



Cost Effectiveness Through Policy Holder Retention Among Independent Insurance Agents – A Conceptual Background

Mr.Varghese Abraham^{1*},Dr.Jerin Joseph²

^{1*}Lecturer, Business Department, Vocational College, Ibri, Sultanate of Oman.

²Associate Professor and HoD of Management & Commerce Department Bhavan's College of Arts &Commerce, Kakkannad

***Corresponding Author:** Mr. Varghese Abraham

^{*}Lecturer, Vocational College Ibri , Sultanate of Oman.

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ARTICLE INFO ABSTRACT

Retaining the customer is a significant element for running a successful business. It's not just about gaining new business, but also about keeping the being customer satisfactorily in the business. In the moments of this competitive business world, retaining the clients can have a significant impact on the business and its cost. A happy client is likely to return, relate others, and spend further on the brand, making client or customer retention a precious investment for businesses of all sizes. The customer experience with the business and the product is a pivotal factor in customer retention and accession success. Converting a being client to a valuable client doesn't be overnight process and it takes time and fidelity. Tracking the client trip, engaging with them regularly is needed. An agent serves as a representative for the insurance company, fulfilling the roles of both a salesman and a provider of client service to insurance policyholders. In the insurance industry, the retention of policyholders holds greater significance than in other sectors, as the long-term success of the company relies on policy renewals and maintaining ongoing relationships with clients. Creating a good pious relationship with frequenter policy holder in insurance sector will leads to further referrals in turn helps to increase the business. This paper is a significant step forward to understand cost effectiveness through client retention giving high significance to independent insurance agents.

Keywords: retention, referrals, cost effectiveness.

1.Introduction

Relationship with customer is a key degree of how a company is willing to fulfill its existing customer needs and is a column for development. This applies to all businesses and services having a strong client base. Nema&Jatav (2017) Customer retention is a key issue that service industries need to address. Since services are customer dominant it is of ultimate priority for a company to retain its existing customers apart from gaining new one. Keep in existence of a customer-oriented communication through the suitable communication channel is a prerequisite to all commerce to support in this competitive business environment. Developing strong ties with consumers may benefit businesses by helping to keep the customers they already have and also by attracting new ones with their endorsements. Alshurideh et al., (2012) Customer satisfaction can be witnessed in various behavioral contexts and is related to both services and goods. It also relies on each customer understanding and their expectations. Understanding the esteem of a single customer over a lifetime of rehased relationship will offer assistance to realize the significance of customer maintenance. Maintaining customer is a key in the victory of a trade and ought to be a best need in any business methodology. Businesses can increase their profitability and ensure lasting success by concentrating on the retention of customers. The study by Jessy (2011) demonstrated a straight through relationship between satisfaction and loyalty. Usually satisfied customers become loyal and will retain with the business. But dissatisfied customers tend to choose other companies. Modern technological development plays a crucial role in customer acquisition and successful retention. From automating customer interactions

and by tracking customer behavior and preferences, technology can help businesses to improve the customer experience and customer loyalty which intern helps for customer retention. One of the cost effective and customer-centric approaches to revenue generation for any business and service is customer retention. It also helps in building brand advocacy. Lakshmi U. Taticonda (2013) mention that higher profits come from keeping customers for a longer period of time and expanding overall market share. Loyal customers are less expensive to serve, purchase more and buy premium priced products; their referrals and good word of mouth bring in new customers. Retention marketing converts loyal customer into advocates for brands and service, which will lead to future referrals. The insurance dealings in the world are not static. It constantly changes and evolves as laws and regulations are updated, and customer requirements also increase. Mohammad Nourani et al., (2018) What used to work in the past to help agencies for retaining their customers no longer works. Changing customer demand for insurance compels insurance firms to operate with greater agility and efficiency than ever before. Abdalelahet al., (2012) reveals that customer services play very important role in strengthening the customer loyalty and customer retention in insurance sector. By improving the service quality, the insurance companies will procure well-built customer relationship. By inviting people for awareness and education program insurance companies can increase customer loyalty. This is forcing insurers to re-think processes and modernize the way they do business especially in today's uncertain environment. Like all other industry insurance sector is also highly competitive around the world. This means that the insurance agents must take the necessary steps to ensure customer retention. Insurance business needs a proactive, innovative approach to customer service and satisfaction. Preeti et al., (2020) Electronic customer satisfaction was found to have a moderate role in keeping the relationship to secure customer loyalty with both qualities of service and social influence in online medium. To improve customer experience, insurance companies need to understand the customer and utilize customer information effectively, digitalize electronic business processes, personalize every customer experiences, and prioritize customer lifetime value. Every client wants to feel valued, so if there is no effort to cater to their needs and preferences, they won't stick to their existing insurance provider. Providing magnificent acquaintance with customer in the insurance sector is crucial for customer satisfaction and retention. Insurers need to understand their customers and their evolving needs, and meet them at the right time, by using the right channels, with personalized messages. This will be a key to improving customer satisfaction, and retention which in turn leads to revenue growth. Suganya (2017) found that the level of insurance awareness has increased with the age, education and also with the level of income. However, ownership of insurance products was low in India. Now Insurance providers are moving away from generic policies opting instead for tailor-made solutions that align with the unique needs and preferences of individual customers. Leveraging advanced analytics and data-driven insights, insurers are crafting personalized insurance plans designed not only to provide comprehensive protection but also to foster a connection with policyholders which will drive up customer retention rates. Patil (2012) In marketing insurance products, insurance agents must be able to familiarize potential customers about the policies. Life insurance agents in India are still playing an important role in marketing insurance products and as legatee of premium payments. Thus providing great customer experience is vital to insurers to stay competitive and cost effective. Even though many research works manifest the topic customer retention, there may be only a few studies that give importance to cost effectiveness through customer retention with special reference to insurance sector. This study focus on cost effectiveness of independent insurance agents by having a good customer retention policy.

2. Objectives

- a). To study cost effectiveness through customer retention in general.
- b). To study whether cost effectiveness is possible through customer retention by individual insurance agents.

3. Methodology

This study is based on the analysis of the secondary data published in the magazines and websites.

4. Literature review

Edward (2011). The study identified that service firms avail benefit from using a collaborate strategy of increasing customer satisfaction and switching costs both independently and in tandem, depending upon the market and product characteristics. Personalizing customer relationships makes customers feel valued, and it also makes customers feel more knowledgeable about service providers. Lin (2011). Client relationship manager's goal is to build and maintain future product usage. The impact of customer relationship trust, commitment and satisfaction on customer service retention is directly related to future product usage. Sheth et al., (2012). The traditional view point of mass production and economies of scale will not support an effective implementation of relationship marketing. Relationship marketing needs to be able to meet the needs of the buyer from the buyer's perspective. To effectively serve the needs of a buyer, it must be flexible enough to tailor its potential to produce a product that specifically meets the needs of each individual customer. This requires a change from giving importance to unit volumes to that of variety volume.

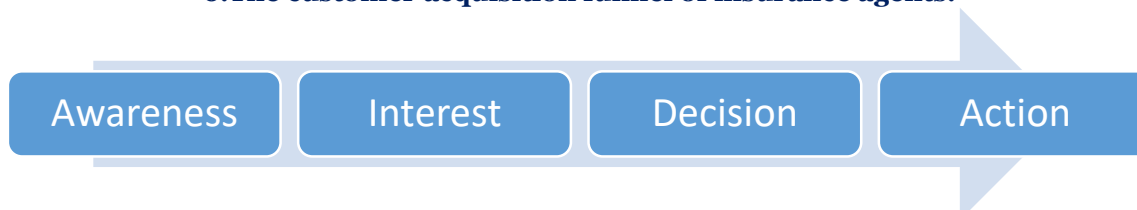
This concept, called economies of scope, is absolutely necessary for a successful relationship marketing program in product and service sector. Gengeswari et al., (2013). Loyalty is a loyal attitude that is measured based on the elements of beliefs, attitude, feelings, and the will to make a purchase. Business can enlarge profits by customer retention and loyal customers. Nguyen et al., (2013). There is a strong and positive relationship between corporate social responsibility and customer loyalty. Corporate Social Responsibility is a key factor in gaining a sustainable competitive advantage, generating revenue and improving business relationships with customers. Kristof (2014). Identified that cost-sensitive learning is necessary to improve customer retention in sales outlets. Total cost misclassification as a churn prediction measurement is a key factor in improving consumer decision making. Rizan et al., (2014). Customer relationship centered marketing has a direct impact on customer loyalty. Customer loyalty not only creates a platform where the customer is prepared to spend as much time as possible with the business agent, and creates long-term benefits, but also creates a name of inspiration for the company's products or services. Magatef&Tomalieh (2015). Loyalty programs inspire consumers to move from single-period purchasing decision to multiple-period purchasing decision. Loyalty programs are useful and important for building and maintaining customer retention. Thaichon (2015). Brand equity determines customer expectations, which in turn determines customer satisfaction. Customers will be happy with the brand if their initial expectations for the brand are met or exceeded. In turn, high levels of consumer satisfaction will increase brand confidence and brand value, which in turn will influence repurchase intent. Alshurideh, M (2016). It is important to look at how customers view retention in relation to various behavior-related problems, including the impact of post-buy utility consequences implied by pre-purchase antecedent stimuli on consumer purchase and retention choices Christian Gronroos, (2017). In traditional marketing, a company is ready to deliver on a promise through a product, and in relationship marketing, through an ongoing interaction and relationship process. Obianuju al., (2017). It is essential for service oriented business to invest in customer relations in order to build customer loyalty, especially as competition increases. Service firms may also want to invest in building personalized relationships with customers. Mahmoud et al., (2018). In the service industry, trust and commitment were not found to have a significant impact on customer retention. As a result, relationship marketing has become a key marketing strategy in promoting customer retention within the services industry. The goal of relationship marketing in the services industry is to create long-term relationships with customers in order to prevent them from switching from one company to another. Qingqing (2019). Indicate that electronic retailers should take effort to increase customer awareness about the benefits of online business in order to create effective loyalty programs and create economic benefits from investing in online customer communities. They should also develop effective strategies to motivate customer gratitude and activate customer gratitude-based behaviors. Cheraghalizadeh et al., (2021). Gathering customer insights, preferences, and expectations can be a great way to apply, maintain, and enhance unique competencies. Employees need to understand the advantages of a strong customer relationship within the company. A strong customer relationship can be a product of organizational culture and can be turned into a reality through employee training and regular meetings. Hawkins et al., (2021). One of the most effective resources in association to the customer experience and engagement has been the development in the technological innovation. The advent and widespread adoption of technology to personalize customer needs, monitor trends and identify niche markets has been a key factor in determining retention strategies. By analyzing customer satisfaction and customer feedback, companies can identify gaps and opportunities. By doing so, a firm can implement different measures to improve efficiency and productivity across the customer journey and increase the probability of repeat purchases. Saglam et al., (2021). This increase in customer satisfaction would lead the customer to return to the company and purchase more products from the company. This would increase the company's profits and encourage the company to continue developing new products. This would add another loyal customer to the company. Japari et al., (2023). Insurance agents play an important role in increasing consumer awareness about insurance. When interacting with consumers, insurance agents need to have good presentation skills, professional communication skills, empathy and good listening skills. Insurance agent's employees should have a clean and professional look also all these will increase customer attraction and awareness of insurance. If more consumers become aware about the need of insurance the more retention will happen in insurance policies. Alberico et al., (2024). With the right relationship marketing strategy, companies can adapt to the ever-evolving business landscape by integrating real-time market data. While customers get special and unique treatment through relationship marketing, companies get stronger relationships with their customer, which ultimately leads to higher profitability and better results in target markets marketing efforts.

5. The Customer acquisition cost of Insurance agents

Consumers today are so busy and inundated with so many offers across channels that they tend to only pay attention to what they need or want at the time. Cost of acquiring customer is a familiar issue throughout the business world. New customer acquisition cost is an important factor that will determine the company's marketing expenses and its budget. The study of Alshurideh (2016) revealed that the trend of customer retention has emerged to increase organizational profits, minimize costs of customer switching in the long run. Most larger insurers spend big on advertising to capture new clients. Today's insurance customers can

choose from any and all available product lines, regardless of which carriers provide them. Customers only care about getting the coverage they need at best premium rate. By winning policyholders precisely at the right time on their expedition, the ideal plan creates multi-line policyholders and reduces churn. Acquisition costs are those costs that vary with and are primarily related to the acquisition of new and renewal of insurance contracts. Costs include salaries for staff of insurance agency involved in the underwriting and policy issue functions, medical and other inspection fees that are primarily related to insurance contracts, administrative costs of recording policy information and premium collection cost. Other major components, often fail to observe, include technical infrastructure, promotions, and sales team training. The acquisition costs are match up with the degree of challenging in selling. If a product is troublesome to sell, particularly like life insurance, the acquisition cost will happen to arise. More incentives need to be paid to the distributors and staff to stay in the business of selling insurance instead of selling other products. Customer retention expense plays a significant role in the bottom line of independent insurance agencies, mainly because retaining existing policyholders is more profitable than adding new ones.

6. The customer acquisition funnel of insurance agents.



6.1. Awareness: This is where potential customers first learn about the insurance product. This can happen through various channels like advertising, social media, content marketing, public relations or by word of mouth communication by the agent. The goal in this phase is to generate interest and get people curious about what the agency has to offer. For insurance agencies the direct communication methods seems to work better. Uppily (2016) identified that the life insurance industry in India is still at a very low penetration rate, due to a lack of awareness and lack of product innovation.

6.2. Interest: In this phase, potential customers who are aware of insurance products offering start to learn more about it. They might visit insurance product website, read blog posts, watch videos, or engage with the social media content. The goal here is to capture their attention and convince them that the product or service the agency suggests is worth considering.

6.3. Decision: Once potential customers are interested, they start to evaluate their options and compare different insurance brands with premiums. They might research many similar products and its benefits, read reviews, or compare features and policy premium. Muhamat et al., (2018). Insurance agents are still needed in meeting people's needs for life insurance. Insurance agents continue to play a major role in selling insurance products including in the digital era, because of their role in explaining in detail to prospective customers digitally to take a decision. The goal in this phase is to position insurance offering smartly and address all the concerns they might have.

6.4. Action: This is the final stage, where potential customers decide whether or not to purchase your insurance product offering. The goal here is to make it easy for them to convert and provide a smooth buying experience.

7. Customer retention strategies for independent insurance agents.

7.1 Talk to the clients: In the insurance industry, word of mouth communication and listening to customers is essential. Insurance agents can get firsthand knowledge from clients about what aspects of the strategy are working well or poorly by direct talk with clients.

7.2 Make personalization with client: Try to keep personalization with each policy client. Each client not only wants to be treated like people through the personalization of recommendations and service but also want to see the humanity behind the service.

7.3 Customized marketing messages: Customized marketing message with prospects, depending on their policy requirements can help to build stronger relationships with clients and drive acquisition success. Sending tailored promotions, making product recommendations, and utilizing consumer data to develop marketing campaigns that are specifically targeted are a few methods to achieve this.

7.4 Establish trust with policyholders: Trust is the foundation of a long-lasting, loyal relationship with the policy holders. In addition to generating repeat business, it turns policyholders into brand ambassadors who tell their friends, family, and online networks about the insurance company.

7.5 Activity-based recommendations: By capturing policyholder's business dealings, employment, or other activities, it will be possible to determine the kinds of products each policyholder is interested in

and develop a clear picture of what matters to them individually, which will allow for tailored upselling opportunities.

- 7.6 Promote customer feedback:** Promoting customer feedback can help to pinpoint areas where the customer experience needs to be improved and increase the success of acquisitions. This can involve gathering consumer insights through social media, forums for customer feedback, and surveys.
- 7.7 Provide customized insurance policies:** Regardless of the industry, today's consumer demands a personalized experience, so insurance companies must provide customized policies to satisfy specific client needs. It will be easier to ensure that the coverage is in line with the customer's evolving needs and lifestyle by regularly reviewing the policies of various insurance providers.
- 7.8 Give policy renewal reminder:** Insurance renewal is a crucial responsibility every policy holder. Remind the client about policy renewal prior to the date by messages and calls. Set a renewal reminder well in advance for client to avoid last-minute rushes.
- 7.9 Providing outstanding Customer Service:** Customer service is one of the most important factors in customer retention. Apt, empathetic, knowledgeable and compassionate service can leave a long lasting impression and will devote to ongoing customer satisfaction which leads to retention. Insurance agents should go above and beyond for their clients, ensuring that they feel listened to and supported.

8. CONCLUSION

Retaining customers is essential to a business's success. It is a measure of how well a business is doing its activity in terms of customer satisfaction and refers to its capacity to keep customers coming back over time. Retaining current customers is less expensive than finding new ones, and it boosts customer spending. Word-of-mouth advertising is also possible through highly satisfied retained customers. Since acquiring new clients is expensive in the insurance business also, keeping existing clients is essential to the prosperity and long-term viability of any insurance agency. In addition to indicating a successful business model, high customer retention rates also indicate a high level of mutual trust and understanding between clients and their agents. Our observations have confirmed that Customer retention of existing policy holders will help to save the cost of an independent insurance agent to a great extent. Furthermore, as this review was conducted for a short period, it could be possible that we fail to take in some previous findings regarding this topic as well.

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