

Investigating the Impact of Customer Relationship Management (CRM) Factors on Tendency for Life Insurance Demand in Dana Insurance

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Abstract

Today, life insurance plays an important role in advanced societies, in the way that it includes half of revenues of insurance companies in these societies. The long-term relationship between life insurance customers and insurance companies is undeniable; so that the necessary arrangements should be considered by insurance managers. Therefore, it can be stated that customer relationship management (CRM) in the insurance industry can be a good solution for making the best and most effective relationship with customers. Accordingly, this research aimed to investigate the impact of CRM factors on tendency for life insurance demand in Dana Insurance. The study population included all Dana Insurance clients in Tehran. A number of 384 questionnaires were randomly distributed among them. To test the hypotheses, Spearman correlation coefficient test was applied in SPSS. Based on the results obtained from testing the hypotheses, all CRM factors, namely creating and maintaining relationships with key customers, organizing business processes, knowledge management and technology-based CRM have a significant and positive effect on tendency for life insurance demand. In general, it can be claimed that with increasing customer relationship management factors in the insurance industry, the demand for life insurance will increase by customers.

Key words: Insurance, Life Insurance, Life Insurance Demand, Customer Relationship Management (CRM).

INTRODUCTION

One of the indices of the development of insurance industry in the world is the share of life insurance activities in the insurance market. People benefit from life insurance as a tool for investing, overcoming problems caused by family-related deaths, aging and inability; therefore, they contribute a significant portion of their income to it (Kalantari, 2013). In the last decade, with the advent of private insurance networks, marketing for new customers and persuading them to use insurance with older brands have become more difficult. Due to the significant development of information and communication technology, what has become more and more important is customer orientation

and customer satisfaction; because it is much easier to keep a customer satisfied than attracting new customers. This has led many insurance companies to strive to improve the quality of service and customer relationship (Ziaifar & Nazeri, 2014). Activists in the insurance sector are those who have better communication benefits than others by customization policies, personalized services and customer relationship management measures to maintain their customers. In relation with life insurance industry, the factor that distinguishes it from other insurances is the long-term customer-related services provided. Life insurance customers expect not only to receive value-added services from insurers, but to have personalized services (Kannan & Vikkraman, 2016). CRM processes represent a centralized trend from customer engagement to customer retention. This is done by making relationship with customers and creating more value-added in regard with customer's goods and services (Lindgreen & Wynstra, 2006). Therefore, it can be stated that life insurance, due to the long-term services provided to customers, requires a long-term relationship with their customers; hence, CRM is a necessary and important category in life insurance

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sector. Accordingly, CRM factors can play a significant role in attracting life insurance customers. Therefore, to investigate this issue, this research aimed to examine the impact of CRM factors on tendency for life insurance demand in Dana Insurance.

Review of Related Literature and Research Background

Various factors affect the insurance industry and its growth and development that a comprehensive study in this regard and making an attempt to eliminate or control negative effects can, in turn, contribute to the development of this potential market, especially in the life insurance sector. One of the most important factors is the presence of some of the economic variables, such as inflation or long-term stagnation in the economy of a country. Life insurance supply consists of three basic categories, including insurance companies, a system of sales and marketing and insurance issued that all which are necessary (Kelishmi & Majed, 2011). CRM in this industry is one of the factors that can affect the supply and demand for life insurance. Brofer et al. (2016) suggested in their research that to maintain customers in life insurance, the company attempts to transform behavioral loyalty of these customers to attitudinal loyalty through establishing more communications and interactions with them; this means managing customer relationships in life insurance industry. The importance of CRM as a comprehensive and strategic process for maximizing customer value is emphasized by the organization (Ngai et al. 2009). Hu et al. (2009) concluded that efficiency in the life insurance industry increases through implementation of customer relationship management in the industry. Therefore, this research aimed to investigate the effect of CRM factors on tendency for life insurance demand. Accordingly, studies carried out in relation to the subject of this research are presented as follows.

In a research titled *Implementation of CRM Processes in Life Insurance Sector: A Customers' Perspective Analysis*, Kannan & Vikkraman (2016) stated that CRM processes represent the stages involved in customer relationship management, with a centralized trend from customer engagement to customer retention. This research tries to analyze customers' perspective on CRM implementation processes by life insurances. The results also indicated that today, life insurance companies need to develop CRM processes to attract and maintain customers as well as profitability.

Masood & Khan (2016) investigated customer relationship management in the Indian insurance sector. The purpose of this study was to investigate CRM practices in two

Indian insurance companies. Accordingly, a sample of 152 insurance customers was selected. Data were collected using personal interviews and questionnaires designed based on 5-point Likert scale. Data analysis showed significant effects of CRM on customer perceptions.

In a research titled *Customer Relationship Management and Customer Retention: Empirical Assessment from Nigeria's Insurance Industry*, Nwankwo & Ajemunigbohun (2013) examined the relationship between CRM and customer retention. The research period was from October 2012 to February 2013. This study was conducted by stratified random sampling method using structural questionnaire. The study population included 58 marketing and insurers managers among 35 insurance companies that were randomly selected from the list of member companies. This study showed that CRM positively affects customer retention in Nigeria's insurance industry.

In a research titled *Analyzing Efficiency in the Chinese Life Insurance Industry*, Hu et al. (2009) examined the efficiency of China's domestic and foreign health insurance providers, and the relationship between ownership structure and the efficiency of insurers through considering other characteristics of the company. The results of the research indicated that the market power of life insurers and ownership structures may lead to change in life insurance returns.

In a research titled *Identifying Customer Behavior Patterns in Life Insurance and Capital Formation Using Data Mining Techniques*, Brofer et al. (2016) provide an appropriate model for customer segmentation based on some of the most important financial and demographic characteristics as factors affecting indices of customer lifetime value (RFM). In the proposed process of this research, which was implemented in Saman Insurance Company, after determining values of indexes of the RFM model, including recency, frequency and monetary in 180000 customers and weighting them using hierarchical analysis, the optimal number of cluster based on silhouette index and the impact of RFM indexes were determined using the two-step algorithm. In the next step, customers' clustering was conducted using the K-means method. The results of this study provided the ground for analyzing the characteristics of company's customers in three main parts. Also, key and valuable customers of the company were identified by prioritization of clusters based on RFM indexes.

In a research titled *Impact of Services Quality and Customer Relationship Management on Customer Loyalty (Case Study: Iran Insurance)*, Ziaieifar & Nazeri (2014) investigated the effect

of services quality and customer relationship management on customer loyalty. For this purpose, 120 customers of Iran Insurance were selected using convenience sampling. The results indicated that service quality and customer relationship management are respectively 61% and 47% effective on customer loyalty.

In a research titled Investigating Factors Affecting Establishment of Customer Relationship Management Process in Insurance Companies, Salarzahi & Amiri (2011) investigated the factors affecting the establishment of CRM process in insurance companies. The results of data analysis indicated that four factors of focusing on key and main customers, paying attention to knowledge management, organizing business processes and enjoying modern and up-to-date technology are effective on successful establishment of CRM process in insurance companies. It was also concluded that organizing business processes requires more attention than other factors.

In a research titled *Investigating the Impact of Social and Economic Factors on Life Insurance Demands in Iran and the Commonwealth of Independent States*, Hosseinzadeh (2011) examined the effect of social and economic factors (per capita income, inflation, interest rate, financial development, the dependency ratio between old and young age, education and life expectancy) on demand for life insurance in Iran and the Commonwealth of Independent States during the period 2001-2009 using the data panel method. The results of research showed that per capita income, interest rate, financial development level, education and life expectancy are among the most important factors affecting the demand for life insurance in the countries under investigation. In this regard, the young-age dependency ratio has an inverse relationship with life insurance demand.

In a research titled *Analysis of Economic, Social and Psychological Factors Affecting Demand for Life Insurance in Iran*, Kalishmi & Majed (2011) investigated the factors affecting the extension of life insurance in the country. The study population included three provinces of Tehran, Mazandaran and East Azerbaijan. To study effective factors, the variables related to these factors were divided into two main socio-economic and psychological groups, and their data were collected through 73 indicators using a questionnaire. The results indicated that demand for life insurance according to sample data, has a negative relationship with individual's expected health, premium payment, positive inflation expectations, risk aversion coefficient, individual's assessment of his mental health, tendency to express individual beliefs in a community and income, and variables, including a belief in

inheritance, economic optimism, belief in improvement of the national economic situation in future, the age of individual, the employment of the spouse and the degree of individuals' study have a positive effect on demand for life insurance.

Research Hypotheses

The general objective of this research is to investigate the effect of customer relationship management (CRM) on the tendency for life insurance demand in Dana Insurance. CRM factors include establishing and maintaining relationships with key and main customers, organizing business processes, knowledge management, and technology-based CRM. Accordingly, this research consists of four hypotheses:

1. Creating and maintaining relationships with key customers have a significant effect on the tendency for life insurance demand.
2. Organizing business processes has a significant effect on the tendency for life insurance demand.
3. Knowledge management has a significant effect on the tendency for life insurance demand.
4. Technology-based CRM has a significant effect on the tendency for life insurance demand.

The Conceptual Model of Research

According to the related literature and research background as well as the relationship among research variables, the conceptual model of this research is represented in Figure 1.

Research Method, Population and Statistical Sample

Research data were collected using library method and referring to documents and electronic information. Questionnaire is used as a field method in this research. From purpose viewpoint, this is applied, and from procedure, data collection and descriptive data viewpoint, this is a survey research. The study population included all Dana insurance customers in Tehran. A number of 384 individuals were randomly selected as study sample, and 384 questionnaires were distributed among them.

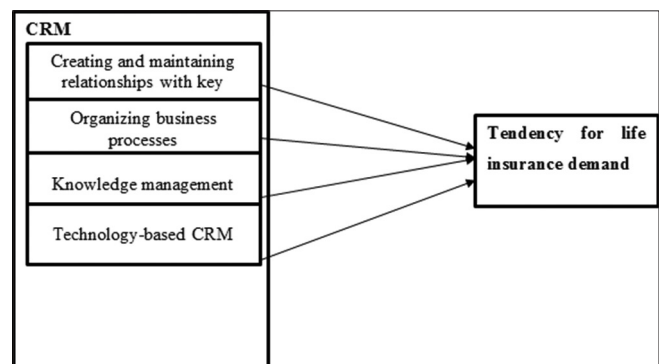


Figure 1: The conceptual model of research

Data Collection Tools

The data gathering tool was questionnaire in this research. The required data were obtained by collecting 384 questionnaires completed by customers of Dana Insurance in Tehran. In the present study, Nilson’s customer relationship management factors questionnaire (1996) was developed based on research conducted by Kim et al. (2010) and Karimi Andezghi (2013), and questionnaire of tendency for life insurance demand was designed based on Kalantari research (2013). To measure variables in order to test the research hypotheses, items of the questionnaire are represented according to Table 1.

Questionnaire reliability was achieved using Cronbach’s alpha coefficient. According to Table 2, the Cronbach’s alpha coefficient for all variables is higher than 0.7 which indicates reliability of the questionnaire.

Data Analysis

In this research, to analyze the statistical data and examine the research questions, SPSS was used to calculate descriptive statistics and inferential tests proportional to the type of data and variables. In this research, Kolmogorov-Smirnov test was first used to examine the normality of distribution of variables and the Spearman correlation test was then applied to investigate the significant relationship among variables.

Since, in order to use appropriate statistical techniques, it must first be determined that whether the data collected are normally distributed or not; in this stage, the results of Kolmogorov-Smirnov test for each variable were examined.

Table 1: Items of the questionnaire to measure variables

Variables	Items
Creating and maintaining relationships with key customers	1-10
Organizing business processes	11-17
Knowledge management	18-27
Technology-based CRM	28-34
Tendency for life insurance demand	35-37

Table 2: Cronbach’s alpha coefficient

Scale	Cronbach’s alpha coefficient
Creating and maintaining relationships with key customers	0.88
Organizing business processes	0.78
Knowledge management	0.88
Technology-based CRM	0.91
Tendency for life insurance demand	0.87
Questionnaire	0.89

Table 3 shows the results of normality test of variables.

The results shown in Table (3) indicate that data distribution is not normal. Since the variables of this research were abnormal, Spearman correlation coefficient, which is a nonparametric technique, was applied to investigate the research hypotheses.

The Results of Analysis of the First Hypothesis

The first hypothesis states that creating and maintaining relationships with key customers have a significant effect on the tendency for life insurance demand. Table 4 shows the results obtained from the analysis of the first hypothesis using Spearman test.

As shown in Table 4, there is a positive and significant correlation between creating and maintaining relationships with key customers and tendency for life insurance demand (Spearman correlation coefficient: 0.342, Significance level: 0.000). As shown in Table 4, since sig = 0.000, and this value is less than $\alpha=1\%$, the first hypothesis is confirmed, and it can be said that creating and maintaining relationships with key customers have a significant effect on tendency for life insurance demand. Since the Spearman correlation coefficient (0.342) is positive, this relationship is positive.

Table 3: Results obtained from data normality test (Kolmogorov-Smirnov test)

Variable	Kolmogorov statistic value	Significance level
Creating and maintaining relationships with key customers	0.185	0.000
Organizing business processes	0.154	0.000
Knowledge management	0.159	0.000
Technology-based CRM	0.162	0.000
Tendency for life insurance demand	0.143	0.000

Table 4: Results of analysis of the first hypothesis

Hypothesis	Spearman correlation coefficient	Significance level	Confidence level	Test result
First	0.342	0.000	99%	Confirmed

Table 5: Results of analysis of the second hypothesis

Hypothesis	Spearman correlation coefficient	Significance level	Confidence level	Test result
Second	0.282	0.000	99%	Confirmed

The Results of Analysis of the Second Hypothesis

The second hypothesis states that organizing business processes has a significant effect on the tendency for life insurance demand. Table 5 shows the results obtained from the analysis of the second hypothesis using Spearman test.

As shown in Table 5, there is a positive and significant correlation between organizing business processes and tendency for life insurance demand (Spearman correlation coefficient: 0.282, Significance level: 0.000). As shown in Table 5, since sig = 0.000, and this value is less than $\alpha=1\%$, the second hypothesis is confirmed, and it can be said that organizing business processes has a significant effect on tendency for life insurance demand. Since the Spearman correlation coefficient (0.282) is positive, this relationship is positive.

The results of analysis of the third hypothesis: The third hypothesis states that knowledge management has a significant effect on the tendency for life insurance demand. Table 6 shows the results obtained from the analysis of the third hypothesis using Spearman test.

As shown in Table 6, there is a positive and significant correlation between knowledge management and tendency for life insurance demand (Spearman correlation coefficient: 0.411, Significance level: 0.000). As shown in Table 6, since sig = 0.000, and this value is less than $\alpha=1\%$, the third hypothesis is confirmed, and it can be said that knowledge management has a significant effect on tendency for life insurance demand. Since the Spearman correlation coefficient (0.411) is positive, this relationship is positive.

The results of analysis of the fourth hypothesis: The fourth hypothesis states that technology-based CRM has a significant effect on the tendency for life insurance demand. Table 7 shows the results obtained from the analysis of the fourth hypothesis using Spearman test.

Table 6: Results of analysis of the third hypothesis

Hypothesis	Spearman correlation coefficient	Significance level	Confidence level	Test result
Third	0.411	0.000	99%	Confirmed

Table 7: Results of analysis of the fourth hypothesis

Hypothesis	Spearman correlation coefficient	Significance level	Confidence level	Test result
Fourth	0.499	0.000	99%	Confirmed

As shown in Table 7, there is a positive and significant correlation between technology-based CRM and tendency for life insurance demand (Spearman correlation coefficient: 0.499, Significance level: 0.000). As shown in Table 7, since sig = 0.000, and this value is less than $\alpha=1\%$, the fourth hypothesis is confirmed, and it can be said that technology-based CRM has a significant effect on tendency for life insurance demand. Since the Spearman correlation coefficient (0.499) is positive, this relationship is positive.

DISCUSSION & CONCLUSION

Based on the results obtained from the analysis of research hypotheses, all four research hypotheses were confirmed. Accordingly, all four factors of customer relationship management (CRM), namely creating and maintaining relationships with key customers, organizing business processes, knowledge management and technology-based CRM have a significant and positive effect on tendency for life insurance demand. It can be claimed that with increasing customer relationship management factors in the insurance industry, the demand for life insurance will increase by customers. Hence, based on the results of this research, it is recommended that all managers of the insurance industry, especially Dana Insurance, consider certain strategies due to the long-term relationship between life insurance customers and insurance companies in order to improve customer relationship management. It is also suggested that researchers investigate the impact of customer relationship management on other areas of the insurance industry in further research.

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