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Customer Relationship Management - A Study With Reference to LIC

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ABSTRACT

The globalization of markets has been one of the major business developments. The pressure of global competition impacts every domestic market as well as international markets. Market places are transitioning to demand–side approaches with a focus on customer needs and wants. Customer Relationship Management (CRM) thus should assume a central role in the marketing management of global products and services.The market of today is not the same as in the middle of nineteenth century. It has been a long process of development with different ways of selling. In the 1850s many companies were able to sell everything produced and the strategy was production orientated. About 50 years later, the market opened for competition and companies needed to change their strategies. When the customers suddenly needed reasons to buy the products, companies became sales orientated. Later, in the 1950s the focus for business was to find a marketing orientation where the produced products could satisfy the consumer needs. This strategy later on changed its focus over to customer-centric orientation. With this strategy a company may focus on treating all of their customers individually shifting from managing a market to managing a unique customer (Bose, 2002)1. The development that refers to relationship creation has been ongoing during many years but the term "Relationship Marketing" was not stated until late 1980s (Gronroos, 2004)2.

KEYWORDS

In the mid-1990s many industries experienced customers' beginning to require more and better services. To reach these increased demands the corporation thought of new ways to provide service with higher quality. This became the beginning of "Customer Relationship Management" (CRM) (Smith 2006)[3].In the end of the 1990s the concept of CRM grew for a number of reasons. One of the reasons was Information Technology (IT), a foundation for CRM which continues to become more and more sophisticated. The increased number of international customers as a result of extensive globalization was another (Bull 2003). With a larger amount of customers across the world, as well as better ways to keep track of their interests, CRM became strategically possible.(Light, 2003). One major cause was also the software companies that saw a market for CRM systems and therefore started to promote them (Peelen 200)[4].

Customer Relationship Management is "an enterprise wide business strategy for achieving customer - specific objectives by taking customer specific actions". (Peppers and Rogers 2004)[5].CRM is a integration of technologies and business processes used to satisfy the needs of customer during any interaction (Bose 2002) [6].CRM is defined as "attracting, maintaining and enhancing customer relationship". It focuses on the lifetime value of the customer instead of the individual translation. It contracts on retaining and improving current customers, more than acquiring new ones. Customers have become more individualistic, quality conscious and impulsive in their buying behavior. The service organization which wants more than one-off sales has to nurture the relationship with the existing customers. Various international studies have proved that retaining existing customers, and building loyal repeat buyers, costs only one-fifth as much as acquiring new ones.

In today's hyper competitive scenario more than three quarters of the money and time spent by companies go towards acquiring and retaining customers. Customer - centricity has become the buzzword and the ones with clear and relentless focus on customers, enjoy a better competitive position.

The service sector has become a key player in many economies. When one examines the structure of the developed and developing economies over the past 20 years, the most striking features is the growth of the service sector and the relative decline of the manufacturing sector (Appendix, A (1)) since the services sector forms a very substantial portion of the GDP of developed and developing economies, increased attention to the application of marketing in the services sector has emerged. Because of the inherent nature of the services sector which is characterized by intangibility, heterogeneity, inseparability and variability, the most appropriate approach to market the services would be by building genuine relationship with the customers. Since customer relationship management ideally suits the salient characteristics of services, it has become the forerunner in marketing practices at present. Among the service organizations, Life Insurance Corporation of India can be considered as the largest one that caters to the needs of the people belonging to all sections of society.

Insurance is basically defined as a financial agreement that redistributes the cost of unexpected losses. Today, it stands both as a service and industry in its own right.

Insurance in any economy is regarded as a pillar of growth and works as a catalyst in the overall development of the economy. The industry always remains the source of long - term funds, which are vital for the development of basic infrastructure of a country. The insurance industry helps in giving to the debt and capital market and also vitalizes the market for government bonds.

According to report from Indian Infoline (January 2004), India has the highest number of life insurance policies in force in the world. The industry is pegged at Rs. 400 billion in India. Gross premium collections stand at 2 percent of the GDP and this has been growing by 15 to 20 per cent per year from the life insurance corporation of India (LIC) and government-owned insurers.

History of Insurance Sector

The General insurance business in India, on the other hand, can trace its roots to the Triton Insurance Company Ltd., the first general insurance company established in the year 1850 in Calcutta by the British.

The Insurance sector in India governed by Insurance Act 1938, the Life Insurance Corporation Act, 1956 and General Insurance business (Nationalisation) Act, 1972, Insurance Regulato-

ry and Development Authority (IRDA) Act, 1999 and related Acts. With such a large population and the untapped market area of this population insurance happens to be a very big opportunity in India. Today it stands as a business growing at the rate of 15-20 per cent annually.

The Insurance Regulatory and Development Authority 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 number 277. The key objective of the authority is to promote market efficiency and insure consumer protection

The nature of LIC has altered and progressed as a result of a combination of changes in the market place relating to the legislative, economic, technological and social environments, which effect both personal and corporate customers. As a result, the customer relationship management concept has increasingly become relevant and important for the life insurance corporation of India. A challenge to the LIC is to own a relationship with the customer and use this as a competitive advantage.

Since the liberalization of the industry, the Insurance industry has never looked back and today stand as the one of the most competitive and exploring industry in India. The entry of the private players and the increased use of the new distribution are in the limelight today. The use of new distribution techniques and the IT tools has increased the scope of the industry in the longer run.

All around the world, one of the major issues exercising senior managers of insurance companies and banks is the convergence of banking, insurance and other financial services. The convergence and blending of the different elements of the retail financial services industry has enabled by many recent technological developments, not the least of which is the internet.

After telecom and banking, it is the turn of insurance companies to deploy customer relationship management solutions. As competition intensifies, insurers are trying every trick in the book to retain existing customers, with a wide range of services driving the market for CRM applications in the process, says Akhtar Pasha[7].

Today the focus is on selling more products to existing customers to improve profitability. Customer - focused strategies require CRM (customer relationship management) to help require customers thorough various touch points and translate operational data into actionable insights or proactively serving customers.

The insurance companies today must adopt personalized approach for handling the customer. Today, in the very competitive environment managing the customer intelligently is very critical for the insurer. Companies need to apply different set of rules and treatment strategies to different customer segments. However, to personalize interactions, insurers are required to capture customer information in an integrated system.

Application of Information Technology in Insurance Sector

There is an evolutionary change in the technology that has revolutionized the entire insurance sector. Insurance industry is a data-rich industry, and thus, there is a need to use the data for trend analysis and personalization.

With increased competition among insurers, service has become a key issue. Moreover, customers are getting increasingly sophisticated and tech-savvy. People today don't want to accept the current value propositions, they want personalized interactions and they look for more and more features and add ones and better service.

The insurance companies today must meet the need of the hour for more and more personalized approach for handling the customer. Today managing the customer intelligently is very critical for the insurer especially in the very competitive environment. Companies need to apply different set of rules and treatment strategies to different customer segments. However, to personalize interactions, insurers are required to capture customer information in an integrated system.

With the explosion of Website and greater access to direct product or policy information, there is a need to developing better techniques to give customers a truly personalized experience. Personalization helps organizations to reach their customers with more impact and to generate new revenue through cross selling and up selling activities. To ensure that the customers are receiving personalized information, many organizations are incorporating knowledge database-repositories of content that typically include a search engine and lets the customers locate the all document and information related to their queries of request for services. Customers can hereby use the knowledge database to manage their products or the company information and invoices, claim records, and histories of the service inquiry. These products also may be able to learn from the customer's previous knowledge database and to use their information when determining the relevance to the customers search request.

Customers Grievance Redressal

The corporation has established grievance redressal machinery at branch /divisional/zonal central office to redress the grievances of the policy holders promptly. The concept of customer relations management (CRM) has been integrated in our 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 complains received by them directly from the policy holders, agents etc, besides attending to complaints formulated to them by other officers and government agencies. These cells are manual by officially trained personal, i.e., customer relationship executives (CRE) in the branch offices and customers relationship management (CRM) in the divisional level. The positions and roles of the CRM of the divisional level and the CRE at the branch level have been created to champion the cause of the customer inside the organization as customer representatives.

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