IMPACT OF AWARENESS ABOUT CRM ACTIVITIES (PRACTICES) OF THE INSURANCE SECTOR ON OVERALL SATISFACTION OF THE CUSTOMERS WITH SPECIAL REFERENCE TO TAMILNADU

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Abstract: CRM strategies for Indian Insurance sector has been conducted on isolated factors. The perception of this sector about CRM strategies need to be further researched along with benefits which this sector hopes to achieve through CRM. Therefore the need is felt to initiate research in this direction so as to evaluate a model and establish relationship between different parameters that will reflect the effectiveness and efficiency of CRM. Building a true objective model is not feasible, it is better to identify the practices at industry level and then move to generalization. The present work is an initial attempt at the industry level where the comparison of CRM strategies on Indian Insurance sector will be analyzed and checked through the customer's perception. The study is mainly focused on the origin and development of the concept of Customer Relation Management (CRM) in India and how it will solve the purpose of improving the marketing productivity and enhance mutual value for the parties involved in the relationship. It has the ability to increase the marketing effectiveness and efficiency that improve the marketing productivity and creates mutual values. It will help in understanding the effectiveness of CRM programs launched by the insurance companies.

Index Terms- CRM, Insurance, Strategies, Practices, Awareness

I. INTRODUCTION

Customer relationship Management is a strategic approach that is concerned with creating improved customer value through development of appropriate relationships with key customer segments. It is not just the application of technology, but is a strategy to learn more about customers' needs and behaviors in order to develop stronger relationships with them. As such, it is more of a business philosophy than a technical solution to assist in dealing with customers effectively and efficiently. It helps businesses to gain an insight into the behavior of their customers and modify their business operations to ensure that customers are served in the best possible way. In essence, CRM helps a business to recognize the value of its customers and to capitalize on improved customer relations. More you understand your customers; the more responsive you can be to their needs. In a nut shell, there is a cut-throat competition in the market and the companies have realized the importance of the superior customer service as the key for their survival. To face the competition almost all the companies operating in the life insurance market of India are always in the fore front of designing and implementing various CRM practices. The effort in recent times has been to bring the services as close as possible to the customers and initiating to improve the quality in services as well.

II. CUSTOMER RELATIONSHIP MANAGEMENT CONCEPT

CRM is being described as a strategic method which is concerned with creating enhanced shareholder value via the evolvement of suitable alignments with key customers and customer segments. According to Richards and Jones, CRM is a set of business activities supported by the alignment of both technology and process directed by strategy and designed to enhance firm performance in an area of customer management. Thus, successful customer relationship management aims at fathoming the desires and needs of the customers and is accomplished by the integration of these desires with the organization's strategy, technology, people and enterprise process. Customer relationship management (CRM) is being one of the leading modern business and market strategy employed in high competing business environment. More so, understanding the changing needs and expectations of customers and ensuring retention of such customers should primarily be the concern of business managers. Understanding customers' profitability and retaining profitable customers had been recognized as one of the core value of customer relationship management. Therefore, maximizing profitability of the total customer relationship over a period of time tends to ensure increased profit for any organization as many companies had tapped into the use, measure and reliability of customer value in their activities; because customer value is a key element of CRM performance measure. The study is aimed at ascertaining relationship that subsist between CRM and customer satisfaction and thus, finds out if CRM helps create values for insuring populace in Tamil Nadu.

Couldwell 1998, defined CRM from the marketing perspective, a combination of business process and technology that seeks to understand a company's customers from the perspective of who they are, what they do and what they are like. It is clear from the above definitions that CRM is a multi-faceted approach made up of four broad segments including Key Customer Focus, CRM Organization, Knowledge Management and Technology-based CRM. This is an indication that successful CRM implies focusing on areas such as strategy; people; technology and processes (Fox and Stead, 2001). It is when these four elements work in tandem that a customer – relating capability can result. Value addition to both the organization and the customer is one of the cardinal aims of CRM. To achieve this, *Kwame Dzato (2007)* noted that the

CRM strategy of any financial services organization needs to focus on integrating people, processes and technology to maximize the value exchange. Bee (2008) indicated that financial institutions who want to adopt CRM systems need to address three critical factors – people, processes and technology, *Ciborra and Failla (2000),* simply described CRM as an information infrastructure that consists of people, processes and technology.

Insurance companies are recognizing that they can no longer look at a consumer from a specific product or snapshot perspective but must encompass the entire customer relationship to fully understand a client's profitability. From a strategic standpoint, CRM mobilizes resources around customer relationships rather than product groups and fosters activities that maximize the value of lifetime relationships. From an operational standpoint, CRM links business processes across the supply chain from back-office functions through all touch points, enabling continuity and consistency across customer relationships.

III. CRM IN INSURANCE SECTOR

Popular strategies adopted by private insurers towards relationship building and management efforts range from sending out a greeting message on special occasions, data mining and cross-selling to sponsoring mega events. Experience has shown that each interaction at an event may not result in a sale; nevertheless the aim is to make each interaction a potentially profitable opportunity to offer additional value to the customer. Again, insurers embarking on event-driven marketing strategies are in a better position to feel the pulse of the customers and channel their energies towards meeting customer expectations. The other advantage is that this strategy results in a greater return on marketing investment coupled with reduced marketing costs, lesser cost of communication reaching out to a larger targeted audience and a higher response rate.

Campaigning in insurance is also growing by leaps and bounds from single channel mass campaign to multi-channel targeted campaigns. Technologies have evolved to such an extent that the management can keep a tab on the real-time status of a campaign, complete with client history to enable competition has turned the insurance industry into a buyer's paradise. "The pension market has been developing in a big way that would benefit the large section of the people in the organized and unorganized sector.

The annuity market has started growing. Customers are offered unbundled products with a variety of benefits as riders from which they can choose. This choice has empowered the customers and this is a positive signal. However in their anxiety to reach out to more customers and grab a bigger piece of the cake, insurance company branches appear to be mushrooming all over the cities. More branches entail deployment of more staff. Recruitment and deployment of personnel without adequate inputs relating to the industry, the products and related issues can have a detrimental effect on CRM. A 'top-down' CRM focused approach that starts with the top management, percolates and permeates all levels of the organization, is the need of the hour. Success of such a strategy will be possible only when an exclusive CRM team ensures dissemination of the CRM philosophy, conducts a regular CRM audit and offers suggestions and ideas while filing the 'CRM performance report' with the top management.

IV. REVIEW OF LITERATURE

The term customer relationship management encompasses all those concepts used by companies in relation to their clients including the capturing, storing and analysis of information about customers, while taking into account the data's privacy and security. This is a business strategy that influences the processes, the culture and technology of an organization in order to optimize revenue and increase its value by understanding and meeting the needs of individual consumers. Implementation of such a system involves the systematization of operations specific to each particular field, in a particular predetermined order and considering a number of components such as: analyzing the company - client relationship in sales, marketing and services, determining the profitability of introducing the CRM system by analyzing the costs and time required for CRM implementation as well as the project and data necessary to carry out the CRM process. *Kumar, (2012).*

Light (2001) who said that CRM implementation increases stress on progressing customer retention. It is also agreed by *Reichheld (1996),* who claimed that CRM implementation can lead to 5 percent increase in customer retention and 95 percent increase in customers' value towards business. Another view of CRM benefit is through customer awareness, an organization can maintain their profitability and customer retention efficiently *Peck, Payne, Christopher & Clark, (1999).* The second element that can increase the customers' awareness is the future expectation towards CRM implementation. In the future, the organization wishes to have centralized data warehouse, enterprise software, and the organization to segment their customers according to their value. Besides, having more and better information on external customers is one of the benefits of CRM, *Haley and Watson, (1998).* In the future CRM implementation also required enterprise software since it can help to integrate all external customers' data and help employees to scatter the data among them in faster time.

F.Dretske (2000) in his study on "Knowledge and the Flow of Information" has studied the role of technology in the implementation and its requirements and concluded that business intelligence and analytical capabilities, unified channels of customer interaction, support for web-based functionality, centralized repository for customer information, integrated workflow, integrated with ERP application were the major essentials needed for the implementation of the CRM programme that resulted into increase in customer satisfaction, increased customer loyalty, decrease in customer defection, ability to identify profitable customers, measuring customer profitability and measuring customer lifetime value.

M.L.Agarwal (2003) in his article entitled, "Customer Relationship Management and Corporate Renaissance" has recommended a line of action for an effective CRM implementation towards a quicker corporate renaissance. He also urged business schools of South Asia to incorporate CRM in their teaching curricula so that the business and academics can continue to stay relevant to each other.

J.Injazz Chen and Karen Popovich (2003) in their article entitled, "Understanding Customer Relationship Management (CRM): People, Process and Technology" have stated that Customer

Relationship Management (CRM) is a combination of people, processes and technology that sought to understand a company's customers. It is an integrated approach to managing relationships by focusing on customer retention and relationship development. CRM has evolved from advances in information technology and organizational changes in customer-centric processes. Companies that successfully implement CRM would reap the rewards in customer loyalty and long run profitability. However, successful implementation of CRM was elusive to many companies, mostly because they did not understand that CRM required company-wide, cross functional, customer-focused business process re-engineering. Although a large portion of CRM was technology, viewing CRM as a technology-only solution was likely to fail. Managing a successful CRM implementation requires an integrated and balanced approach to technology, process, and people.

V. NEED FOR THE STUDY

Growth and profitability in the financial services industry is driven largely by consumer loyalty. The consumer is one of the most valuable asset in the competitive financial services industry. To remain relevant, competitive and win customer loyalty, companies are resorting to customer relationship management solutions.

CRM enables businesses to adopt customer-focused approach and build stronger customer relations. CRM streamlines business processes by reducing operational costs and increasing an organization's responsiveness to market developments. CRM optimizes marketing, sales and customer service processes, allowing businesses to identify new market opportunities, shorter sales cycles and increased customer retention.

According to *Sandall (2006),* an organization intending to develop a CRM strategy must first and foremost analyze its business goals and objectives. It is important for the organization to also understand how its customer relationships are being currently managed. Insurance service organizations are dynamic. It is therefore necessary for any organization planning a CRM strategy to forecast the possible changes that may occur within the business as well as the direction of potential growth in the periods ahead.

It is worth noting that there are various CRM solution options available to companies. However, it is in the long term interest of an organization to carefully weigh the short and long term financial implications of the various CRM solution options. CRM solutions have their benefits and detriments. Companies developing CRM strategy may therefore want to compare the advantages and disadvantages of the services based on the CRM solutions adopted by identifying the consumer's awareness and satisfaction.

VI. SCOPE OF THE STUDY

The research design in this study consist of exploratory research whereby different aspects with regard to CRM in the insurance sector have been extracted from literature review and tested on a sample size of both employees and customers. Public sector insurance companies are turning cautiously towards CRM systems and facing different challenges. They are increasingly integrating

CRM software into their websites for a multitude of reasons that ultimately increase efficiency and customer service *(Hewson et al., 2003).* In the private sector, competitive pressures and the demand for shareholder returns lead to a focus on optimizing customer value often for short-term profits. The level of service given to each customer is sometimes seen to be based upon his or her current or perceived future value to the organization *(Miles, 2004).*

This often means that CRM is used by some organizations to ensure that high value customers get a high level of service, while as many transactions as possible, are automated, when it comes to low value customers *(Bohl, 2004).* CRM technology & implementations and the changing effect of the Internet offer abundant research opportunities on CRM practices in the insurance sector. Research in these areas will contribute to building thriving customer relationships and long term corporate survival. Years of academically researched topics of relationship marketing and customer relationship management are now practical and cost effective to implement due to emerging technology. It is time to put academic theories to practice. The results analyzed in this study helps to get an indication of how far CRM is strategically implanted to secure competitive advantage. Based on the findings, a set of recommendations will be made so as to pinpoint how CRM can be used to secure competitiveness. So, the present study gains importance.

VII. STATEMENT OF THE PROBLEM

Insurance companies today must focus on delivering the highest value to customers through better communication, faster delivery, and personalized products and services. Since a large percentage of customer interaction will occur on the internet rather than with employees *(Bultema, 2004).* Technology must adapt to the changing and unpredictable market. Disappointedly, despite its increasingly acknowledged importance, little research has been focused on the proper implementation of the CRM concept. Scattered research efforts have been observed in the realm of maintaining a deep customer focus *(Vandermerwe, 2004),* re-engineering the organizational structure *(Ryals & Knox, 2001),* and managing knowledge by leveraging the use of information technology *(Stefanou et. al., 2003).* Public and private sector organizations often start from similar points e.g. customer complaints, patchy direct marketing, variable customer service or uncoordinated e-business or e-government projects. While e-government does not equal CRM, it is similar to the many early e-business initiatives in the private sector that are now being integrated into CRM *(Economist, 2002).*

One of the reasons for CRM project failure in the private sector is the lack of focus at what needs to be achieved from CRM, at a macro, programmed level, and at a more micro functional or activity level *(Insurance & Technology, 2003).* Like private sector organizations, most public sector ones cannot choose the people they serve. Public sector organizations are often poorly coordinated across departments and geographies, internally and with each other *(Porter, 2001).* There is also a resource problem. The public sector has rarely developed resources to design, build and optimize CRM. Public sector organizations are starting to

understand that CRM philosophy involves not just technology but also changes to the proposition, the service is delivered, integration of access and delivery channels, improved data, different measurement systems and a new way of managing people *(Johri, 2000).* Public insurance companies have embraced the fundamental principles of CRM but are struggling to get the building blocks like customer insights, customer offerings, customer interactions, organization performance and networks in place. The majorities of public and private insurance companies are focusing largely on the technological aspects of CRM and is struggling to reap the expected benefits *(Crook etal., 2003).* While insurance companies have visions for the service models they would like to adopt, they lack the management and operational skills and experience to be able to do so alone. Many insurance firms now recognize the value of marketing to drive take-up of channels and services. However, the majority of current marketing efforts are neither targeted nor value driven and as a result, have little impact *(Insurance & Technology, 2002).* While insurance firms understand the need to communicate to customers, their lack of using customer data to create effective segmentation means they are unable to target the right message to various customer groups *(Smith et al., 2000).* The present study undertakes to analyze these awareness factors on satisfaction of the customers.

VIII. OBJECTIVES OF THE STUDY

Following are the research objectives of the study.
1. To study the functioning of the CRM in insurance sector in Tamilnadu.
2. To examine awareness and Customers satisfaction towards CRM practices in Insurance companies in Tamilnadu.
3. To give suitable suggestions for effective functioning of the CRM in public and private Insurance companies in Tamilnadu.

IX. RESEARCH METHODOLOGY

Methodology of any type of research study takes a vital role in bringing a logical and scientific approach. It requires a strong base to the research and it leads to a reliable as well as valid interpretations. Research is a careful investigation, an inquiry, especially through search, for new facts in any branch of knowledge *(Dictionary, 1952).* The research methodology enlightens the methods to be followed in research activities starting from investigation to presentation. Rationale behind the research methodology lies on its meaningful considerations of variables and the approaches to study them. In this sense, the research methodology acts as a basement of any type of research. This is an empirical survey, based on primary data. For this study, Tamil Nadu is selected as the geographical area. The purpose of this chapter is to explain the methods used in this study. Items include the research design, pilot study, dimension of the study, hypothesis of the study, population and sample, instrumentation, reliability and validity of the instrumentation, data-gathering procedures, and the methods of statistical analysis.

Pilot Study

A pilot study was conducted among the employees and customers of various insurance companies in random within Tamilnadu in order to get the feedback on the questionnaire. Based on the feedback of the questionnaires, certain modification, addition and deletions were carried out. The final drafts of the questionnaire were prepared to collect the data from the employees and customers of the insurance companies. This is preliminary investigation conducted by researchers to find out the scope and possibility for conducting a research on a particular topic.

Sources of data used
Both types of data i.e., secondary and primary data have been used in the present study. The secondary data was collected at first form the text books, web sites, journals and other secondary sources. Since the present study is based on primary data, two different Questionnaires were prepared to collect the data from the customers of the insurance companies considered for the study.

Population and sampling procedure

Population of the study consists of two groups such as customers of the insurance companies who are policy holders (including the borrowers) and employees of the insurance companies. Tamil Nadu is the geographical area of the present study. As the population is infinite one, the method of selecting the sample customers is a difficult process. However the present research takes sample customers from the selected five districts of Tamil Nadu namely Trichy, Thanjavur, Pudukkottai, Thiruvarur and Nagai districts. In case the approached customers were not interested in participating in the study, then the researcher moved to the next customer and was asked to answer the questionnaires individually. The sample respondents for the study were the customers of the selected six insurance companies as policy holders of different insurance products in the selected districts of Tamil Nadu and the employees of the six insurance companies in the selected districts. The first group consists of the sample distribution of the customers including all types of policy holders.

X. ANALYSIS AND FINDINGS

TREE STRUCTURED ANALYSIS FOR AWARENESS ABOUT CRM ACTIVITIES (PRACTICES) OF THE INSURANCE SECTOR
Graphical tree model displays are among the most useful, because they allow navigation through the entire tree as well as drill-down to individual nodes. Classification and regression trees are becoming increasingly popular for partitioning data and identifying local structure in small and large datasets. Classification trees include those models in which the dependent variable (the predicted variable) is categorical. Regression trees include those in which it is continuous. Trees can be used to model functions though each end point will result in the same predicted value, a constant for that end point. Thus regression trees are like classification trees except that the end pint will be a predicted function value rather than a predicted classification. Instead of using the Gini Index the impurity criterion is the sum of squares, so splits which cause the biggest reduction in the sum of squares will be selected. In pruning the tree the measure used is the mean square error on the predictions made by the tree. Tree analysis

model summary, gain node summary and Risk of the model are presented in the below table. Tree Diagram for awareness about CRM activities (practices) of the insurance sector is shown in the below figure 1.

Table – 1
Model summary of awareness about CRM activities (practices) of the insurance sector

	Growing Method	CHAID
Specifications	Dependent Variable	OVERALL SATISFACTION
	Independent Variables	Customer Data Base of the Insurance companies, Importance of the CRM in Insurance companies, Customer awareness about insurance products, E-CRM practice in Insurance companies, Benefits of CRM, CRM environment , CRM Promotes customers awareness, CRM attract new customers, CRM promotes service quality of the insurance companies, CRM enhances customers loyalty, CRM boosts customer's confidence, CRM policy of the Insurance companies.
	Validation	None
	Maximum Tree Depth	3
	Minimum Cases in Parent Node	100
	Minimum Cases in Child Node	50
Results	Independent Variables Included	CRM policy of the Insurance companies
	Number of Nodes	3
	Number of Terminal Nodes	2
	Depth	1

Source: Output generated from SPSS 20

Table – 2
Risk of the model for awareness about CRM activities (practices) of the insurance sector

| Estimate	Std. Error
1.292	.099
Growing Method: CHAID	
Dependent Variable: Overall Satisfaction	

Source: Output generated from SPSS 20

Table – 3
Gain summary for nodes of awareness about CRM activities (practices) of the insurance sector

Node	N	Percent	Mean
1	99	16.5%	5.22
2	501	83.5%	5.16
Growing Method: CHAID			
Dependent Variable: Overall Satisfaction			

Source: Output generated from SPSS 20

Figure –1
Tree Diagram for the awareness about CRM activities (practices) of the insurance sector
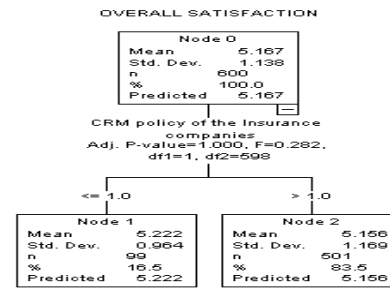
From tree analysis model summary "CRM policy of the Insurance companies" is important independent variable. This variable is contributing more towards the awareness about CRM activities (practices) of the insurance sector. The result determines the fact that almost all the attributes under awareness of the customers towards CRM practices in insurance sector are important and the most influencing factor is identified as 'CRM policy of the Insurance companies' of the respondents. This may be due to the fact that the customers must have felt that the awareness of CRM policies improves their access to the insurances services. Hence among all other attributes under awareness of the customers towards CRM practices in insurance sector, the above said factor alone is the most influencing variable.

XI. SUGGESTIONS

Considering the awareness and perception as the psychological determinant to understand the behavior of the customers towards CRM practices in insurance sector, the companies are suggested to design advertising campaigns highlighting the CRM implemented insurance services with customer friendly experience. Advertising campaign should also be in such a manner to spread awareness on the easy accessing of services and persuade the customers of the remote villages to avail those services. Well reinforced foundation is necessary by way of legislation, policy framing at different levels of popularization in the development of insurance sector and replacement or reduction in the usage of traditional practices. It is observed that the customers approach is traditional right now. It will be an uphill task, motivating the customers due to lack of knowledge and internal resistance, lack of skilled professionals and educational background. If the top management of the insurance service institutions trains their professionals in terms of creating awareness, providing information about benefits related to CRM practices, then it will help the insurance sector to uphold its customers in the long run.

XII. CONCLUSION

The results of the study were based up on the discussion of data obtained from close ended questionnaire distributed to customers and the employees of the selected insurance companies for the study. The study emphasizes on the existence of the relationship between the employees of the organization and their customers measured by customer relationship management practices and the enhancement in the employee's performance. In Insurance service

sector secure, trustworthy and quality insurance services are the basis of a sound CRM function. From the results obtained, customers who are policy holders of the selected insurance companies feel safe and secure with the company products and policies as well as their services. However, it is difficult to arrive at such conclusion and generalize that the selected companies are doing their service transactions well, since there were some respondents who disagreed and remained neutral. The aim of this study was fulfilled so as to identify the perceptive factors of the customers towards CRM practices in insurance sector to establish, maintain, and enhance relationships with customers to achieve the fundamental issue to maximize the business. It is common that as satisfaction declines, customers are unwilling to conduct business transaction. Particular to the insurance sector, customer satisfaction guides to construct long-term relationship with their customers leading to Customer retention and loyalty. The research recommends implementing new approaches to improve CRM practices and thereby accelerating customer satisfaction.

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