

# Chapter 13

## Effectiveness of Customer Relationship Management Program in Insurance Companies: An Indian Exploration

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### ABSTRACT

*Customer relationship management in the insurance industry is in the nascent stage. Firms are framing new strategies to combat stiff competition. Public and private insurance companies are implementing customer relationship programs to attract more customers and retain existing customers. The objectives of this study are (1) to study the customer relationship management program of the Life Insurance Corporation of India, and (2) to assess the effectiveness of this customer relationship management program. The study is based on the opinion scores of 182 policyholders of Life Insurance Corporation of India, who have been with the company for more than the last five years. Based on the average opinion scores before and after the implementation of the Customer Relationship Management program, it was concluded that the program is effective, which was evidenced by the results obtained from statistical analysis (Paired sample t-test).*

### INTRODUCTION

Customer Relationship Management consists of activities aimed at ensuring profitability of customers in an organization. Customer relationship management works on the concept of integrating

customer management activities in an organization- like customer billing, distribution and shipping, customer service provision, and website utilization. Objective of Customer Relationship Management is to increase acquisition, growth and retention of profitable customers effectively and efficiently by selectively initiating, building and maintaining appropriate relationships with

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them. Developments in information technology has helped to implement customer relationship programs with ease and make it possible to gather vast amounts of customer data and to analyze, interpret and utilize it constructively. In a recent review of Customer Relationship Management, Boulding et al. (2005) argue that the field of Customer Relationship Management has now begun to converge on a common definition: "Specifically, Customer Relationship Management relates to strategy, managing the dual-creation or value, the intelligent use of data and technology, the acquisition of customer knowledge and the diffusion of this knowledge to the appropriate stakeholders, the development of appropriate (long-term) relationships with specific customers and/or customer groups, and the integration of processes across the many areas of the firm and across the network of firms that collaborate to generate customer value".

Customer Relationship Management includes many aspects which relate directly to one another:

- **Front office operations:** Direct interactions with customers, e.g. face to face meeting, phone calls, e-mail, online services etc.
- **Back office operations:** Operations that ultimately affect the activities of the front office, e.g. billing, maintenance, planning, marketing, advertising. Finance, manufacturing, etc.
- **Business relationships:** Interaction with other companies and partners, such as suppliers/vendors and retail outlets/distributors, industry networks. This external network supports front and back office activities. Key Customer Relationship Management data can be analyzed in order to plan target-marketing campaigns, conceive business strategies, and judge the success of Customer Relationship Management activities, e.g. Market share, number and types of customers, revenues. Customer Relationship Management is a

term for methodologies, technologies and e-commerce capabilities used by companies to manage customer relationships. Customer Relationship Management may be regarded as a set of technological and organizational mechanisms intended to buffer market instability through better knowledge of environmental variables, particularly market variables in order to anticipate customers' needs, rendering production activities more stable and programmable (Rajola, 2003).

Academic research is stressing Customer Relationship Management as a fundamental business process with a significant impact on organization results. Rather, past academic research has been more narrowly focused on sales force automation (SFA). In particular the factors driving acceptance and use of information Technology by the sales force. Clearly a "bigger Picture" perspective of IT is indicated, especially a focus on CRM... as (a) business process (Leigh & Marshall 2001, p. 88). Effectiveness of Customer Relationship Management is a strategy that should help the company in getting and retaining customers better. The involvement of top management is also necessary to ensure that the roadblocks encountered during implementation can be overcome. Various activities are involved for effectiveness of Customer Relationship Management such as:

- **Customer centric process:** At the Customer Relationship Management planning stage, companies need to take cognizance of their processes from the customers' viewpoint and make necessary adjustments to enable higher customer facilitation. All processes that involve customers should be taken into account.
- **Internal Collaborations:** The Customer Relationship Management initiative should facilitate the collaboration process through the proper use of technology. An important

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