CUSTOMER PERCEPTION TOWARDS CUSTOMER RELATIONSHIP MANAGEMENT IN LIFE INSURANCE COMPANIES: A FACTORIAL ANALYSIS

A. Duraikannan

Assistant Professor, Government Arts College, Paramakudi - 623707

Dr. P. Vikkraman

Associate Professor and Academic Director, Anna University, Coimbatore

Abstract

In the post liberalization period, the life insurance industry of India witnessed a remarkable growth and it is being forced to face a lot of healthy competition from many domestic as well as international private insurance players. Life Insurance is critical for the development of Indian economy. This present paper examines the various variables influencing consumer satisfaction as regards to performance of Life insurance companies. In this process, the factoral relationship exist among the variables have also been examined during the process of study. Thus, the primary purpose of factor analysis is to discover the pattern of impact among the variables on customer satisfaction. In particular, it seeks to discover if the observed variables can be explained largely or entirely in terms of a smaller number of variables called factors. 'Customer satisfaction' is a term which is a subjective term and varies from one to other. Against such a backdrop, an attempt has been made to study the present practices practiced in the life insurance sector and their applicability in service delivery process. The questionnaire framed for the purpose of undertaking a survey of insurance policy holders comprised of five sets of factors, which fluence Customer satisfaction and Customer Relationship Management and the level of satisfaction. In this connection eighteen questions were asked to the sample respondents and the responses were grouped under five suitable factors namely, service drivers in Customer Relationship Management , Information Technology , Customer Orientation and Wide Area Network Coverage by the insurance agents and insurer.

The Objectives of the Study was to analyse the factor wise significance to the Customer Satisfaction and to provide suggestion to improve the performance of life insurance business in India with two hypotheses. The methodology for the research was setup descriptive and analytical and the data was collected from 800 sample , where 622 were valid and these data were analyzed through facto analysis. The study findings are Service is performed at right time in Customer Relationship Management (CRM), Recommending the Company plans to friends and relatives in Modes of payments are easier and faster and Online facility provides adequate information & provides easy access in Information Technology(IT) , Employees provide information time to time for new products in Customer Orientation(CO) and Easy payment through wide area network by Agents in Wide Area Network Coverage as these values of these factors holds a good fit to their responding factors . the strategic suggestion for the development and growth of the life insurance business have been outlined from the present research as : the companies must adopt Customer oriented Plan coverage through advisors , Easy settlement through wide area network by Agents/Officers , arrangement of more number of workshops/seminars for customer orientation, their employees must be instructed

to maintain a good linkage with the present customers , Staff should provide prompt service to their customers , staff should behave properly and take more attention to customer grievances and the modes of settlements are faster and easier with providing best quality products for its customers through the process of reengineering to sustain in the competitive market.

Introduction

Today, many business such as bank , insurance companies and other service providers realize the importance of Customer Relationship Management (CRM) and its potential to help them acquire new customers retain existing ones and maximize their lifetime value. At this point, close relationship with customers will require a strong co-ordination between it and marketing departments to provide long term retention of selected customers. CRM is a sound business strategy to identify a company's most profitable customers and prospects and devotes time and attention to expanding account relationships with those customers through individualized marketing, reprising, discretionary, decision making and customized service delivered through the various sales channels that the company uses. The definition of consequently, IT and marketing departments must work closely to implement CRM efficient. Further it was also emphasized that customer relationship management based on social exchange and significantly assists the firm in developing collaborative, co-operative and profitable long term relations. the process of reengineering to sustain in the competitive market. Life Insurance Corporation of India was the only company prior to liberalization and the monopoly of LIC breaks with the entry of private companies in life insurance business.

The Indian insurance industry was opened for private insurers in the year 1999, with the enforcement and establishment of industrial regulatory and development authority act. Insurance sector in India is one of the booming sectors of the economy and presently growing at the rate of 35-40% per cent annually with a total insurable population of less than forty percent. Huge untapped population provides unlimited scope to life insurance companies for market expansion and penetration. There was a remarkable improvement in the Indian insurance industry soon after the Indian economic reform 1991 which is characterized by three important elements i.e. Liberalization, privatization, and globalization (LPG). In the post liberalization period, the life insurance industry of India witnessed a remarkable growth and it is being forced to face a lot of healthy competition from many domestic as well as international private insurance players. The share of a country's GDP in life insurance has a strong positive correlation to income levels. India, with its huge middle class households, exhibits untapped potential for the insurance industry. Saturation of markets in many developed economies has made the Indian market even more attractive for global insurance majors. Thus India continues to be an attractive market for most insurance players both domestic and foreign.

Review of Literature

Paramita Chatterjee (2009) in her article titled "Private insurers command majority share of life Insurance market". She evidently said private insurers recorded 62% growth rate in April-December 2008 against 45% in the same period of last fiscal. ICICI Prudential, HDFC Standard, SBI Life and Bajaj Allianz are the dominant players of the life Insurance sector. LIC a market leader recorded a decline of 28% and experts said the Industry has witnessed a reasonable growth despite the tight financial conditions.

Kundu (2003) in an article titled 'What's next in India's Insurance market' discussed the changes in various issues of Insurance Industry after the entry of new players. Despite of having huge population, India still has a low insurance penetration. Today, people are increasingly looking not just at products but at integrated financial solutions that can offer stability of returns along with total protection. Technology will play an important role in aiding design and administrating of products as well in efforts to build long customer relationships.

Neelam C. Gulati (2007) in his book on " principles of insurance managements " gives an insight into the basics of insurance, types of insurance ,claims management , role of technology in the insurance sector and also the history and future expectations of Indian life insurance industry.

Phani, B.V.R.D.(2008) in this dissertation on "changes in in insurance sector (a study on public awareness)" concentrates his emphasis mostly on the opinions satisfaction of investors about life insurance on the basis of their socio-ecomomic background.

Kapse.S and Kodwani d.g (2003) in their article titled "insurance as an investment option". It is argued that in the changing scenario for the insurance sector there is going to be a good opportunities for insurance sector to expand its market base. For this purpose there is need to improve the features of the insurance products to make them more liquid or short term schemes could be increased. It is shown that although rewards implied by the insurance products particularly by the tax benefits are quite close to those observed in banks and small saving scheme of the governments.

Murthy, R.Babu and Ansari (2009) in the paper examined the performance of Life Insurance Corporation. Due to globalization of financial services and liberalization of economy, the Life Insurance Corporation of India (LIC) has been facing intense competition from the new entrants and is also playing a lead role in the life insurance industry. The purpose of the study is to analyze the growth and development of LIC business before and after liberalization, ways to improve customer services and to make appropriate suggestions for the improvement in LIC business.

Geneshan.G (2004) in his articles on "customer care with a CRM" observes that companies are to-day opting for a CRM to help them serve their customers in the best

possible way and to provide for customer needs even before these are voices. This alone will help them to retain their customers loyalty.

Sathish S.V .(2009) in his article entitled "life insurance marketing- A phenomenon" contends that insurance marketing requires intriguing creativeness of the insurers implying updating knowledge on the markets with global perspective which calls for availability of enough right data or information at the operating offices.

Importance of the Study

The insurance industry is one of the fastest growing industries in the country and offers unlimited growth potential. Customer services, ineffective marketing, low insurance penetration were some of the problem with insurance companies. In view to overcome these problems and improved market penetration; the researcher has taken up the present study to analysis factors related to customer perception towards Customer Relationship Management among the policy holders of different life insurance companies in post liberalization after opening up of the sector to the private insurers.

Objectives of the Study

- To analyse the factor wise significance to the Customer perception towards Customer Relationship management in Life insurance Sector.
- To provide suggestion to improve the performance of life insurance business in India.

Research Methodology
Data Collection

Primary data was obtained from the insured population of 622 respondents who were policy holders of LIC and private Life Insurance companies. Secondary data was obtained from various IRDA publications, insurance company websites, newspaper articles and related journals.

Sampling Technique

The respondents were selected by using Judgment sampling method.

Statistical Tools

The data were analyzed by using Factor Analysis through SPSS.

Data analysis and Discussion

This present paper examines the various variables influencing consumer perception towards Customer Relationship management in Life insurance companies. In this process, the factorial relationship exist among the variables have also been examined during the process of study. Thus, the primary purpose of factor analysis is to discover the pattern of impact among the variables on customer satisfaction. In particular, it seeks to discover if

the observed variables can be explained largely or entirely in terms of a smaller number of variables called factors.

The questionnaire framed for the purpose of undertaking a survey of insurance policy holders comprised of five sets of factors, which influence the level of satisfaction. In this connection structured questionnaire was distributed among the respondents and the responses were grouped under five suitable factors namely, service Drivers, Brand Loyalty , Information Technology(IT) , Customer Orientation and Wide Area Network Coverage by the agents and Insurance company.

Service Divers in Customer Relationship Management (CRM)

One of the ongoing challenges usually encountered by the successful businesses is optimization of customer satisfaction and developing Customer Relationship Management (CRM). Customer satisfaction explains certain comprehensive system approach in its application, such as, developing, motivating and managing customers, establishing effective service delivery processes, building continuous improvement through spiraling effect and designing the key employees of the concern and reengineering of products.

Customer Relationship Management (CRM) aims at narrowing the gap between the company and its customers. CRM plays a vital role not only in bringing the customers close to the company, but also in identifying the changing behavioral pattern of the customers. In service-driven markets. CRM system is essential, as well as crucial since the customer attrition is high due to the presence of close substitutes. To be precise, CRM maintains a balance between customer expectations and customer satisfaction. Further, it also helps in retaining the customers for long-run sustainability. Against such a backdrop, an attempt has been made to study the CRM practices practiced in the life insurance sector and their applicability in service delivery process. Keeping this in view, three questions pertaining to CRM were asked to the respondents and their responses were measured through factor analysis in order to find out the degree of significance of each factor (component wise).

Table 1: Service Divers

Communalities	Extraction
Service is performed at right time	0.990
Staff provide prompt service to the customer	0.927
Staff behave properly on customer grievances	0.962

Extraction Method: Principal Component Analysis. Initial values =1.00 in all cases

Table 1 indicates communalities of factors, which indicate the proportion of the variance in response to the factors important for the CRM divers in respect to service aspect. The extraction communalities of each variable has been accounted for. The initial values are also equal to 1.0 in all the cases. But, the extraction values in the communalities

reveal high and indicate a good fit to the variables. So, these three components can be taken for further study to identify the best fit among all the factors within the responses. In the analysis of variance, the initial eigen value for one factor is above 1.0 i.e.2.972 which reflects the total value with 98.7 % variance. The Extraction Sums of Squared Loadings is also of the same value with the initial Eigen value. Here it explains that the extracted components which explain more over 99 per cent of the variability in the original three variables, thus it can be deduced that only one factor is associated with 'satisfaction', but it remains unexplained due to lot of variations among the components. Here, the complexity of the components has been considerably reduced to only a loss of 1.2% information. Therefore the exact responsible component among all the factors from the table-2 is to be ascertained.

Table 2: Component Matrix of Service Divers of CRM

Component on CRM	Component Value
Service is performed at right time	.991
Staff provide prompt service to the customer	.920
Staff behave properly on customer grievances	.947

Table 2 reveals that component wise values are significantly correlated with 'satisfaction through CRM' which is indicated in the matrix form. Out of three components, one component i.e. "Service is performed at right time" has been extracted which is having highest value i.e. 0.991. So here the less significant component reveals the lacks in prompt service to the customers.

Brand Loyalty

Brand loyalty is the consumer's conscious or unconscious decision, expressed through intention or behaviour, to repurchase a product brand continually. It occurs because the consumer perceives that the brand offers the right product features, image, or quality at the right price. Consumer behaviour is habitual because habits are same and familiar. In order to create brand loyalty, advertisers must break consumers' habits, help them to acquire new habits, and reinforce those habits by reminding consumers of the value of their purchase and encourage them to continue purchasing those products in the future. The image surrounding a company's brand is the principal source of its competitive advantage and is therefore a valuable strategic asset. Branding is by far one of the most important factors influencing product's success or failure in the marketplace, and can have a dramatic impact on how the "company behind the brand" is perceived by the buying public. In other words, the brand is not just a representation of a company's product; it is a symbol of the company itself, and that is where the core of brand loyalty lies. Keeping in view the significance of brand loyalty factor for the measurement of consumers' perception

towards the insurance service providers, three questions were asked to the respondents on brand loyalty.

Table 3: Communalities of Brand Loyalty

Components	Extraction
Company believes in providing best quality products for its Policy Holders	0.803
Your preference to purchase all the products are high from this Company	0.827
Recommending the Company plans to friends and relatives	0.956

Extraction Method: Principal Component Analysis. Initial values =1.00 in all cases

Table 3 indicates communalities of factors, on brand loyalty of Policy holders towards insurers in the competitive environment. It indicates the proportion of the variance in response to the reliability aspect depending upon brand loyalty. The extraction communalities are reflected high, and the values are more than 0.8 which is indicating a strong relation to the brand loyalty. In the analysis of total variance only one factor is having the value above one and is most significantly responsible for the 'brand loyalty' i.e. 2.655 with variance of 92.30 and the sum of square loading values represent the same value as initial eigen value.

Table 4: Component Matrix of Brand Loyalty

Components	Component Value
Company believes in providing best quality products for its customers	0.914
Your preference to purchase all the products are high from this Company	0.989
Recommending the Company plans to friends and relatives	0.990

Extraction Method: Principal Component Analysis.

Table 4 reveals the component wise values correlated with 'brand loyalty' in the matrix form. Out of three variables, one variable i.e. "Recommending the Company plans to friends and relatives" has been extracted which is having highest value i.e. 0.990 followed by the preference in purchase of the own company products with 0.989 value. Thus, from the findings it can be inferred that a majority sample respondents have preferred to stick to their own company which infers that they are indeed content with the overall activities of their service providers and hence they are brand loyal.

Information Technology

Information Technology is becoming a major part of the service mix for life insurance companies around the world. India is one of the most exciting insurance markets

in the world. Life insurance companies provide a number of high level technology Services which helps them to serve their customers better and enhance the quality of communication. Five questions related to Information Technology were asked to the sample respondents and was studied through factor analysis.

Table 5: Communalities of Information Technology

Communalities	Extraction
Online facility provides adequate information & provides easy access	0.992
Online provides faster & accurate services	0.981
Modes of payments are easier and faster	0.992
Modes of settlements are faster and easier	0.981
Employees are well versed with computers	0.993

Extraction Method: Principal Component Analysis. Initial values = 1.00 in all cases

Table 5 reported the communalities of factors on Information Technology, which indicate the proportion of variance in response to the relevant factors considered to be important. The extraction communalities are estimated and the respective values reflected high and more than 0.80 in all the cases. Further, these values in the communalities indicate consistency among the responses to the question and these components represent the variables well. The analysis of total variance inferred that only one factor was found to have more than 1.0 value i.e. 3.694 in total variances. Thus, other three factors are less responsible for the variable i.e. IT in insurance services as their values are much less than 1.0. Further, the percentage of variance of only one component is 96.366, which is much closer to 100 per cent .that indicates only one component has strong impact on the variable with a loss of 3% per cent data, which is very nominal.

Table 6: Component Matrix of IT

Components	Component Value
Online facility provides adequate informations & provides easy access	0.997
Online provides faster & accurate services	0.994
Modes of payments are easier and faster	0.998
Modes of settlements are faster and easier	0.980
Employees operate well with computers	0.985

Extraction Method: Principal Component Analysis.

Table 6 reveals the component wise matrix values mostly correlated with the IT services provided by various insurance service providers in the state of Tamilnadu. Out of five factors, one component has been extracted having highest value i.e. 0.998. The most

significant variable "Modes of payments are easier and faster "and other variables are more or less equal and it seems that IT services satisfy almost all the questions asked to the respondents and they are satisfied with the application of IT in insurance sector.

Customer Orientation

Now-a-days a number of plans/ schemes have been offered by the Insurers, which creates confusion. As a result, the policy holders or the new customers face difficulty in selecting a suitable plan among all the insurance companies. Finding best suitable plan is very crucial for the new customers as well as the existing policy holders, those have interest for further investment in insurance. The policy holders, instead of being fully rational, has 'bounded rationality' and his behaviour is not only subject to economic constraints but also influenced by social needs. So orientation become necessary for the policy holders and accordingly questions were asked to the respondents to measure the most significant variable associated with the Customer Orientation factor. Three questions were asked and mentioned below the table.

Table 7: Communalities of Customer Orientation

Communalities	Extraction
Employees provide information time to time for new products	0.995
Employees arrange workshops/seminars for customer orientation	0.997
Employees maintains a good linkage with the customers	0.996

Extraction Method: Principal Component Analysis.

The policy holders or investors prefer the most imperative price structure of concerned the companies. Keeping this in view, premium factor has been included to study its impact on the investing behavior of the customers at large in response to social, economic and rationality perspectives through different questions. The initial values reflected high and equal to 1.0 for all the components (TABLE-7). Further, the extraction values in the communalities also reflects high, which indicates that the extracted components represent the variables well as these values are either equal or more than 0.995.

In the analysis of total variance the initial Eigen values shows 2.956 the variance explained by the initial solution and sum of squared loadings also reported the same value. The percentage of variances reported 97.255 in both the cases. Thus, only one factor is relevant for the 'customer orientation out of the three as its value is more than 1.0.

Table 8: Component Matrix of Customer Orientation

Component	Component Value
Employees provide information time to time for new products	0.995
Employees arrange workshops/seminars for customer orientation	0.897
Employees maintains a good linkage with the customers	0.921

Extraction Method: Principal Component Analysis.

Table -8 reveals the component wise values those are mostly correlated with the Customer Orientation plans, which are presented in the matrix form. Out of three components of the factors, one component represents higher i.e. 995 on "Employees provide information time to time for new products". This question is related to the socioeconomic consideration and rationality of insurance companies and more particularly the private insurers play very significant relation in this context.

Findings of the Study

In the analysis the following factors were most significant in response to customers perception towards Customer Relationship Management (CRM) in Life Insurance Companies. These are mentioned below: as Service is performed at right time in Customer Relationship Management (CRM), Recommending the Company plans to friends and relatives in Brand Loyalty, Modes of payments are easier and faster and Online facility provides adequate information & provides easy access in Information Technology(IT) ,Employees provide information time to time for new products in Customer Orientation(CO) and Easy payment through wide area network by Agents in Wide Area Network Coverage as these values of these factors holds a good fit to their responding factors .

Suggestions and Conclusion

The suggestion for the development and growth of the life insurance business have been outlined from the present research as : the companies must adopt Customer oriented Plan coverage through advisors, Easy settlement through wide area network by Agents/Officers, arrangement of more number of workshops/seminars for customer orientation, their employees must be instructed to maintain a good linkage with the present customers, Staff should provide prompt service to their customers , staff should behave properly and take more attention to customer grievances and the modes of settlements are faster and easier with providing best quality products for its customers, through the process of reengineering to sustain in the competitive market. The professional dignity of insurance agents should be promoted and projected as role models. The present technology solutions have to empower the prospective customers, facilitating the making of informed decisions and providing a smooth buying experience.

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