

**“CRM IN PUBLIC SECTOR GENERAL INSURANCE COMPANIES
IN LIBERALIZED DE-TARIFF REGIME”**

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CRM, as is well known, stands for customer relationship management. It is perceived by Common man as basically an I.T. solution to ensure a better customer service. But obviously it goes much beyond that. It is a business approach that tries to integrate the employees, the process and technology to improve an organizations relationship with its customers – both the existing and prospective; as well as internal and external. Though a complex process to put in place, the ultimate aim of CRM is to increase business in a highly competitive environment by attending to the demands of the market and needs of the customer. The customer is the focus all through in the process. CRM though. BUZZ word now is not really so new. In fact ever since the start of organized trading the customer has always been the centre of focus, more so if we look at service sector. However, in an open market his status has considerably increased because he has lot many options before him and the various service providers are wooing him to their fold. Having brought to their fold, they have the new challenges of retaining him. General Insurance policies are up for grab every twelve month. The challenge therefore is not only to get new customers but to retain their loyalty as well. Acquiring a new customer is more expensive than retaining an existing one. The cost aspect in a competitive environment can not be ignored. Therefore, we need to understand what goes into the mind of the customer and how it is reflected in his bahaviour. Fortunately for us, new technology is allowing to do so now. Analysis of data collected through CRM initiative and its updation help understand and anticipate the customers need, his expectation and behaviour pattern. It also helps to understand the competitors strategy. This in turn will enable in matching out the unfulfilled needs of the customer. We can apply the customer knowledge to continuously improve performance through a process of learning from success and failure.

Customer expectations are rising. They want individual attention, responsiveness, customization and other value additions without any premium for these services. There is therefore an urgent need to improve and increase the convenience and comfort level of the customers. It is possible to meet these challenges through CRM initiatives. While it is very important to retain customer, no retention strategy can be 100% success. Customer acquisition becomes vital to ensure growth in customer base. CRM packages are available / can be developed which can be of immense help, both in retention of existing customer and increasing the new customer base. However, it should be very clearly understood that CRM is driven by technology but it is not about technology and therefore the people issues are very important. It should be appreciated that (CRM) technology is only an enabler and not a solution by itself. The attitude, approach and response of the people in the organization will determine the success and failure of any such initiative. Organization having satisfied employees with right attitude create satisfied customer. Basically the employees are the key to keeping the customer happy. When the employees are unhappy, they create unhappy customers. In a study about customer migration it was found that majority of the customer (almost 68%) who stop coming do so because they are dis-satisfied with the employees serving them. The position may not be very different in PSU's General Insurance Companies. It did not matter much in post nationalization era but it will certainly matter much more in post liberalized era.

In view of the above, any CRM initiative must necessarily has to be an inclusive approach. Greater involvement of staff and officer through improved performance at all levels and in all function must go alongwith CRM initiative. Various functional department have supportive role for each other and they have to work in true team-spirit. This integrated approach will enhance both performance and desired behaviour vis-à-vis the customer.

Let's now briefly examine the state of affairs in PSU General Insurance Companies post nationalization in reference to the attitude of the people towards their work as also towards the customer. The nationalization brought about job security without any system of accountability. The era saw the growth of trade-unionism of not very healthy kind.

The priorities changed after nationalization. Most of the business was brought under tariff. The casualty in the process was customer service. On the positive side of it, attempt was made to bring insurance to the common man, penetration in rural areas, investment in socially relevant scheme and most important induction of educationally qualified person in the industry through a transparent recruitment system. The nationalization served some of its avowed objectives. But it also brought in its wake a work-culture that left much to be desired. The monopolistic tariff regime ensured rigidity in approach. It killed innovation and creativity. U/W was reduced to referring to tariff pages. The customer did not have choices. At best they can rotate in the four PSU's. Instead of the insurance companies coming out with new products to meet the customer need it was the other way. The clients have to tailor their needs in line with available insurance cover. Insurance marketing was no more than commodity selling. One important lesson that was forgotten in the whole process was – unless the companies show excellence in operation and performance, stand on their own and generate profit on a sustainable basis – they can not meet the social objectives or any other objective for that matter. This basic fact and therefore the need to achieve all round operational excellence was never drilled into the minds of the people in insurance industry through-out the length and breadth of the country. This was in a way failure of the top management. There was no reward / punishment system and the mind-set that developed was that the premium in any case is going to remain with one of the nationalized companies under GIC umbrella and therefore why to worry. This mind-set was anti-thesis of what was expected in post-liberalization era. There was no appreciation of the fact that if there is no customer, there is no business and everybody has to pay a prize.

With the nineties started the age of globalization. There was tremendous development on technological front. Distances started shrinking. There was opening of economy and removal of barriers. There was perceptible changes in social and legal environment. The global wind of change meant that insurance business, which also has international dimension must also change. And change it did with the passing of IRDA Act. The year 2006 saw the demise of tariff regime and w.e.f. 1.1.2007 we are in a de-tariff regime in a free market. The liberalization has brought many private players. More are expected to

join with further liberalization in the offing. The four PSU's are no longer under GIC's umbrella. We are now living in a very dynamic insurance environment. The implications are :-

- An average customer who used to be a non-entity in not too distant a past has become the king. In fact he is now a dictator. Dealing with him calls for new approaches, better relationship management and better understanding of his psyche.
- Demise of tariff means fierce competition and price-war. The challenge is to maintain a price-level which is fair to both the insurance companies and the customer. This indeed is a difficult job and a big challenge. Detariffing after all is not all about rate cutting alone.
- You can not deal with the present day customer with a rigid mind-set rooted in the past. Your attitude, behaviour and conduct vis-à-vis the customer must change. The challenge is not only in selling insurance to external customer but also in selling discipline, punctuality, team-work, quality and better behaviour pattern to our internal customer. We have to see ourselves through the eyes of the others. Poor service is no longer an option.
- Product development & innovation are new challenges for PSU Insurance Companies as this was a totally neglected area because of tariff regime. The private players will try to bring in the tested and tried product of their foreign partners.
- Yet another challenge that has come in the wake of liberalization and de-tariffing is retaining the knowledgeable and competent people. Companies spend huge amount in training people, in upgrading their knowledge and skill. People do leave for greener pasture in a liberalized setup.
- Companies may face difficulty in placing re-insurance if the direct Underwriting rate go too low because of price-war. In fact the companies have started feeling the heat.

How can CRM help in addressing these challenges? They indeed can. We have basically two kinds of CRM initiatives:-

- i) Operational CRM
- ii) Analytical CRM

The operational CRM is meant to bring operational improvement and excellence. It is focused on customer convenience. IT can be used in General Insurance industry in areas like:

- a) Integrating customer information from multiple channel
- b) Sales automation – web-based sale – reduction in transaction cost of business
- c) Better claim management and grievance handling - claim / grievance status on web.

The analytical CRM is meant to analyze the data created on operation side of CRM. It can be used with advantage in matters like:

- Marketing opportunity within an existing customer data-base.
- Information on customer retention / attrition
- Predictive capability to determine customer behaviour
- Portfolio analysis to know how various portfolio's are behaving and to take corrective steps.
- Pricing
- Huge mass of data created on operational side of CRM can be made use of in various ways for various purposes.

The pricing of an insurance product has to take care of all cost elements. To keep the price competitive, all costs must be kept at bare minimum. CRM initiative can be of help in this effort. It should be appreciated that we are moving from a supply driven environments to demand driven environment. The need to acquire, retain and support customer will stimulate greater investment in CRM. The need of the hour is to think of the requirement of customer before he thinks of it himself. We have to manage

customers expectation so that it is never higher than we can deliver. All challenges also bring in its wake opportunities. CRM is also an opportunity which can be leveraged for customer communication and convenience and development of market and for bringing overall operational excellence.