



A STUDY ON IMPACT OF CRM PRACTICES ON CUSTOMER RETENTION IN INSURANCE SECTOR

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Abstract

The factor of customer relationship management (CRM) in insurance sector had been described from the viewpoint of customer retention. The primary data had been collected through structured questionnaire and the sample size is 250. The statistical tools like regression and one-way ANOVA have been used for hypothesis testing. The major finding of this study is modern organizations in insurance sector both in public and private need to give important for reminder services and customer satisfaction. The customer retention is more important for sustaining in the competitive industry and it is possible by CRM techniques.

Keywords: Customer relationship management, CRM, customer retention, customer satisfaction, loyalty programs.

Introduction

Customer relationship management (CRM) is maintaining communication with customers and predicting their future needs. Modern organizations are developing strategies for attaining customer retention with CRM tools and techniques. The companies in insurance sector have realized that instead of getting a new customer it is more important to meet the expectation of existing customers and retain them. In insurance sector every year or at regular intervals the customers need to renew their policy. At the same time there is chance that the customer may be attracted by competitors. Hence maintaining communication with existing customer is more important for retaining them.

CRM involves organizing and tracking all contacts with prospective and existing customers and in a simple scenario, it involves:

1. Recording all customer and interactions details in an organized manner into a database
2. Providing the tools to view selected customer or prospect data in a desired manner
3. Generating alerts for pending actions such as follow ups, service calls and marketing contacts (Imam, n.d.)

CRM (Customer Relationship Management) software systems is used by the service industry and found to be beneficial for them. These systems are specifically designed for managing the customer community of a particular organization. Such systems are able to gather the relevant data of particular product customers by using different techniques and analyze this data according to the need of a manager, using different data mining and pattern recognition methods (Hasmicro, 2016)

Objectives of the Study

1. To know the impact of customer relationship management (CRM) activities on customer intention.
2. To know the impact of selected demographic variables on customer retention towards insurance service providers.
3. To describe the importance of CRM activities in insurance sector.

Review of Literature

Andotra and Abrol (2016) had analyzed the factors influencing customer loyalty in insurance sector. The independent factors considered in their study are trust, customer satisfaction, communication and conflict handling. The process of CRM understands the needs of customer and increases the ability of organization to build customer loyalty programs. Soumiya and Selvam (2017) had described the reinforcements of e-insurance while using website service of the insurance company. The attitude, customers' satisfaction and perception are considered to understand reinforcements for e-insurance services.



Karthick (2017) had mentioned that advertising costs reduces drastically with implementation of CRM practices for insurance companies. The effectiveness of campaigns can be measured with adoption of CRM practices. Life Insurance Corporation (LIC) had changed its traditional strategy and initiated personalized communication about its products and services to prospective customers. Abdullah and Siddique (2017) had considered dimensions like customer acquisition, customer response, customer knowledge, customer information system and customer value evaluation for predicting the implementation of CRM practices in banking sector.

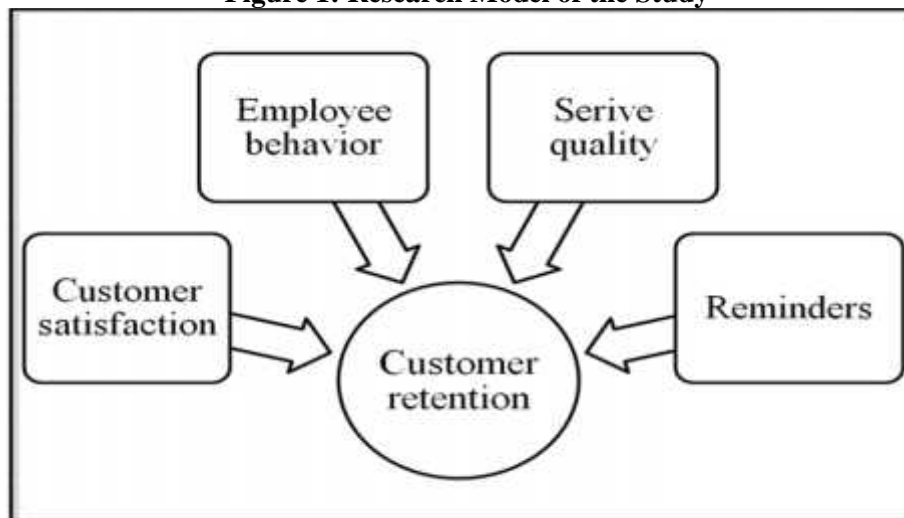
Biswamohan and Bidhubhusan (2012) had described about e-CRM practices in insurance sector. The factors like security, building relation, quick response, innovation delivery, customer satisfaction and brand population are considered for measuring the CRM practices of various companies like ICICI Prudential, AVIVA Life Insurance, Birla Sun Life Insurance and Reliance Life Insurance. CRM manages huge databases and perform analytics to predict the needs of customers and facilitates in effective customer relations. Cheng et al (2013) had conducted a study to know the impact of CRM practices on customer satisfaction by using American Customer Satisfaction Index model.

Agariya and Singh (2013) had stated that organizations maintain effective relationship and it can be found through CRM index. The factors of multidimensional construct CRM can be claim payment security, service quality and transparency in product selling. Dinesh (2012) had stated that rapid development in technology is supporting element for implementation of CRM practices by insurance companies. Chaudhuri (2013) had mentioned that different modes like operational CRM, analytical CRM, sales automation and claim management of CRM practices helps insurance organizations to sustain in the competitive global insurance sector.

Research Methodology

Primary had been collected through structured questionnaire. It consists of five demographic variables and five constructs. Scale developed by Diensh (2012) had been used as reference while developing measurement scale for this present study. The five constructs are employee behavior, customer satisfaction, reminder of due dates, service quality and customer retention. There are three items for each construct and opinion of respondents have been collected using five point Likert-type scale ranging from 1 to 5 where '5' means strongly agree and 1 means strongly disagree. The statistical tools used for data analysis are frequency analysis, descriptive statistics and regression analysis. Secondary data had been procured from books, journals and electronic sources. Figure 1 shows the research model used in this study which shows relationship between dependent and independent variables.

Figure 1: Research Model of the Study



(Source: Prepared by researcher)



Data Analysis

The sample size of the study is 250 and snowball sampling method had been used for data collection. The respondents who are having life insurance policy from either public or private life insurance companies are eligible to participate in the survey. Majority of the respondents are male with regard to gender. Out of total respondents majority of them are married with regard to marital status. Many of the respondents nearly 57 percent are having monthly salary of above 30,000 INR. Table 1 shows the detailed profile of respondents of this study. The mean value and standard deviation for each construct is shown in Table 2. It is found that ‘reminder of due dates’ construct is having highest means value with least standard deviation. Hence insurance providers are communicating about due dates through reminders very effectively.

Table 1: Demographic profile of respondents

Variable	Characteristic	Percentage (%)
Gender	Male	74.8
	Female	25.2
Age group	From 18 to 30 Years	20.0
	31 to 45 Years	47.6
	Above 45 Years	32.4
Marital Status	Single	23.8
	Married	76.2
Monthly Income	Less than 20,000 INR	19.0
	20,000 to 30,000 INR	23.4
	Above 30,000 INR	57.6
Type of insurance provider	Public	45.6
	Private	54.4

(Source: Prepared from primary data)

Table 2: Descriptive Statistics

	N	Mean	Std. Deviation
Employee behavior	250	4.2560	0.775
Customer satisfaction	250	3.4520	0.498
Service quality	250	3.9933	0.867
Reminder of due dates	250	4.6720	0.410
Customer Retention	250	3.4520	0.498
Valid N (listwise)	250		

(Source: SPSS Output)



H1: There is an impact of reminder of due dates on customer retention towards insurance service providers

H1 is accepted because p-value for reminder of due dates construct is less than 0.05. Hence insurance service providers giving reminders for due dates can attain customer retention.

H2: There is an impact of service quality on customer retention towards insurance service providers

H2 is accepted because p-value in Table 3 for service quality is less than 0.05. There is positive impact of service quality on customer retention towards insurance service provider.

Table 3: Regression Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.178	0.423		19.336	0.000
	Reminder of due dates	0.330	0.077	0.235	4.264	0.000
	Service quality	0.240	0.045	0.360	5.338	0.030
	Customer satisfaction	0.358	0.074	0.270	4.803	0.000
	Employee behavior	0.032	0.056	0.037	0.567	0.571

a. Dependent Variable: Customer retention

(Source: SPSS Output)

H3: There is an impact of customer satisfaction on customer retention towards insurance service providers.

H3 is accepted because p-value for customer satisfaction as per Table 3 is less than 0.05. Hence there is an impact of customer satisfaction on customer retention. It can be also stated as increase in customer satisfaction level increases customer retention towards the insurance service provider.

H4: There is an impact of employee behavior on customer retention towards insurance service providers.

H4 is rejected because p-value as per Table 3 for employee behavior is more than 0.05. Hence there is no significant relationship between employee behavior on customer retention.

Table 4: One-way ANOVA

Customer Retention					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	18.815	2	9.407	53.901	.000
Within Groups	43.109	247	.175		
Total	61.924	249			

H5: There is an association between age group and customer retention towards insurance service providers.

H5 is accepted because p-value in Table 4 is less than 0.05. Hence age group is an important factor to know the customer retention towards insurance service providers.

Discussion and Conclusion

CRM practices in insurance sector plays a vital role because customer retention can be attained. It is nearly five times more costly for businesses in service sector to get a new customer instead of retaining the existing customer. The effective relationship with customer helps the organization to sustain in the competitive



insurance industry. In this study the reminder services, service quality and customer satisfaction had positively influenced the customer retention. After the advent of technology the automation of business process had minimized the impact of employee behavior on customer retention.

Future Research

In this study only four independent factors of customer relationship management (CRM) have been considered. The future researchers can consider other factors like claims management, brand image and personalized advertisements on customer retention intention can be studied. The association between demographic variables and customer relationship management activities can be studied by future researchers.

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