A Study on Challenges in Effective Implementation of CRM Strategies– Perspectives of Insurance Agents in East Godavri Districts

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Abstract

This article is an effort to study the challenges faced by insurance firms while catering to effective CRM strategies for marketing their products from the **perspective of insurance agents of East Godavari Districts of Andhra Pradesh, India.**

Relationship marketing is widely accepted today as a philosophy and set of practices by both academicians and practitioners. The crux of the relationship-marketing paradigm relies on the thought that procuring new clients is costlier than serving existing clients and making the most of the existing customers is a must for enhanced profitability for longer periods.

The study is an empirical design, which utilizes responses of structured questionnaire of 330 respondents from 5 insurance companies to explore the challenges faced by insurance firms in maintaining effective customer relationship marketing strategies from the agent's perspectives. The study focuses the service elements like internal and external communication, customer expectations management and proper education and training of the customers' and various challenges; they pose in marketing the insurance products.

Relationship marketing is the key that is instrumental to emotionally bond with customers in today's highly competitive environment and making organizations realize the significance of all employee participation. Insurance sector runs on the agent's and their ability to strike the relationship with their customers. The insurance is a long-term commitment and hence relationship marketing is crucial for the success of marketing the product. The perceptions of the agents on what are the significance factors and what is the various challenges do make a significant impact on their approach and dealing with the customer. This article is an effort to understand the perceptions of agents on the various challenges faced by insurance firms in maintaining effective customer relationship marketing strategies.

The implication of the findings is that insurance firms can no longer neglect the need to address the changing expectations of the customers from the insurance firms and they must enhance the knowledge of the agents and also highlights on need for regular training of insurance agents to keep them well-informed of the new developments/products. The research findings have confirmed that identifying the specific expectations of customers and designing suitable insurance products. The penetration of insurance in India is still yet 3.9 percent in India, as against the world average of 6.3 percent highlighting on the need to understand the challenges agents face while designing customer relationship marketing strategies for insurance products.

Keyword: customer relationship marketing, insurance sector, agents, customer expectations management

I. Introduction

Changes in customer expectations are predominantly noticed throughout the world. The changes in expectations and the changes in the nature of markets and world economies are making the Customer Relationship Marketing strategies increasingly significant across the world. Even though changes are happening across the world, the opportunities and impact are predominantly seen among the developing countries for CRM strategies.

Customer Relationship Management (CRM) can be defined as "the development and maintenance of mutually beneficial long term relationship with strategically significant customers" (Buttle, 2000). Under certain circumstances, it may result in the termination of relationship (du plessis, Jooste & Strydom, 2001)

The implementation of CRM is regarded as desirable by organizations due to the benefits that accrue from these strategies among these customers, such as greater loyalty and resulting profits. The focus of a CRM strategy is the acquisition, retention and overall customer profitability of the targeted customer segments.

➢ Acquisition of customers: Organizations always have a need to find new customers for their products/services. This means organizations must incessantly develop strategies to attract potential customers to purchase the product/service. The cost of attracting the new customer is estimated to be five times the cost of keeping a current customer happy. (Kotler, 1997)

➢ Retention of customers: Organizations need to focus on ensuring repeat purchases from existing customers. Organizations can increase their profitability between 20% and 125% if they boost their customer retention rate by 5 percent(Peck, Payne, Christoper & Clark, 2004)

➢ Profitability: Customer profitability will reflect the financial performance of customers with respect to all the costs associated with the transaction. (Gordon, 1998). Profitability in the case of CRM is determined in the light of Customer Life Time value to the organization, taking account the income and expenses associated with each customer and their respective transactions over time. (Gordon, 1998)

An emerging market (or developing economy) is defined as markets that are in the process of evolving to become developed (i.e., higher income) (Hough et al, 2003). India falls into this category and Developing economies have the following characteristics.

• Improving educational standards, literacy and work skills levels

• Relatively efficient technology systems

• Relative political stability and a movement towards market – based economies

• Rapidly expanding financial services(Hough et al, 2003)

Imperatives for CRM Implementation

➢ Use of technology in building of database & use thereof to develop and improve the relationships with the various markets
➢ Lack of skills to exploit the information that is stored
➢ Lack of advance technology
➢ Lack of complete customer database
➢ High customer churn (where customers remove their patronage)
➢ Low Customer Lifetime Value (CLV) which impacts on the profitability of the organization are not suitable to the implementation of CRM (Kotler, 2002)

Insurance firms meet the criteria for the implementation of CRM as indicated by Kotler

➢ A great deal of information concerning their customers and their needs

➢ Different products to different customers

➢ Different financial circumstances resulting in designing different packages of products/services to customers

Successful implementation of CRM strategy requires specific actions on the part of the organization. The implementation of a CRM strategy as proposed by Peppers, Rogers and Dorf (1999) comprises of four steps:

1. The identification of service
2. The differentiation of service
3. Interaction with customers and
4. Differentiation among customers

East Godavari districts of Andhra Pradesh, India have gained importance after the division of the state of Andhra Pradesh in to two parts of Telangana and Andhra Pradesh. The East Godavari District is located in the North Coastal part of the state of Andhra Pradesh. The District boundaries are Visakhapatnam, West Godavari, and Khammam Districts. The District is known as rice bowl of Andhra Pradesh with lush paddy fields and coconut groves. It is also known as another Kerala.

II. Literature Review

Information and communication technology has become an integral part of businesses globally. (Fadun, 2013), Business organizations, insurance companies inclusive, operate in a complex, dynamic and competitive environment. Broadly, information and communication technology (ICT) involves the use of electronic devices for storing, processing, analyzing and distributing data. The rapid expansion and increasing use of ICT has immensely promotes scientific approach to information handing and processing. Moreover, ICT enhances management functions of planning, organizing and the nature of services offered in the insurance industry. It has greatly improved insurance operations globally in view of the available innovation devices to enhance the speed and quality of service delivery. Consequently, ICT enhances process and procurement required to attain organizational and industrial goals. IT refers to a group of technologies that revolutionized the handling of information (Drew and Foster, 1994). Communication technology deals with physical devices and software that link various computer hardware components and transfer data from one physical location to another (Laudon and Laudon, 2010). Broadly, ICT encompasses technologies for processing and communication of information. Chowdhury (2000) states that ICT encompass technologies that can process different kinds of information (audio, video, text, and data), and facilitate different forms of communications among human agents, and among information systems. Thus, ICT are electronic devices for collection, processing, storage, transmission, and dissemination of information (Duncombe and Heeks, 1999; Marker et al., 2002; Ebijuwa, 2005).

(Rajhans, 2012), Organizational communication research has evolved considerably from the early conceptions of communication and its role in the organization. Recognition for the importance of communication to the management process can be attributed largely to the work of Chester Barnard (1938) who maintained that communication was the very "heart" of the management process. The human relationships movement of the 1940's contributed significantly to the notion that communication in organizations should be a two-way process. It emphasized the concern for employee attitudes and satisfaction, stimulated research on employee involvement in decision-making, the two-step flow of communication, and upward and downward communication flow.

In marketing, many scholars and researchers (Nevin, 1995, Vovra, 1992, Yau, 2000) used the terms of customer relationship marketing and customer relationship management as same meanings even though, Das (2009) articulated significant differences between customer relationship marketing and Customer Relationship Management. Customer relationship marketing is relatively more strategic in nature while customer relationship management more tactical. Implementing customer relationship marketing using information technology is a part of customer relationship management (Ryals & Payne, 2001). Customer relationship marketing concentrates more on the emotional and behavioural, which are determined by bonding, empathy, reciprocity and trust. On the other hand, customer relationship management focuses more on managerial concepts such as how management can maintain and enhance customer relationships (Sin, 2005and Yau, 2000).

(Levitt, 1960), suggested that the purpose of every business is to create and keep customers. He suggested that today's corporations should view the entire business process as consisting of closely held integrated effort to discover, create, arouse and satisfy customer needs.

The definition given by Kristin Anderson and Carol Kerr (2002) is that Customer Relationship Management is a **comprehensive approach for creating, maintaining and expanding customer relationships**. In this definition comprehensive means it belongs to the entire organization and not to some parts of the organization and it touches the performance of the entire organization. The second key word in the definition is "**approach**", which means "a way of treating or dealing with something."

Customer relationship management has been defined as "a business approach that integrates people, processes, and technology to maximise relationships with customers" Goldenberg (2008, p.3). Moreover, it has been stated that customer relationship management "characterises a management philosophy that is a complete orientation of the company toward existing and potential customer relationships" (Raab et al, 2008, p.6)

Mueller (2010) characterises customer relationship management aspect of the business as a highly dynamic, and convincingly argues that businesses have to adopt a proactive approach in devising relevant programs and initiatives in order to remain competitive in their industries.

According to Peppers and Rogers (2011), there is global tendency in customer relationship management that relates to the shift from transactional model towards the relationship model. In other words, Peppers and Rogers (2011) argue that satisfying customer needs as a result of on-time transaction is not sufficient today in order to ensure the long-term growth of the businesses.

Instead, businesses have to strive to maintain long-term relationships with their customers in order to maintain flexibility to adopt their increasing expectations and thus achieving their life-long loyalty. Peppers and Rogers (2011) further stress that, businesses that refuses to acknowledge this tendency in the global marketplace would be risking their market share and growth prospects in the future.

One of the most critical sources for the research is the book "Relationship Marketing and Customer Relationship Management" authored by Brink and Berndt (2009). The book offers an in-depth discussion of the concept of Customer Touch Map and discusses the role of information technology in facilitating customer relationship management.

The work of Mathur (2010) represents another significant contribution to the research area to be used in the study. Namely, the author provides a wide range of specific customer relationship management techniques and principles that are used by multinational businesses. The findings of Mathur (2010) can be compared to the primary data findings in the proposed research, thus enhancing the scope of the study.

Khurana (2010), on the other hand, discusses the concept of customer relationship management in a great detail, and also addresses advantages and disadvantages associated with a range of relevant software applications. The third edition of Pradan's (2009) "Retailing Management" is another noteworthy source that is going to be used in the study. Specifically, Pradan (2009) identifies customer relationship management as an emerging aspect of marketing in retail and discusses its importance for ensuring long-term growth for retail businesses.

A global approach towards the issues of customer relationship management is adopted by Raab et al (2008) in "Customer relationship management: a global perspective". The value of this specific work to the proposed research can be explained in a way that it will allow the comparison of customer relationship management principles to the similar principles exercised by other multinational retailers in a global marketplace.

Moreover, Cox's (2011) "Retail Analytics: The Secret Weapon" deserves also to be mentioned in here thanks to the most modern and fresh perspective the author adopts in order to approach the research issues. The most valuable part of this specific article is that it provides highly practical recommendations to retailers of various sizes in terms of increasing the levels of revenues through adopting a range of customer relationship management principles

A range of academic models and writings relate to this research in direct and indirect ways and some of the most relevant models are going to be explored in the study. One of the most models to be used in the study is The Gap Model of Service Quality. "A model of service quality called the gap model identifies five gaps that can cause problems in service delivery and influence customer evaluations of service quality" (Lamb et al, 2011, p.189).

These five gaps are a) the gap between customer wants and the management perceptions about customer wants; b) the gap between the management perceptions about customer wants and the specifications of service developed; c) the gap between the service specifications and the actual service provided; d) the gap between the quality of service promised and the quality of service provided, and e) the gap between expected service and perceived service on behalf of customer

III. Research Methodology

The uniqueness of Insurance sector, is, unless the agents are trained on products and target customers, business seeking gets difficult to agents. The reason being, the salient features of each and every product of every Insurance agency varies. Though segmentation may be similar, products are different - so are benefits. Thanks to the age of Information Technology, information regarding any insurance product/s is readily available to customers in many ways, resulting in high competition. The implementation of CRM becomes a challenge because of these hurdles.

This calls for the right assessment of the various service elements like internal and external communication, customer expectations management, proper education and training of the customers' – and various challenges they pose in marketing the insurance products.

Research Objectives

The broad objectives of this research are to understand on the customer relationship. The specific objectives are to answer the following questions:-

  i. To study the to study the challenges faced by insurance firms while catering to effective CRM strategies for marketing their products from the **perspective of insurance agents of East Godavari Districts of Andhra Pradesh, India.**

 ii. The study focuses the identification of new and existing customers and understanding the need to differentiate the services offered.

iii. To study the use of Information technology and the need to effectively communicate with the internal and external customers

iv. To study the challenges in customizing the services and product

Research hypotheses:

  i. There is a relationship between the Identification of new and existing customers and CRM implementation.

 ii. There is a relationship between organizational communication and effective implementation of CRM.

iii. There is a relationship between agents effective utilization of Information Technology and CRM implementation.

iv. There is a relationship between product /service customization and the effective implementation of CRM.

 v. To study the effectiveness of communication followed by organizations from employee's perspective

Sector for Study:

The insurance sector was taken for the study as the employee turnover is high in the sector and the highly competitive industry with less penetration and effective implementation of CRM and understanding the customer needs and designing appropriate products and services form the success of CRM and effectiveness of communication surely influences the investment decision of the customers and their long term relationship with the insurance firm

The challenges like diversified customer profiles ranging from illiterates to highly educated and high net worth customers make agents think on their feet and customize the products to match with the customer requirements and expectations.

Source of Data:

The primary data was collected from the well-structured questionnaires adminstred on the agents and the secondary data was taken from various publications and Journals. The research is heavily dependent on the primary data.

Methodology:

Five organizations were taken who are willing to provide the data through filled in questionnaires. LIC the leading public enterprise is one and the other four are private insurance firms. The four private players are ICICI Prudential Life, TATA AIG, Met life and Reliance Life

Sampling Techniques and Sample Size

The research started by identifying the insurance agents and realized that the huge size of the respondents needed redefining the agents. The term "ACTIVE AGENTS" was defined. Agents who have provided business approved by the organization for the last six months as per the information provided by the branch managers. The various areas in the district of East Godavari District

and stratified Random sampling was taken from each region and after validation of the data 10% of the active agents are taken for the study.

The purpose of a sample is to get a scaled down model of the total population because the sociologist wants to generalize from the attributes, their distribution and their inter relationships observed in his sample to the attributes of the population. Hence, because the total population might be too large to study, the researcher therefore, restricts himself to a part of the population that represents the whole. In selecting a fair sample upon which valid conclusions could be drawn; stratified sampling technique and random sampling technique were used respectively. The total sample size is 330.

Source: Researcher's Field Survey, 2013

Research Instrument

The research instrument used for collection of data is the administering of well-structured questionnaire. The questionnaire consists of two sections. Section A consists of information relating to the socio-demographic characteristics of the respondent: name of organization, sex, age, marital status etc., while section B contains questions on the respondent interpretation and perception of the agents on the challenges in designing and implementing effective CRM strategies for marketing their products.

Method of Data Analysis:

The data was analyzed using statistical techniques, which included both descriptive and inferential statistics. The two-type ANOVA test was taken to test and analyze the responses provided along with pictorial and Likert scale analysis.

IV. Findings

This section reports and analyses major data collected from subject relating to challenges in implementing effective CRM in selected organizations in East Godavari Districts, Andhra Pradesh.

1. Awareness about the existing and new customer's needs using IT aspects of CRM

	Were aware fo the new and existing customers	Not aware of the new and existing customers
330 Respondents	85% 280	15% 50

85% of the respondents said that they are aware of the new and existing customers and the other 15% stated otherwise. 15% respondents felt that the information technology is not apt in identifying the new and existing clients requirements.

2. Information Seeking Mechanism followed by Insurance Agents In their parlance

	Formal Communication	Informal Communication
330 Respondents	100%(product knowledge)	100% (non product and informal)

100% of respondents said that Product knowledge is given in formal meetings conducted by the organization. 100% of respondents said for Non-Product and informal information, it was interesting to note that in the organizations where the communication is not transparent people are seeking other sources of information. In fact, they seek information from multiple sources and cross verify and then come to an opinion on what could be the fact. It was found that the media selected for gathering information is changing with the change in the designation and educational qualifications. The executives who are highly educated relied on modern technology and the others depend on grapevine and word of mouth.

3. Flexibility of Communication Modes

100% of 330 respondents said the communication modes used by organizations must be flexible. They must use diversified tools that cater to the diversified needs and requirements of the workforce and they must be cost effective. The Information technology that supports their communication must be flexible, cost effective and user friendly, which enables them to provide solutions to the customer's needs with less effort and more efficiency.

4. Customization of product

	Customization of products is very important	Customization of products is important	Customization of products is of average importance	Customization of products is of not importance
330 Respondents	47% 156	46% 150	7% 24	0% 0

47% of the agents stated that customization of product is very important and CRM implementation enables them to customize the products to match with the needs of the prospective customers. 46% stated that customization of products is important and 7% stated the customization of products is of average importance.

5. Responsiveness of the service provider to customer queries

		Highly important	Important	Average importance	Not important	Not at all important
330 Respondents	Highly satisfied with the company responsiveness	95 (29%)	90 (27%)	20 (6%)	0	0
	Satisfied with the company's responsiveness	50 (15%)	55 (17%)	4 (1%)	0	0
	Dissatisfied with the company's responsiveness	6 (2%)	5 (1.5%)	0	0	0
	Highly dissatisfied with the company's responsiveness	5 (1.5%)	0	0	0	0

93% of the employees feel that the responsiveness of the service provider to customer queries are either very important or important and among them 56% are highly satisfied with their company's responsiveness, 32% are Satisfied with the companies responsiveness and the other 5% are either dissatisfied or highly dissatisfied focusing on the need for the company's to respond in a faster manner to the customer queries. The remaining 7% respondents who feel that company's responsiveness is of average importance must be trained about the need for quick responsiveness to customer queries.

6. Maintaining and updating the customer data base

All the employees felt that the information system must be maintained and updated with regularity to understand and respond to the needs of the customers in an effective and efficient manner

7. Face to face and Person to person communication

It was found that 70% of the respondents felt that the face-to-face and person-to-person communication should not be reduced because the technology is increased. They felt that the frequency of the communication can be changed but the person-to-person communication works in the hour of the emergency or crisis. All the respondents felt that person-to-person communication still helps in forming emotional bondage and helps to put across the delicate individualized issues.

8. Importance of matching the price of the service with the financial capability of the customer

All the employees unanimously agreed to the fact that they pricing must match with the customers' financial capabilities and requirement. However, only 60% of the respondents felt that the pricing is flexible for the insurance products.

9. Insurance agents' participation in designing of the product or keeping them informed of the claim settlements.

The employees selected the smiling face to indicate that their opinions will be sought during the deciding on the new policies. However 26% of the agents are having grievances regarding the delays in claim settling or keeping them not properly informed about the progress during the claim settling process.

10. Challenge in diversified customer profiles

All the respondents agreed that the diversification in education, income and social backgrounds do pose a major challenge to the designing effective CRM strategies for the insurance products. 60% of the respondents felt the customers have more trust on the relatives and primary reference groups than the professional advice given by the agents while selecting the insurance product, which poses a major challenge in suggesting the right product for the customer. However, they stated that the trust on the agents increase along with the longevity of the period of association.

11. Lack of empathy by the insurance firms while dealing with customer's grievances and claims.

There was marked dissatisfaction with the insurance firms' ways of dealing with customer's grievances and claim settlement processes.

It was found that all the insurance agents still practice what they want to say and how they put it across when they are talking to their clients but at the same time, they use diplomatic tones not to hamper their relationships.

All the respondents said that communication failures did take place in their organizations and 90% said that they have taken remedial measures from their past failures and have modified their communication system.

Further scope of the study: The organizations can be taken as sector wise and a further comparative study can be done on the challenges in implementing CRM practices in insurance industry. The data from urban, semi – urban and rural and the diversified challenges each areas pose can be studied.