

Application of Total Quality Management in the Operation of Life Insurance Distribution Channels in Vietnam



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ABSTRACT: By the method of document research, analysis and synthesis, the article has clarified the whole set of objectives. Accordingly, the article presents the theory and some case studies on Total Quality Management content. Review of activities of life insurance distribution channels in Vietnamese insurance enterprises. Assess the status of quality management in these activities at life insurance enterprises. From the existing points in the operation of the distribution channel, we have studied and analyzed the causes of service quality deterioration, distrust and satisfaction for customers using life insurance products. Finding a way to eliminate limitations is the primary concern of insurance companies. Our analysis results have shown that enterprises applying Total Quality Management are the solution to improve service quality in the operation of insurance product distribution channels. Determine the development goals of the business in each period to build a system of distribution channels and apply an appropriate quality management system. Determined the need and determination to use Total Quality Management in insurance distribution channel activities. Get all employees involved in the application of Total Quality Management. These are some effective measures to support life insurers in implementing Total Quality Management for their business.

KEYWORDS: Total Quality Management, distribution channel, Insurance, application, Vietnam

1. INTRODUCTION

Along with the development of the insurance market, including the life insurance segment, distribution channels play an important role in connecting customers and businesses. There are many traditional and non-traditional distribution channels on the market such as insurance agents, bancassurance, postal agents and other alternative channels. A distribution channel is considered important, supporting business development. However, in the process of operation, the distribution channel still faces many legal problems, causing loss of business image, and affecting customers' interests. In order to develop sustainably, insurance enterprises need to take measures to improve the quality of distribution channels. Total Quality Management is a system that helps businesses improve the quality of services and products to meet customer satisfaction. Applying a quality management system will require businesses to voluntarily improve quality at each stage of operation and strict operating procedures. The purpose of the article is to clarify the theoretical basis of Total Quality Management. Evaluation of the current status of operational quality of life insurance product distribution channels. What is the reason why life insurance businesses should apply Total Quality Management in distribution channel activities? What solutions support the application of Total Quality Management in life insurance businesses?

2. LITERATURE REVIEW

2.1. Total Quality Management

Total Quality Management proposed by W. Edwards Deming et al. has received much agreement from business managers in the United States. It is a management system that helps organizations and businesses improve product quality. Total Quality Management monitors quality in each stage and in each activity of the organization in order to eliminate inappropriate factors caused by low-quality activities. The quality of an organization's work, products or services will be competitive when balancing two factors, cost and quality. This system has continuously spread and become a movement used by many industries from manufacturing, services, finance, education, health care, and political organizations. Many studies on Total Quality Management have been published in reputable journals and compiled in scholarly literature. Economic management organizations also helped promote this system to spread on a large scale and build an ideology of Total Quality Management. The goal of this system is to improve the quality of products and services to the highest level. Thereby attracting attention, and agreement and increasing image value for the business. Businesses that achieve the above goals will receive love and loyalty from customers through good product quality that exceeds their expectations. A special feature of Total Quality Management is that it requires businesses to

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maintain all the quality improvements that have been achieved and always look forward to more perfection in the future. All efforts to improve the quality of services or products when applying this system are done on a voluntary basis by the entire workforce.

2.2. Study Overview

Research by Beer, (2003) on Total Quality Management is the work capacity of the company's leadership staff in: Commitment to development-oriented by Total Quality Management; Decision making and behavior must be consistent with this system; Developing mechanisms, policies, functions, leadership skills and teamwork culture for the application of Total Quality Management; Create an equal environment in the dialogue about progress in the transition of management systems to Total Quality Management. Research by Wruck & Jensen (1994) confirmed that Total Quality Management provides a historically new approach to improving organizational performance. This approach goes from a solid conceptual foundation at the same time as a strategy to improve quality and performance when it is adopted by all employees and the organization (Hackman & Wageman, 1995, p.309). Research by Powell (1995) identifies the characteristics associated with Total Quality Management. According to the author, quality training, operational process improvement often do not produce results, but only some unremarkable characteristics such as personnel behavior, corporate culture and empowerment and trust of employees management with new employees is an advantage to help improve service and product quality (p.15). An in-depth study by Larson & Sinha (1995) on Total Quality Management and how this system works. Accordingly, the author has conducted research on the perception of Total Quality Management of quality managers. The survey was conducted with 250 quality control professionals on the impact of using Total Quality Management on structure, process and results. The author's research results show that quality and productivity increase when using Total Quality Management. Their customers are satisfied with the quality of goods and services they receive. Employees in the enterprise have connections, common determination and satisfaction with the environment and remuneration from the enterprise (p.53).

2.3. Distribution channel of life insurance enterprises

When life insurance appeared on the Vietnamese market, the form of product distribution was simple: advertising, press and word of mouth. The objects of word of mouth are the business's employees, and later turned into traditional distribution channels, accounting for the highest percentage of revenue in the company. This target group is the current distribution channel of insurance agents. Distribution channels through brokerage organizations also developed right after the agency distribution channel and it is also a traditional distribution channel. After that, the activity of selling insurance products through banks was gradually accepted by Vietnamese businesses after seeing the positive results of other countries in the world. Insurance enterprises can rely on the advantages of banks such as branches spread across the country, offices, employees and a shared database of potential customers from the bank, making this type of business extremely profitable benefits for both parties. Digital-based sales channels and technology partners have been developed recently following a series of changes from the 4.0 industrial revolution. These two new distribution channels are growing and capturing an increasing revenue market share over the years. Although the performance of these non-traditional channels is still not high, in the future, it can become the main sales channel of the business. The distribution channel data and its size are presented in Table 1.

Table 1. Insurance distribution channel and scale in the period of 2018 -2022

Year	Agents	Other Channel					
		Banks		Other Organization		Other Distribution Channel	
		Quantity	Number of advisers	Quantity	Number of advisers	Quantity	Number of advisers
2018	693,448	58	57,093	125	11,590	9	745
2019	568,970	59	73,013	485	225,419	21	4,034
2020	849,254	57	85,553	502	237,719	27	7,548
2021	668,744	52	103,891	521	140,640	30	14,527
2022	645,764	54	130,500	530	140,718	35	18,855

Source: Insurance Association Vietnam

From the data in Table 1, we can see that the size of distribution channels through agents is the most unstable, followed by distribution channels through banks. At the same time, we can see that other distribution channels continuously have strong growth rates year by year.

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2.4. Activities of insurance distribution channels in enterprises

Insurance distribution channels have many different types such as the degree of independence from the business, the form of organization, the level of specialization, or the level of management. Although there are many types, the activities of distribution channels include 5 main contents. Product introduction and sale activities. Insurance distribution channels represent insurers to approach potential customers to introduce, present, answer, and persuade customers to buy insurance products to meet their life risk protection needs, live, and do business. The activity of arranging the conclusion of insurance contracts. Perform the tasks of providing relevant forms and collecting relevant information for the risk assessment process or other related documents for customers. Insurance premium collection. The distribution channel is responsible for notifying the insurance premium, directly collecting the premium for the first time, and periodically paying it back to the business. Compensation arrangements. Distribution channels must receive claims, guide claim procedures, and organize compensation payments when an insured event occurs. Other activities. In addition to the main activities mentioned above, the distribution channel must manage insurance contracts, receive, assist in answering questions related to insurance contracts, and assess losses for customers.

3. METHODS

Methods of document research. We conducted a search for documents related to Total Quality Management on the Internet tool. All reports, research articles, books, and documents on Total Quality Management are published, clearly sourced, and are not controversial. With secondary data on the status of operation and quality management at life insurance enterprises, we collect from the control board, operational reports and management reports. In addition, the data on the size of the distribution channel is collected from the data of the Vietnam Insurance Association over the years.

Methods of analysis and synthesis. Based on literature and secondary data has been collected. We aggregate and categorize separate content groups for analysis. The analytical method is used to analyze Total Quality Management, the distribution channel of the life insurance business and its activities. In addition, this method helps us in-depth analysis of the current state of quality management in distribution channel operations. Identify the need for quality management in distribution channel activities. Finally, we analyze measures to help life insurers successfully apply Total Quality Management.

4. RESULTS

4.1. Actual situation of quality management of distribution channel activities of life insurance enterprises

Currently, most life insurance businesses have obtained ISO quality certificates, but the quality of their services and products has not been appreciated by customers. In addition to the shortcomings of life insurance contracts as intangible products, customers only receive commitments from businesses, there are many shortcomings in customer support and care that come from the channel's own operations. distribution. Currently, violations of the insurance distribution channel are mainly reported by public opinion and management agencies through reports of insurance enterprises and through inspection and examination. Despite the management of insurance enterprises and the supervision of state management agencies, there are still many violations in the activities of distribution channels. A series of personnel in the distribution channel were disciplined, fired, or terminated from contracts with units in the distribution channel for violating the practice regulations and the law. Major violations of distribution channels include Misappropriation of premiums, breach of contract between insurers and insurance distribution channels, violation of company rules, and false advertising of information. Truth or distribution channels work for many insurance businesses. These distribution channel violations have significantly reduced customer satisfaction and trust. In addition, the constant fluctuation of personnel in the main distribution channel, which is the insurance agent channel, affects the quality of consulting. Looking at the data in Table 1, we see that the number of agents who quit their jobs annually accounts for 30% to 60% of the total number of agents in the insurance market. Because human resources always tend to decrease sharply, businesses recruit agents massively. This cause leads to the quality of customer care and product advice not reaching the desired quality.

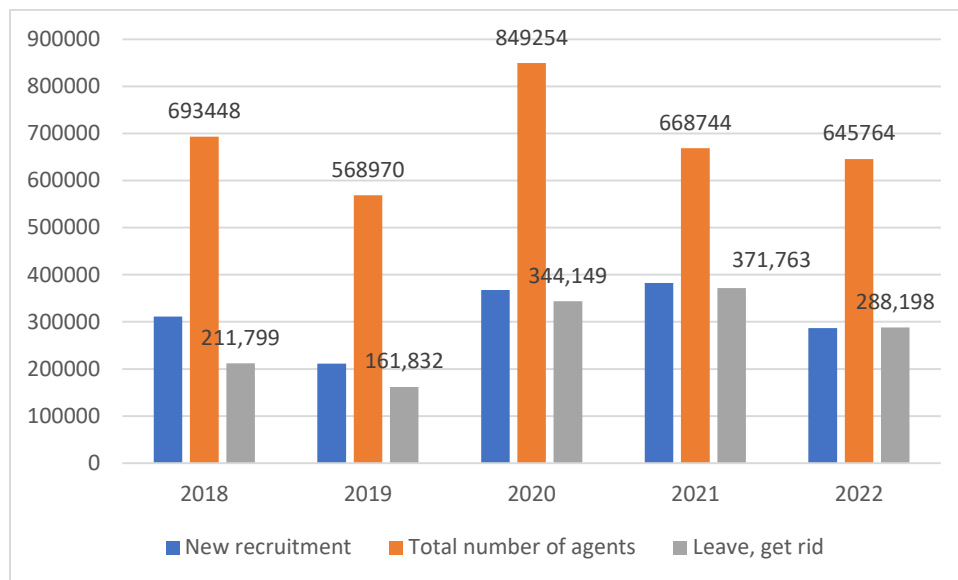


Figure 1. Insurance agent hiring and firing data of the life insurance market

Source: Source: Insurance Association Vietnam

2.4. Reasons to apply Total Quality Management in insurance distribution channel activities

As we all know quality is measured by the satisfaction of needs. Therefore, a product, in addition to the value that creates it, also needs to satisfy the needs of the user to be considered a quality product. With the characteristics of products and services, the factor that brings customer satisfaction is an important part of evaluating the product quality of life insurance enterprises. With the assigned function, the insurance distribution channel is performing activities directly related to customers. At the same time, the insurance distribution channel also has a very important work content, which is to arrange compensation settlement through the customer's claim. The mistakes in the operation of the distribution channels as mentioned above make the product quality of the insurers decrease. In addition, because they work directly with customers, distribution channels are also the recipients of feedback on service quality and insurance products from customers. Personnel at distribution channels who do not regularly meet and discuss after signing the contract will not be able to grasp the wishes of customers to promptly support them. Thus, it can be seen that the operation of distribution channels is very important. Within the business, it directly affects the image, brand and reputation of the insurance business. In the scope of society, it indirectly affects the interests, social projections, and social security. Because of this, the application of Total Quality Management in the operation of the insurance distribution channel is essential.

4.3. Suggestions on applying Total Quality Management in distribution channel activities of life insurance businesses

Insurance distribution channels play a key role in the business's development goals. Controlling and improving quality in distribution channel activities is the solution to retaining customers and developing sustainable market share. To build a quality management system suitable for the operation of the distribution channel, enterprises need to understand the characteristics of the distribution channel. Determining the development goals of the enterprise in each period to develop the goal of developing the distribution channel system and applying an appropriate quality management system. To be able to apply Total Quality Management in distribution channels, we propose the following solutions.

Enterprises must determine the necessity and determination to apply Total Quality Management in the operation of the insurance distribution channel. Total Quality Management always starts at the top level. Company leaders need to be determined to improve the quality of distribution channels. Enterprises, after having a high degree of consensus among the leadership and key staff, need to approve policies, objectives, strategies, programs and joint action plans to improve the quality of their operations distribution channel. For example, businesses need to develop clear policies on recruitment of distribution channels. There are specific policies to encourage distribution channels to perform their assigned activities with quality. Management also needs to be present at the Total Quality Management awareness sessions for distribution channels. Timely answers to questions and motivates, motivates distribution channels to improve quality in their location activities.

Satisfying customer requirements is the goal of management and works for quality. Customer orientation is both a principle and a requirement for distribution channels when applying Total Quality Management. In product consulting activities, distribution channels need to comply with ensuring the interests of customers first, then the interests of the business and themselves. Distribution channels do not run after sales. Absolutely not for profit but advise customers with false or unclear information about

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insurance exclusions or legal issues on contracts. Consulting activities on poor-quality products affect the interests of customers when an insurance event occurs.

Applying Total Quality Management in the operation of the distribution channel requires the full participation of all members of the company. Business leaders must show determination and good policy in applying Total Quality Management to their distribution channel activities. Relevant departments such as the strategy department need to develop appropriate training and recruitment plans for the internal quality control department and the management department in the company based on the development orientation. The product development department needs to support sales channels to solve insurance policy issues in order to improve product quality.

Insurers need to provide quality training for their distribution channels. Service quality is measured by customer satisfaction. What you need to do, therefore, is ensure that your distribution channels are well-tuned and comprehensively supported at every stage of your operations. In sales activities, distribution channel employees do not use any methods that may adversely affect the product or company image. Distribution channels need to understand all the advantages and disadvantages of each product to advise customers to make the best choice for themselves, not by consulting or by a company. Businesses should not focus too much on growing the size of the sales channel. Life insurers should prioritize the quality of their distribution channels. It is necessary to build a quality management team, to evaluate the performance of distribution channels through quality measurement tools. The quality management team needs to be in constant direct contact with the distribution channels. Provide timely guidance or prevent violations when they have not yet caused consequences or harm to customers and businesses. The insurance company needs to have an internal communication system from the corporation to its branches and distribution channels so that policies in managing the operation quality of distribution channels are communicated as quickly and fully as possible. most enough.

5. CONCLUSION

Considering the above advantages, it can be affirmed that Total Quality Management is the system that insurance companies should apply. The use of this system by insurance companies in parallel with international quality certification standards is a solution to improve product quality and customer satisfaction. The articles are limited because there are no actual results proving the effectiveness of the application of the quality management system in the distribution channel activities of enterprises. However, in some proposals such as Total Quality Management, the purpose of this system is always to start at the top, meet the needs of customers, or train and mentor employees. We hope to make the application of Total Quality Management in the enterprise more practical by using distribution channels to improve quality.

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