Implementation of CRM Processes in Life Insurance Sector: A Customers' Perspective Analysis

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Abstract

At the turn of the 20th century most of the commercial establishments knew who their customers were and also understood their individual needs. Accordingly, these organization fulfilled the aspirations and expectations of the customer individually and maintained the relationships and loyalties with the advent of mass marketing, customer relationship become distant. The technological advances have helped to track the relationship with the customer and also given the information to analyze the changing needs/profile of the customer. The life insurance players are struggling to maintain a good customer relationship due to lack of personalization of services, lack of transparency in claim settlement, poor designing polices and poor service quality. CRM processes represents the steps involved in Customer Relationship Management which focuses from customer acquisition to customer retention. The present paper makes an attempt to analyse the customers' perspective on implementation CRM processes by the Life Insurers.

Introduction

At the turn of the 20th century most of the commercial establishments knew who their customers were and also understood their individual needs. Accordingly, these organisation fulfilled the aspirations and expectations of the customer individually and maintained the relationships and loyalties with the advent of mass marketing, customer relationship become distant.

Rosenberg (2004) mentioned that CRM is the strategic use of information, processes technology and people to manage the customers' relationship with company across the whole customer life cycle. Broady-Preton et al. (2006) defined the CRM as a prospective of how value is created for customers which is commonly noticed in life insurance sector (Jawaharlal and Rath, 2005).

In the Life insurance sector, both the private and public players in India are going for higher technology adoption especially after globalization. The life insurance players are struggling to maintain a good customer relationship due to lack of personalization of services, lack of transparency in claim settlement, poor designing polices and poor service quality. The customers in the Life insurance sector are expecting not only core and value added services from the insurers but also personalized services. The customers' sovereignty is becoming the mantra for the success in the service industry.

Insurance players those are offering customized policies, personalized services and adopting CRM practices for maintaining their customer relationship are reaping benefits better than others. What makes the life insurance industry different from the other financial services is the long term nature of the relationship of the company with its customers, often lasting lifetime. The technological advances have helped to track the relationship with the customer and also given the

information to analyze the changing needs/profile of the customer.

CRM processes represent the steps involved in CRM which focuses from customer acquisition to customer retention (Sheth, 2002). It is done by building relationships with customers and adding more value to goods and services (Lindgreen and Wynstra, 2005).

Review of Literature

Dash and Mishra (2012) measured the effectiveness of E-CRM practices on customer satisfaction in insurance companies. The important effectiveness of e-CRM are brand popularity, innovation, response, relationship and security. The CRM implementation is a cost effective and time saving activity, which will provide the long range solution to the insurance players.

Pappeswari and Rajalakshmi (2013) measured the customer's view on CRM practices adopted by LIC of India with the help of customer service, working hours, settlement of claims, customer follow up, customer approach, customer care, customer loyalty, post sales services, employees attitude and service; and services though technology. There is an equal response on high, medium and low perception on CRM in LIC of India.

Ageniya and Singh (2012) identified the critical factors in CRM in Indian Insurance Sector are claim payment security, knowledge about products, personalization, transparency in product selling and service quality. Nath et al., (2009) identified the rate of implementation of CRM in the service industries increase the customer satisfaction and thereby increase the profitability of the concerns. Hu et al., (2009) found that the efficiency in the Chinese life insurance industry are increased with the help the implementation of CRM at the industry. Baluchami and Sundar, (2007) discussed the implementation of CRM in LIC of India with the help of emphasized service, teamwork at the service point, responsive

grievance redressal, fair and balanced solutions to customer needs, data warehousing and data mining, easy access to customers, tracking the customer requests, business process re-engineering, customer satisfaction and sensitizing the staffs and field personal.

Chawla et al., (2007) examined the ways of implementing CRM in Life Insurance Market. These ways are need-based selling, proper training to insurance intermediary distributor, integrated data base for customer analysis, business transaction support, delivery products and policy servicing, claims management and handling customer complaints. Fagbemi and Olowokudejo (2011) evaluated the rate of implementation of CRM strategies at banks and insurance companies with the help of customer focused services, use of information and communications technology, complaints management, high quality service, timeliness in service delivery, friendliness of employees, competitive changes on services and ease of opening accounts / taking policies. The rate of implementation of CRM strategies are higher at banks compared to the insurance companies.

Research Methodology

In the present study, descriptive research design was followed. Descriptive research as a design to explain the characteristics of the variables as it is. It is based on pre determined objectives and methodology. The determined sample size in private and public players was 570 and 268 respectively. The address of the 838 customers in Madurai district in Tamilnadu was collected from the relevant office of private and public Life insurance companies. The response rate on the questionnaire among the customers in private and public players is 72.46 and 77.99 per cent to its total respectively. Hence, the final sample size of customers from the private and public Life Insurance players is 413 and 209 respectively. This present paper is part of study on Customer Relationship Management in Life Insurance Sector in Madurai District, Tamilnadu. This paper makes

an attempt to analyse only the customers' perspective on implementation of CRM processes by their Life insurers.

Objectives of the Study

- To study the components of CRM Processes in life Insurance sector,
- To analyse the customers perspective on various components of CRM Processes in Life Insurance sector
- To identify discriminant CRM Processes among the Public and Private Life Insurers.

Framework of analysis

To analyze the primary data statistical tools such as Confirmatory Factor Analysis (CFA), Two Group Discriminant Analysis, 't' Statistics, Exploratory Factor Analysis and One Way Analysis of Variance were used to analyse the data.

Analysis of data

Implementation of CRM Process in Life Insurance Market:

The customer relationship management can be properly implemented with the help of implementation of CRM process. This CRM process consists of many sub systems namely knowledge on products, personalization, claim payment security, transparency, service quality, data ware housing and data mining; and redressal machinery (Laudon and Landon, 2004). The implementation of the sub-system results in better establishment of CRM among the insurers.

The processes related to the CRM vary from insurers to insurers. The number of processes is also not fixed in numbers since it depends upon the nature of insurance players and the requirement of their customers. Even though, there are various components in CRM process, the present study

confines it to 42 components. The customers are asked to rate these components of CRM processes at five point scale according to the order of implementation by their insurers. The mean score of each variable in CRM processes at private and public players have been computed separately. The 't' test have been used to find out the significant difference between two group of players regarding the implementation CRM processes among the insurers. The results are shown in Table 1.

Table 1: Implementation of CRM Process among the Life Insurers

Sl.No.	Components of CRM process	Mean score among insurers		t-statistics
		Private players	Public players	
1	Details on products and services	3.7308	3.1762	2.2868*
2	Provision of knowledge on insurance products	3.8144	3.2611	2.0331*
3	Updating of recent changes	3.9033	3.1082	2.8882*
4	Amendments made in the respective segment	3.9644	3.2085	2.6147*
5	Rapport with the personnel	3.9803	3.1145	2.9646*
6	Mutual understanding	3.9007	3.2446	2.7881*
7	Trust and agreement with customers	3.7886	3.0641	2.6334*
8	Experts advice	3.8168	3.1023	2.8664*
9	Provide professional service	3.9033	3.1456	2.8696*
10	Collection in product design	37664	3.3041	1.6881
11	Designing of new policies	3.8185	3.6684	0.5492
12.	Customer life time value identification	3.8084	3.1757	2.4542*
13.	Customized policies	3.8117	3.2667	2.3991*
14.	Tailor-made policies to suit the specific requirements	3.7646	3.0886	2.6091*
15.	Customer support	3.7039	3.1711	2.8174*
16.	Confident about claim payment	3.7886	3.4542	1.0996
17.	Promised service dependably	3.7941	3.3886	1.5887
18.	Accuracy in service	3.6544	3.4542	0.4019
19.	Confidence in claim to payment ratio	3.7172	3.6997	0.1774
20.	Appropriate payment of claim	3.8088	3.6544	0.3891
21.	Create positive feeling on claims and settlement of claim	3.6776	3.5889	0.2007
22.	Honesty in claim settlement	3.9036	3.1245	2.8669*
23.	Clear policies and guidelines	3.7084	3.8141	-0.8661
24.	Prompt information on changes	3.7551	3.0641	2.7804*
25.	No hidden clauses	3.8663	3.1773	2.7449*
26.	Clear description of the different term	3.8084	3.3384	2.1714*
27.	Willingness to help the customers	3.9002	3.0917	3.2408*
28.	Empathy	3.5146	3.2446	0.8696
29.	Reliability	3.6973	3.5884	0.2071
30.	Responsiveness	3.8778	3.2676	2.3994*
31.	Assurance	3.6617	3.0161	1.9968*
32.	Same valence	3.8224	3.1082	2.6447*
33.	Centralized data base	3.9086	3.0991	3.1664*
34.	Any time information on among aspects	3.8145	3.2674	2.8141*
35.	Purification of data masters	3.2144	3.3365	-0.4889
36.	Error free records	3.6673	3.5661	0.2891
37.	Tracking of customers grievances	3.8449	3.2089	2.5891*
38.	Lease with customer at an individual	3.8992	3.0245	2.9442*
39.	Analysis of the grievances	3.8646	3.0946	2.8336*
40.	Adequate and appropriate feedback	3.8056	3.2089	2.5084*
41.	Timely settlement	3.9291	3.1882	2.8898*
42.	Easy access to customers at delivery point	3.9089	3.0869	3.2502*

*Significant at five per cent level.

The highly implemented components of CRM process by the private players are Rapport with the Personnel and Amendments made in the respective segment since their respective mean scores are 3.9803 and 3.9644. In public Life Insurance sector, these are clear policies and guidelines and designing of new policies since their respective mean scores are 3.8141 and 3.6684. Regarding the rate of implementation of the CRM processes, the significant difference between two group of players have been noticed in 29 components out of 42 components of CRM Process since their respective't' statistics are significant at five per cent level.

Important CRM Processes among the Insurers:

The important CRM processes implemented by the insurers have been identified with the help of Exploratory Factor Analysis. The score of implementation of all 42 components of CRM processes among the insurers have been included for the analysis. Initially, the validity of data for EFA has been examined with the help of KMO measure of sampling adequacy and Bartlett's test of sphericity. Since both the two tests satisfy the validity of data for factor analysis, the EFA have been executed. It results in six important CRM processes namely knowledge on products, personalisation, claim payment security, transparency, service quality, data warehousing and data mining and redressal machinery. The variables included in each important CRM process, its eigen value and the percent of variation explained by each important CRM process is summarized in Table 2.

The first important CRM process identified by the EFA is Knowledge on products since its eigen value and the per cent of variation explained by the process are 4.8716 and 11.59 per cent respectively. It consists of nine variables with the reliability coefficient of 0.7842. The second and third important CRM processes identified by the EFA are Personalization and Claim payment security since its eigen values are 4.3385 and 4.0117

respectively. The per cent of variation explained by the above two processes are 10.33 and 9.55 per cent respectively. These two processes consist of six and seven variables with the reliability coefficient of 0.8089 and 0.8242 respectively.

Table 2: Important CRM Processes among the Insurers

Sl.No.	CRM processes	Number of variables in	Eigen value	Reliability coefficient	Per cent of variation explained	Cumulative per cent of Variation explained
1	Knowledge on products	9	4.8716	0.7842	11.59	11.59
2	Personalization	6	4.3385	0.8089	10.33	21.92
3	Claim payment & security	7	4.0117	0.8242	9.55	31.47
4	Transparency	5	3.9089	0.7614	9.31	40.78
5.	Service quality	5	3.1779	0.7279	7.57	48.35
6.	Data warehousing and Data mining	5	2.9334	0.7908	6.98	55.33
7.	Redressal machinery	6	2.3086	0.7533	6.68	62.01

KMO measure of sampling adequacy: 0.7692   Bartletts test of sphericity: Chi-square value : 87.08*

The next two CRM processes narrated by the EFA are Transparency and Service quality which consists of five each variable with the reliability coefficient of 0.7614 and 0.7299 respectively. The last two important CRM processes are Data warehousing and Data mining and Redressal Machinery since its eigen values are 2.9334 and 2.8086 respectively. The present of variation explained by these two CRM processes are 6.98 and 6.68 respectively. These two CRM processes consist of three and three variables with the reliability co-efficient of 0.7908 and 0.7533 respectively. These seven CRM processes are included for further analysis.

Reliability and validity of Variables in Each Important CRM Processes:

The present study has made an attempt to analyse the reliability and validity of variables in each important CRM process with the help of Confirmatory Factor Analysis (CFA). The CFA results in standardized factor loading of variables in each important CRM process, its't' statistics, composite reliability and Average Variance extracted by each important CRM processes. These results are given in Table 3.

Table 3: Reliability of various systems in each Important CRM Process

Sl.No.	CRM processes	Number of variables in	Range of standardized factor loading	Range of t-statistics	Composite reliability	Average Variance Extracted
1	Knowledge on products	9	0.8969 -0.6044	4.0842* – 2.7041*	0.7614	53.01
2	Personalization	6	0.9085 -0.6149	4.4586* – 2.9969*	0.7917	55.08
3	Claim payment & security	7	0.9344 -0.6342	4.9686* – 3.3464*	0.8011	57.47
4	Transparency	5	0.8516 -0.6445	3.7347* – 2.4568*	0.7565	52.08
5.	Service quality	5	0.8414 -0.6517	3.6441* - 2.2208*	0.7033	50.08
6.	Data warehousing and Data mining	4	0.8677 -0.6028	3.8088* - 2.0919*	0.7711	54.99
7.	Redressal machinery	6	0.8138 -0.6244	3.4011* - 2.2934*	0.7239	51.92

Overall Reliability coefficient: 0.7909

The standardized factor loading of variables in each CRM process are greater than 0.60 which reveals the content validity of the each CRM process. The 't' statistics of all standardized factor loading of variables in each CRM process are significant at five per cent level. It shows the convergent validity of the important CRM process which reveals the convergent validity. The convergent validity of each important CRM process has been confirmed with the result of composite reliability and Average Variance Extracted by each CRM processes. The Overall reliability coefficient (0.7409) infers that the included 42 variables in CRM process explain it to the extent of 79.01 per cent.

Customers' Perspective on Implementation of CRM Process by their Life Insurers:

The intensity of implementation of CRM process by the insurers has been examined by the mean score of seven important CRM process as per the view of their customers. The customers' view on the implementation of seven important CRM process in private and public players have been derived by the mean score of variables in it. Regarding the implementation of CRM process, the significant difference between private and public players have been examined with the help of 't' test. The results are shown in Table 4.

Table 4: Customers' Perspective on Implementation of CRM Processes among the Insurers

Sl.No.	CRM process	Mean score among insurers		t-statistics
		Private players	Public players	
1	Knowledge on products	3.8532	3.1885	2.7165*
2	Personalization	3.8716	3.1314	2.8445*
3	Claim payment & security	3.8479	3.3107	2.4038*
4	Transparency	3.7591	3.1444	2.6245*
5	Service quality	3.7976	3.0745	2.7943*
6	Data warehousing and Data mining	3.5936	3.3090	0.5172
7	Redressal machinery	3.9008	3.1232	3.1784*

*Significant at five per cent level.

The highly implemented CRM process by the private players is Redressal Machinery and Personalization since its mean scores are 3.9008 and 3.8716 respectively. In the case of public players, these two are 'Data warehousing and Data mining' and 'claim payment and security' since its mean scores are 3.3090 and 3.3107 respectively.

Mean Difference and discriminant power of CRM Processes in Private and Public Players:

The present study has made an attempt to identify the important CRM processes in private and public players with the help of two group discriminant analysis. The mean difference, its 't' statistics and Wilk's Lambda of seven important CRM processes have been computed to examine the significant discriminant CRM processes and the discriminant power of the CRM processes. The results are shown in Table 5.

Table 5: Mean Difference and discriminant power of Implementation of CRM Processes in Private and Public Players

Sl. No.	CRM processes	Mean score among insurers		Mean Difference	t-statistics	Wilk's Lambda
		Private players	Public players			
1	Knowledge on products	3.8532	3.1885	0.6647	2.7165*	0.1733
2	Personalization	3.8716	3.1314	0.7402	2.8445*	0.1282*
3	Claim payment & security	3.8479	3.3107	0.5372	2.4038*	0.1365
4	Transparency	3.7591	3.1444	0.6147	2.6245*	0.1145
5	Service quality	3.7976	3.0745	0.7231	2.7943*	0.1509
6	Data warehousing and Data mining	3.5936	3.3090	0.2846	0.5192	0.4338
7	Redressal machinery	3.9008	3.1232	0.7776	3.1784*	0.1782

*Significant at five per cent level.

The significant mean difference is identified in six important CRM processes since their respective 't' statistics are significant at five per cent level. The higher mean differences are noticed in the case of redressal machinery and 'service quality' since their respective mean differences are 0.7776 and 0.7231. The higher discriminant power is noticed in the case of transparency and personalization since their respective Wilk's Lambda coefficients are 0.1145 and 0.1282. The significant CRM processes have been included for the establishment of two group discriminant function. The unstandardised procedure has been followed to estimate the function. The estimated function is:

$$Z = 0.9197 + 0.1789x_1 + 0.1664x_2 + 0.2965x_3 + 0.2144x_4 + 0.1991x_5 + 0.2089x_7$$

The relative contribution of each important CRM processes in Total Discriminant Score (TDS) is computed by the product of the discriminant coefficient and mean difference of each important CRM processes. The results are given in Table 6.

Table 6: Relative contribution of discriminant CRM Processes in TDS

Sl.No.	CRM processes	Discriminant coefficient	Mean Difference	Product	Relative contribution in TDS
1	Knowledge on products	0.1787	0.6647	0.1188	14.15
2	Personalization	0.1664	0.7402	0.1232	14.68
3	Claim payment & security	0.2965	0.5372	0.1593	18.98
4	Transparency	0.2144	0.6147	0.1318	15.70
5	Service quality	0.1991	0.7231	0.1439	17.14
6.	Redressal machinery	0.2089	0.7776	0.1624	19.35
	Total			0.8394	100.00

Per cent of cases correctly classified : 75.08

The higher discriminant coefficients have been identified in the case of claim payment security and transparency since its coefficients are 0.2965 and 0.2144 respectively. It infers that the above said two CRM process influence more on discriminating the two groups of insurers to a higher extent. The higher relative contribution of CRM processes in total discriminant score is identified in the case of redressal machinery and claim payment and security since their relative

contribution is 19.35 and 18.98 per cent respectively. The estimated discriminant function correctively classifies the cases to the extent of 75.08 per cent. The analysis reveals that the important discriminant CRM processes among two groups of insurance players are redressal machinery and claim payment and security which are higher in Private Life Insurers than Public Life Insurer.

Findings

The level of implementation of CRM processes by the life insurers have been studied with the help of 42 variables. The important CRM processes narrated by the factor analysis are knowledge on products, personalization, claim payment security, transparency, service quality, data warehousing and data mining and redressal machinery. The highly implemented CRM processes by the private players are redressal machinery and personalization whereas by the public player, these are data warehousing and data mining and claim payment security. Regarding the level of implementation of CRM processes, the significant differences among the private and public players have been noticed in the implementation of six out of seven CRM processes.

The significantly associating important Customer profile variables regarding the view on the implementation of CRM processes are their family income, years of experience, amount of policies insured, frequency of visit at office and personality score. The important discriminant CRM processes among the private and public players are redressal machinery and claim payment security which is higher by the private players than by the public Insurance player.

Conclusion

The implementation CRM process is significant part of Customer Relationship Management. The CRM Process has to be developed in consideration with the customer orientation. To acquire and

retain customers as well as profitability, Life insurance companies today must develop CRM processes for effective implementation of Customer Relationship Management. The present study infers that customers' perspective towards implementation of CRM processes by the Private Life Insurance players is higher than by the Public sector Life Insurance Player.

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