

# Customer Relationship Management (CRM) in Insurance: A Theoretical Overview

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## **Abstract:**

*CRM is about acquiring, developing, and retaining satisfied loyal customers, achieving profitable growth, and creating economic value in a company's brand. CRM is not a new concept but an age-old practice, which is on the rise because of the benefit it offers, especially in the present market scenario. The present study entitled "Customer Relationship Management (CRM) in Insurance: A Theoretical Overview" had majorly focused on the theoretical concept of CRM and the complete study is based on a secondary source of information. The study briefly explained the concept and other related terms of CRM.*

**Key Words:** Need for CRM, CRM in Insurance, Concept of CRM, Context of CRM

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## **1.1: Introduction:**

Life Insurance Corporation of India (LIC) is an Indian State-owned insurance group and Investment Corporation owned by the Government of India. The Life Insurance Corporation of India was founded in 1956 when the Parliament of India passed the Life Insurance of India Act which nationalized the insurance industry in India. Over 245 insurance companies and provident societies were merged to create the state-owned Life Insurance Corporation. As of 2019, it had a total life fund of Rs.2828320.12 crore and the total number of policies sold came at Rs.214 lakh that year (2018-19). LIC settled 259.54 lakh claims in 2018-19. LIC has 29 crores, of policyholders.

The Customer Relationship Management (CRM) literature recognizes the long-run value of potential and current customers. Increased revenues, profits, and shareholder value are the result of marketing activities directed toward developing, maintaining, and enhancing successful company-customer relationships. These activities require an in-depth understanding of the sources of value that the firm both derives from customers.

CRM principles provide a strategic and tactical focus for identifying and realizing sources of value for the customer and the firm and can guide five key organizational processes making strategic choices, creating value for customers, customer acquisition, customer retention, service quality, and loyalty or rewards program.

Customer Relationship Management (CRM) is a system for managing a company's interactions with current and future customers. It often involves using technology to organize, automatically, and synchronize sales, marketing, customer service, and technical support. CRM uses the benefit of data management that allows data resources to work as a single integrated database. The origin of the term CRM can be traced back to the earlier 1990s when the concept of marketing changed from transactional to rational. CRM is intended for building long-term relationships. CRM is often considered database marketing primarily linking the marketing of the organization with the database of the customers.

Some theorists have been considering it, as an exercise for customer retention as many theories and studies have been emphasizing the rationale for keeping the customers. This requires a variety of techniques, especially post-sale initiatives, to keep the customers for life. This was believed to be a mechanism to keep the existing customers happy so that they remain with the organization and may, if possible, generate a positive referral for the company's products and services. It was believed that the application of IT can be an effective tool to develop a one-to-one relationship that integrates the database with the company's marketing strategy that may focus on leveraging the existing customer base. Selling policies to new customers is expensive compared to an existing customer. Successful CRM should give insurers the ability to measure customer value and improve the customer's service perceptions while reducing servicing costs.

### **1.2: Need for CRM**

Globalization is a boom in the Electronic world to help the field of CRM to contact customers directly. A firm can easily interact with its customers at a low cost. CRM is one-to-one, communication between the firm and its customers. Firms must shift from the old paradigm of mass production to the new paradigm of the mass customer to meet the exact demands of the customer. The last 15 years have witnessed an explosion of growth of opportunities for service sector organizations.

Today, more and more service sector companies have a chance to walk on the competitive edge and prove their abilities on par if not better than other players in the field. The present trend is in for of good customer relationship management. The success of a service sector organization today depends on its ability to serve the customer for 'ever' and also make several services available to the customers hence there is a need to study the impact of CRM on the business prospectus. In this background, CRM becomes imperative.

### **1.3: CRM in Insurance**

With the increase in the number of insurance companies in the market and consumers becoming more aware of different policies insurance companies have realized

the importance of CRM. The cost of attracting a new customer is five times more than that incurred to make an existing customer happy. Therefore, to survive in the market, insurance companies need to implement CRM in their organizations. This is the key to success in the industry. Organizations can succeed who have been able to build a base of loyal customers because a loyal customer advocates the company's products much better than the organization itself. The basic existence of the organization lies in the hands of its customers. It can be easily concluded that for success, it is necessary to implement CRM in the right manner.

#### **1.4: Objectives of the Study**

The basic objective of the proposed study is to critically examine the CRM system in LIC of India as it is one of the important components in Customer Relationship Management (CRM) in the Insurance sector. The following will be the specific objectives of the proposed study:

- a. To understand the concept of CRM
- b. To study the significance in the life Insurance sector.
- c. To study the Types of CRM and its Objectives.
- d. To summarize the context of **Purposes and other aspects of CRM.**

#### **1.5: Definitions of CRM:**

Customer Relationship Management or popularly identified as CRM can be defined as the art and science of collecting information on the present and prospective needs of the product of customers to market them using all such kinds of efforts and technology in the collection of data and information relating to customers.

Galbreath defines "CRM as activities of an enterprise performed to identify, to select, acquire, develop and retain loyal and profitable customers." CRM is not only concerned with existing customers it also aims at developing a new customer base by designing marketing and its product to suit their needs.

#### **1.6: Concept of CRM:**

The concept of CRM is the methodology that enables the organization to understand the customers' needs and behavior better. It introduces reliable processes and procedures for interacting with customers and develops stronger relationships with them.

The process helps the organization in assimilating information about customers, sales, marketing effectiveness, responsiveness, and market trends. Then this information is used to give insight into the behavior of customers and the value of retaining those customers.

The whole process is designed to reduce costs and increase profitability by holding onto customer loyalty.

A simple installation and integration of the software package do not ensure success. It has to be absorbed into the system. Employees have to be convinced about its positive attributes and then they have to be trained.

The existing business processes have to be modified. The company has to decide what kind of information is to be collected about the customers, what is to be done with the information, and prioritize this accumulated information.

The company must drill into this database of its customers and ascertain their buying patterns, product preferences, the potential for add-on sales, etc.

A good strategy will be to integrate every area of touch point with customers like marketing, sales, customer service, and field support. This is achieved with the integration of people, processes, and technology in the business.

#### **1.6.1: According to industry view, CRM consists of:**

- a) Helping an enterprise to enable its marketing departments to identify and target their best customers, manage marketing campaigns and generate quality leads for the sales team.
- b) Assisting the organization to improve telesales, account, and sales management by optimizing information shared by multiple employees and streamlining existing processes (for example- taking orders using mobile devices).
- c) Allowing the formation of individualized relationships with customers, to improve customer satisfaction and maximize profits; identifying the most profitable customers and providing them with the highest level of service.
- d) Providing employees with the information and processes necessary to know their customers understand and identify customer needs and effectively build relationships between the company, its customer base, and distribution partners.

#### **1.7: Types of CRM:**

There are several variations in CRM. Among the most common is Salesforce, Automation, Customer Service, Marketing Automation, Analytics Automation, etc. Each of these mentioned above will be discussed below:

- a) **Sales Force Automation (SFA):** In the sales force, automation software is used by the company to improve the efficiency of the sales process. This results in sales representatives having to spend less time on different parts of the sales process, which allow them to spend more of their available time pursuing clients.

It allows the company to track or record each stage of the sales process and pay attention to each client served by the company. Additionally, SFA software applications may also provide information on territories, opportunities, workflow automation, sales forecasts, and knowledge of products.

- b) **Customer Service:** In customer services technology may be used by companies to improve the quality of service they can offer customers, while at the same time increasing the efficiency and minimizing the cost of that service. Comprehensive call center solutions are commonly applied here, such as computer telephone integration (CTI) and intelligent call routing (ICR).

- c) **Marketing Automation:** In the marketing system the automation assists the company in locating and reaching its best customers, as well as in finding leads the sales team can pursue. A valuable feature in marketing is the ability to not only track but also measure diverse campaigns, including domains such as social media, direct mail, email, and searching. Data monitored by marketing include deals, responses, revenue, and leads.
- d) **Analytics Automation:** Systems involving analytics are typically integrated with applications related to service, sales, and marketing. The purpose of sales analysis is to allow companies to develop a more comprehensive understanding of why clients do what they do and hold the preferences they do. Web analytics, for example, have increased in complexity from their initial functions as means to track mouse clicks to their current implementations as methods of predicting likely purchases and identifying difficulties customers face in making purchases.
- e) **Small Business:** Small business solutions that assist both individuals and organizations in monitoring and documenting interactions such as jobs, emails, faxes, documents, and scheduling. Tools for small businesses generally focus on account management. Small businesses are increasingly turning toward online solutions, particularly for workers who travel and telecommunicate, to solve their business needs.
- f) **Integrated and Collaborative Practices:** Integrated and Collaborative practices refer to interaction and collaboration between departments inside companies and enterprises, the goal here is to increase levels of cooperation among different departments such as marketing, sales, and service. Collaborative systems involve the use of technology to bridge distances between departments.
- g) **Non-Profit Organisations:** Non-Profit Organisations are used to track constituents, as well as the actions they take related to the org itself. Such systems typically include capabilities for tracking features such as fundraising membership levels, volunteering demographics, and communications with target individuals.

### 1.8: Objectives of CRM

CRM, the technology, along with human resources of the company, enables the company to analyze the behavior of customers and their value.

The main areas of focus are as the name suggests customers, relationships, and the management of the relationship, and the main objectives to implement CRM in the business strategy are:

- a) To simplify the marketing and sales process.
- b) To make call centers more efficient.
- c) To provide better customer service.
- d) To discover new customers and increase customer revenue.
- e) To cross-sell products more effectively.

### 1.9: Context of CRM

The context of CRM can be summarized as follows:

- a) **Increased Sales Revenue:** Increased sales result from spending more time with customers, which results from spending less time chasing needed information, (i.e., productivity improvement).
- b) **Increased Win Rates:** Win rates improve since companies can withdraw from unlikely or bad deals earlier on in the sales process.
- c) **Increased Margins:** Increased margins resulting from knowing the customer better, providing a value-sell and discount prices.
- d) **Improved Customer Satisfaction Rating:** This increase occurs because customers find the company to be more responsive and better in touch with their specific needs.
- e) **Decreased General Sales and Marketing Administrative Costs:** This decrease occurs since the company has specified its target segment customers, it knows their needs better, and thus it is not wasting money and time, for example, on mailing information to all customers in all existing and potential target segments.

#### **1.10: Purposes of Adopting CRM Processes:**

- a) Develop better communication channels.
- b) Collect customer-related data.
- c) Create detailed profiles of individual customers.
- d) Increase customer satisfaction.
- e) Access to customer account history, order information, and customer information at all touch points.
- f) Identify new selling opportunities.
- g) Increased market share and profit margin.
- h) Increased revenues.
- i) More effective reach and marketing.
- j) Improved customer service and support.
- k) Improved response time to customer requests for information.
- l) Enhanced customer loyalty.
- m) Improved ability to meet customer requirements.
- n) Improved quality communication and networking.
- o) Reduced costs of buying and using products and services.
- p) Better stand against global competition.

#### **1.11:: Features of CRM**

A well-designed CRM has the following characteristics:

- a) **Customer Based:** Customer Relationship Management is a customer-oriented feature with service response based on customer input, one-to-one solutions to customer's requirements, and direct online communications with customer and customer service centers that help to solve customers' questions.
- b) **Automation of Sales:** Every sale transaction can be recorded, by tracking sales records such as the name of a customer, purchase details, etc. Firms have to install an automation system to record such transactions. This function can implement sales



promotion analysis tracking of a client's account history for repeated sales or future sales and also coordinate sales. Helplines and call centers may be installed to keep a record of customers.

- c) **Use of Technology:** Firms make use of technology to keep detailed information on customer needs. Use of ICT, Computers to store information, e-mail Systems, Mobile phone data, and even paper note cards, etc. storing all the data from all departments (ex- Sales, Customer service, marketing, and HR) in a central location gives, management and employees immediate access to the most recent data when they need it.

It applies data warehouse technology to aggregate transaction information, merges the information with CRM solutions, and provides key performance indicators (KPIs). Such information is used to revise the product and its marketing to match the need of the customer and ensure effective CRM.

- d) **Opportunity Management:** This feature helps the company to manage unpredictable growth and demand and implement a good forecasting model to integrate sales history with sales projections.

### **1.12: Functions of CRM:**

CRM performs various functions for the marketing department of the organization.

#### **1.12.1: Functions of the marketing department of the organization.**

- a) Managing Leads – It refers to generating and retaining potential customers.
- b) Qualifying and Converting Leads – It refers to the assessment of generated leads to know potential and profitable customers.
- c) Managing Opportunities – It refers to utilizing every possible opportunity to get long-term benefits from customers.
- d) Keeping Track of Activities – It refers to capturing information, such as customers' buying patterns, quantity purchased, and time spent by customers in the store.
- e) Managing Reporting and Forecasting – It refers to processing input data, such as the average time spent by the customers in the store and their preferences for the product.

#### **1.12.2: Functions in one-to-one marketing.**

- a) Identify Customers – It refers to differentiating between profitable and non-profitable customers.
- b) Differentiating the Needs of Customers – It refers to finding variations in the requirements of customers. The organization makes different groups of customers as per the needs of customers.
- c) Customize Products and Services – It refers to the products and services produced as per the requirements of individual customers.
- d) Build Stronger Relationship – It refers to establishing a relationship between an organization and customers by facilitating a personalized way of communication.

### **1.13: Importance of Customer Relationship Management:**

Looking at some broader perspectives given below we can easily determine why a CRM System is always important for an organization:

- a) A CRM system consists of a historical view and analysis of all the acquired or to-be-acquired customers. This helps in reduced searching and correlating customers to foresee customer needs effectively and increase business.
- b) CRM contains every bit of details of a customer; hence it is very easy to track a customer accordingly and can be used to determine which customer can be profitable and which is not.
- c) In a CRM system, customers are grouped according to different aspects according to the type of business they do or according to the physical location and are allocated to different customer managers often called account managers. This helps in focusing and concentrating on each customer separately.
- d) A CRM system is not only used to deal with existing customers but is also useful in acquiring new customers. The process first starts with identifying a customer and maintaining all the corresponding details in the CRM system which is also called an ‘Opportunity of Business.

The Sales and Field representatives then try getting business out of these customers by sophisticatedly following up with them and converting them into a winning deal. All this is very easily and efficiently done by an integrated CRM system.

- e) The strongest aspect of Customer Relationship Management is that it is very cost-effective. The advantage of a decently implemented CRM system is that there is very less need for paper and manual work which requires lesser staff to manage and lesser resources to deal with. The technologies used in implementing a CRM system are also very cheap and smooth compared to the traditional way of business.
- f) All the details in the CRM system are kept centralized and are available anytime at your fingertips. This reduces the processing time and increases productivity.
- g) Efficiently dealing with all the customers and providing them with what they need increases customer satisfaction. This increases the chance of getting more business which ultimately enhances turnover and profit.
- h) If the customer is satisfied, they will always be loyal to you and will remain in business forever resulting in an increased customer base and ultimately enhancing the net growth of the business.<sup>14</sup>

### **1.14: Need for Customer Relationship Management:**

Customer relationship management is a corporate-level strategy focusing on creating and maintaining relationships with customers. CRM is a term not only used by business organizations but also in any type of organization to create a beneficial environment among customers. This is a business approach that combines people,



processes, and technology to maximize the relationship of an organization with all types of customers.

It helps in understanding the customer better and according to the needs of the customer; the organization can effectively customize their products and services to retain the customers and also to increase customer loyalty and satisfaction.

The ultimate purpose of CRM is to increase profit, which can be achieved mainly by providing a better service to customers than competitors. CRM enables companies to gather and access information about customer orders, complaints, preferences, and participation in sales and marketing campaigns. This information can then be used to better react to customer needs, automate some operations, and capture customer feedback to improve products and services.

**1.14.1: The need for CRM arises because of the following reasons:**

- a) To enable the company to identify, contact, attract and acquire new customers.
- b) To obtain a better understanding of the customers- their wants and needs.
- c) To define the appropriate product and service offering and match it to the unique needs of the customer.
- d) To manage and optimize the company's sales cycle.
- e) To increase retention of existing customers through improved sales, service, and support.
- f) To identify cross-selling and up-selling opportunities.

**1.15: Management of Relationship:**

It is a strategy employed by an organization in which a continuous relationship or contact is maintained between the organization and its customers, Management of the relationship can be between the Business (BRM) and its Customers (CRM).

Relationship Management aims to create a partnership between the organization and its customers rather than considering the relationship merely transactional. Customers who feel that a business responds to their needs are likely to continue using the products and services that a business offers and thereby maintain a long-term relationship. Maintaining regular communication with consumers allows the business to identify potential sources of problems.

Such problems may relate to quality, quantity, packing, and pricing of the product and its service, and its marketing, regular and timely information can help a company to minimize and manage the problem and ensure customer satisfaction by attention to solve their problem. This relationship management can be understood clearly with customer relationship management (CRM).

CRM is a system for managing a company's interaction with current and future customers. It involves using technology to organize, automate and synchronize sales, marketing customer service, and technical support. It is a strategy that is recognized broadly and implemented widely to both manage and increase the quality of a company's interactions with a variety of customers.

This optimization primarily involves activities related to sales but may also involve activities related to technical support, marketing, and customer service. CRM's goal is to track, a record store in databases, and then data mine the information, make use of such information to adopt and market as per the wish of customers.

This will help in a way increases customer relations. CRM is a business strategy implemented at the company level involving all departments related to clients. Firms regularly collect feedback from customers to receive their views and complaints on the product and modify the product and its marketing to meet the expectation of customers.<sup>16</sup>

A firm has numerous benefits of CRM like higher productivity in sales and marketing. Reduction in expenses, more accurate targeting and profiling, higher overall levels of profit, and increase in market share.

### **Conclusion:**

At present, more and more companies are adopting various CRM practices, as CRM promises numerous benefits-including shorter sales cycles, integrated customer feedback, improved communication, improved response, improved customer knowledge, improved efficiency, better customer tracking, enhanced customer satisfaction, and increased loyalty. The complete study had been discussed about the theoretical aspects of CRM practices in detail.

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