

# LITERATURE REVIEW ON CUSTOMER RELATIONSHIP MANAGEMENT IN INSURANCE INDUSTRY

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## **ABSTRACT**

Customer Relationship Management refers to the building a long-term and sustainable relationship with the customers so as to bring value to the company in the long-run. The company by adopting the CRM software can go for personalization of business, web interaction, quick access with large number of customers, better integration, and multi-channel customer contact to build the long term relationship and profitability. CRM strategic approaches can be described as the staff involvement in every step of CRM application. Top management commitment is also required to fulfill all the technological requirements and waiting till the result. It also includes the customer data management system to manage the huge customer base and retention. Many insurers have got the results by incorporating CRM to manage and retain the customers and to get a cost effective process. Indian insurers are also trying to adopt it. CRM can also be evaluated in terms of customer satisfaction, value, customer knowledge regarding products and innovation. CRM can bring the revolution to the insurance market in India by properly educating and grooming the customers as well as the officials and can dictate the paths for future.

## **INDEX TERMS**

Customer, customer relationship management, insurance, service quality, retention, loyalty, profitability.

## **INTRODUCTION**

Customer Relationship Management (CRM) is a comprehensive approach which provides seamless integration of every area of business that touches the customers. CRM facilitates marketing, sales, customer service and field support through the integration of people, process and technology, taking advantage of the revolutionary impact of the internet. CRM is an information industry associated with methodologies, software and internet capabilities those help an enterprise to manage customer relationship in an organized way. For example, an enterprise might build a data base about its customers that describes relationship in details so that management and sales people directly can access information, match customer needs with product plans and offerings. CRM has many utilities such as; helping an enterprise to identify and target their customers, manage marketing campaigns with clear goals and objectives and generate quality leads for the sales team. CRM assists the organization to improve tele-sales and sales management by optimizing information shared by employees and streamlining the existing process. CRM improves customer satisfaction and profits; identifying the most profitable customers and provide the highest level of service. CRM provide the necessary information to employees to know their customers, understand their needs, and effectively build relationships among the company, its customer base and distribution partners.

## **OBJECTIVE**

To study the existing literature regarding CRM approach and its implementation in insurance industry.

## **CRM IMPLEMENTATION**

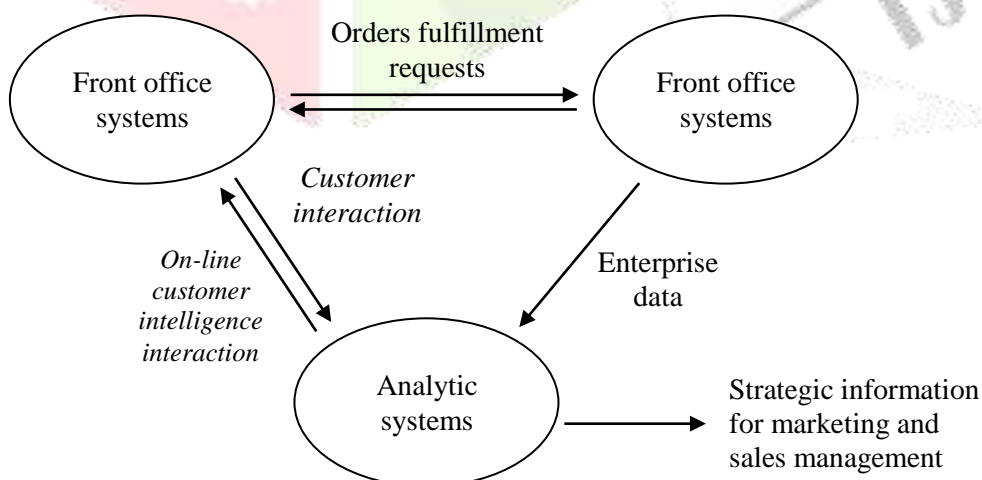
Burnett (2001) discussed that the objectives of CRM which generally fall into three categories; cost saving, revenue enhancement and strategic impact. CRM implementation has the benefits of improving level of customer satisfaction, increasing margins and decreasing marketing, administrative costs. Wilson (2001) claimed that organizations are becoming increasingly aware of the importance of moving closer to their customers and their extended enterprises. CRM objectives are to; improve the process to have communication with the right customers, providing the right offer through the right channel at the right time for each customer. By doing this, organizations get benefits; like increasing customer retention and loyalty, higher profitability and creating value for customer. Greenberg (2001) stated that an organization implementing CRM focuses on the sales force on increasing organizational revenues through better information and better incentives. It improves global forecast and pipeline management to improve organization's ability to close deals, to improve profitability, to reduce cost of sales by adopting new technologies and deploying sales automation solutions. This will increase sales representative productivity and retention. Bayon (2002) claimed that three factors influence marketing by adopting CRM such as closed loop marketing; which improves marketing management and comprehensive marketing system that supports planning, campaign management, execution and analysis. CRM provides better information for better management and to expand marketing channels through the web. According to Wallstrom (2002), the service sector comprises a wide range of companies including banks, insurance etc. Advances in IT especially the rapid growth of internet usage improved production capabilities, demanding customers and accelerated flow of capital across political boundaries create business opportunities. Rodie and Martin (2002) claimed that service sector is

considered as one of the most challenging and competitive landscape and face some degree of competition. Ryals and Knox (2002) stated that, by implementing CRM, it can create a profit center out of a service organization using customer information to reduce costs and generate more revenues. It improves service delivery and helps organizations to delight customers by differentiating products. Greenberg (2004) emphasized that CRM can increase the true economic worth of a business by improving the total lifetime value of customers. Swift (2002) stated that companies gain benefits from CRM implementation, such as lower cost of acquiring customers, to acquire many customers to preserve a steady volume of business. He too stated, the cost regarding selling is reduced owing to existing responsive customers. With better knowledge of channels and distributions, the relationship becomes more effective as well as the cost for marketing campaign is reduced. Higher customer profitability will come with higher customer satisfaction among existing customers and customer retention and loyalty will also increase. According to Maoz(2003), Research director of CRM for the Gartner group, CRM is a strategy by which companies optimize profitability through enhanced customer satisfaction. “CRM is a business strategy, not a technology,” says Maoz. It involves process, technology and people issues. The current trend towards a customer driven enterprise is, customer owns control of the communication and the interaction process. This new movement will change all three components of CRM – processes, technology and people as these are currently geared to “enable people within the organization to interact with customers, rather than customers to interact with us,” says Maoz. This means CRM urges organizations to reinvent the way they work with their customers by developing new channels of communication.

Graven (2000) stated that the internet creates many opportunities as well as poses challenges to insurers. Thomas Hess (2002) stated that insurance plays an important role in the development of an economy. Agarwal (2003) said that E-business insurance is expected to grow significantly. Jawaharlal (2003) said that the entry of private players have revolutionized the market for riders. Murthy GRK (2003) felt that Indian insurance companies need to switch over to better methods of corporate governance to create confidence in the minds of the investing public. Sreedevi Lakshmikutty and Sridhar (2003) said that the success of marketing insurance depends on understanding the social and cultural needs of the target population and tailoring products and services according to target market requirements, Mony, S.V. (2003) said that in a service like insurance which promises in return for payment upfront, redemption of commitments has to be perfect at all times. Sharma NC (2004) stated that even after liberalization the growth of the life insurance industry in India is inextricably linked to the fortunes of LIC. Mishra K (2004) felt that since 1999, India’s insurance industry has benefited from FDI and increasing of the FDI cap to 49 per cent would further benefit the industry. Anuroop Tony Singh (2004) stated that selling insurance in India is an attractive opportunity because of the untapped potential. Naren Joshi (2004) felt that consumer education is the key to the growth of the insurance industry in India. Rajesh Jhampala (2005) stated that multi-channel distribution and marketing of new insurance products have been the strategy of new players. Smita Mishra (2005), opined that to constantly differentiate themselves, insurers have to raise the bar of customer service and shredding inefficient practices. Anil Chandok (2006) stated that to have an upper hand over competitors, insurers need to adopt and implement CRM. Sridhar and Allimuthu (2009) stated that bancassurance would have a positive impact on insurance products distribution if banks and insurance companies understand and tune each other’s business systems.

### UNDERSTANDING CRM STRATEGIC APPROACHES AND ACTIVITIES

For a successful CRM package, the design, implementation and feedback should be restricted to the needs of a organization. Each Organization requires a unique CRM strategy. Every department, function and operation of a business should be studied properly and should be divided on the basis of commonalities so as to combine together alike functions and to achieve integration of processes.



**Fig. 1: The virtuous triangle of CRM**

Customer data: The centre of focus of any CRM solution is customers. The customer data should be an integral part of the solution and should be secured and reliable enough to handle the sensitive nature of the data. For this purpose of comprehensive implementation, organization requires maximizing relationship with all the customers, integrating the people process and technologies, integrating all the departments and integrating the officials, customers and agents. Apart from this organization needs to facilitate customer loyalty, customer retention, customer satisfaction, direction, leadership, return on investment,

strategy, and technology including people, process, trends and visions. The retail strategy revolves around intensive deployment of technology. Information technology will help to reduce cost of service, increase customer retention, and help in up selling and cross selling while improving process efficiencies. In CRM there is a virtuous triangle, the purpose of this is to ensure that organizations will know their customers fully and then act according to their needs and organization's interest. Analytical software allows the organization to look for patterns in the collected customer data. The outputs from this are strategic and tactical information. The strategic information can be used to determine future strategy, while the tactical information will help to modify existing practice.

The current focus on CRM tends to be almost entirely on the front office. Extending CRM into multiple media means integrating the front office and aspects of the back office with different communication channels, and then only CRM can be effective.

### CRM ACTIVITIES

The CRM software applications will not only facilitate the co-ordination of multiple business functions but also co-ordinate multiple channels of communication with the customer-face to face call centre, ATM, web, telephone, kiosk, bank, branch, sales associates etc. CRM will essentially focus on providing value to customers through the way companies communicate with them, how companies sell to them, and how companies provide service to them. Customers make buying decisions based on their overarching experience that includes product, price, sales, service, recognition and support. Organization's true understanding is based on a combination of detailed analysis and interaction. Several activities are important: such as; profiling demographics, purchase patterns and channel preferences of customers. Segmentation is to identify logical unique groups of customers that tend to look alike and behave in a similar fashion. While the promise of "one-to-one marketing" sounds good, it has not been seen in practice. Identification of actionable segments is a practical place to start the operation. Primary research is meant to capture needs, attitudes and customer value to understand profitability, lifetime value or long term potential. In the product-oriented world of yesteryears, companies developed product and services and expected customers to buy them. But now-a-days in a customer-focused world, product and channel development have to follow the customer's lead. Organizations now increasingly develop products, services and even new channels based on customer needs and service expectation.

**Customizing products:** Most organizations today are not cost-effectively customizing products for individual customers. However, products, services, channels and media can be customized based on the needs of quantitative customer segments.

**Interacting and delivering:** Interaction is also a critical component of a successful CRM initiative. It is important that interaction doesn't just occur through marketing and sales channels and media. Customers interaction can occur in different ways with different areas of the organization, including distribution and shipping, customer service and online transactions. To foster relationships, organizations need to ensure that all areas of the organization should have easy access to collect actionable customer information.

**Acquiring and retaining:** Successful customer retention basically involves getting right customers on an ongoing basis. Successful customer retention is based on the organization's ability to constantly deliver on three principles; maintain interaction, never stop listening and continue to deliver to the customers with value. Customers move through different life stages. So companies should be prepared to modify the service and value proposition according to changes in market.

**Prioritizing changes:** Due to changing marketing environment, strategies are made to implement changes successfully. Some changes may have larger impacts on the organizations. To cope with the cultural or societal changes, specific strategy and CRM implementation can be modified. Change in technology can be adopted to bring better CRM practice.

### THE IDEAL CRM ORGANIZATION AND IMPACT

Jackson (1985) applied the individual account concept in individual market to develop one-to-one and strong relationships with individuals. Dwyer, Paul and Sejo (1987) suggested that relationship marketing refers to all marketing activities directed towards establishing, developing and maintaining successful relationship. Horvitz (1990) proposed that quantifying the value of customers is absolutely essential in management. Without assessing the value of the customers, it is difficult to know how much the company should spend in order to acquire the client. As Dick and Basu (1994) states that in the current era of hyper competition, marketers are faced to be more concerned with customer retention and loyalty. Several studies have indicated that retaining customers is less expensive and perhaps a more sustainable competitive advantage than acquiring new ones. Absolute insurance (2009) improved the service and acquired more nos of customers for health care department by implementing Microsoft dynamics CRM. It streamlined business processes, improved efficiency and reduced overhead costs for company without compromising on quality or compliance regulation. Allianz Belgium insurance industry (2009) boosted the distribution relationship management of insurance brokers through adopting CRM softwares. Allianz brasil seguros insurance industry (2009); adopted CRM software and improved productivity of its sales team. The company deployed Microsoft 2dynamics CRM for 400 employees half of whom work remotely. AROPE insurance companies sales employees were struggling to cope with an expanding customer base which had recently hit 40,000 people. To solve the problems company worked with Microsoft dynamics CRM to integrate with company's core policy management system. Now the sales team is better equipped to check customer activity, view policy information and produced detailed reports from single data entry. ENDSLEIGH insurance industry (2010) adopted a new business model with 85% of its sales originating from internet. It is enhancing sales through digital marketing and enhanced call center operation. By adopting CRM software, it improved productivity, performance, reporting and profitability of its marketing environment. Spanish GROUPAMA seguros insurance industry (2010) couldn't match its competitors. The company saw the internet as a medium to change company's fortune in increasing productivity and boosting sales. There is an existing IBM as-400 infrastructure and built a number of portals based on Microsoft software. Today 80 out of 100 policies are completed online in a few minutes and productivity has increased by 240%. VVAA insurance industry (2010) claimed that implementation of CRM enabled staff to communicate with customers in a highly professional manner, the speed of claims processing increased by 20%

and the overheads reduced by 5%. Apart from overseas insurance companies, Indian companies like Asian paints, ICICI banks, sudarshan chemicals, Tata teleservice, have started implementing CRM process. In India companies have been slow in adopting the CRM strategies, but slow and steady appear a good way to go (Dasgupta, 2003). Finally CRM truly is a way to improve customer satisfaction and increase business. Ahojja (2001) stated that CRM in effect implies building long term relationship with customers and understanding their needs and responding through multiple products and services through multiple channels. HDFC ergo achieves 30 percent lead conversion with a CRM solution. It collected all its leads in one repository, enabling 30 percent lead conversion rate. One of the biggest oil marketing companies in India brought a huge change in its help desk service, which resolves queries from over 17,600 fuel stations and 5000 gas distributors catering to over 50 million households. CRM system helps lavasa project, India's largest hill city, manage up to 50,000 inquiries a month. Where it once took up to five days to close an enquiry, a sales person can now do it within a few hours. With e banking and CRM system LIC and Max New York life Insurance have improved customer relationship.

### CRM SOLUTIONS AND IMPACT

CRM is central to the task of making an organization customer centric to deliver value to the customers and to increase profitability. CRM is the symbol embracing information technology in business. CRM is a customer focused strategy that mandates a fine coordination among people, process and technology. CRM represents the marriage between the customer orientation and the emerging information technology to produce a memorable relationship experience to the marketers as well as to the customers. CRM helps the potential customers and existing customers and increase sales team productivity. CRM increases customer retention and acquisition. It helps at every single customer touch point, whether it is sales, operation or customer support people, they all have single comprehensive view about customers, empowering them and treating customers as the king. CRM will take care of everything like hardware, software, backups, security and sales automation.

**Sales force automation:** CRM impels and effectively manage all aspects of the sales cycle and increase the team sales performance. CRM lets the team to access account and contact information, track opportunities from leads, forecast revenues and report on activities. **Marketing automation:** Implementing CRM can set up and manage company details and track their cost and effectiveness. E-mail and collaboration functions; CRM provides e-mail and collaboration functions. It ships an optional client component that synchronizes contacts, calendar, items and tasks between CRM and Microsoft outlook. Activity management and calendaring; CRM can manage daily activities, schedule activities and track activity status. It can associate activities with accounts opportunities contacts. Inventory management; CRM lets companies to set up multiple warehouses with inflow of products by which company can transfer inventory between locations and deliver inventory to customer locations. With CRM, one can help sales team to save time, increase capacity and maximize productivity. To cope with the cut-throat competition; in the insurance sector, it is hard for the organization to survive with their traditional strategy of selling. They need to be customer centric. The decline of the market share of LIC (it went below 80%) is due to its large size and its inability to change. Today's customer has a wide range of choices and customer would opt for those best service. So to be customer centric and to maintain a loyal customer base, it is crucial for the organization to focus on CRM strategies.

In today's competitive era, where customer is the king, the insurers must not only add new clients, but retain the existing customer and to encourage them for repeat purchase. LIC of India has been the sole player in the Indian market before liberalization. It exploited its monopoly powers in all aspects. But, with entry of private players, the competition forced LIC and all insurers to become customer centric. In the insurance sector, there is an agent-client relationship and a satisfied client can be the biggest brand ambassador for the company. The insurance agents of the company play an important role in building the relationship because they interact with prospective and existing clients. Relationship effects help the agents to talk about the company and the product and convince the customer.

To be more customer centric, organizations need to implement a CRM strategy, which helps interaction with their customers in a more informed manner. CRM helps the manager, agents and other officials to understand the status of the present client, his past transaction, his last meeting with the agent and the comments of the agent or the manager or concerned employee. CRM can provide other relevant information too about a particular customer. So, CRM should be implemented in such a structured way that it becomes its valuable asset, not hurdles. LIC, the biggest insurance player in India has also gone for implementing CRM to facilitate better care of the customer. Now the customers can deposit their premium in any branch all over India. The manager can look into all the details of the client at the moment, regarding his policy, premium paid and due date for the next premium. But it has not been able to implement the CRM strategy at bottom level; front line managers and agents who interact directly with the clients. So, it is must that the agents should be equipped with relationship-marketing tool, which can provide an upper edge in competition.

- The agents should be trained to analyze their environment (society, friend, peer groups etc) and build good relationship with their environment; because a good marketer first forms relationships and then sells his goods or services.
- The agents should make a detailed profile of the prospective targets.
- Agent should be trained to build the customer database and classify them into potential and existing customers and those existing customers into dissatisfied, satisfied and highly satisfied customers.
- The agent should be trained to get the feedback of the customers because, insurance selling is a confidence building measure, where relationship is built between the client and agent which lasts for a long duration.

Therefore to survive and have an upper hand over the competitors ,insurance companies need to implement CRM in their organization not only technically (computers, networks, database, CRM software and trained personnel) but also as part of the culture. Relationship marketing is the key to success in present era and only those organizations can succeed who have been able to build a base of their loyal customers, because a loyal customer advocates the companies' products much better than the organization itself.

## TEN-WAYS TO INITIATE AND IMPROVE THE CRM

According to Vinas (2001), CRM is a business strategy, which requires planning, commitment and change. Excellence in CRM is not achieved only with a software product or marketing campaign but with research and involvement. Ten ways to initiate and improve CRM;

- *CRM*: The heart of CRM is about knowing customers and the way they want to interact. CRM is about understanding customer and upgrading customer knowledge. CRM have wide scopes, but it can be simple, managing company activities and promises.
- *Top management commitment*: CRM includes information of all departments. CEOs can access all with more business intelligence. CEO and board commitment are critical that influence the CRM initiatives and speed up the changes.
- *Staff involvement*: The biggest problem with CRM is that it requires staff to capture more data to do more things. Organizations must get CRM users excited and start with a couple of key supporters. The employees need to be assured that if they put information into CRM system; they will get value out of it.
- *Integration of CRM systems*: Different people in an organization have different views of the same customer. The marketer might think if the customer keeps buying; they need to sell, while the finance manager think, if he don't pay his bills, then marketer has to stop selling to customer. So company needs to identify customers properly and CRM needs to be integrated.
- *Research on CRM tools and technologies*: It is important to research the IT market to find the tools and technologies appropriate for the organizations. Customer relationship tools in the mid -90s did not include sms messaging, the internet or digital phones. There was only fax. Now, there are interactive TV, interactive web, digital telephone and e-mail.
- *Long term view*: Some organizations get benefit from expensive and complex high end CRM system. Those systems can take a long time to roll out and require consultant input. So the management must be patient and look at the big picture in the long term ignoring the short term costs. It is all about what the organizations need and goals; short term or long term.
- *To manage consultant and vendor relationship*: Consultant and vendor relationship can be fractious and expensive; It is therefore important for organizations to manage the relationships and develop mutually reasonable expectations.
- *To measure the success of CRM strategy with patience*: Organizations spend a lot in CRM, but do not allocate a budget to change culture or establish training, for which they may fail to get the return on investment. CRM is not a wonder. It may take decade for return on investment. The investors should take up the supporting decisions along with CRM-implementation.
- *Outsourcing*: Now-a-days, the organizations are outsourcing their marketing and sales department. This can be the effective way to manage and focus the customer relationship. Through outsourcing, the organization can get a lot of valid information regarding customers' demographic profile and can analyze it to meet the customer's expectation in future.

## CRM INFRASTRUCTURE

The technical infrastructure of CRM must integrate the customer information that flows through diverse departmental touch point and customer channel, CRM technology will enable to manage the sea of information.

Data ware house technology: Popovich (2000) defined data ware house as an information technology management tool that facilitates various decisions and makes an organization to access information by collecting customer data throughout the enterprise and combining the entire data base. All data must be stored in a centralized cross functional database where both current and past information move in and out. In CRM, data ware house is important because of its ability to transform consolidated customer data into customer intelligence. The application of data ware house according to Chen and popovich (2003) can provide the following benefits to; such as accurate and quick access to information, quality of data and filtering to eliminate invalid and duplicate data, customer profitability analysis, customer figure of typical data ware house is given below:

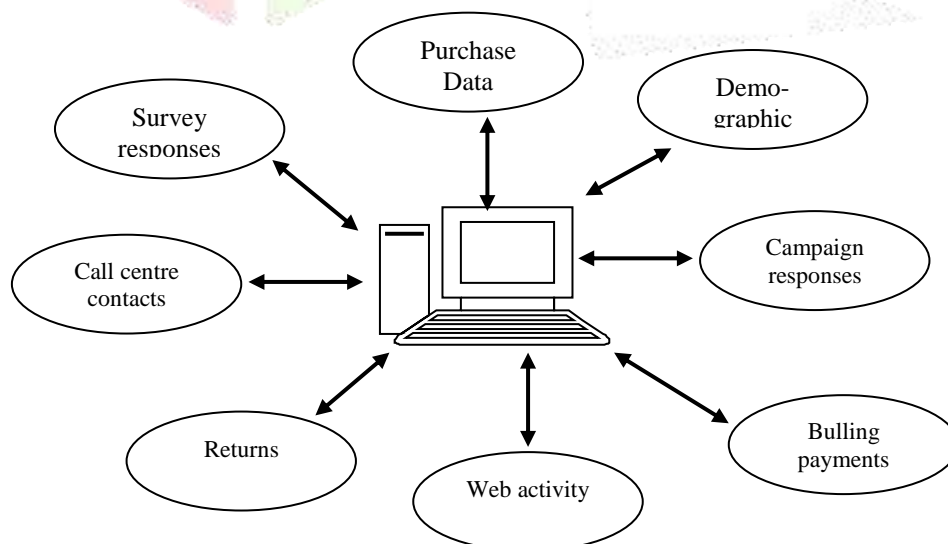


Fig. 2: Integrated Customer data on a data Warehouse (Khalifa, M., 2004, Doc.CRM material, LuleaUniversity of Tech.)

### Enterprise Resource Planning (ERP) and CRM

Enterprise resource planning according to Sharp (2004), is a business management system that comprises integrated sets of comprehensive software. Chen (2001) explains ERP as a system highly integrated with back office function. Chen and Popovich (2005) noted that ERP is not same as CRM. While ERP deals integrated back office functions, CRM combines both front and back office to maintain relationship and loyal customers. ERP integrates all functional areas of a firm with its suppliers and customers but CRM improves front office application to enhance customer satisfaction. ERP systems address fragmented information system while CRM addresses fragmented customer data. ERP allows companies to have full integration of various departments as information infrastructure.

**Internet technology:** Gilbert (2005) postulated that internet is experiencing a striking evolvement and provides the underpinning for electronic mail, the World Wide Web and electronic commerce. He argued that internet has been propagated as a near perfect market, which provides an unparalleled transparency beyond the capabilities of conventional media. Kotler (2005) mentioned that, internet has many benefits like buyer's convenience, information and few hassles, lower cost to marketers' relationship building tool.

**Business process and people:** Golden berg (2006) referred to a group of activities that converts organizational inputs into desired out puts. Most companies conduct customer facing business process having interface with customers during purchase, payment, and usage of the company's product. Many times these business processes need to be updated or even replaced. Consistent processes are essential to all areas of customer relationship management. CRM is a continuous effort that requires redesigning core business processes starting from customer perspectives and involving customer feedback. Chen and popovich (2003) stated both technology and business processes are critical to successful CRM initiatives; it is the individual employees who are the building blocks of customer relationship. People need to be recruited, managed, developed and motivated within a supporting structure. Commitment from top level management is essential. Chen and popovich-(2004) stated CRM initiative requires vision and each and every employee must understand the purpose and changes that CRM will bring. Re-engineering a customer centric business model requires cultural change and the participation of all employees. Successful implementation of CRM means that some jobs will be significantly changed. Management must show its commitment to educate and train the people and to boost motivation to enhance skills and reducing employee resistance. Additionally, management must ensure that job evaluation, compensation, reward system should be facilitated. According to limayem (2004) for CRM to be successful and thus to achieve its intended purpose, the components must be 70 percent people, 20 percent process and 10 percent technologies.

**Strategy and leadership:** Ryals (2004) stated, Strategy is defined as an overall plan for deploying resources to establish a favorable position. The strategic view of CRM emphasizes the fact that resources destined relationship building and maintenance efforts should be allocated based on customer's life time value to the firm. Gal breath and Rogers (2004) pointed out that CRM environments require organizational change and a new way of thinking about customers and about a business in general. Creating such an environment requires more than adequate management of the customer relationship or new technologies. Leaders are influential in the authorization and control of expenditure, the setting and monitoring of performance and the empowerment and motivation of key personnel. Management attention tends to be focused more on profit than customers. While CRM environments improve business performance, initiatives undertaken in this new management field require sound leadership as well. Customer relationship leadership is a recommended approach to bridge the gap between a CRM vision and its reality so as to head the charge and rallies an organization around CRM. Leadership in CRM implementation is very critical in three distinct aspects. They are technology, organizational environment and atmosphere of innovation. The figure below illustrates the critical areas of management and leadership, required for a successful CRM implementation.

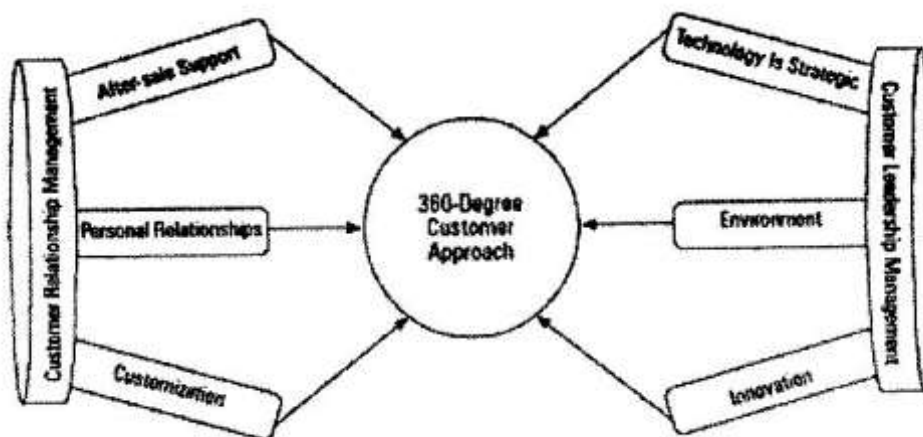


Fig.3: Integration of customer relationship and customer leadership management (Galbreath and Rogers, 1999)

CRM is a new management concept that relies heavily on technology and process automation. So the customer relationship leader must be technologically inclined, vigorously pervade the entire organization with information technology. In the perspective of the customers, technology can help companies match customer desire for customization in the products and service they seek and provide personalized after sales service and support based on customer data. The keen competition coupled with the fast nature of

internalization are some of the factors pushing firms to be more flexible, fast moving and placing the customer at the center of business. It is also necessary to produce a conducive atmosphere of action and learning which ensures higher retention rate of most skilled and talented staff. Michel porter (2005) stated that innovation can enable the firm to have a strategic superiority. It is the responsibility of the customer relationship leader to bring that innovation and encourage all employees to accept changes. The leader must lead the work force, putting teams in place and ensure cohesion at work place. Though innovative and conducive working environment are created, if employees are not well motivated, very little will be achieved. So, leaders need to adhere to a set of behavior and values to maintain motivation.

### CRM ADVANTAGES

CRM produces variety of tactics for increasing customer value and loyalty. CRM facilitates cross-selling and up-selling, customer retention, behavior prediction, customer profitability, value modeling, channel optimization, personalization and event based marketing.

**Cross selling and up selling:** Up selling means motivating an existing customer to trade up to more profitable products and cross selling is the act of selling a product to a customer as a result of another purchase.

**Customer retention:** More the customers leave the company, the greater the loss of revenue and loss of a stable market base for selling new products. Behavior prediction helps companies determine what customers are likely to do in future. Using sophisticated models and data mining techniques, behavior prediction can be done to foresee future behaviors. This analysis includes several variations, such as next sequential purchase, product affinity analysis, price elasticity modeling and dynamic pricing. It also includes influence of culture, personality, society, self-concept and influence of friends and neighbors.

**Customer profitability and value modeling:** Today organizations can quantify that price sensitive customers. A customer can be unprofitable but could have referred the high profile customers to organization. Furthermore many organizations have formalized the practice of value modeling, allowing them to score a customer, based on the relative worth to the company over time. The score is then used in a variety of ways to tune communications with that customer.

**Channel optimization:** The goal of marketing automation is to offer the right message to the right customers at the right time. Understanding the channels through which specific customers prefer to interact with the company is only a slice of the pie. Organizations must decide how to effectively communicate with its customers. Channel management means optimizing organizations "inbound" channels with its "out bound" means of customer interaction and knowing how to choose the best approach for each.

**Personalization:** It is the capability to customize customer communication based on knowledge preferences and behaviors at the time of interaction. It is the on line message tailored to a particular customer or customer segment.

**Internet Customer Interaction:** Internet access gives customers the new ways to get in contact with organization like Web chat which allows a visitor and organizational representative to have a text based conversation in real time by alternately typing sentences in the window provided by a chat programme. This offers a one-to-one contact to customers.

**Web call back:** It allows customers to use organization's telephone numbers and called by a representative from the organization. Organizations can use a web call back to establish the customer's interests and ensure that a representative with relevant product knowledge telephones the customer.

**Sending e-mail from website:** Customers like e-mail, because they don't have to wait for the representative. Also agents can typically turn around more e-mail per hour than they can handle telephone interactions. Though e-mail is convenient in many circumstances, but e-mail and chat are not appropriate for every interaction. A customer in a hurry will often prefer direct telephoning and to be connected with an agent immediately. Many organizations look to the web as a means to reduce the numbers of live agents they need to employ while this should be achieved by providing a high quality web experience which means few customers need to call for more information.

**Multichannel Customer Contact:** Very few organizations can survive while supporting only one channel to the customer. In today's world, customers increasingly expect to choose the channel, they can use for after sales support. Many firms believed that they could provide service to their customers exclusively online. But they pay little attention to telephone and mail support, in the hope that low prices offer will compensate for their restricted customer support facilities. The effect of this stovepipe approach on the customer can be disastrous.

### CRM EVALUATION:

Kim, Suh and Hwang (2003) proposed an application framework for evaluating CRM effectiveness. There are some reasons why performance measurement is so powerful in enhancing business.

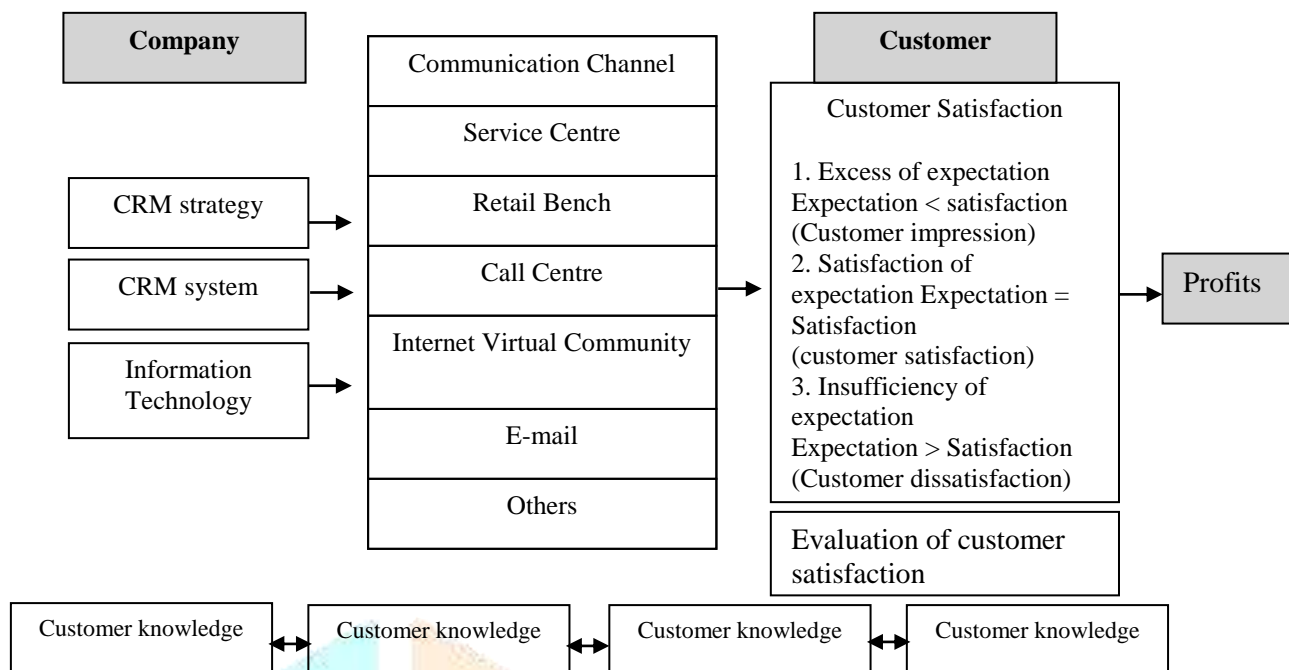


Fig. 4: The Evaluation Process of CRM

**Measurement for customer knowledge:** In order to adopt the current customer centric business environment, organizations use data mining and data ware housing technology. Data mining tasks are used to extract patterns from large data sets, with the shift from mass marketing to one to one relationship marketing. Technology learning is also important towards understanding customers. It is required therefore to assess employee skills to use customer information effectively. Security is another basic and critical prerequisite when dealing with customer information. Objectives of data mining are such as; collecting appropriate customer information, analyzing customer data, acquiring new customers, understanding customer needs, improving skills of employees and improving CRM techniques. Measurement can be done considering the parameters like customer acquisition, numbers of customers, Web marketing, Page views per day (no), Visits per day (no), Net sales per employee, Technological capacity, Frequency of hardware upgrade, R and D investment.

**Measurement for customer interaction:** Many communication channels are developed to interact with the customer effectively. To manage various communication channels effectively, managers make an effort to monitor the business processes, whether it is internal or external. Internal process determines operational excellence and external process determines channel management effectiveness. The customer relationship can be reinforced by effective customer interaction. Objectives of customer interaction are; appropriate response to customer request, integration of business processes, improving channels management, maximizing the effectiveness, customizing products and services. Measurement can be done considering the parameters like; marketing campaign, total cost per promotion, number of response channels to customer inquiry, total cost for managing channel, detailed product information and product diversity

**Customer value:** Customer value describes tangible and intangible benefits gained from CRM activities, which help to arrange the relationship with the customer successfully. Woodruff (2004) defined customer value as a customer perceived preference for evaluation of product attributes, attribute performances and consequences in terms of customer's goals and purpose. He argued that investigating key dimensions of customer value are very critical and important since the delivery of superior customer value involves significant costs of firm. The use of CRM to provide added value to customers can be directly linked to improved profitability and value based marketing for the company. It is suggested that it is impossible to create sustained value for a firm's shareholders unless value is being created for its customers. Kotler (2007) argued that customer value can be understood in terms of product value, service value, employee value and image value. The broad theoretical framework developed by Sheth (2004) was somewhat different where he suggested five dimensions of value from customer's perspectives (social, emotional, functional, epistemic and conditional) which will be providing the best foundation for extending value construct. However it is worth noting that not all these dimensions have equal significance at any time, although they are related in some sense. Functional value refers to the utility derived from the perceived quality and expected performance of the product or services. Functional value pertaining to the customer's acquisition and use of the product is generated by price, convenience, access and technology. Thus creating functional value offers a fleeting competitive advantage (Bristol-2004). Social value refers to the social utility derived from the product and services. Emotional value refers to the utility derived from the affective states generated by a product or service. Barner (2004) has noted that emotional value is much more lasting form of value. Customer relationships require an emotional connection with the firm if they are to thrive. The emotional value is more lasting, yet the more difficult to create.

The objectives of measuring customer values are to improve customer retention and customer service and support. Measurement can be done by considering the parameters like; number of retained customers, net sales, employee satisfaction and Channel interface.

**Customer satisfaction:** Customer satisfaction is difficult to measure because it is hard to quantify the satisfaction level. It represents a modern approach for quality in organizations and serves the development of a truly customer focused management



and culture. Kotler (2000) defined satisfaction as person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance, in relation to his or her expectation. When customers become satisfied about the value that is offered and when his or her expectation is met, that can generate many benefits for a firm. Bate son and Hoffman (2002) stated that firms that have high degree of customer satisfaction also seem to have the capacity to shield off competition particularly price competition. Kotler (2000) pointed out that it is important to measure customer satisfaction regularly through survey to determine customer's level of satisfaction. Firms may think that they are getting a sense of customer satisfaction through customer complaints. However in reality, 95 percent of dissatisfied customers do not make any complain and they just leave. As a result it is important for firms to make it easy for the customer to complain.

The objectives of measuring satisfaction are to improve service quality and establishing relationship with customers. Measurement can be done by considering the factors like; brand image, service level, number of daily inquiries, satisfaction, assurance, reliability and empathy.

## SUMMARY

The CRM practice is not only on how to develop and maintain relationships, but also on how to build the right type of relationship that can have substantial positive impact on profitability. To implement and develop CRM; organizational change, a new way of thinking about customers, proper leadership, training and integration of all the departmental functions, deployment of adequate technologies are necessary. Firms can go for personalization of business, web interaction, quick access with large numbers of customers, better integration, and multi channel customer contact to build the long term relationship and raising the profitability. CRM strategic approaches can be described as the staff involvement in every step of CRM application. Top management commitment is also required to fulfill all the technological requirements and waiting patiently till the result to come. It also includes the customer data management system to manage the huge customer base and retaining them for years. Many insurers from overseas have got the results by incorporating CRM. They are still adopting the new version of software to manage and retain the customers and to get a cost effective process to sell the products to the target customers. And the Indian insurers are also trying to adopt it in full fledge. CRM can also be evaluated in terms of customer satisfaction, value, customer knowledge regarding products and innovation. No doubt, CRM can bring the revolution to the insurance market in India by properly educating and grooming the customers as well as the officials.

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