# Insurance sector to drive Indian CRM market

*After telecom and banking, it's the turn of insurance companies to deploy customer relationship management (CRM) solutions. As competition intensifies, insurers are trying every trick in the book to retain existing customers, with a wide range of services driving the market for CRM applications in the process, says Akhtar Pasha*

Vikram G Shah says that CRM with BI tools can help insurance firms monitor the ebb and flow of customer behaviour, giving them a holistic 360-degree view of their customers

While the insurance sector is seeking to maintain a balance between acquiring customers and developing existing ones, customer acquisition is vital, as no retention strategy will entirely stem customer defection. That said, insurance companies are experiencing unacceptable levels of customer churn, thanks to which they are focusing on keeping the customers they already have in a bid to ensure a net growth in their customer base. Today, the focus is on selling more products to existing customers to improve profitability. Customer-focused strategies require CRM (customer relationship management) to help acquire customers thorough various touch points and translate operational data into actionable insights for proactively serving customers. Vikram G Shah, managing director, Talisma Corporation says, "CRM with BI (Business Intelligence) tools can help insurance firms monitor the ebb and flow of customer behaviour, giving them a holistic 360-degree view of their customers."

While the CRM market in India is still nascent, bigger players such as ICICI Prudential Life Insurance Company are adopting it in a big way. The company was earlier using GoldMines (a sales and marketing tool) and HEAT (an operational CRM solution) from FrontRange Solutions. Last year it took a decision to invest in CM3 from Teradata and SAS's statistical tool for BI. Anil Tikoo, head-IT at ICICI Prudential Life Insurance Company says, "As a forward looking company, we see CRM playing a significant role in acquiring new customers. CRM lets us obtain granular details about our customers, helping us to design better products, improve service levels and reduce operational costs." CRM has helped ICICI Prudential Life capture five lakh customers through effective event-based marketing and lead tracking to cross- and up-sell products.

Tarun Pandey, application manager at Aviva Life Insurance Company India adds, "CRM helps us categorise and segment customers and align our products that best suit them." Aviva says that CRM is helping them expand into rural areas. Aviva caters to close to 100,000 customers with its CRM solution.

That's not all. Players such as Birla Sun Life, Aviva, HDFC Life and MetLife are expected to adopt CRM tools as well in the near term.

### Current market scenario

According to Anil Tikoo, insurance companies with huge customer databases, servicing their customers through numerous branches and call centres will invest between 15 to 20 percent of their total IT budget on CRM applications

Insurance firms are tactically rolling out an application here and there rather than strategically implementing a complete CRM suite. In this, they are on the right track. "They (insurance firms) are taking baby steps, starting with operational CRM to increase sales force automation. Once they have a sufficiently large customer database, they use BI tools to mine data from various sources (such as contact centres and from banks with which they align) pushing the need for analytical CRM solutions," says Pranav Kumar, research director for Enterprise Application Software at Gartner Asia/Pacific.

CRM technologies such as sales force automation, contact centre segmentation and campaign management tools are maturing and finding wider adoption with large insurance companies. Kumar adds, "The banking, financial services and insurance (BFSI) sector and telecom will continue to drive the CRM market, but the uptake of CRM in the insurance vertical will climb steeply in 2004 and growth will be rapid and higher [than in other verticals]." The insurance vertical has crossed the threshold of IT and process maturity beyond which an investment in CRM investments starts yielding good returns. The need to integrate customer data from multiple channels and to increase sales force productivity (including that of agents) and running productive marketing campaigns will continue to drive demand for CRM software.

**Spending on CRM is up**

Insurance firms spend close to 12 percent of their IT budgets on CRM software and services. The cost includes operational CRM and spending on BI tools. If A spokesperson of an upcoming insurance firm adds, "Of our total IT budget, we are spending 14 percent on CRM applications." Industry pundits believe that insurance firms are looking for CRM initiatives with budgets ranging from Rs 50 lakh going right up to Rs 3 crore. The sector is busy compiling data on individuals, including their purchasing patterns and buying preferences of policies, pension plans and the like. In many cases, policy renewal marketing to existing customers remains an unsophisticated exercise, often amounting to little more than a request to renew, with no attempt at putting a value proposition before the customer. With a little help from CRM software, insurance firms can sell multiple insurance policies and pension plans to the same customer.

**The opportunity is huge**

Within the financial services sector, IT investment in insurance is expected to grow the fastest with a CAGR of 35 percent in the five-year forecast period (2001-02 to 2004-05). [Source: IDC India] Other sub-verticals of the financial services sector are expected to grow at a CAGR ranging from 21 to 25 percent. Much of this spending will be on CRM applications and integrating multiple delivery channels. IDC says that new delivery channels are evolving as the insurance market expands.

According to a report from Indian Infoline (January 2004), India has the highest number of life insurance policies in force in the world. The industry is pegged at Rs 400 billion in India. Gross premium collections stand at 2 percent of the GDP and this has been growing by 15 to 20 percent per year from the Life Insurance Corporation of India (LIC) and other government-owned insurers. Privatisation has led to new players entering this market and it is expected to grow at a rapid pace. George Varghese, head-Marketing, SAS says, "More than three-fourths of India's insurable population has no life insurance, pension cover and post-retirement protection cover." A substantial part of the insurance market—the portion dealing in pension plans and insurance as an investment option—is protected by a tariff and administered price regime. Competition in pricing is yet to emerge. Once that happens, as with all dynamic customer-oriented service industries such as banking and telecom, the race to gain and retain customer mind share will be on.

**Business drivers for CRM**

Margins are under pressure: A couple of years ago, LIC dominated the insurance market with the help of its sales force and channels and margins were reasonably high. Today, there are close to 20 companies offering both life and general insurance products. All of them have equally strong international and local partners; all are focusing upon similar geographies and target audiences. The new firms selling life insurance and non-life insurance [pensions, insurance as saving, etc] have failed to emulate the LIC model because margins are getting squeezed. There are several pain areas that new insurance firms face—acquiring new customers, retaining them, cross-selling products and controlling rising costs while providing comprehensive support.

Insurers have added a plethora of products and services to their kitty. These range from insurance as an investment option to pension plans. They target the younger generation in the 20 to 30 years age group. "The convergence of four factors—protection, saving (investment option), loans and pension—have compelled insurance companies to align with banks in reaching out to a larger audience," says Tikoo. This trend has led to another—insurance companies are joining hands with banks by becoming channel partners for insurance. Tata AIG has a marketing alliance with HSBC, Birla Sun Life has one with Citibank and IDBI and LIC ally with Corporation Bank, while Kotak Life Insurance has an arrangement with Kotak Bank. This strategy helps insurance firms increase their footprint to cover a larger part of the customer base in the 20-30 years demographic. CRM helps connect a bank's high net worth customers with insurance firms.


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- Customer expectations are rising: Customers, faced with a dizzying array of insurance products expect customised offerings, value, ease of access, and personalisation from insurers. Today, customers are expecting individual attention, responsiveness, customisation and access. At the same time, they don't want to pay a premium for these services. High customer expectations and lower exit barriers could lead to increased customer attrition.

**Where to begin—operational CRM or analytical CRM?**

The choice between operational and analytical CRM as a starting point depends upon the insurer's needs. Gartner says that insurance companies with multiple financial products and a big customer base, such as integrated insurance solution providers, will leverage their customer base to cross- and up-sell different financial products, including insurance. Such providers will benefit from adopting analytical CRM. Market segmentation, campaign management and data mining applications will benefit them in many ways.

- Call centre text mining: This tool can help improve the customer experience by resolving complaints rapidly. Insurers are using these tools to mine text from call centre transcripts to identify issues faced by customers. Text mining tools also help detect and capture other useful pieces of information around a customer's life stage, financial needs and product interests. These can be used to generate leads and trigger cross-selling. However, to be fully effective, customer service representatives must be trained to probe for information that will help in cross-selling during the text mining phase. Text mining tools are leading-edge today, but are predicted to take off quickly.
- Event-triggering and profiling: "Insurers can use event triggers to generate leads that can be acted upon quickly, usually within 24 hours," says Tikoo. Event-triggering tools monitor incoming transaction and contact data in near-real-time to recognise changes in a customer's behaviour or profile to trigger actions or alerts.
- Lead management gets sophisticated: Often the ability of an insurer to generate leads by means of event-triggering, re-engineered touch points and cross line-of-business referral can outstrip their ability to manage said leads. In such a situation, though the number of leads generated rises, the conversion rate does

not. It may even drop. CRM can help provide sales representatives with a mechanism to prioritise and manage leads.

Pure insurance providers who do not have a large customer base will derive the maximum value from operational improvements, especially in integrating customer information from multiple channels and sales force automation.

Not all CRM deployments will involve packaged software: Kumar says, “Indian organisations in other verticals have used ‘bespoke CRM’ solutions and some insurance vendors will do likewise.”

Most insurers will look to empower their agents by deploying partner-facing applications. Apart from making agents more productive, it will let insurers keep in touch with customers, otherwise difficult in a primarily channel-driven business.

Vendors and analysts agree that the need to acquire, retain and support customers will stimulate greater investment in CRM, covering customer life cycle management. Insurers who are in an IT catch-up mode have been relatively prosperous during the last 18 to 24 months. Now they are investing in CRM to lock in their gains.

### Using analytical CRM insurance companies can enhance

- Cross- and up-selling capability to provide market opportunities within an existing customer database.
- Predictive capability to determine customer behaviour.
- Information regarding customer retention or attrition helps determine the likelihood of policy lapses and helps identify customers worth targeting for retention campaigns.
- Customer segmentation that leverages data to create accurate categories for use in marketing strategies.
- Market automation that combines analytics with campaign management functionality to help drive a more effective and efficient marketing campaign.

### Gartner’s tips for insurance firms

- Take baby steps in implementing CRM.
- Invest in bespoke CRM (customised CRM) and not an entire CRM suite in one go.

### Broad CRM perspective

| CRM module | Areas where it can be applied |
|---|---|
| Collaborative CRM | Applying collaborative interfaces (such as e-mail, conferencing, chat, real-time) to facilitate interaction between customers and organisations, as well as between organisational entities dealing with customer information (customers to sales representatives, sales to marketing, agent to provider) |
| Operational CRM | Automating horizontal integrated business processes involving front-office customer touch points-sales, marketing, and customer service-via multiple, interconnected delivery channels and integration between front-office and back-office |
| Analytical CRM | Analysing data created on the operational side of the CRM equation for the purpose of business performance management. Analytical CRM is tied to a data warehouse architecture; it is most often evident in analytical applications that leverage data marts. |
| | Source: META Group |