. Total customer satisfaction would help to
maintain customer retention. Insurance industry should be customer-centric, it must look at the business through its customers’ view point and operate as a customer driven organization. Insurance industry should encourage all employees towards active listening to customers. To encourage active listening insurance can depend on technology and can go for call centers, answering 24 hours customer response centers and so on. Insurance should give importance to customer segment specific strategies, which would focus attention of specific requirements of each segment. This would improve customer retention. Insurance should empower employees for improving customer satisfaction and to take corrective measures, wherever necessary. This will enhance customer retention. In the present study, the customer retention at Life Insurance Corporation of India is measured with the help of 13 variables. This can be seen vide Table 4.2 below.

**TABLE 4.2**

**Customer Retention at LIC of India**

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Attributes Related to Customer Retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>High Tech Services</td>
</tr>
<tr>
<td>2</td>
<td>Understanding the customer need</td>
</tr>
<tr>
<td>3</td>
<td>A System developed to attend customer complaint</td>
</tr>
<tr>
<td>4</td>
<td>Customer centric approach</td>
</tr>
<tr>
<td>5</td>
<td>Market leader in strategies and practices</td>
</tr>
<tr>
<td>6</td>
<td>Effective Employee involvement</td>
</tr>
<tr>
<td>7</td>
<td>Subdivision of customer based on their needs</td>
</tr>
<tr>
<td>8</td>
<td>Value added services</td>
</tr>
<tr>
<td>9</td>
<td>Low charges</td>
</tr>
<tr>
<td>10</td>
<td>Customer empowerment</td>
</tr>
<tr>
<td>11</td>
<td>Information about the products to the customer</td>
</tr>
<tr>
<td>12</td>
<td>Customer meet</td>
</tr>
<tr>
<td>13</td>
<td>Learning organization</td>
</tr>
</tbody>
</table>
4.15.3 Customer Satisfaction in LIC of India

Customer Satisfaction has been recognized in marketing and practised as a central concept as well as an important goal of all business activities.\textsuperscript{42,43 & 44} It has been defined that, “customer satisfaction is a summary of psychological state when the emotions surrounding disconfirmed expectations are coupled with the consumers prior feelings about consumption experience.”\textsuperscript{45} They suggested that the customer satisfaction is influenced by service quality, product quality and cost. Overall satisfaction refers to the customers rating on a particular event based on all dimensions and experiences.\textsuperscript{46} The customer satisfaction on the service offered by the provider has been measured by few or more variables, depends upon the industry.\textsuperscript{47 & 48.}

The customer satisfaction in the present study is measured by the given statements in Table 4.3.

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Attributes Related to Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>People Service</td>
</tr>
<tr>
<td>1</td>
<td>Easy to Contact the insurance company</td>
</tr>
<tr>
<td>2</td>
<td>Quick response to calls and questions</td>
</tr>
<tr>
<td>3</td>
<td>Easy billing</td>
</tr>
<tr>
<td>4</td>
<td>Speedy incorporation of policy changes</td>
</tr>
<tr>
<td>5</td>
<td>Fulfillment of promise</td>
</tr>
<tr>
<td></td>
<td>Claim Service</td>
</tr>
<tr>
<td>6</td>
<td>Ease of claim process</td>
</tr>
<tr>
<td>7</td>
<td>Quick settlement of claim</td>
</tr>
<tr>
<td>8</td>
<td>Fairness of claim settlement</td>
</tr>
<tr>
<td>9</td>
<td>Ways to reduce problems that might lead to claims</td>
</tr>
<tr>
<td>10</td>
<td>Grievance settlement is convenient to the Policyholders</td>
</tr>
<tr>
<td></td>
<td>Premium/Policy</td>
</tr>
<tr>
<td>11</td>
<td>Payment of Premium</td>
</tr>
<tr>
<td>12</td>
<td>Explanation of premium cost</td>
</tr>
<tr>
<td>13</td>
<td>Premium demand notice issued for each and every premium due date</td>
</tr>
<tr>
<td>14</td>
<td>Policy documents are delivered without delay</td>
</tr>
<tr>
<td>15</td>
<td>Intimation of status position of the policy are received by all policyholders</td>
</tr>
<tr>
<td>16</td>
<td>Procedure related to transfer of policy is convenient</td>
</tr>
</tbody>
</table>
4.15.4 Customer Loyalty

Customer loyalty refers to a strong favourable attitude towards a particular brand and also leads to repeated purchase of the same brand. Customer loyalty is the relationship between relative attitude towards an entity and repeat patronage behaviour.

4.16 CRM MEASURES ADOPTED BY LIC OF INDIA

LIC of India has been one of the pioneering organizations, which had introduced the leveraging of information technology in servicing its business. The various CRM measures adopted by LIC of India are:

4.16.1 Front End Operations

With a view to enhancing customer responsiveness and services, LIC of India started online services to policyholders, which enabled them to receive immediate policy status report and prompt acceptance of their premium and to get revival quotation and loan quotation on demand. With the successful implementation of front-end operations in all the 2048 branches of the Corporation, the focus had shifted to provide various value added services to policyholders at no extra cost.

4.16.2 Net Working

With a view to make available information about their policies to all locations of LIC of India, the concept of networking of branches through Metro Area Network (MAN) and Wide Area Network (WAN) had been adopted and connected to all branches all over the country.
4.16.3 Green Channel

This is a fast track for new business completion wherein processing time for completion and issue of policy bond is brought down from days to minutes by cutting down the various processes in acceptance, scrutiny and underwriting of proposals.

4.16.4 IVRS

Interactive Voice Response System (IVRS) is an automated telephone service whereby the customer can get the information about his policy such as premium due, bonus, loan eligibility etc., on the telephone. This information can also be faxed on demand to the policyholders.

4.16.5 Premium Payment over Internet

LIC of India has tied up with various banks and service providers for collection of renewal premiums. The system is fully automated and relies on the internet to trigger a chain of transactions and processes within LIC of India and the tie-up partners which ultimately results in the premium amount being debited from the policyholder’s bank account and being transferred to LIC’s account. LIC of India has this arrangement with Corporation Bank, UTI Bank, Bank of Punjab, ICICI Bank, Timesofmoney.com and billjunction.com.

4.16.6 Policy Status over the Internet

The policyholder can register for the policy status over Internet at LIC website www.licindia.com and view their policy particulars any time of the day from anywhere in
the world. The site has an option where the policyholder can send emails automatically to the Divisional Offices/Branches that service his policy. The website contains further facilities like premium calculation, plan particulars, bonus rates, information about the organization, contact addresses and so on.

4.16.7 The Info-Centre

A 24-hours customer-user friendly info centre had been built on the lines of call centers, where any policyholder can collect details on the personal policies, information on products and premium calculation and any other relevant information by just making a phone call.

4.17 SUMMARY

The chapter defines the concept of CRM in LIC of India. It is a philosophy to build a lasting relationship the organization has with the customers. In a globalised insurance atmosphere, an organization can survive only with customer centric strategies. The new generation companies seek the aid of technology, and also get the staff trained properly in order to capture the market. Profit maximization is the main objective. The biggest beneficiary is the customer. Implementation of CRM technology amounts to an understanding of the customer profile through contacts surveys. The chapter also covers the various components of CRM such as service quality, customer loyalty, customer retention and other CRM strategies accepted and projected by the LIC of India. The perception of the policyholders, employees and agents are discussed threadbare in the following chapters.
REFERENCES


