

Customer Relationship Management in LIC

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Abstract

Customer relationship management is an important aspect of today's business. The successful companies are those which are good at not only adding new customers, but also at the art of retaining the existing ones and maintaining a long-term relationship with them. The opening up of the insurance sector under the liberalization regime has shattered the age-old monopolies of the government companies – LIC and GIC of India. Today, the successful player is the one who comes up with innovative offers, customer – centric products, increases awareness levels of the consumers through a need-based, structured approach of selling sound products and enhanced service standards, reach out to the customer through a number of distribution and communication channels and provides advice to the customers for risk reduction and wealth appreciation. It has become imperative for the insurance companies to reformulate its marketing strategies and programs in this new avatar. The present paper is an attempt to study the CRM practices and satisfaction level of the consumers of the services of Life Insurance Corporation of India. A survey has been carried out to access the satisfaction levels of the customers and the efforts put in by LIC in this regard.

Key Words

Customer, Customer Relationship Management, Services, Insurance, LIC of India

INTRODUCTION

The opening up of the insurance sector in the year 2000 in the wake of the Liberalization, Privatisation and Globalisation policy of the government, opened

up the market gates to foreign and private players on one hand; and threatened to close down many gates for the till date monopolists in the insurance sector – the LIC and the GIC. In the situation where the new and existing players had to struggle for their part of the market share, the customer got many options at his hand and the rewards would fall down in the kitty for those who not only added new customers, but also knew how to retain their existing ones.

Since liberalization, customer awareness has improved. Competition has brought in more products, better customer services and has made a positive impact on the economy in terms of income generation and employment growth. The success of the private players has been attributed to their innovative offers, customer – centric products, increasing awareness levels of the consumers through a need-based, structured approach of selling sound products and enhanced service standards, reach out to the customers through a number of distribution and communication channels and providing advice to the customers.

Customer relationship management or CRM as it is called is "a widely-implemented strategy for managing and nurturing a company's interactions with customers, clients and sales' prospects. It involves using technology to organize, automate, and synchronize business processes — principally sales activities, but also those for marketing, customer service, and technical support. The overall goals are to find, attract, and win new clients, nurture and retain those the company already has, entice former clients back into the fold, and reduce the costs of marketing and client service.

Successful customer relationship management focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business by integrating them with the organization's strategy, people, technology and business processes (Fox and Stead, 2001). While undertaking a study on the field of customer retention and corporate profitability, Reichheld and Sasser (1990) stated that role of customers is essential for corporate performance, so that when relationships with customers endure, profits rise up.

Reichheld (1993) concluded that economic benefits of high loyalty are important, and in many industries they explain the cost-effectiveness differences among companies. Furthermore, there are two ways by which these improvements can take place i.e. customer retention entails an improvement of corporate performance by means of repeated purchases and references; enhanced organizational performances enable the company to invest more resources on motivating and improving the relationship with its employees, and this will affect again customer retention

Govind Johri (2009) stated that customer service management is a multi-faceted area on any public service business. Customer satisfaction is most important criterion, which encompasses quality product and value-addition through value-evidence of what was implied to provide ultimate customer satisfaction. Customer (dis)satisfaction is cascading in nature and requires building relationship of confidence and trust with utmost commitment, internal accountability and a sense of care of customer. According to him, an insurance company's corporate culture should be based on 6 C's — Communication, Cooperation, Cheerfulness, Credibility, Challenge and Continuity. In the survey conducted on over 2000 respondents - both customers and employees, he found that perception gaps existed in the areas of (1) visual appeal of document and office (2) responsiveness and dependability (3) product knowledge and adherence to promises (4) reliability and assurance.

Thus, we can say that customer relationship management is the key to success for business as it helps gather knowledge about the customers, developing services and products based on the needs of the target-groups, enabling efficient sales and delivery of services through well-designed channels and developing long-term profitable relationship with customers through after sales services.

The present research paper is undertaken with the objective of assessing the customer relationship management in the long time monopoly of the govt in the insurance sector — the LIC of India

CRM IN INSURANCE

Services are performances where the employees play a major role in shaping the service experience (Bitner, 1995). The service-setting is especially conducive to customers forming relationships with individual service providers. For service businesses, strong customer relationships are important because of their inherently interpersonal focus and relative lack of objective measures for evaluating service quality (Czepiel 1990).

Lovesick (1983) points out that many services by their very nature require on-going membership (e.g. insurance, banking etc). Even when membership is not required, customers may seek on-going relationships with service providers to reduce perceived risk in evaluating service characterized by intangibility and credence properties. Customers are more likely to form relationships with individuals and with the organizations they represent than with goods (Berry, 1995). To maintain competitive edge and viability, insurance companies are focusing intently on

delivering superior customer service. A comprehensive customer relationship management (CRM) strategy addresses three imperatives: providing a unified enterprise customer view; retaining customers with great services; and controlling costs as the insurance company in question expands. Replacing the traditional in person encounter of door-to-door sales, the CRM system engages solid business relationships to meet customer demands for better results. For insurance companies, customer relationship management technology is proficient in qualifying leads, policy administration and streamlines various work functions to successfully service an insurance business.

Ennew *et al.* (1995) has suggested that the application of relationship management brings the following advantages to an insurance company through successful : (1) Customer loyalty : Increased customer satisfaction should result in customer loyalty and hence, improved profitability; (2) Lower costs : Cross-selling of multiple services should result in economies of scope thus further enhancing profits; (3) A competitive advantage in the marketplace; (4) Greater trust by the customer : Trust enhances the buyer's commitment to the relationship; (5) Higher margins : The customer is less price-sensitive, which results in greater and more stable profits; (6) Preferred supplier status : Strong relationships can confer the right to bid on new business and to rebid to meet competitors; (7) Privileged information : Information from relationship clients can be used for product development. Information can also be used to help price and distribute securities.

Anuraag Mittal (2008) studied that the managers of public sector and private insurance company are of the view that there is variation with regard to the implantation of relationship marketing philosophy in the insurance companies under his study. There is poor implementation of relationship marketing customer satisfaction, poor culture, Hence, public sector insurance companies need to work very hard to implement relationship marketing approach.

Over a period of time, the insurance companies have started using tools like : front-end services, interactive voice response systems, customer contact and revival programmes, customer clubs, use of online payment system and complaint redressal mechanism and even facilitating online purchase of policies to customer's convenience. This has started changing the way insurance business has been carried out and continuing developments are providing the insurance industry with customized solutions to satisfy consumers and increase profits.

CRM AT LIC

LIC of India has, over a period of time, tried to change its orientation towards its customers. The number of branches has increased and satellite collection centres have been opened to provide convenience of premium payments and complaint handling. Policyholder councils and Zonal advisory boards have been set up to discuss consumer concerns at different levels. The company website has been adequately maintained and provides all types of detailed services to the customers and agents of the insurance company like details about new policies, tax benefits, status of current policies, premium payments etc. LIC has tied up with Wipro and IBM for developing its customer relationship project to study consumer behaviour and developing appropriate marketing strategy.

RESEARCH METHODOLOGY

A survey was carried out in August 2014, upon a convenient sample of 100 customers of LIC of India from the city of Ludhiana to study their satisfaction level about the quality and quantum of services and support provided by LIC to its customers. The responses were obtained through a well-structured questionnaire regarding the different aspects of sales and post-sales services and dealings of the staff of the company. The data obtained has been analysed using appropriate statistical techniques like mean, standard deviation, chi-square and f-test. Also, attempt has been made to study the difference in perception about services by the male and female customers of the company.

DATA ANALYSIS AND INTERPRETATION

The respondents surveyed have been categorised on the basis of their socio-economic profiles. As the socio-economic status of the customer has an important bearing on his perception and response towards services.

An analysis of the customer's profile reveals that of the 100 respondents, 65 were males and 35 were females. The highest proportion of respondents were in the age group of 35-45 years (40%) and those having income between Rs.5-10 Lakhs (60%). 40 per cent of the respondents were postgraduates while 33 per cent were simply graduates and 27 per cent were professionals in different fields. Also, 53 per cent of the respondents belonged to the service class, 27 per cent were professionals and only 14 per cent were from the business class.

Table 1
Socio-Economic Profile of Customers

	Male	Female	Total
Age			
25-35	18	12	30
35-45	25	15	40
45-55	22	8	30
Sex	65	35	100
Income			
0-5 lakhs	20	12	32
5-10 lakhs	40	20	60
10-15 lakhs	5	3	08
Education			
Graduate	15	18	33
Post Graduate	30	10	40
Professional	20	7	27
Occupation			
Business	12	2	14
Service	33	20	53
Professional	20	7	27
Housewife	-	6	06

Table 2 aptly provides the mean and standard deviation score of respondents' responses towards different services affecting customer relationship management of customers with regard to LIC. The respondents were asked to rate their level of satisfaction for the different services in terms of "highly satisfied = 5", satisfied = 4, 'neutral = 3', 'dissatisfied = 2' and 'highly dissatisfied = 1'. The average level of satisfaction was worked out and compared between the male and female respondents

Table 2
Response Towards Different Services of LIC

Criteria	Males		Females	
	Mean	SD	Mean	SD
Location Convenience	4.28	0.154	3.5	0.62
Working Hours	3.15	0.952	3.3	1.26
Product Development	2.35	0.78	2.2	0.65
Timely Delivery of Documents	3.06	0.55	2.85	0.78
Communication with Customer	2.38	1.83	1.35	0.56
Employee Attitude and Services	1.79	0.559	1.5	0.65
Services Through Technology	2.87	0.591	2.56	1.5
Settlement of Claims	3.69	0.349	2.23	0.98
Post-Sales Service	1.93	0.672	1.23	0.56
Complaint Handling	2.38	1.83	2.4	1.9
Customer Meets	1.43	1.65	1.24	1.78
Customer Care	1.86	0.754	1.45	1.22

The male respondents were highly satisfied with location convenience, followed by claim settlement and working hours while they were least satisfied with the company holding customer meets, employee attitude towards services, customer care facilities and post-sales services provided by the sales staff. On the other hand, the female respondents, like their male counterparts, showed high degree of satisfaction for convenient branch locations and working hours while they were also least satisfied with customer meets, customer care, and communication received from the company from time to time and employee attitude towards services. Both sets of respondents were neutral about 'product development' by LIC and handling of complaints by the staff. The respondents have shown a satisfactory response towards other important CRM aspects like use of technology and timely delivery of documents on purchase of policy etc.

The above analysis implies that LIC is good at serving customers through having branches at convenient locations operating at convenient timings, use of technology, delivery of documents, claim settlement while retaining and holding on to customers' needs to be worked hard upon.

A study of the overall level of satisfaction reveals that 43 per cent of the respondents have experienced low level of satisfaction, while 38 per cent have

experienced average satisfaction and only 19 per cent of the respondents are highly satisfied with the services offered by LIC.

Table 3
Satisfaction Level for Different Services of LIC

Satisfaction Level	Males	Females	Total
High	12	7	19
Medium	23	15	38
Low	30	13	43
Chi-Square = 0.022			

A comparison of the overall satisfaction level of the male and female respondents reveals that there is no significant difference among their satisfaction levels as is revealed by the value of chi-square = 0.022

Table 4
Respondents' Future Buying Plan

Future Course of Action	Males (No.)	Females (No.)	Total
I would like to shift to a competitor that offers more competitive products	21	06	27
I would like to switch to a competitor that offers better services	32	23	55
I would like to continue business with the same company even if it is costly	9	5	14
I would recommend the company to relatives and friends	3	1	4
Mean	3.80	2.04	
SD	0.74	0.85	
F-Ratio	0.65		

Regarding their future plans of dealing with LIC, only 14 per cent of the respondents have expressed their willingness to continue with it and only 4 per cent say that they would recommend the company to their friends and relatives. 55 per cent of the respondents want to shift to other competitor which would offer better services while 27 per cent of the respondents would shift to a competitor for

better products. Also, there is no significant difference in the future buying intention of the male and female respondents as is explained by the F-ratio of 0.65, although the intention for future purchase is lower among women as compared to their male counterparts.

SUGGESTIONS

The above discussion clearly reveals that the customers of LIC are a disgruntled lot especially when it comes to employee attitude and post-sales services provided. Hence, LIC needs to wake up from its slumber sleep of a monopolist and devise ways and means of not only serving its customers well but also emphasising on maintaining a long-term relationship with the customers as a pleased and satisfied customer will rope in many new clients for the company; thereby helping in increasing business. Also, it should try to segment its customers based on the following approach :

Fig. 1

Customer Segmentation Approach for LIC

High	Financial Liability of Customers	Follow Non-Custom Approach	Strong Long-Term Relations
Low		One Time Service	Is a Cash Cow – Keep on Harnessing
		Low	High
		Business Potential from Customer	

Another important factor that LIC needs to work up on is improvising its products to better meet the changing demands of the consumers and training its sales staff for better customer handling.

CONCLUSION

The above discussion reveals that CRM is essential for the survival of the insurance industry in today's competitive market environment as it has become

imperative not only to look for new customers, but also to retain the customers for a longer duration by converting them to loyal customers. LIC of India which has been successful in penetrating the market by having convenient branch locations operational at feasible timings and providing easy access to policy details through the use of technology needs to still work hard on its employees and marketing intermediaries who are in direct contact with the customers so that there is comfortable client dealing and adequate post-sales services can be made available to the customers.

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