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Analysis of Digitalization Strategy Implementation for Insurance Service Sustainability (Case Study on XYZ Insurance Company)

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Abstract: *Digital transformation has become a strategic imperative for insurance companies to remain competitive amidst growing industry challenges and evolving customer preferences. XYZ Insurance Company faces obstacles in integrating digital technologies into its operations, including limited infrastructure, organizational resistance, and heightened cyber security risks. However, opportunities such as increasing demand for digital services and supportive government regulations present avenues for enhancing competitiveness. This study aims to analyze the implementation of digitalization strategies at XYZ Insurance Company through the SWOT framework, identifying strengths, weaknesses, opportunities, and threats. Using a qualitative case study approach, data were collected through in-depth interviews, direct observations, and company document analysis. The findings reveal that the company benefits from strong market reputation and customer loyalty but struggles with inadequate employee training and underdeveloped technological infrastructure. Key opportunities stem from emerging technologies and favorable regulations, while the main threats include competition from insurtech firms and data security concerns. Strategic recommendations include investing in robust technological infrastructure, strengthening cybersecurity measures, and developing employee capabilities to adapt to digital advancements, ensuring business sustainability in an increasingly competitive landscape.*

INTRODUCTION

Digital transformation in the insurance industry poses significant challenges that demand rapid adaptation to evolving technologies. As technology advances, insurance companies are expected to enhance operational efficiency and service quality to meet the demands of modern customers. However, the adoption of digital technologies encounters barriers, such as inadequate infrastructure, organizational resistance, and high investment requirements. A study by McKinsey (2017), cited in Braun & Haeusle (2025), revealed that only 25% of U.S. consumers purchased

auto insurance policies online directly from insurers, highlighting the difficulties faced by mid- to small-scale companies in leveraging technology for competitiveness. The COVID-19 pandemic accelerated digitalization across industries, including insurance. Restrictions on physical interaction forced companies to shift services to digital platforms, such as online policy purchasing portals and claims applications. Despite these efforts, challenges such as technological limitations and insufficient infrastructure persisted, as noted by Earnix Team (2022). By 2020, only 44% of insurers reported adopting digital technologies, a trend that has grown slowly through the pandemic.

Customer expectations for digital services have surged alongside technological advancements. A LIMRA & Boston Consulting Group (2021) survey of over 400 insurance executives in 50 countries revealed that 70% of customers under 40 prefer app-based services over traditional methods. The rise of insurtech startups has intensified competition, capturing significant market share with innovative and efficient insurance services tailored to millennials who prioritize convenience and speed. Traditional insurers often lag due to slow technology adoption (Cappiello, 2020). Additionally, digital transformation requires profound cultural shifts within organizations. Many employees in the insurance industry resist new technologies due to insufficient training and management support (Shevchuk et al., 2020). Cybersecurity is also critical, as sensitive customer data, including financial and health information, must be protected. Eling & Wirfs (2019) noted that data breaches accounted for 25% of all cybersecurity incidents globally. Complex regulations, such as GDPR in Europe and Indonesia's Data Protection Act, compel insurers to make significant investments in compliance systems (Malhotra & Batra, 2024).

XYZ Insurance Company, initially focused on serving members of Indonesia's National Police, has expanded to offer services to the general public. The company struggles to integrate digital technologies due to resource constraints and insufficient strategic planning. This creates risks of losing customers, especially younger demographics that favor efficient digital services. Based in Jakarta, with limited branches, XYZ faces geographical challenges that necessitate digital services to reach internet-accessible regions. Like many traditional insurers, XYZ suffers from slow response times and cumbersome claims processes, exacerbated by manual operations. The company also lacks adequate employee training, leaving staff unprepared for significant operational changes. Pattihahuan & Mukti (2022) highlighted the positive impact of training on employee competence and productivity. Organizational cultural transformation is vital for digitalization. Employees must be engaged in the change process and receive adequate training to understand new technologies, as transformation fosters operational efficiency and sustainable innovation.

Digital transformation is no longer optional but a survival strategy amid the competitive landscape. Insurers failing to meet modern customer expectations risk losing market share significantly within the next five years. Investment in digital technology and employee training is critical to enhancing competitiveness. Without comprehensive digital transformation, traditional insurers will struggle to remain relevant in a tech-dominated market. Strategic investments in technological systems and innovative products are essential to navigate these challenges.

This study aims to identify and analyze challenges and opportunities in implementing digitalization strategies at XYZ Insurance Company to ensure service sustainability amid increasing competition in the digital era. Constraints such as limited infrastructure, organizational resistance, and regulatory challenges are the main problems requiring in-depth investigation. The research evaluates the company's digitalization strategies, identifying strengths, weaknesses,

opportunities, and threats (SWOT), while providing comprehensive insights into strategic actions that can enhance service sustainability and competitiveness. A qualitative case study approach is used to explore internal and external conditions. Analysis focuses on digitalization strategies, including technology management, organizational culture shifts, and regulatory compliance, with relevance to market demands. The SWOT approach offers a systematic framework to assess the challenges and opportunities the company faces.

METHOD

This study employs a case study method with a qualitative approach to analyze the implementation of digitalization strategies at XYZ Insurance Company. The qualitative approach allows for an in-depth understanding of phenomena within their real-world context, while the case study method provides an opportunity to explore specific dynamics within the company. The case study method is particularly effective in answering "how" and "why" questions in situations where researchers have limited control over events (Yin, 2018). This approach is well-suited to understanding the complexities of digitalization in the insurance industry.

The data utilized in this study comprise both primary and secondary sources. Primary data were obtained through in-depth interviews with managers, employees, and customers of XYZ Insurance Company to explore their perspectives on the digitalization implementation. Semi-structured interviews were employed to provide flexibility in exploring topics. Secondary data were gathered from internal company documents, annual reports, and relevant academic literature. Combining primary and secondary data offers a comprehensive understanding of the phenomena under investigation (Creswell, 2020). Data analysis was conducted using the SWOT (Strengths, Weaknesses, Opportunities, Threats) framework to identify internal and external factors affecting the implementation of digitalization strategies at XYZ Insurance Company. SWOT analysis is an effective tool for understanding an organization's strategic position by evaluating influencing factors (Gürel, 2017). The data collected from interviews and documents were analyzed thematically to identify patterns and themes relevant to the research objectives.

To ensure the validity and reliability of the data, the study employed data source triangulation by comparing information obtained from interviews, documents, and literature. Triangulation is a strategy to enhance the credibility and validity of qualitative research findings. Additionally, the researcher maintained consistency in the data collection and analysis process by meticulously documenting each step undertaken during the research (Patton, 2015). The research began with a preparatory phase, including the development of interview guidelines and the collection of relevant literature. Subsequently, data were gathered through in-depth interviews and the collection of pertinent documents. The collected data were then analyzed using the SWOT framework to identify factors influencing the implementation of digitalization. The results of the analysis were utilized to formulate strategic recommendations for XYZ Insurance Company. A systematic and structured research procedure is crucial to ensuring the integrity and quality of research findings (Creswell, 2020).

RESULT AND DISCUSSION

Based on the analysis, XYZ Insurance Company possesses several key strengths that support its business sustainability amidst competition. The company’s strong reputation in the local market serves as a valuable asset, bolstered by its extensive experience in delivering insurance services to customers. Furthermore, its broad distribution network enables access to customers across various regions, including remote areas. Strong relationships with business

partners and high customer loyalty also serve as critical assets in maintaining market share. This aligns with Braun & Haeusle (2025), who emphasize that reputation and customer loyalty are significant competitive advantages in the insurance industry, particularly when companies face the challenges of digital transformation. However, despite these strengths, the company has not fully leveraged them to support the digitalization of its services.

XYZ Insurance Company also faces several internal weaknesses that hinder the successful implementation of digitalization. Inadequate technological infrastructure remains a primary obstacle, particularly in developing reliable customer service applications. Additionally, organizational resistance to cultural change, especially among senior employees, slows down the adoption of new technologies. The lack of training and digital skill development among employees presents another significant challenge. According to Gürel (2017), internal weaknesses like these can prevent companies from capitalizing on opportunities. Interviews with managers revealed that many employees fear job loss due to automation, further exacerbating resistance to change.

Digital transformation in the insurance industry presents significant opportunities for XYZ Insurance Company to enhance its competitiveness. The growing demand for digital services, such as automated claims applications and online purchasing portals, offers the company a chance to attract new customers, particularly millennials. Moreover, advancements in technology, such as artificial intelligence (AI) and big data, can be utilized to improve operational efficiency and personalize services. Government regulations supporting digitalization in the financial sector provide opportunities for companies to secure incentives and technical assistance. However, the rising competition from insurtech firms remains a major threat to XYZ Insurance Company. Insurtech, with its operational flexibility and high technological innovation, has captured the attention of customers seeking quick and efficient services. Additionally, the shift in customer preferences toward digital solutions increases the risk of market share loss for traditional companies slow to adapt. Cybersecurity risks also pose significant threats, as sensitive customer data must be protected from potential breaches.

XYZ Insurance Company has taken initial steps toward digitalization by developing customer service applications and online claims management systems. However, these implementations remain suboptimal due to a lack of strategic planning and insufficient infrastructure. Employees reported during interviews that the new systems frequently experience technical issues, lowering customer satisfaction. Moreover, digital services remain inaccessible in some regions due to network limitations. Organizational resistance to change remains a significant barrier to digitalization at XYZ Insurance Company. Many employees, particularly from older generations, are anxious about the implications of technology on their jobs. Additionally, management has yet to provide adequate training to help employees adapt to new technologies. According to Shevchuk et al. (2020), organizational cultural transformation is essential for the success of digitalization, involving mindset shifts and the adoption of policies that encourage innovation and continuous learning. XYZ Insurance Company must enhance internal communication and provide greater support to its employees during this transformation process.

Cybersecurity has become a primary concern in the digitalization of insurance services. Sensitive customer data, such as financial and health information, must be safeguarded with robust security systems. Data breaches can result in significant financial losses and damage the company's reputation. Currently, XYZ Insurance Company faces similar risks as its cybersecurity systems are underdeveloped. Investments in security technologies, such as data

encryption and threat detection systems, are critical to preventing future data breaches. Based on the SWOT analysis, XYZ Insurance Company is advised to prioritize technological infrastructure improvements and employee training. Additionally, the company should capitalize on available opportunities, such as AI integration and collaboration with insurtech firms, to enhance competitiveness. Strong management support is essential to overcoming organizational resistance and fostering an environment conducive to innovation. With a comprehensive strategic approach, the company can minimize external threats and leverage its internal strengths to achieve business sustainability in the digital era.

Strategic Formulation: Analysis of the Company's Vision, Mission, and Strategic Objectives

The vision of XYZ Insurance Company is to become a leader in the technology-driven insurance industry by providing innovative solutions that meet customer needs. The company's mission focuses on three key aspects: first, integrating digital technology to enhance customer experience; second, empowering employees through continuous training; and third, applying sustainability principles across operational processes. The company's strategic objectives include improving operational efficiency, expanding market reach through digital innovation, and increasing customer loyalty. These vision, mission, and objectives reflect the company's awareness of the importance of digital transformation as a core business strategy.

However, analysis reveals that the vision and mission need to be translated into more concrete short- and medium-term operational plans. A more targeted strategy is necessary to bridge the gap between aspirations and field implementation. For instance, digital transformation requires closer coordination between management and operational units to achieve strategic goals. Alignment between the company's vision, mission, and strategy is critical to ensuring long-term success. XYZ Insurance Company must ensure that all employees understand and support the established vision, mission, and strategic objectives.

Strategy Implementation: Challenges and Opportunities

XYZ Insurance Company has initiated several digitalization efforts as part of its strategic implementation. These initiatives include the launch of customer service applications, the digitization of claims processes, and the integration of cloud-based data management systems. These efforts aim to enhance operational efficiency while meeting the expectations of modern customers who demand fast and transparent services. However, implementation has faced various challenges. Inadequate technological infrastructure in certain regions remains a major hurdle. Additionally, organizational resistance to cultural change, particularly among senior employees, slows the adoption of new technologies.

Despite these challenges, significant opportunities can be leveraged. The demand for digital services continues to grow, particularly among younger generations. Government regulations supporting digital transformation in the financial sector also provide additional incentives for the company. By capitalizing on these opportunities, XYZ Insurance Company can strengthen its market competitiveness. Effectively leveraging opportunities can turn challenges into strategic advantages. Therefore, the company needs to address internal barriers and invest more heavily in technological infrastructure and employee training to ensure the successful implementation of its strategies.

Risk Management and Adaptation

XYZ Insurance Company faces several strategic risks in its digital transformation process. Key risks include competition from rivals, changing customer preferences, and data security issues. The increasingly intense competition from insurtech firms has driven customers to

demand faster, more efficient, and technology-based services. Additionally, potential data breaches present a serious challenge, as they can harm the company's reputation. To mitigate these risks, the company has adopted measures such as strengthening cybersecurity systems, launching employee training programs, and developing data-driven marketing strategies.

The company has also embraced a risk-based approach in strategic decision-making to navigate the rapidly changing market dynamics. For example, to address the risk of losing customers to insurtech competitors, XYZ Insurance Company has developed personalized and flexible application-based services. Effective risk management involves not only mitigating threats but also capitalizing on emerging market opportunities. With this approach, XYZ Insurance Company is expected to sustain and grow in a competitive environment.

Competitive Advantage

To maintain its competitive advantage, XYZ Insurance Company leverages technology as the core of its innovation efforts. The implementation of big data analytics enables the company to analyze customer behavior patterns and develop more relevant insurance products. Additionally, AI-based applications help deliver a more personalized customer experience, such as automated claims submissions and product recommendations. Collaborations with insurtech firms are also a key strategy to accelerate innovation and reach new customers.

However, sustaining competitive advantage is not solely about technological innovation but also about maintaining consistent service quality. Companies that successfully combine technological innovation with a focus on customer satisfaction are more likely to achieve long-term success. In this context, XYZ Insurance Company must ensure that its technology solutions are not only advanced but also aligned with customer needs. Moreover, investing in employee training to support the adoption of new technologies is essential for maintaining market competitiveness.

CONCLUSION

Conclusion

This study demonstrates that digital transformation is a strategic necessity for XYZ Insurance Company to remain competitive in the digital era. The SWOT analysis reveals that the company possesses strengths such as a strong reputation and high customer loyalty but also faces weaknesses, including limited technological infrastructure and organizational resistance to change. Opportunities, such as increasing demand for digital services and supportive regulations, can be leveraged to address threats from insurtech competitors and data security risks. The implementation of digitalization strategies, such as the development of customer service applications, continues to encounter technical and organizational challenges requiring further attention. With a focused approach, XYZ Insurance Company has significant potential to enhance operational efficiency, meet customer needs, and maintain its competitive advantage.

To succeed in its digital transformation efforts, XYZ Insurance Company is advised to prioritize the development of more reliable technological infrastructure and enhance employee training to ensure adaptability to new technologies. Additionally, the company should strengthen its cybersecurity systems to protect customer data and build trust. Collaboration with insurtech firms could serve as a strategic step to accelerate innovation and deliver more personalized services. In the long term, the company needs to align its vision and mission with concrete operational strategies while ensuring all stakeholders within the organization understand the importance of digital transformation. By implementing these measures, XYZ Insurance Company can sustain its market position and achieve business continuity.

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