

# DIGITALIZED INTERACTION IN CORPORATE INSURANCE RELATIONSHIPS

Based on a case study of corporate insurance relationships in a Swedish insurance company, drivers and obstacles to mass-customization of insurance relationships are discussed. Characteristics of the exchanges between the insurance company and its customers are seen as important factors that lead to or impede the use of web-based services where the role of the relationship manager may be replaced by automated decision rules. An important aspect to consider is how such a development can be expected to influence the strength of the relationships.

*Keywords:* Insurance, web-based services, adaptation, risk, relationship strength

by

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## Abstract

Based on a case study of corporate insurance relationships in a Swedish insurance company, drivers and obstacles to mass-customization of insurance relationships are discussed. Characteristics of the exchanges between the insurance company and its customers are seen as important factors that lead to or impede the use of web-based services where the role of the relationship manager may be replaced by automated decision rules. An important aspect to consider is how such a development can be expected to influence the strength of the relationships.

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## Background

Insurance companies have a long history of personal interaction with corporate customers. Long-term relationships and individual risk assessments have been the cornerstone for corporate insurance relationships for two hundred years. Long-term relationships are characterized not only by product exchange, but also information exchange, social exchange, co-operation and relationship-specific adaptations (Håkansson 1982).

During the last decades, the development of digital communication tools has accelerated, and customers are increasingly adopting new communication technologies. Hence, the insurance companies recognize opportunities for communicating more effectively with their customers, and many times also experience external pressure for offering web-based communication alternatives. Therefore they increasingly use web-based services for handling customer relationships, both for consumer insurance and corporate insurance.

The penetration of web-based services is more pronounced in consumer insurance. This can be understood against the background of the character of consumer insurance, which tends to be more standardised than corporate insurance. For the insurance company, the risk level is often lower for consumer insurance, and the risk also tends to be more widely spread. This makes it easier to apply standardised procedures with less personal involvement. As the development proceeds, more and more web services can be offered to corporate customers as well. This raises the question if there are fundamental differences between consumer and corporate insurance relationships when it comes to digital communication channels. It also raises the question of why some types of exchange can be performed through digital channels, while others cannot. The understanding of the nature of business interaction in rapidly changing technological environments is also important from a theoretical standpoint, since the emerging technology has the potential to fundamentally change the interaction process between companies as we know it.

## The problem

A fundamental difference between consumers and corporate customers is that there are usually fewer corporate customers than consumers. Still they account for a large part of the suppliers' revenues (Håkansson 1982). Individual corporate customers are therefore more important than any single consumer. This leads to long-term co-operation and social exchange between the firms, and ultimately *relationship-specific adaptations* – the buyer and seller make substantial investments in the relationship. Social exchange in business-to-business relationships also allows for adapted information exchange (Leek et al. 2003). Shifting to web-based communication influences this interaction. In its simplest form, web-based communication can be just a means for communication between two persons, on the buyer and seller side of the relationship. They simply use the web service for communicating instead of sending e-mails or making phone calls, meaning they can still make relationship-specific adaptations for individual corporate customers. However, already using the web as a tool just for communication and receiving orders can be quite difficult to achieve (Prenekert (2003).

More sophisticated web-services, such as complete sales processes and product administration, need to operate without human assistance. This requires that choices are made regarding what is to be communicated to and offered to the customer. It can be described as decision-making performed by the web service itself, which in turn requires a specific set of rules and procedures that the web service is built upon. The web service can still adapt to the individual customer's needs, but only within a pre-defined set of routines, often referred to as *mass-customization*. This requires a certain degree of standardization as to what options should be available to each customer. The adaptation is no longer relationship-specific, but rather a part of a pre-defined system. It's standardized, but still flexible to a certain degree.

The research problem concerns the selling company's balancing act between relationship-specific adaptation and automated mass-customization in any given type of exchange. The purpose of this paper is to identify and discuss drivers and obstacles to both alternatives.

## Method

A qualitative case study of a large Swedish insurance company is currently being carried out. Its planning, development and implementation of web services for corporate customers are being followed through interviews and observations. Key informants include web strategy executives on a national level, as well as local executives and relationship managers.

Semi-structured interviews were held with informants that were encouraged to speak freely about given topics such as the insurance company's current customer relationships, current web services and the drivers and obstacles affecting the development and use of web services for corporate customers. Additionally, a longitudinal study of key customer relationships is being prepared, where the use of digitalized interactions and their effects on the relationship characteristics will be analyzed.

## Buyer–seller interaction

### *Exchange episodes*

In the interaction approach (Håkansson (1982) four types of episodes in a buyer-seller relationship are identified: product exchange (goods or services), information exchange, financial exchange, and

social exchange. Over time continuous exchange tends to lead to adaptations of the exchange itself or the process of exchange, which in turn leads a co-operative relationship between the companies, A major aspect of the product exchange is the uncertainty with which it is associated, for example whether or not the buyer's needs are easy to identify or interpret.

When it comes to information exchange, information can be transferred between the parties by either personal or impersonal means. Impersonal communication is often used for transferring basic technical or commercial data. Personal communication is more suitable for transfer of "soft" data, such as the conditions of an agreement. The contents of the information can be characterized in terms of for example technical, economic and organisational issues.

A *relationship* between companies develops through continuing interaction *episodes*. Each episode in turn consists of *acts*, that the different actors in the companies perform (Holmlund 1997). Salo et al (2003) classified these acts either as "atomistic acts" or as "digital acts" (performed through digital communication channels). They also noted that these two classes of acts can be combined in different ways, even within the same episode. Hence, an episode is not entirely atomistic or digital, but can consist of many possible combinations of acts.

The most fundamental exchange is that of exchanging the goods or services which is the foundation of the relationship. The characteristics of the products exchanged are likely to affect most of the interaction process between the parties. If the product is of great importance to one or both of the parties, this affects the exchange of information, money and sociality. Product exchanges can be characterized by the degree of standardization/complexity, the importance of the purchase, the novelty/frequency of the transaction and the importance of the product (Metcalf et al, 1990). Furthermore, there is often some kind of risk involved, either related to the financial exchange or to the product exchange in itself. In an insurance relationship, the risk dimension is inherently central during the entire relationship (Gidhagen 2002). Risk in a relationship is usually handled through exchange of "soft" data in face-to-face settings, where communication flows more freely (Turnbull 1990). The higher the potential risk inherent in the interaction, the bigger are the obstacles for using digitalized interaction. Risk is also related to the notion of complexity, since complex exchange is harder to evaluate from a risk management perspective. One of the characteristics of corporate relationships is that it involves a complex pattern of interaction between and within the companies (Håkansson 1982).

#### *Co-operation and adaptation*

Adaptation to the requirements of a single customer is often vital in business-to-business relationships (Håkansson & Snehota 2000). Hence the degree to which the digital communication can be adapted to the customers' specific needs is an important determinant for its usability. Usually this adaptation is made for the customer by the supplier (Brennan et al, 2003). Adaptation can be necessary on different levels in the companies, and it can include the communication, the service and the organization itself. It also needs to be an ongoing process if the exchange is to be maintained over a long period of time, and during changed circumstances (Hallén et al, 1991). Relationship-specific adaptations are an investment in the relationship and are always based on the individual customers needs (Brennan et al, 2003).

#### *Mass-customization*

With the new technological capabilities, adaptations can be made on a larger scale ("mass-customizations"). This means that the use of new technology allows for satisfying individual customer needs at a cost comparable to standard products (Blecker & Abdelkafi 2006). The term

itself could be regarded as an oxymoron, because the “mass” and “customization” strategies seem to be incompatible. This goes hand in hand with 1-to-1 marketing concept, suggesting that consumers could receive individual product or service customization previously only viable in corporate relationships (Peppers & Rogers 1997). The technological development in communications has changed this situation. Automated mass-customization usually does not permit complete adaptation to the individual customer. Instead, the start of a mass-customization strategy is to define a catalogue of options to be available to customers. This catalogue defines the degree of customization of a product (Da Silveira et al. 2001).

Hart (1993) has two definitions of mass-customization. The first is a “visionary” definition: “the ability to provide your customers with anything they want profitably, any time they want it, anywhere they want it, any way they want it”. Since mass-customization originally is a concept from consumer marketing, this visionary definition constitutes quite a contrast from the usual customer relationships. His second definition is a practical definition: “the use of flexible processes and organizational structures to produce varied and often individually customized products and services at the low cost of a standardized, mass-production system”. Since mass-customization is an attempt to customize services in an automated manner, it is a useful concept for describing web-based insurance services, for both consumers and corporate customers.

Figure 1 illustrates the degree of adaptation to individual customers’ needs. Traditionally, most consumer products have not been adapted to individual customer needs, in contrast to the business-to-business market where full adaptations for individual customers have been common. Using new technology, the “1-to-1” approach has emerged in the consumer market (Peppers & Rogers 1997) with automated mass-customization as the ultimate manifestation. With the automated web services evolving for corporate customers, the business market tends to be moving towards a similar position, but from the opposite direction. Figure 1 illustrates the digital acts performed in an interaction episode in both consumer and business-to-business markets, and in these cases the relationship manager is not present in the exchange. The relationship manager of course still plays a role in the relationship as a whole, but not in the automated mass-customization acts.

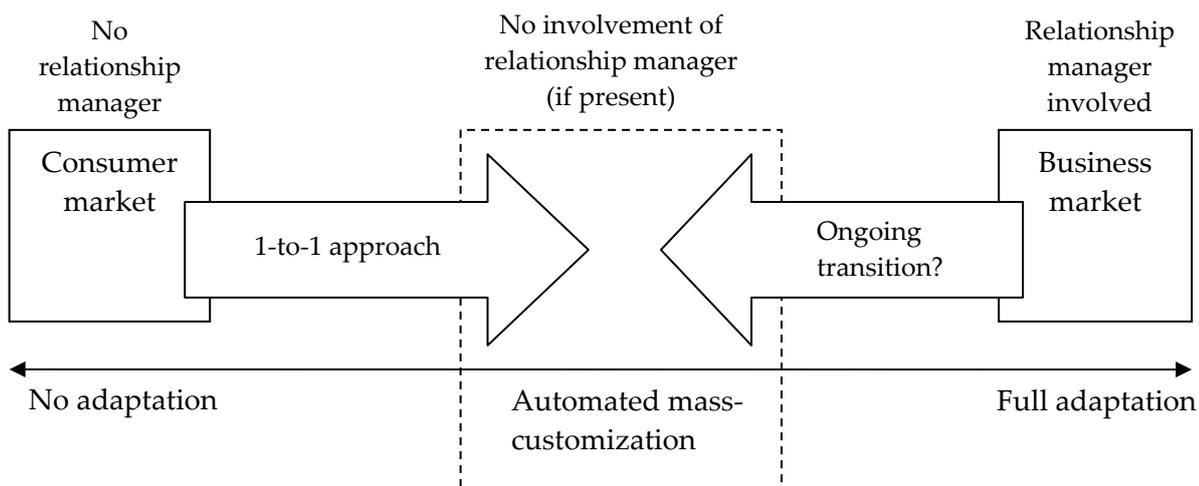


Figure 1: Corporate customers are treated more and more like consumers, with the advent of automated web services. The degree of relationship-specific adaptations decreases, whereas it has increased in the consumer market.

## **Insurance relationship characteristics**

The main value that corporate customers get from their relationships to the insurance companies is financial security. The purpose of the product is to reduce the risk to which the customer is exposed. When no damage occurs during the insurance period, the service that the customer gets and pays for is the promise for compensation and the feeling of security attached to this promise.

The product is entirely immaterial, and it can be considered as being produced through the interaction between the customer and the insurance company. Since the product is immaterial and the value provided is made up of providing a feeling of security and the promise of compensation in case of damage, no physical delivery of the service is required. This makes trust a central component in the relationship. The development of relationship trust is primarily a result of how the insurance provider's representative handles the relationship (Gidhagen 2002).

Insurance relationships are often long-term, both between the companies and the contact persons in both the insurance company and the insured company. The insurance conditions are mostly less standardised in corporate insurance than in consumer insurance. Price is also negotiated to a higher degree in corporate insurance than in consumer insurance (Gidhagen 2002).

When damage occurs, it can be very costly either for the insured party or for the insurance company or for both of them, depending on the conditions of the insurance. Both parties therefore take big risks when agreeing on the conditions of the insurance.

## **The case**

### *The insurance company*

The case in this study is an insurance company serving a local market. Together with other local insurance companies, they have formed a national insurance federation. Each company is serving its local market and is owned by its local customers. The local companies together own a national "umbrella company", which provides services to the local companies. The web development is carried out by the umbrella company, while customer relationships are handled by the local company. Part of this case study includes the umbrella company (where most of the web strategy and development is handled), and part of it is carried out at the local company (where all personal customer relationships are handled).

The company group is the Swedish market leader for several product segments. It offers property insurance and life insurance for both consumers and corporate customers. It also offers banking services for consumers and is currently developing a banking service offering to its small corporate customers as well.

### *Web development and web strategy*

After several years of slow development, the insurance company released a new web site in early 2008. On the new site, consumers could purchase all important products online. The new site also integrated the company's insurance and banking services, with an "all-in-one" customer area for both online banking and insurance administration in one place.

However, these services were almost exclusively offered to the consumer market. As far as corporate customers are concerned, the only difference was a more modern graphical design. Corporate customers could not yet purchase or administer their insurance services online. After the

release, a few new services were released for corporate customers, but it is a long way to go before these web services can reach the level of the consumer equivalent. According to web development executives, the reason for this difference is the higher degree of standardisation (*homogeneity* between customers) in product and information exchange in the consumer market. The heterogeneity in the corporate exchange is handled through social exchange, and the flexibility that can only be offered by long-term relationships with experienced relationship managers.

At the same time, several large competitors have been developing web services for corporate customers for many years. With the consumer web services in place, the web development strategy is increasingly targeting the corporate customers. As several insurance companies also offer banking services with advanced web services both for private and corporate customers, the need for more sophisticated web services in corporate insurance is increasing even more. Currently the web services for corporate customers are limited to some aspects of life insurance administration and submitting damage claims. Since the local companies differ in many ways, even regarding the product offering, there are local differences as to how the web site is used. Some local companies offer their customers the possibility to order an insurance quote through a web form, but it is not automatically handled. Hence, the development of automated mass-customization has been slow. This is partly because of differences in the local companies, but mainly a result of the complex risk assessment processes connected to corporate insurance. Web services for purchasing and administering insurance products are being planned, but that requires that the products have a standardized purchasing process. It also requires a low degree of *complexity* regarding the risk assessment process as well as the product itself, including the underlying IT production system.

#### *The relationship strategy*

According to the insurance company's CEO there are three important differences between consumer and corporate customer relationships in the insurance business: (1) There are much fewer corporate customers, (2) it is much harder to make a risk assessment of corporate customers, and (3) the risk is much larger for each corporate customer. These three factors made it much easier to develop web services for consumers than corporate customers. Automated web services are well suited for handling similar customer relationships on a large scale. Complex risk assessment is hard to incorporate in an automated web service, and the acceptance for mistakes is low since the potential risk is high for corporate customers. Hence, *individually important* exchanges (from a financial point of view) were not likely to be handed over to an automated web service.

Another reason for keeping personal interaction instead of utilizing the web is the importance of social exchange. The CEO recognized social exchange as the carrier of the company's values – and ultimately its primary competitive advantage. On the other hand, if technical information exchange can be carried out using web-based services, the social exchange could be of higher quality. "We want to talk to them about future plans, strategies, employee development, and how our services work. We want them to feel that it is a high quality meeting with a qualified financial advisor. When it comes to building relationships, I don't think you can ever use the Internet as a replacement for personal communication".

Banking services have proven to increase the exchange intensity on the consumer market. Insurance-only consumers communicate with the company on average 7-8 times per year, while consumers with banking services communicate on average 70-80 times per year – often through the web services. Introducing banking services for corporate customers could hence be a way of increasing communication with them as well, and thereby getting a closer relationship with them. High exchange *frequency* is considered important for keeping a close relationship with customers,

but also for increasing their interest in automated interaction. Since banking services require frequent interaction, customers are more interested in using web services. This is probably related to the learning curve and general switching cost for starting to use the web services. When the exchange frequency is low, it's simply not worth the time to get started using the web services. But when the exchange frequency increases (for example due to the introduction of banking services) a web service becomes more popular. Frequent use of the web service also affects the handling of low-frequency exchange such as insurance administration.

### *Relationship managers*

The corporate relationship managers in the insurance company recognized social exchange as the fundamental foundation for all other exchange. This was seen as especially important for corporate customers with more than 5 employees – in these cases, the relationship managers always visited the company before giving them a quote, and then kept visiting them at least once every year. They also kept in touch via the phone several times each year, sometimes every month. As soon as something happened that might concern the company's insurance policy, they called the relationship manager. The calls often concerned information exchange of simple, often technical or administrative, content.

However, these seemingly simple exchanges, which could often be administered through an automated web service, often reveal something about the situation in the company. If they, for example, need to increase the insurance policy level, this indicates that the company has grown. The simple and standardized information exchange then leads to follow-up questions by the insurance company's relationship manager. Maybe the customer had hired a new employee since the last interaction episode, and this leads to other changes in the insurance levels, pension plans, healthcare policies, and so on.

Simple and standardized information exchange was often the starting point of a conversation that led to up-selling and cross-selling, which is why the relationship managers found it valuable to keep the personal involvement in this exchange – although it could potentially be solved more efficiently. The relationship managers also wanted to keep an eye on their client portfolio, to make sure they had the right insurance coverage in case anything would happen to them. The relationship managers concluded that if customers would start using a web service to administer their insurance, that would lead to decreased accuracy, and ultimately a broken relationship – or even bankruptcy for the customer – in case of a damage.

### *Damage adjustment*

Damage adjustment is also an important part of the customer relationship. Corporate customers can submit the initial damage adjustment claim through a web service, but that function is rarely used. They usually called when there was an emergency, or filled out a standardized form on paper if it was a routine matter. During the damage adjustment process, information could be exchanged using several different channels, but since the information flow often is very complex, it was not possible to build web services for the entire process.

Car damages were considered to be an exception, where most of the information exchange between the insurance company and the car repair garage was carried out through a web-based service. The garage employees used the web service for submitting photographs and a damage description to the insurance company, along with a quote for repairing the car. The damage inspector at the insurance company could simply accept the offer as it was, or ask the garage representative to make some adjustments to lower the cost – all through the web service. This streamlined process is

possible due to the standardized nature of the exchange and the relatively low financial risk for each exchange. In this example, the relationship manager is not present in the exchange at all.

## The balancing act

As discussed, a relationship between companies can include four types of exchange: product exchange, information exchange, financial exchange and social exchange. But in order to understand why some exchange acts can be handled automatically through a web service, we need to identify dimensions that affect how the exchange is carried out. How far can the communication between companies be digitalized, without losing the relationship strength? What conditions are the limiting factors in this development? To get closer to the answers of these questions, we will discuss the key dimensions of the exchange that has been empirically observed: *frequency, importance, complexity and homogeneity*. In figure 2, these dimensions are exemplified for each exchange type.

		EXCHANGE TYPES:			
		Product exchange	Information exchange	Financial exchange	Social exchange
EXCHANGE DIMENSIONS:	Exchange homogeneity	<i>Product homogeneity:</i> Standardized product or product structure for all relationships.	<i>Information homogeneity:</i> Same structure for information exchange for all relationships.	<i>Financial homogeneity:</i> Rule-based pricing, common price tariffs (in opposite to individual pricing)	<i>Social homogeneity:</i> Similar level of social exchange for all relationships.
	Exchange complexity	<i>Product complexity:</i> Many product variables. Negotiations. Giving advice based on individual circumstances.	<i>Information complexity:</i> Many different combinations of information content to be exchanged.	<i>Financial complexity:</i> Variations regarding risk assessments, high requirements of financial expertise.	<i>Social complexity:</i> A social web of relationships between different persons in both firms, many contact situations.
	Exchange importance	<i>Product importance:</i> Strategically important product for seller, or business-critical product for buyer.	<i>Information importance:</i> The information exchange is essential, dramatic consequences if incorrect.	<i>Financial importance:</i> High fees, high insured value, high potential financial risk.	<i>Social importance:</i> Close personal relationships, trust, friendship, recognizing other party's needs.
	Exchange frequency	<i>Product frequency:</i> Many interaction episodes regarding product or service exchange (sales or changing products).	<i>Information frequency:</i> Tight communication between parties, intense interaction pattern.	<i>Financial frequency:</i> Many financial transactions between the parties.	<i>Social frequency:</i> Firm representatives meeting and communicating with each others often.

Figure 2: The four different types of exchange and the empirically observed exchange dimensions for each of them.

A specific exchange can obtain a low or high score in each dimension (or anywhere in between). As illustrated in figure 3, each dimension can constitute either a driver or an obstacle for the development of automated mass-customized exchange. Plus signs suggest a driver, and minus signs suggest an obstacle. The suggested dimensions are discussed in more detail below.

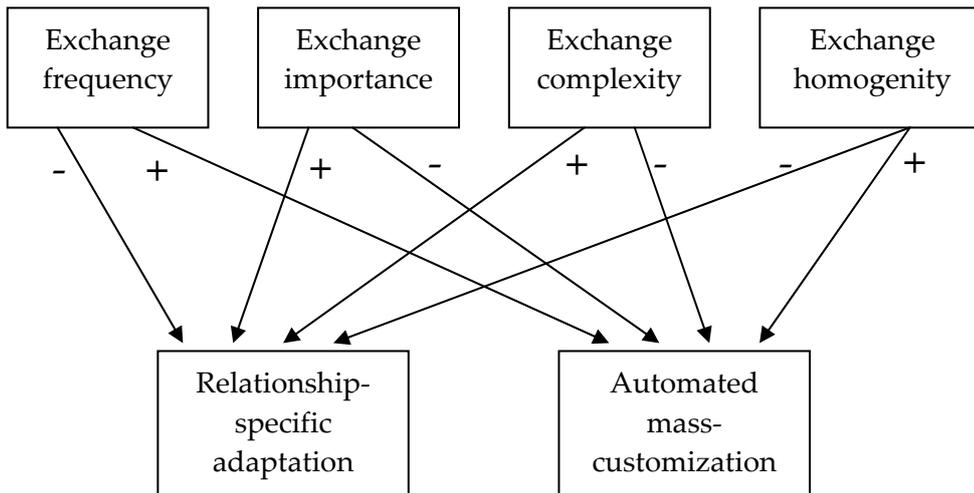


Figure 3: The Balancing Act. Dimensions affecting the decision whether to adapt to individual customers or develop automated solutions for matching customers' needs.

#### *Exchange frequency*

Since there is an overhead cost for developing systems for automated mass-customization, it is less likely that an exchange type with low frequency would be a candidate for such a service development. The learning curve also constitutes an obstacle for the customers, if the exchange is not frequent. The more frequent the exchange is, the more time and money can be saved by automated mass-customization, on both the buyer and seller side of the relationship. For example, the banking services require more frequent exchange than insurance services, and hence the web services related to banking are more useful for both parties.

#### *Exchange importance*

The importance of a certain type of exchange to any or both of the parties is likely to affect the degree of relationship-specific adaptation within that exchange. The more important the exchange, the more likely that the parties are willing to make investments in the relationship – and it is less likely that the exchange is handled automatically. If the potential consequences of a mistake are higher, the parties are more likely to spend time and manual labour to make sure the exchange is done correctly.

#### *Exchange complexity*

If the information and product exchange is complex, this favours personal communication and calls for relationship-specific adaptations. The degree of variation required can make it difficult to develop an automated web service, since it would require rules for handling all imaginable situations. Simple, often technical, information on the other hand, can more easily be transferred through an automated web service.

The complexity dimension can also include organisational issues, the status of underlying IT production systems and general product and legal issues. Complexity can be found on many levels and in many areas, and the more complex the exchange, the more difficult it is to handle automatically. The complexity of the exchange would also be reflected in the design of the web service, which hence would be less user-friendly (and in turn make the learning curve even steeper).

In insurance relationships, a central issue is risk assessment and management. From a mass-customization point of view, the risk assessment issue is part of the complexity dimension. If the

risk assessment is complex, meaning there are many different factors to assess, this constitutes an obstacle in developing automated exchange. The higher risk inherent in an exchange, the more likely is it that the companies are willing to make relationship-specific adaptations. If the risk is high, social exchange can lower it – and automated mass-customization is less likely to be trusted for handling the exchange.

#### *Exchange homogeneity*

The more similar the exchange is in every customer relationship, the easier it is to automate. This is clearly one of the most important reasons why the consumer market is often ahead of the corporate market when it comes to automated web services. Heterogeneous exchange types are more difficult to develop web services for, since it requires them to be very flexible. As illustrated in the case of car damage adjustment, the process can be streamlined using a web service, because the homogeneity is very high between cars of a certain age and model.

### **The web service – channel, actor or both?**

A web service can be a simple communication channel between the contact persons in both companies. For example, the customer can fill out a form on a web page, and the information provided is sent to the relationship manager at the insurance company. The relationship manager then processes the information and takes appropriate action and makes decisions within the established relationship context. This exchange is time and distance asymmetric, but it is still a relatively small change in the choice of communication channel.

However, the automated mass-customization services discussed in this paper do not have a relationship manager at the other end. The exchange is processed automatically by the web service, and changes in the customer database are done instantly, without human intervention or decisions. Hence, the web service itself becomes an interacting party that represents one (or potentially both) of the companies. It is transformed from being a simple communication channel to performing the function of an actual decision-maker in the mass-customized process. The contact patterns between the parties change dramatically, when web-based services start to replace personal communication.

Basically, it is not the digitalized form of web-based buyer-seller interaction that constitutes the most important distinction from personal interaction. The crucial difference is the possibilities for impersonal and automated interaction directly between the customer and the web-based service of the insurance company. For example, many web forms are merely a standardized way of information exchange between the buyer and seller relationship managers – the information is still handled manually. An automated web service is entirely different, as customers themselves are let into the production system. This results in entirely different drivers and obstacles, since the web service becomes an actor in the relationship.

### **Managerial implications**

It is expected that the requirements of adaptation for corporate customers will be a major obstacle in the implementation of many web services. Successful strategies for business-to-consumer relationships are expected to be problematic in the corporate market, since the risk will be harder to manage and the major adaptations will be difficult for automated web services to handle. The four dimensions suggested – frequency, importance, complexity and homogeneity – can be useful for assessing the suitability for web services for different types of exchange. Furthermore, the difference

between the web service as a channel and the web service as an actor can be an important distinction for planning the relationship management strategy.

New web services for automated mass-customizations will have consequences for the relationships, should the customers choose to use them.

First, new internal actors get involved in the business-to-business relationships as the web development departments of the insurance companies take over part of the responsibility for the customer relationship.

Second, the role of the insurance relationship managers changes from handling day-to-day questions to acting as advisors with less frequent direct customer contact. The relationship dynamics gradually changes as web-based services replace more and more of personal contacts. In some interaction episodes between the companies, the relationship manager will no longer be involved. This calls for a new way of handling the relationships, for example for making sure that the customers have the right insurance policy.

Third, the strength of the relationships can be affected as the social context of the relationship becomes looser. The trust between the companies has been established through social exchange between the contact persons, and if they start having less frequent contact the trust-establishing strategy might need to be adjusted. The customers might become less dependent on their relationship manager, but experience a tighter connection to the firm instead, since they have quick access to the web service and can manage their insurance that way.

## **Discussion**

“Everything that can go digital, will,” Benny Landa, the founder of Indigo, claimed already in 1993 (Kapel 2008). In order to seem modern and up-to-date, businesses with at potential of offering their goods or services through web-based solution have a pressure on them to keep up with their competitors also in this respect. In addition to this image aspect, cost advantages are assumed to be associated with the automation possibilities of customer management over the web.

The possibilities of using web-based solutions in marketing depend on many factors. Here we have chosen to group these factors according to four basic dimensions of exchange: product, financial, information and social exchange. These factors are interrelated in the sense that higher tangibility in certain exchange dimensions might compensate for reduced tangibility in other aspects. For instance, in e-commerce web-based product information often is complemented by printed catalogues, thus making e-commerce and mail order sales more similar. In the same way, acceptance of web-based customer management may be strengthened if some other exchange aspects have a more tangible character.

In terms of product tangibility, financial services are highly intangible. The products are not merely in digital format, as for instance music and texts delivered over the web, but they are intrinsically intangible as they basically represent promises issued by the service supplier (e.g. damage adjustment in insurance) or promises issued by the service recipient (e.g. loan repayment in banking). At first glance, this may seem to make it easier to switch to web-based marketing as no physical deliveries are required. However, considering the need to balance intangibility with more tangible elements, these conditions may instead seem as an argument for keeping elements of a hands-on character. Social exchange based on personal contacts might be such an element.

Banking services have been digitalized very successfully, and Internet banking now represents the lion's share of consumer banking. This development has been driven by the banks and has been accepted by the consumers who have reaped the benefit of easier access but at the price of having to take over a lot of administrative tasks previously performed by bank clerks. But it should be noted that this digitalization mostly concerns situations where the bank's risk is low. The risk is borne by the consumer who has entrusted his money to the bank. When the risk is borne by the bank, for instance when granting loans, personal interaction is still used in most cases.

Thus, lending money requires that the bank can trust the borrower. The bank is the trustor, and the borrower is the trustee. When taking out insurance the situation is reversed: the customer is the trustor who has to believe that the insurance company, the trustee, will fulfil its promises if damage occurs and that the fine print in the contracts will not invalidate the promise. The customer may have a need to compensate for the intangibility of the product. From the point of the customer, can a web service do this instead of a relationship manager?

Still, corporate insurance relationships follow the development of consumer insurance relationships. Automated mass-customization through web-based services has the potential to change the basic characteristics of customer relationships, but the road ahead is far from straight. Understanding the drivers and obstacles for this development is important for business strategy as well as for theory development. The suggested exchange dimensions – frequency, importance, complexity and homogeneity – can be a starting point for understanding both drivers and obstacles in this development. These dimensions can include a wide variety of specific issues, which are more or less prominent in different settings and industries. For example, risk assessment is an important part of exchange in the financial industry. But it is really the *complexity* of risk assessment that affects the balancing act between relationship-specific adaptation and automated mass-customization. In the same way, the influence of other specific issues can be understood by applying the dimensions suggested in this paper.

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