



# Guardians Insurance AG's Dilemma: Balancing Tradition and Digitalization

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Dissertation written under the supervision of

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Dissertation submitted in partial fulfilment of requirements for the MSc in Management with Specialization in Strategy, Entrepreneurship & Impact, at the Universidade Católica Portuguesa, 06.01.2025.

**Abstract:** This Thesis examines the strategic dilemma faced by Guardians Insurance AG, a long-established German insurance provider, in balancing its traditional strengths in face-to-face customer consultations with the growing demand for digitalized services. Under the leadership of Ulf Seifert, Regional Director in Bavaria, the company achieved a successful financial turnaround from 2014 to 2019 by improving customer service quality, enhancing employee training, and streamlining its product portfolio. However, the COVID-19 pandemic accelerated the industry-wide shift towards digitalization, intensifying competitive pressures and reshaping customer expectations. While younger customers demand seamless digital services, older clients favor personalized, trust-based interactions.

The study explores three main strategic alternatives: maintaining the company's traditional focus on personalized service, fully embracing digital transformation, or adopting a hybrid model that combines both. The Dissertation includes a literature review on topics related to the issues raised by the Case Study and a Teaching Note that analyzes the opportunities and risks associated with each strategy.

The findings emphasize the importance of aligning digital innovation with core organizational values, leveraging strategic partnerships, and implementing a balanced approach that serves diverse customer needs. By doing so, Guardians Insurance AG can not only secure long-term competitiveness but also build a sustainable foundation for growth in an increasingly digitalized market environment.

**Keywords:** Digital Transformation, Insurance Industry, Customer Service, Change Management, Hybrid Strategy

**Title:** Guardians Insurance AG's dilemma: Balancing Tradition and Digitalization

**Author:** Bastian Weissbach

**Resumo:** Esta tese examina o dilema estratégico da Guardians Insurance AG, uma seguradora alemã tradicional, ao equilibrar seus pontos fortes no atendimento presencial com a crescente demanda por serviços digitais. Sob a liderança de Ulf Seifert, Diretor Regional na Baviera, a empresa alcançou uma recuperação financeira bem-sucedida entre 2014 e 2019, melhorando o atendimento ao cliente, investindo no treinamento de funcionários e otimizando seu portfólio de produtos.

A pandemia de COVID-19 acelerou a transformação digital no setor, aumentando a pressão competitiva e redefinindo as expectativas dos clientes. Enquanto os mais jovens exigem soluções digitais ágeis, os clientes mais velhos preferem interações personalizadas baseadas na confiança.

O estudo analisa três estratégias principais: manter o foco tradicional no atendimento personalizado, adotar totalmente a digitalização ou implementar um modelo híbrido que combine ambas abordagens. Os resultados destacam a importância de alinhar a inovação digital com os valores organizacionais, estabelecer parcerias estratégicas e equilibrar abordagens para atender às diversas necessidades dos clientes. Assim, a Guardians Insurance AG pode garantir sua competitividade a longo prazo e estabelecer uma base sólida para o crescimento sustentável em um mercado cada vez mais digitalizado.

**Palavras-chave:** Transformação digital, sector dos seguros, serviço ao cliente, gestão da mudança, estratégia híbrida

**Título:** O dilema da Guardians Insurance AG: Equilíbrio entre tradição e digitalização

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## **Acknowledgements**

I would like to express my sincere gratitude to Guardians Insurance AG (anonymized for confidentiality purposes) for their collaboration and openness in providing access to essential data and insights. Their support made this research possible and greatly enriched the quality of the analysis.

I would also like to extend my deep appreciation to my supervisor, Professor Nuno Magalhães Guedes, for his invaluable guidance, support, and encouragement throughout the development of this Master Thesis. His expertise and insightful feedback have been instrumental in shaping this work.

Lastly, I am thankful to everyone who contributed, directly or indirectly, to the completion of this Thesis. Your support and encouragement have been deeply appreciated.

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# 1 Case Study

In October 2020, Ulf Seifert, Regional Director of Guardians Insurance AG in Bavaria, found himself facing one of the most challenging decisions of his career. In 2014, Seifert had been appointed with the specific task of returning the loss-making region to profitability. Over the past six years, he had successfully stabilized the region's financial performance, leading it back to profitability. Guardians, one of Germany's most respected insurance companies, was expected to gain around €975<sup>1</sup> million in premiums in 2020, driven by its wide-ranging offerings in health, pension, car, and property insurance. Yet, despite this success, Seifert now faced a new challenge that threatened the foundation of the company's traditional strengths.

The COVID-19 pandemic had forced a significant shift in how customers interacted with their insurers. Many clients, particularly younger customers, had quickly adapted to online services during the lockdowns, valuing the convenience of handling their insurance needs digitally. However, this stood in contrast to Guardians' traditional strength: the personal, face-to-face consultations that had built deep relationships with its long-standing, older customers, who preferred the trusted, personal interactions they had come to expect over the years.

Seifert knew that Guardians' established strengths could not be easily abandoned. On the other side, competitors were adapting fast to the new trend, offering low-cost automated services that appealed to younger customers such as AI-supported chatbots or smartphone applications. Therefore, the question arose if Guardians should continue to focus on its high-quality, personalized consulting services or whether it was time to adapt and shift its strategy towards digitalization?

## 1.1 Guardians Insurance AG

Guardians Insurance AG was founded in Germany in the 19<sup>th</sup> century and was therefore, one of the oldest and most established insurance providers in the German market. The company offered a wide range of insurance products across multiple sectors, including property, life, health, and casualty insurance. Guardians' reputation had been built on its ability to adapt to the evolving needs of the German insurance market. Over the years, the company maintained a traditional standing in the market and focused on personalized, face-to-face consulting, a key strength that had set it apart from competitors.

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<sup>1</sup> Names and key figures throughout the Case and Exhibits have been disguised for confidentiality purposes.

Moreover, the firm used a sales structure including a network of exclusive agencies which were operating under the company's brand and providing customer support as well as acquiring new clients. Those agency owners were self-employed, however, under contract with Guardians to exclusively sell its insurance products as sales agents. These agencies had different sizes, from one-person to eight-person operations. Unlike direct or fully digital insurers, Guardians' sales agents were typically embedded within their local communities, allowing them to foster long-term relationships with clients. The main goal was to offer personalized, tailored insurance solutions, often with salespeople acting as the primary point of contact for policy management, claims, and ongoing service. Guardians' portfolio primarily targeted private customers, who represented approximately 90% of its customer base, while business clients made up the remaining 10% (see Exhibit 1). This focus aligned with its traditional strengths in household, health, and vehicle insurance policies, which appealed to individuals and families looking for comprehensive, relationship-oriented services.

In 2014, Guardians' Bavaria district reported 15,000 customers with 45,000 insurance contracts, with the property and casualty sectors being the primary areas. This figure steadily increased, reaching 16,184 customers in 2017 and 16,895 customers in 2019 with 67,575 contracts (see Exhibits 2 and 3). At the end of 2019, property and casualty insurance accounted for around 75% of the district's premium income. Despite external pressures such as economic fluctuations and environmental disasters, Seifert maintained the department's growth.

This development partly showed results of Ulf's turnaround strategy in the Bavarian region until the end of 2019. As the demand for digital services began to rise during the beginning of 2020, mainly accelerated by the COVID-19 pandemic, Guardians was forced to reconsider its future strategy, particularly in balancing its traditional strengths with the pressures to adapt.

### 1.1.1 The German Insurance Industry: An Overview

The German insurance market was one of the largest and most developed in Europe, with a broad range of products catering to both individual and corporate clients. In 2014, it was already a highly competitive space, with insurers covering everything from automobile and health insurance to life and pension plans. This extensive product variety required companies to stay agile and constantly innovate to meet diverse customer needs.

Traditionally, the German insurance model centered around personal customer relationships, with face-to-face consulting being seen as a crucial aspect of service. However, by 2020, the industry had reached a turning point. Digitalization, which had already begun reshaping the sector, was accelerated by the pandemic, leading to a rapid shift in customer expectations.

Digital services were emerging as a cost-efficient, though less personal, alternative. Customers, especially younger generations, increasingly favored convenience and speed over traditional methods of service delivery.

The regulatory environment, under the oversight of the Federal Financial Supervisory Authority (BaFin), emphasized consumer protection and transparency, adding another layer of complexity for insurers. At the same time, market challenges were increasing, as a rise in environmental catastrophes like floods and storms put pressure on claims costs. Insurers were forced to diversify their product portfolios to balance out risks. For instance, while property insurance claims were on the rise due to natural disasters, there was also growing demand for life and disability insurance, offering potential to offset costs from these accidents. The competitive pressures were immense, pushing companies to find a balance between maintaining a broad product range and ensuring profitability across varying market conditions.

Within Bavaria, the competitive landscape included several well-established insurers that used digital channels and optimized their products to capture market share across both urban and rural regions. Across Germany, larger insurers like Allianz and HUK-Coburg had invested heavily in digital transformation, setting industry standards that regional players needed to address in order to stay competitive. Guardians' strategic focus remained on delivering personalized service, but the need for digital innovation continued to grow in order to appeal to a broader audience.

### 1.1.2 Guardians Insurance AG's Tailored Product Portfolio

Guardians Insurance AG had consistently focused on offering a diverse range of insurance products designed to cater to the specific needs of its regional customer base. The company provided coverage in areas such as property, automobile, life and health insurance, as well as pension plans. One of Guardians' key strengths lied in its ability to tailor products to the unique conditions of local markets. For example, in regions prone to flooding, the company developed specialized environmental insurance products that provided additional coverage for flood damage. This localized approach allowed Guardians to address the specific risks faced by its customers while maintaining competitive pricing and high-service standards.

However, adapting to the evolving customer demands required strong internal coordination and expertise across product lines. Each offering had to align with changing regulatory requirements and market conditions. Guardians' ability to continuously innovate and adapt its product offerings helped the company to stay competitive, especially in regions such as Bavaria, which were severely affected by environmental disasters.

### 1.1.3 Ulf Seifert's Professional Background

Ulf Seifert, appointed in 2014 as the new Regional Director of Guardians Insurance AG in Bavaria brought a wealth of experience in the insurance industry with him. Having begun his career in entry-level roles, Seifert had worked his way up through the ranks, gathering valuable experience across various operational, sales, and strategic positions. This broad exposure gave him a deep understanding of how insurance companies functioned at both the macro and micro levels, equipping him with the skills needed to navigate complex operational challenges.

Seifert's leadership style was characterized by transparent communication and a collaborative approach. He believed in building strong relationships within the company as well as with external stakeholders, aligning the company's strategies with both employee and customer needs. His people-first philosophy became a cornerstone of his strategy for turning around the struggling Bavarian region. Rather than focusing solely on financial metrics, Seifert emphasized the importance of human capital, understanding that motivated employees and satisfied customers were key to long-term success. This approach positioned him well to tackle the significant operational and financial challenges facing Guardians Insurance in Bavaria.

## 1.2 The Crisis

For three years leading up to 2014, the Bavarian region of Guardians Insurance AG experienced continuous financial losses, a situation that significantly challenged the insurer's reputation and financial stability in the area. Despite Guardians' overall success in other regions of Germany, Ulf Seifert's predecessor struggled to stabilize the financial performance of the Bavarian district. By 2014, cumulative losses had reached critical levels, forcing the company's board to take serious action. This resulted in the appointment of Seifert as Regional Director, with a clear mandate: restore profitability within ten years. However, Seifert was given the freedom to define the specific steps and strategies he would take to achieve this goal.

Seifert's first task upon taking over was to conduct a deep-dive analysis into the root causes of the district's financial troubles. While the district's broader market conditions were challenging, particularly with the rising claims related to environmental catastrophes, Seifert assumed that there were internal factors contributing to the persistent losses as well.

His analysis started with a thorough review of the financial statements, focusing on key metrics such as the claims ratios, operational costs, and average contract values (see Exhibit 4). However, these figures only told part of the story. To gain a full understanding of the region's

challenges, Seifert also conducted a comprehensive review of the company's product offerings, customer data (see Exhibits 1, 5 and 6), and internal operations.

One issue that surfaced during this analysis was the poor quality of the consulting services being offered to customers. Employees had become increasingly reliant on automated systems for customer support, particularly chatbots and automated phone services. While this shift had been intended to streamline operations and cut costs, it had led to significant customer dissatisfaction. Many customers found these systems impersonal and ineffective, especially when dealing with more complex insurance matters. As a result, customers began seeking out more personal, face-to-face consultations from Guardians' competitors, further reducing the company's market share in Bavaria (see Exhibits 2 and 3).

In addition to the lacking customer service, Seifert identified several operational inefficiencies within the company's internal processes. Employees expressed frustration over inadequate back-office support, insufficient training, and unclear communication channels between departments. The lack of sufficient staff to manage the increasing customer workload compounded these issues. Seifert discovered that many field agents did not even have a physical office in which they could meet clients, which limited their ability to offer in-person consultations, something many customers valued highly.

Moreover, Seifert's analysis revealed that his regional office was suffering from high employee turnover. Within the last three years before the appointment of Seifert, the number of agencies declined from 27 to 20 (see Exhibit 7). This turnover was mainly a result of the growing dissatisfaction among staff, but it was also driven by the highly competitive labor market within the insurance industry. Competitors were aggressively recruiting experienced employees and well-established agencies from Guardians, offering better packages and more support to its staff. Therefore, Guardians was struggling to retain people (see Exhibit 5), further weakening its position in the market.

### 1.2.1 Key Findings

Based on the financial analysis, employee feedback, and customer interviews, Seifert was able to identify several key issues that were at the heart of the district's losses. The first challenge was the mismatch between customer needs and the company's service offerings. Guardians' statistics showed that the average person living in Bavaria had ten insurance policies. However, Guardians' customers only held three at the company on average (see Exhibit 5). Therefore, the remaining seven were spread among other competitors, highlighting a major missed opportunity for cross-selling.

Seifert realized that the company's products, while competitive in terms of pricing, were not as user-friendly or attractive as those offered by competitors. For example, in the disability insurance sector, competitors had streamlined their offerings by removing complex clauses like the "abstract referral clause". The clause required policyholders to retrain for a new profession before they could claim disability benefits, making Guardians' policies more difficult to sell. In contrast, some competitors' policies allowed customers to receive disability payments without the obligation to retrain, making their products easier for agents to sell and more accessible for customers.

In addition to product complexity, Seifert discovered that many of Guardians' sales agents lacked the product knowledge necessary to effectively communicate the value of these policies to customers. This gap in knowledge was due to the lack of comprehensive training programs, which had led to missed sales opportunities and lower customer satisfaction.

Another key finding was the high employee turnover and insufficient staffing levels in Bavaria, which were directly linked to the district's operational inefficiencies. Employees reported feeling unsupported and overworked, leading them to leave the company. The turnover further exacerbated the company's struggles, as the remaining staff had to take on additional workloads, stretching their capacity even thinner.

Seifert also identified that the company's claims ratios were too high, particularly in Bavaria which was strongly affected by environmental disasters. While claims from floods, storms, and other natural catastrophes were a growing problem for the entire insurance industry, Seifert found that his predecessor had been slow to adapt its pricing and product strategies to mitigate these risks. This left the regional head office exposed to claims that were higher than expected, which directly impacted profitability within the district (see Exhibit 4).

### 1.2.2 Developing a Strategy

With these insights at hand, Seifert began formulating a comprehensive strategic response. Recognizing that the company's issues were both operational and customer-facing, he knew that a multi-pronged approach would be necessary to turn the region's financials around. His strategy focused on three key areas: improving customer service, enhancing employee training and retention, as well as optimizing the product portfolio.

**Improving Customer Service:** One of the first steps in Seifert's plan was to revise the company's consulting services. He knew that to win back customers and regain their trust, Guardians needed to provide the personalized, high quality face-to-face consultations that customers had come to expect from traditional insurance companies. Seifert aimed to improve

the quality by offering regular training sessions for employees, focusing on developing their consulting and interpersonal skills. Moreover, he introduced the rule for all agencies to have an office with immediate effect, providing customers with more opportunities for in-person consultations and increased professionalism. The agencies themselves were responsible to find office spaces. However, they got financial support from Seifert. In the first year 75% was taken over from Guardians, lowering the share every year until reaching 0% in year five.

**Enhancing Employee Training and Retention:** Recognizing the importance of retaining skilled employees in a highly competitive market, Seifert developed an employee training program that went beyond the industry standard. The industry required a minimum of 15 hours of training per year, but Seifert set the bar higher, implementing continuous training workshops and hiring external experts to lead specialized sessions. His goal was to create a highly skilled workforce that not only met but exceeded customer expectations. Furthermore, Seifert introduced initiatives aimed at improving the work environment, fostering a positive company culture in which employees felt valued and thus motivated to stay. This approach was designed to address the high turnover rates and attract new talents to the company, particularly in regions with heavy competition for skilled employees.

**Optimizing the Product Portfolio:** Seifert also recognized that simplifying the product portfolio would be key to making Guardians' offerings more competitive in the market. By removing overly complex clauses and streamlining policy options, Seifert aimed to create products that were easier for agents to sell and more attractive and accessible for customers. In particular, he focused on simplifying disability insurance policies, removing the "abstract referral clause" and other barriers that had previously made these policies rather difficult to market. In addition, Seifert worked with the product development team to create new, more tailored products that addressed the specific needs of customers in regions prone to environmental disasters. By offering more comprehensive coverage options in these areas, Guardians could meet customer demands while mitigating the risks associated with rising claims costs.

### 1.2.3 Implementation and Progress

By mid-2015, Seifert had laid the groundwork for implementing his strategic plan across the Bavarian region. The focus was on improving customer service, enhancing employee training, and optimizing the product portfolio. However, the true test would be in how these strategies were executed and how quickly they could begin to deliver results.

## **Early Progress and Adjustments**

By early 2016, Seifert and his team started seeing the first signs of improvement. One of the most immediate changes was related to customer satisfaction. The reintroduction of face-to-face consultations was positively received by customers, especially those who had felt disconnected from the company due to the overuse of automated customer support. Guardians' customers began to express higher levels of satisfaction, especially as they received more tailored advice from well-trained consultants in the newly opened regional offices. Hence, the decision to shift away from automated customer service systems and invest in human relationships had proven successful, with several long-standing clients returning to Guardians after initially seeking services from competitors.

Additionally, the improvement in customer satisfaction was particularly noticeable among high-value clients, who had been among the most frustrated with the previous lack of personalized service. This group, often with more complex insurance needs, appreciated the enhanced consulting services, which now allowed for in-depth discussions about their policies. These clients felt heard and understood, leading to stronger relationships and an increased willingness to consolidate their insurance policies with Guardians. As a result, many customers began to increase their product portfolios, trusting the company with a broader range of their insurance needs (see Exhibits 2, 3 and 5).

Internally, employees also responded positively to the increased training and support provided by Seifert's initiatives. Training programs had a noticeable impact on employee morale. Workshops focused not only on product knowledge but also on customer interaction skills, helping employees to be more confident and competent in their roles. Introducing regular workshops and hiring external experts to lead these sessions gave employees the tools they needed to provide better services. This resulted in improved performance, with sales agents reporting higher customer engagement and success in cross-selling products (see Exhibit 5).

Despite these early successes, Seifert quickly realized that external challenges, particularly environmental catastrophes, would continue to pose significant obstacles to the region's financial recovery. Natural disasters to which Bavaria is particularly prone to, such as floods and storms, led to higher claims ratios than expected, putting pressure on the company's resources. To address this challenge, Seifert adjusted his strategy, focusing more on diversifying revenue streams.

Recognizing that certain products such as property insurance were more vulnerable to environmental factors, Seifert began promoting policies that were less affected by natural disasters. Pension plans, life insurance, accident insurance, and disability insurance became key

areas of focus, as these products offered more stable revenue streams that could help balance the costs associated with property claims. Moreover, Seifert placed a greater emphasis on growing the commercial insurance segment, which had previously made up only 10% of the Bavarian region's client base. He saw significant potential in expanding this area, as commercial clients generally brought in higher premium contributions and were thus less prone to claim-related volatility. By the end of 2017, the commercial client base grew to 20%, indicating continuous progress (see Exhibit 1).

### **Achieving Profitability**

As Guardians Insurance entered 2018, the positive effects of Seifert's strategic plan became increasingly clear. The region's profitability had steadily improved, driven by a combination of enhanced customer service, streamlined operations, and a more diversified product portfolio. Moreover, the reintroduction of personalized customer consultations not only improved customer satisfaction but led to increased customer retention as well. Seifert's focus on cross-selling additional products to existing customers began to pay off, as more clients consolidated their insurance needs with Guardians. The average number of policies held per customer increased from three to four (see Exhibit 5), reflecting the success of Seifert's efforts to tap into the unrealized potential within the customer base. By focusing on higher quality consulting and more relevant product offerings, Guardians was able to capture a larger share of its clients' insurance portfolios.

On the operational side, the expansion of back-office support structures allowed sales agents to focus more on sales and relationship-building with clients. This operational improvement was critical to the region's success, as salespeople were now free to engage with customers more frequently and in more meaningful ways, without being slowed down by administrative tasks. The optimized processes also improved internal efficiency, reducing costs and releasing resources that could be reinvested into further improving customer service as well as training programs.

Moreover, Seifert made further improvements to Guardians' product offerings. By simplifying complex insurance products, particularly in the area of disability insurance, these products got easier for agents to sell and more attractive to customers. For example, the removal of the "abstract referral clause" in disability policies, which competitors had already taken advantage of. By making Guardians' products more straightforward and competitive, Seifert ensured that agents had better tools to drive sales.

By the end of 2019, Seifert had successfully achieved his goal of returning the Bavarian division to profitability. The turnaround was driven by a combination of better customer service, enhanced training, diversified product offerings, and improved operational efficiency. During this period, the commercial insurance segment continued to expand, growing to 35% of the region's total client base (see Exhibit 1).

Despite the success achieved by the end of 2019, the landscape soon shifted dramatically with the onset of the COVID-19 pandemic. As Seifert and his team entered 2020, they were met with unpredictable challenges that would test the resilience of their customer-focused strategy due to lockdowns and unexpected rules to follow. The crisis brought a fundamental change to the competitive situation in the insurance market, disrupting traditional methods and forcing insurers like Guardians to reassess their approach.

#### 1.2.4 Competitive Situation

Due to the pandemic, the market was suddenly exposed to an intensified demand for digitalized services and a new type of customer engagement. As lockdowns prevented face-to-face consultations, younger technology enthusiastic clients began favoring competitors who offered more convenient digital solutions. This placed Seifert, with the main focus on personal consultations, at a strategic disadvantage. Dissatisfaction was growing, especially among the company's primary market of older clients, 65% of whom were at least 45 years old (see Exhibit 6), as they now felt isolated and unable to interact with their agents in person.

Competitors quickly adapted to these conditions by enhancing digital tools to provide remote service instantly. In contrast, Guardians had minimal digital infrastructure, leaving the company struggling to keep its customers satisfied. This competition for digital transformation was further intensified by increasing economic pressure on consumers by the pandemic, prompting many to reevaluate their insurance expenses, favoring insurers with more accessible and affordable digital solutions. As customers' expectations evolved, Ulf Seifert faced the challenge of balancing Guardians' traditional, trusted approach with the undeniable push towards digitalization. In this context, Guardians risked weakening its position in the market if it did not make strategic adjustments to align with the industry's digital shift.

#### 1.2.5 Sustaining Growth: Ulf's Dilemma

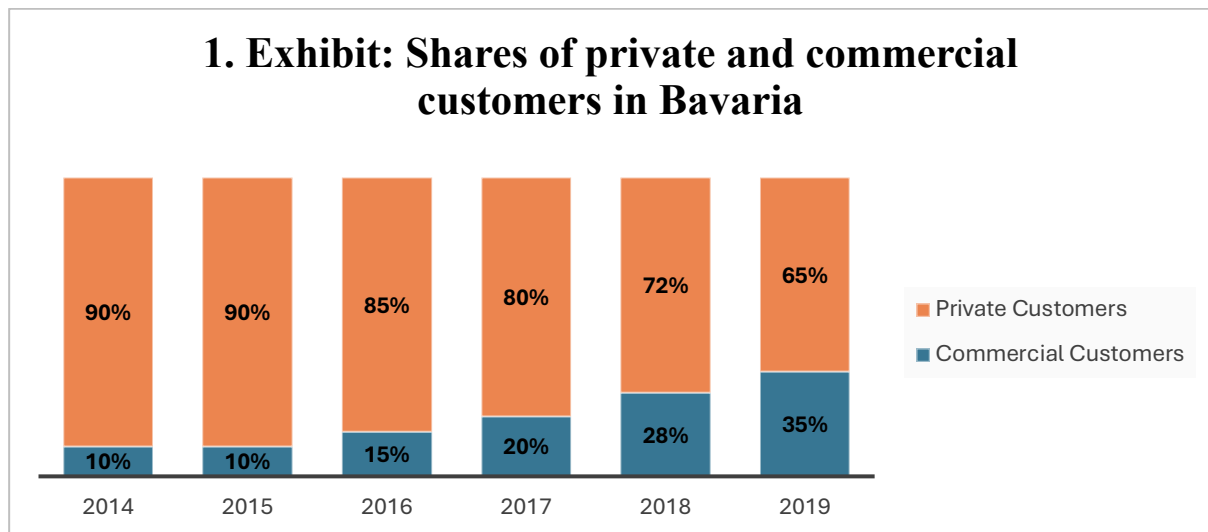
Ulf Seifert's dilemma was in deciding how much Guardians should adapt to these new competitive pressures without neglecting its core values of trust and personal client relationships. On the one hand, Seifert recognized that before the pandemic, Guardians'

competitive advantage was a high-quality, personalized service for its customers. On the other hand, the pressure to modernize was intensifying as highly digitalized competitors gained market share.

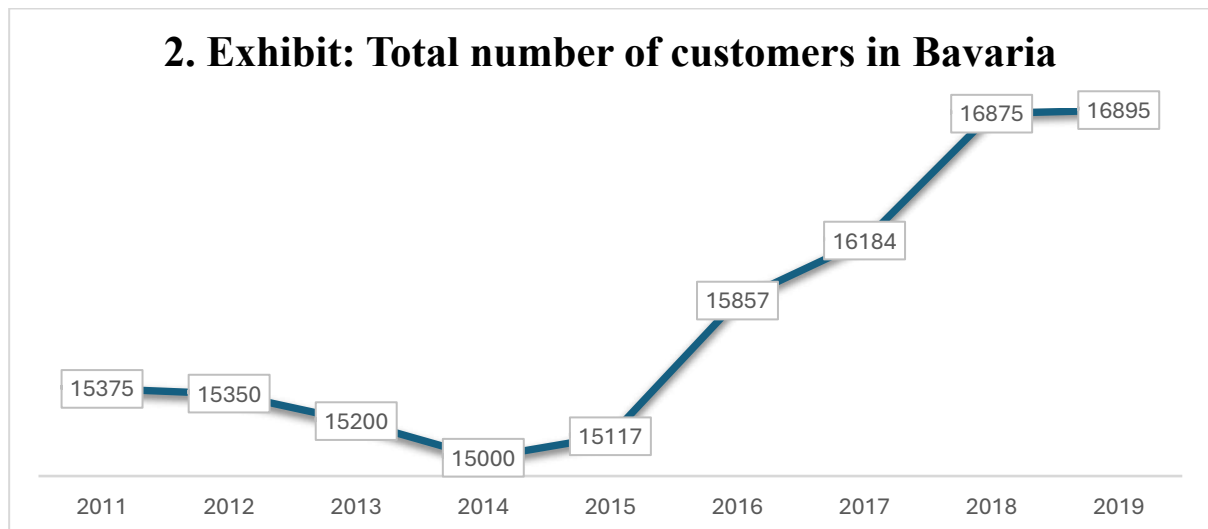
Furthermore, Seifert faced internal resistance from senior leadership who feared that rapid digitalization could harm Guardians' brand, particularly its reputation for dependable, in-person consulting services that clients had trusted in the past. The leadership's hesitation to fully embrace digital transformation left Seifert limited in his options, as he needed backup from the company to push forward any substantive changes.

Thus, Seifert was caught between two alternatives: pushing Guardians' digital transformation and risking decreasing its traditional client base or continuing to rely on personal relationships and chancing further losses to more digitalized competitors. Seifert's decision would set the direction for Guardians' post-pandemic future, forcing him to weigh the traditional approach against the need for innovation in a rapidly changing market landscape.

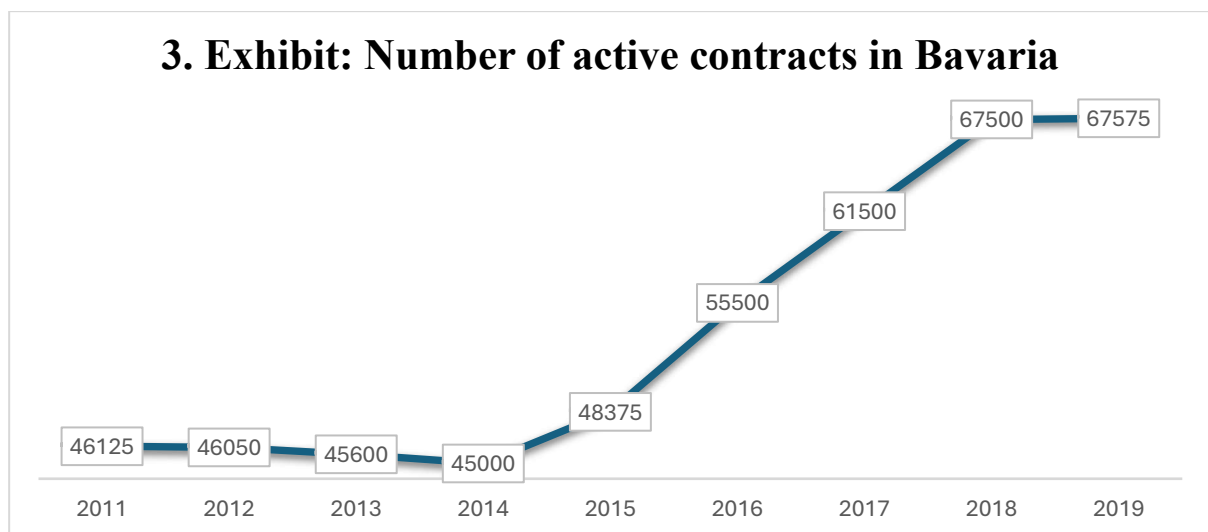
### 1.3 Exhibits



Source: company information

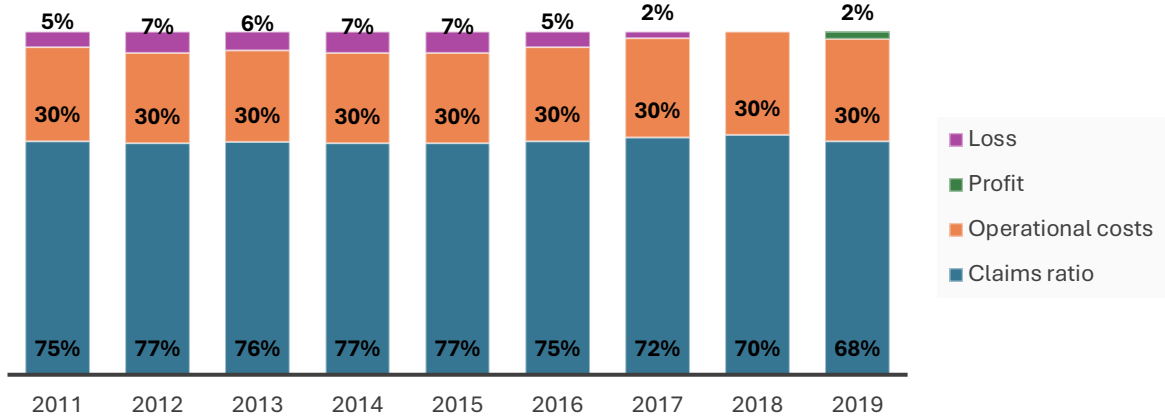


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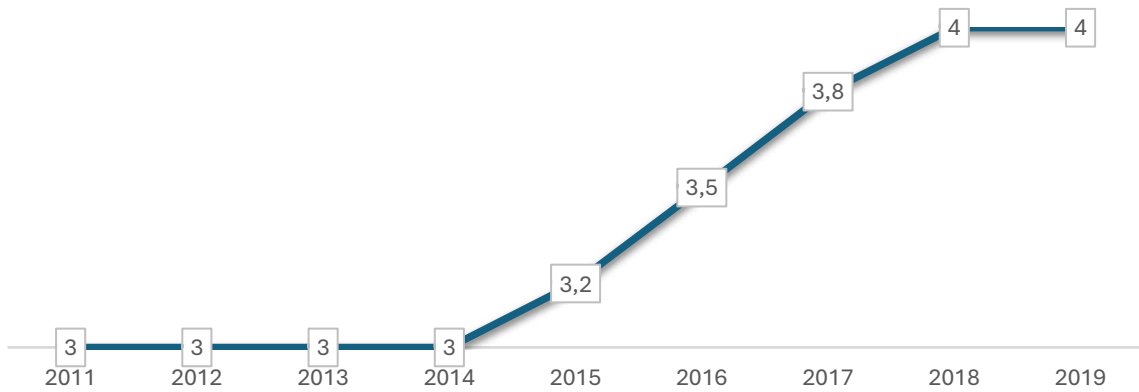
Source: company information

#### 4. Exhibit: Claims ratios in Bavaria



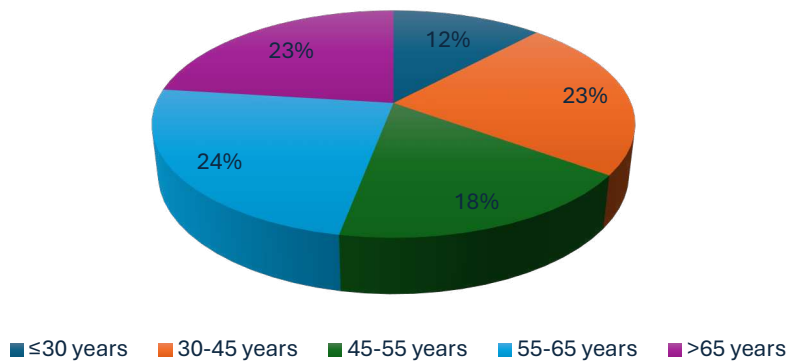
Source: company information

#### 5. Exhibit: Contracts per customer on average in Bavaria



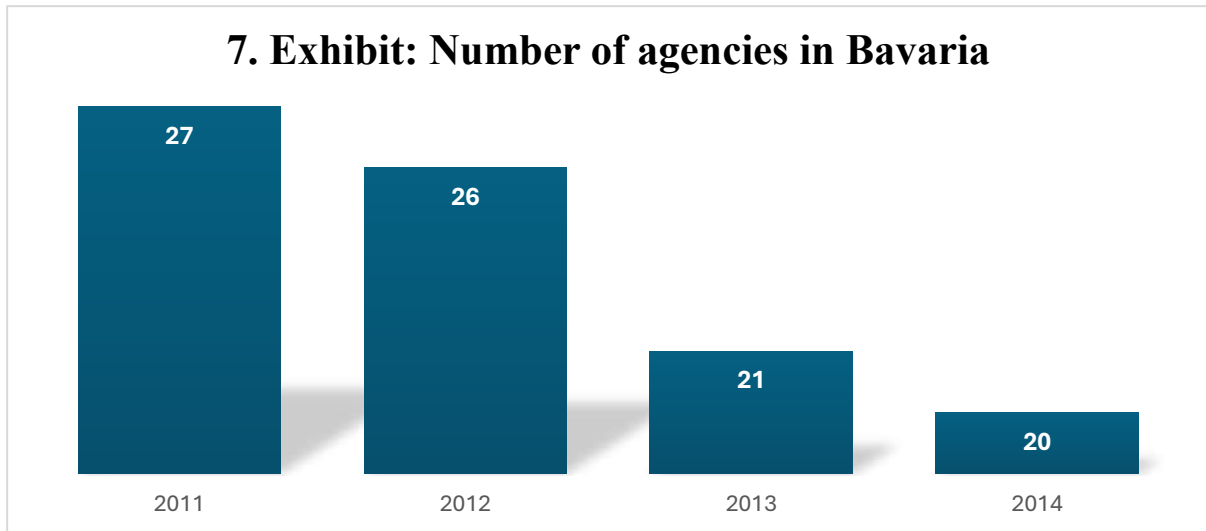
Source: company information

#### 6. Exhibit: Age segments of private customers in Bavaria (January 2020)



Source: company information

## 7. Exhibit: Number of agencies in Bavaria



*Source: company information*

## 2 Literature Review

Rapid evolution of technology has significantly impacted customer expectations and organizational strategies, especially in industries like insurance, in which the balance between efficiency and personalized service is crucial. This literature review examines how organizations can adapt to these changes by understanding customer preferences, leveraging digital tools to gain a competitive edge, and addressing the challenges posed by organizational resistance during digital transformation.

The review begins by exploring customer preferences in digital and traditional service models, focusing on how service quality, satisfaction, and loyalty influence long-term customer relationships. It highlights the importance of tailoring service delivery and incorporating human elements into digital interactions to enhance customer engagement. Then, digital transformation as a strategic advantage is discussed, emphasizing the role of dynamic capabilities, strategic partnerships, and leadership in driving innovation and organizational agility.

Finally, the review addresses the importance of effective change management in mitigating resistance to digital transformation. Key themes include fostering workforce agility, maintaining clear communication, and implementing structured strategies to align employee goals with organizational objectives. By integrating these perspectives, the review provides a comprehensive framework for navigating the complexities of digital transformation while keeping customer needs at the forefront.

### 2.1 Customer Preferences in Digital and Traditional Service Models

Understanding customer preferences in digital and traditional service models requires a comprehensive exploration of how service quality, customer satisfaction, and loyalty evolve across different interaction channels. By synthesizing insights from multiple studies, this section highlights the complex balance between technological advancements, customer expectations, and the need for personalized engagement in shaping service delivery.

#### 2.1.1 Service Quality and Customer Satisfaction

Bolton and Drew (1991) provide a foundational perspective on service quality by examining how changes in service performance influence customer attitudes. Their longitudinal study reveals that short-term evaluations are primarily shaped by immediate perceptions of service performance and unmet expectations, whereas long-term attitudes are more significantly influenced by prior experiences. The authors highlight the importance of distinguishing

between short- and long-term effects when designing strategies for service improvements. These findings are particularly relevant in both digital and traditional service models in which consistency in quality must be maintained while adapting to changing customer expectations. As service environments become more complex, organizations need to balance short-term and long-term customer perceptions to maintain satisfaction and loyalty.

Al-Dweeri et al. (2017) extend the analysis of service quality into the digital context by exploring how electronic service quality (e-SQ) influences customer satisfaction and loyalty. Their study identifies customer service as a key factor in building e-trust and e-satisfaction, both of which mediate the link between e-SQ and loyalty. These findings highlight the importance of reliable and effective support systems, particularly in industries like insurance, in which trust plays a critical role in fostering long-term customer relationships. Although not explicitly addressed, the results imply that maintaining consistent service quality across both digital and traditional touchpoints is essential to meeting diverse customer needs and strengthening overall loyalty.

### 2.1.2 Customized Services

Mittal et al. (2023) highlight the strategic importance of customer satisfaction (CS) as a key driver of customer retention and word-of-mouth referrals. These factors are essential for building and sustaining long-term customer relationships, which are crucial for business growth. While the study notes that the effects of CS on broader firm-level outcomes, such as profitability and sales, are smaller in scale, it emphasizes the importance of tailoring service delivery to meet specific customer preferences. This is particularly relevant in service-oriented industries like insurance, whereby customers often expect personalized engagement to address their unique needs. By aligning service models with individual preferences, firms cannot only enhance customer retention but also build trust and loyalty, ensuring long-term success in increasingly competitive markets.

In order to fulfill the need for customized services, Payne and Frow (2005) underscore the strategic importance of Customer Relationship Management (CRM) in understanding and addressing diverse customer preferences. By analyzing CRM data, firms can segment customers based on their interaction preferences, enabling tailored engagement and targeted support for high-value clients. Their framework emphasizes the need for a holistic approach that integrates technology, people, and processes, fostering organizational alignment as well as employee engagement. For industries operating across digital and traditional models, this integration ensures that customers receive consistent and personalized experiences that cater to

their unique needs. Effective CRM implementation not only improves customer satisfaction but also strengthens loyalty by making customers feel valued and understood.

To effectively address diverse customer needs, Becker and Jaakkola (2020) propose a multi-channel approach that combines the efficiency of digital services with the relational strengths of traditional channels. Creating a seamless customer experience (CX) across digital and traditional touchpoints is essential to meeting the evolving expectations of modern customers. The authors emphasize that CX is shaped by interactions across multiple channels, highlighting the importance of integrating digital tools with empathetic, face-to-face interactions. In the insurance industry, this approach ensures that both digital-first and traditional customers receive personalized, high-quality service, fostering stronger relationships and long-term loyalty.

### 2.1.3 Human Elements in Digital Interactions

Herhausen et al. (2020) explore how integrating human elements into digital interactions can enhance perceptions of service quality and loyalty. Their research demonstrates that displaying images of service employees on websites positively influences customer perceptions through reconstructive memory processes, which reshape how customers recall past service experiences. This integration of human touchpoints into digital platforms creates a more relatable and trustworthy experience, particularly when customer orientation and accessibility are prioritized. By blending human and digital elements, firms can address customer preferences for both efficiency and empathy, ensuring stronger relationships and loyalty.

Similarly, Crolic et al. (2022) investigate the effects of chatbot anthropomorphism on customer satisfaction. Their findings reveal that contrasting to anthropomorphic chatbots, those designed with human-like traits such as names or avatars, enhance perceptions in neutral contexts. However, they can negatively impact satisfaction in emotionally charged situations, such as interactions with angry customers. This is attributed to unmet expectations, as human-like chatbots often fail to provide the empathy that customers anticipate. To mitigate these effects, the authors recommend managing customer expectations by clearly communicating chatbot limitations. The approach ensures that digital service models are adaptive to varying emotional contexts, effectively balancing automation with personalized support.

### 2.1.4 Addressing Service Failures

Smith et al. (1999) propose a comprehensive model for managing customer satisfaction in the context of service failures and recovery efforts. Their research highlights the importance of

perceived justice in shaping customer evaluations, focusing on three key dimensions: distributive justice (fairness of the outcome), procedural justice (fairness of the recovery process), and interactional justice (quality of interpersonal treatment). The authors emphasize that adapting recovery strategies to the type and severity of the service failure, like offering compensation for outcome issues or apologies for process problems, can greatly enhance fairness and satisfaction. In increasingly complex digitalized service environments whereby interactions are often automated, these insights are particularly valuable for maintaining customer trust and loyalty. Proactively addressing service failures with context-specific recovery measures ensures that firms can preserve and strengthen customer relationships, even in challenging scenarios.

### 2.1.5 Service Automation

Digital tools play a crucial role in enhancing customer-centric service delivery. Eckert et al. (2020) highlight applications such as chatbots, online portals, and automated claims processing as essential for streamlining customer interactions and meeting demands for convenience and transparency. However, Castelo et al. (2023) caution that service automation can undermine customer trust if it is perceived as solely focused on cost-cutting. To address this challenge, firms can emphasize the direct benefits of automation for customers, such as faster claims processing or discounts for using digital services. At the same time, maintaining a balance with traditional, human-centered support ensures that customer needs for both efficiency and empathy are met, fostering trust and loyalty.

## 2.2 Digital Transformation as a Competitive Strategy

Digital transformation can have great potential for achieving a competitive advantage, especially in fast changing industries like insurance. By integrating technology within company's strategies, organizations can build dynamic capabilities, adapt transformation frameworks and improve service quality to meet changing customer expectations.

### 2.2.1 Dynamic Capabilities

Dynamic capabilities are essential for firms during times of rapid technological change in order to stay competitive. Warner and Wäger (2019) identify three key capabilities that drive successful digital transformation: sensing, seizing, and transforming.

**Sensing** involves using tools like predictive analytics to identify customer needs and uncover opportunities, such as offering tailored insurance coverage.

**Seizing** focuses on capturing these opportunities by developing innovative solutions, including mobile apps and chatbots, to improve customer engagement and strengthen market presence.

**Transforming** emphasizes integrating digital tools into operations through a flexible IT infrastructure, enabling sustainable implementation and preparing the company for future challenges.

By adopting these dynamic capabilities, companies can create a resilient, future-ready business model that adapts effectively to evolving market demands.

Daniel and Wilson (2003) emphasize the value of a step-by-step approach to digital transformation, whereby firms begin with smaller pilot projects before scaling up. This method allows organizations to learn by doing, refining strategies based on real-world outcomes rather than relying solely on pre-defined plans. For firms, this approach ensures steady progress, enabling the company to introduce innovative digital solutions while maintaining the reliability of traditional services. By combining dynamic capabilities with iterative strategies, companies can effectively meet the needs of both tech-savvy and traditional customers, preserving its competitive edge in a diverse and evolving market.

## 2.2.2 Digital Transformation and Strategic Partnerships

Moreover, Matt, Hess, and Benlian (2015) present a comprehensive framework for digital transformation, structured around four key dimensions:

**Technology Use:** Selecting the right tools, such as AI chatbots to engage younger customers, while maintaining traditional channels for older clients to serve all demographics.

**Value Creation:** Redesigning the value chain to integrate digital services and enhance customer engagement through improved processes and interactions.

**Structural Adjustments:** Updating internal processes to fully embed digital tools, which may require forming digital focused teams or restructuring departments to support integration.

**Financial Aspects:** Making sustainable investments in digital initiatives while securing the stability and performance of core services.

This framework combines digital innovations with traditional service offerings, ensuring a customer-centric approach.

Cozzolino et al. (2018) highlight another strategy to enable firms to test innovations, such as AI-driven chatbots, before full integration. Developing strategic alliances in this context ensures smooth transitions and maintains service continuity. Such partnerships with for example InsurTech companies can support incremental modernization.

### 2.2.3 E-Service Quality (e-SQ)

E-service quality (e-SQ) is a key factor in driving customer satisfaction and loyalty within digital channels. Al-Dweeri et al. (2017) identify three essential dimensions of e-SQ, **efficiency**, **privacy**, and **customer service**, that are relevant for industries such as insurance. Focusing on these elements can build trust and strengthen a company's competitive edge. Efficiency can be enhanced through features like fast load-times, user-friendly navigation, and secure data storage. Responsiveness, facilitated by AI-driven chatbots, ensures quick support for routine requests, while transitions to live agents for complex issues combine digital efficiency with a human touch. This approach can improve a firm's reputation as a reliable and customer-centric organization.

### 2.2.4 Digital Leadership, Innovation, and Agility

To remain competitive in a rapidly evolving market, insurers must focus on digital leadership, organizational agility, and continuous innovation. Firk et al. (2022) underscore the critical role of a digitally skilled top management team (TMT) in this context. By fostering collaboration within the TMT, these leaders enable agile decision-making that aligns digital innovation with traditional business goals. The introduction of such a digitally skilled top management team ensures the delivery of responsive, customer-focused services while maintaining a cohesive organizational strategy.

In addition, Musaigwa (2024) highlights the importance of transforming business models to use the advantages of digital technologies. Incorporating tools such as AI for claims processing and chatbots for routine customer interactions can optimize operations and improve the overall customer experience. These digital solutions work particularly well with younger, tech-savvy customers, supporting companies to stay competitive in more and more technology-driven markets.

Moreover, Hanelt et al. (2021) emphasize how digital ecosystems foster agility and innovation through connecting firms, customers, and technologies. These ecosystems enable organizations to adapt dynamically to market changes, a strategy that companies can enhance through partnerships with tech providers. Lee and Trimi (2021) build on this by introducing convergence innovation (CI), which integrates diverse technologies like AI, IoT (Internet of Things), and big data analytics to create cross-boundary value. By adopting a data-driven ecosystem that combines digital efficiency with personalized services, organizations can maintain long-term competitiveness while meeting the changing needs of its customers.

## 2.3 Change Management and Organizational Resistance in Digital Transformation

A successful implementation of digital transformation requires an effective change management which addresses organizational resistance. It includes workforce agility, aligning employee perspectives with organizational goals, prioritizing open communication, and implementing structured change management strategies. Focusing on these aspects could support a smoother transition, creating an organization-wide culture that welcomes digital transformation.

### 2.3.1 Workforce Agility

A flexible workforce is vital for navigating digital transformation. Franco and Landini (2022) emphasize that workforce agility through adaptable roles, flexible schedules, and collaboration reduces resistance and fosters innovation. This could involve forming cross-functional teams combining traditional and digital roles. While not explicitly mentioned in the paper, fostering digital literacy training for employees can help them in seeing technological change as an opportunity for growth.

Furthermore, Hanelt et al. (2021) propose a hybrid approach to digital transformation, combining small, targeted initiatives with broader, system-wide changes. An insurance company could for example start with focused projects like digital claims processing to introduce gradual adjustments that employees can easily adopt and support. These small-scale initiatives help building confidence in new processes and ease the way for larger structural changes. Over time, this step-by-step approach can align operations to a fully integrated digital ecosystem, reducing resistance and ensuring smoother transitions.

### 2.3.2 Employee Support and a Digital Mindset

Aligning employees' working morales with the company's values is crucial to minimizing resistance during digital transformation. Homburg et al. (2009) highlight that employees who match with a company's mission are more likely to embrace change initiatives. Presenting digital tools as improvements and emphasizing how they can boost customer satisfaction, like reducing waiting times, strengthens an organization's values, while fostering greater internal support for the transformation process.

Moreover, Warner and Wäger (2019) emphasize that supporting a digital mindset requires cultural transformation, collaborative efforts, and organizational agility. Forming cross-

functional teams and encouraging adaptability across departments could help create a supportive environment for digital tools. This strategy presents digital advancements as improvements to efficiency and service quality, not replacements for traditional services. By fostering a culture in which digital transformation is viewed as an opportunity, organizations can reduce resistance and ensure smoother integration of new technologies.

### 2.3.3 Communication Strategies

Clear and consistent communication is essential for building trust and minimizing resistance during organizational change. Packard and Berger (2021) emphasize that reducing uncertainty through transparent communication helps reassure employees and supports a sense of stability. For example, implementing a structured communication strategy that includes regular updates from leadership and open forums for addressing concerns can make employees feel involved and valued. By showing that change is related to team effort and connecting it to the company's goals, businesses can reduce uncertainty, strengthen employees' roles in the transformation, and foster a shared sense of purpose.

### 2.3.4 Effective Change Management

A structured approach to change management is crucial for minimizing resistance during digital transformation. Matt et al. (2015) outline three key strategies to support this process. First, appointing **dedicated leadership** to provide clear and consistent guidance. Second, **regularly reviewing and refining strategies** to remain aligned with evolving technologies and market demand. Third, **engaging stakeholders** early to address concerns and build support for new initiatives. These strategies can ease the transition by centralizing digital efforts. Regularly reassessing strategies based on employee feedback allows an organization to make necessary adjustments and address concerns proactively. Furthermore, including employees early in the process and showing how digital changes align with the firm values can help foster an innovative as well as supportive workplace culture.

## 2.4 Conclusion of Literature Review

The aforementioned literature review provides a study of the key factors that influence the successful implementation of digital transformation strategies, particularly in industries like insurance in which balancing technological innovation with customer-centric service is particularly important. The findings demonstrate that understanding customer preferences in both digital and traditional service models is critical to supporting long-term satisfaction and

loyalty. Organizations must prioritize maintaining service quality, tailoring experiences to individual needs, and integrating human elements into digital platforms to meet evolving customer expectations.

Digital transformation is highlighted as a significant driver of competitive advantage, with dynamic capabilities, strategic partnerships, and strong digital leadership identified as essential factors for navigating rapidly changing markets. The ability to identify opportunities, act on them with innovative solutions, and adapt operations through flexible IT systems helps organizations to stay resilient and agile. By combining these capabilities with a step-by-step approach to digital transformation, firms can bridge the gap between traditional services and modern digital demands, ensuring smooth transitions while fostering innovation.

Another critical theme is the role of effective change management in overcoming organizational resistance to digital initiatives. Building workforce agility through cross-functional collaboration, flexible roles, and digital training equips employees to embrace technological changes as opportunities for growth rather than as threats. Transparent communication strategies, such as regular updates, help to reduce uncertainty, build trust, and align employees with the organization's goals. Additionally, appointing dedicated leadership, regularly reassessing strategies, and involving stakeholders early in the process support an environment that promotes innovation while maintaining employee engagement.

These insights provide a roadmap for successfully navigating the complexities of digital transformation. By integrating digital tools such as AI and chatbots with human-centered services, companies can meet the needs of both tech-savvy and traditional customers. Strategic partnerships with tech providers and the adoption of data-driven ecosystems further enhance flexibility and responsiveness, allowing firms to remain competitive in a dynamic marketplace. Ultimately, this review shows that digital transformation is more than a technology update, it is a complete revision of how businesses work and connect with customers. By addressing customer preferences, fostering employee support, and adopting structured change management strategies, organizations can achieve a seamless integration of digital innovation and traditional strengths to reach sustainable growth and long-term success.

## 3 Teaching Note

### 3.1 Synopsis

Guardians Insurance AG, one of the oldest insurance companies in Germany, has always been known for its strong focus on personal customer service. Founded in the 19th century, the company built its reputation on trusted relationships with its clients, most of whom were older (65% of customers were 45 years or older) and valued the personal interactions. However, the German insurance market has been changing rapidly, and the COVID-19 pandemic made things even more challenging. Customers, especially younger ones, started shifting to digital solutions like apps and online platforms, which were more convenient. This trend put pressure on traditional insurers like Guardians to adapt while still holding onto their strengths. In 2014, Guardians faced big problems in its Bavarian region, which had been losing money for years. To turn the situation around, the company brought in Ulf Seifert as the new Regional Director. Seifert, with his years of experience in the insurance business, focused on improving both customer satisfaction and employee performance. He worked to rebuild trust, trained employees to provide better service, and simplified the company's product offerings. By 2019, thanks to his efforts, the Bavarian division was back to profitability. Seifert's strategy of focusing on personalized service and cross-selling to already existing customers was paying off. However, the pandemic hit in 2020, and everything changed. Lockdowns made face-to-face consultations nearly impossible, cutting Guardians off from its biggest strength. Younger customers quickly switched to competitors who offered easy-to-use digital services, while many of Guardians' older clients felt left behind because they could not get the personal attention they were used to. Guardians, which had only limited digital tools, struggled to keep up. At the same time, Seifert faced resistance from the company's leadership, who were worried that going too digital could hurt Guardians' reputation for personal service. While some competitors focused entirely on digital solutions, Guardians was stuck between two worlds: holding onto its traditional values or adapting to the new digital reality. This left Seifert in a tough spot. Should the company invest heavily in digital transformation and risk losing its loyal customers? Or should it stay true to its personal service model and risk falling behind in a market that was moving quickly toward digitalization?

## 3.2 Learning Objectives

1. The Case Study provides the ground for identifying and critically analyzing the strategic dilemma faced by Guardians Insurance AG in balancing digital transformation with its traditional, relationship-driven strengths in the competitive insurance market and for linking digital transformation concepts to real-world business scenarios.
2. Students should develop recommendations for Guardians and address the opportunities and risks of a digital-first strategy versus maintaining a traditional approach, while exploring how digitalization changes customer expectations and the implications of digital innovation for different customer segments.
3. The Case Study also allows to reflect on the broader perspective about how companies like Guardians can balance innovation with tradition, ensuring sustainable growth in dynamic markets.

## 3.3 Assignment Questions

The following questions are suggested in order to help students to prepare for the in-class discussion:

1. Describe the company's strengths and weaknesses in the competitive insurance market.
2. What influence does digital transformation have on Guardians Insurance AG?
3. What steps should Guardians take to address its challenges and ensure long-term competitiveness?

## 3.4 Class Plan

1. Identify the company's strengths, weaknesses, opportunities, and threats.
2. Describe Guardians' external environment and market position.
3. Identify and describe the dilemma of Guardians Insurance AG.
4. How do you evaluate the impact of digital transformation on Guardians?
5. What strategic alternatives are open to Guardians?
6. What are your recommendations for Ulf Seifert?

## 3.5 Analysis

### **1. Identify the company's strengths, weaknesses, opportunities, and threats.**

Guardians' most important strength lies in their high-quality personal consulting services. The firm offers tailored products adapted to the customers' needs. Moreover, the company has a

broad product portfolio which appeals to private and commercial clients, allowing for cross-selling efforts. Especially as the offerings have easily understandable policies, making them better to market and lastly to sell. Due to the traditionally established reputation, Guardians profits from long-standing customers which show loyalty and trust. Furthermore, the working atmosphere which Ulf has established during his time increased employee and customer retention and can be further seen as a strength. The above average employee training leads to higher consulting standards and therefore, increased employee satisfaction. Lastly, Guardians also benefits from its strong ties to local communities, fostered through an exclusive network of local agencies. These agencies are embedded in their respective regions, enabling the firm to build trust-based relationships and respond to community-specific needs effectively. This local presence not only strengthens customer loyalty but also enhances the firm's market visibility. Lastly, Guardians' robust sales structure equips the firm to further foster individual customer service and maintain market presence with the support of an appropriate back-office infrastructure.

On the other hand, traditional corporate values can also be seen as a weakness, as the younger generations will replace the older customers, who still make up a large proportion, in the future. Especially because younger generations will expect the company to offer more digital services than they do today. The reliance on the traditional service model is slower compared to other digital solutions such as service bots working with AI solving regular occurring requests. Guardians lacks a digital infrastructure to implement more efficient solutions, especially to attract tech-savvy customers. Although 65% of Guardians' clients are at least 45 years old (see Exhibit 6), which aligns with higher insurance needs and loyalty, this imbalance in the customer base creates growth challenges. Over-reliance on older clients may limit expansion into younger, tech-savvy segments who prefer digital-first approaches. Guardians' ability to adapt to changing demographics will be critical to sustaining long-term growth. In comparison, competitors like Allianz already invested in digital transformation to capture younger audiences with low-cost automated solutions. Lastly, frequently occurring natural disasters were harming Guardians' claims ratios and therefore their profitability. However, this is a problem for the whole market as all companies need to diversify their income streams.

The dilemma Guardians is in also opens up several opportunities as the company can leverage the shifts of customer expectations to modernize and win younger generations for the company. Not only can they use newly introduced digital services for customer growth, but also for cost-saving solutions. By implementing a hybrid service model which serves both older clients with more traditional service expectations and younger tech-savvy customers who search for

efficient digital options, the firm can expand their number of customers while simultaneously enhancing the loyalty of already existing clients. Moreover, strategic partnerships with tech providers such as InsurTech companies can help to accelerate digital transformation and enhance Guardians service offerings. Through using these alliances, Guardians can use their partners' technologies and leverage faster implementation. Additionally, there is untapped potential in expanding into the corporate insurance market. By offering tailored insurance solutions for small and medium-sized enterprises and larger corporations, Guardians can diversify its revenue streams and mitigate the risks associated with over-reliance on private clients. Digital tools and hybrid services can facilitate scaling as well as customizing corporate offerings, meeting the unique needs of businesses while exploiting a growing segment of the insurance market. Lastly, as digital solutions such as online consultations and AI chatbots are more efficient than face-to-face services, Guardians has the possibility to restructure resources in areas necessary.

Regarding the last part of the analysis, Guardians is exposed to several threats. First, competitive pressures increased as many insurance companies started to invest early in digitalization. By doing so, competitors captured the attention of younger customers and developed a competitive advantage over traditional firms. Furthermore, these services can be cost saving as well as more efficient, and therefore improve overall financials of competitors. Moreover, InsurTech startups start entering the market and endangering Guardians by offering innovative low-cost solutions. Another important risk when adopting a digital-first strategy is losing older customers who prefer personalized face-to-face services. Additionally, the highly competitive labor market in the insurance industry poses a significant challenge. Firms like Guardians, which rely heavily on face-to-face selling and personal relationships, face greater difficulties in attracting and retaining skilled employees. This could hinder Guardians' ability to maintain its high-quality consulting services, especially as competitors invest in digital solutions that require fewer human resources. Overall, if the organization misses to follow the trend quickly enough it risks losing their market position. Besides all threats connected to digitalization, rising claims due to environmental catastrophes in the region will further strain Guardians' profitability in Bavaria.

## **2. Describe Guardians' external environment and market position.**

The insurance industry, particularly in Germany, is undergoing strong shifts towards digitalization. Furthermore, changing customer expectations and increasing competition, both boosted by the pandemic, are significant factors influencing Guardians' standing in the market. In general, the insurance industry in Germany is well established and characterized by older

players and moderate growth. As a response to the changes, competitors were adopting digital tools in order to improve customer journeys, optimize operations, and reduce costs. However, this again increases competition, as companies who fail to keep up risk being left behind. Moreover, regulatory standards on transparency, consumer and data protection were getting stricter and required firms to stay compliant with regulations while improving operational processes. In addition, the number of climate related catastrophes in Bavaria has increased over the last years, which has had a negative effect on claims ratios and forced insurers to expand their product portfolio in order to offset their losses due to the disasters.

Regarding the competitive situation, there are traditional organizations and digital-first insurers. In the market, main players are particularly Allianz and HUK-Coburg. Allianz has a strong global standing, as the firm offers advanced digital services as well as a diverse product offering. HUK-Coburg on the other side is known for its competitive pricing. Moreover, the organization uses efficient digital platforms which are especially appealing to younger customers. Additionally, competitors who focus on digital solutions such as app-based or AI-driven services influence the trend towards digital transformation in the insurance market. Furthermore, InsurTech firms are entering the market with innovative ideas and closing partnerships with competitors of Guardians, disrupting the insurance industry further. These new incumbents are reinforcing the pressure on traditional companies such as Guardians, who among others struggled to keep up with the trend or even consciously continued to focus on their traditional personalized strengths. This reliance limits the firm's market share among younger, tech-savvy audiences.

Generally speaking, Guardians' customer base is broad. However, its demographics is skewed towards older, loyal clients. 65% of all customers are at least 45 years old. These customers value trust, face-to-face support, and personalized services. Younger clients prefer digital tools for managing their requests and purchasing insurance products. However, as Guardians has limited digital infrastructure it makes them less attractive to this demographic. Customers increasingly demand convenience, transparency, and personalized experiences, which competitors with advanced digital platforms deliver more effectively.

Guardians Insurance AG has historically relied on its strengths in customer loyalty and personalized service. Nevertheless, its strategic focus faces challenges in a digitizing market. Furthermore, the company's strategy relies on trust and personal relationships, fostered through local agents who provide tailored advice. Besides, it focuses on customer retention through long-term relationships, especially with older clients. However, Guardians has been slow to adopt digital tools like mobile apps, online portals, or AI-driven chatbots. This lack of digital

capabilities impacts its ability to attract and retain younger customers. A hybrid approach combining traditional strengths with modern digital tools would allow Guardians to serve diverse customer segments more effectively.

Regarding Guardians' product portfolio, a wide range of insurance products is offered, targeting both private and business customers including property, life, health, disability, and casualty insurance products. As already mentioned, one of Guardians' strengths lies in their personalized services for its customers. Regarding their products, the company offers tailored solutions to specific regional needs, such as coverage for environmental risks. Some products, like disability insurance, are complex and more difficult to sell due to complicated terms and clauses. Guardians is continuously working on improving their products in terms of complexity. By making them easier to understand for their clients, they become more accessible to market, and therefore to sell.

### **3. Identify and describe the dilemma of Guardians Insurance AG.**

Guardians faces an important strategic dilemma that centers around balancing their traditional strengths with the growing need for digital transformation in a very competitive market. The problem has different dimensions which play a vital role. First, customer expectations shifted, especially from younger clients. These tech-savvy clients started to expect seamless, always available digital interactions through for example mobile apps, chatbots, and self-service portals. Such customers prioritize convenience, speed, and transparency over personalized face-to-face interactions. However, Guardians' lack of advanced digital tools makes the company less attractive to this growing demographic, putting pressure on Ulf to modernize. Simultaneously, the organization's existing customer base, being mainly older than 45 years, values personalized, trust-based relationships and face-to-face consulting, as they may perceive digitalization as impersonal and alienating. The dilemma lies in satisfying the conflicting expectations of these two groups without jeopardizing the company's identity.

Second, competitive pressures increased as other organizations already invested early into digital projects. These competitors are gaining a significant edge by attracting younger customers and improving operational efficiency. Moreover, InsurTech firms, offering low-cost, AI-driven solutions, pose additional threats by disrupting traditional business models. At the same time, digital-first competitors benefit from lower operational costs due to automation and reduced reliance on physical branches, giving them the flexibility to offer competitive pricing. Resulting from the aforementioned aspects, Ulf risks being outperformed in cost-effectiveness and service scalability if he does not act quickly.

Third, Guardians faces internal resistance, particularly from senior leadership who fears modernizing could harm their reputation. This cultural conflict could slow down the adoption of necessary technological advancements. Therefore, Seifert faces the challenge of aligning his workforce and leadership toward a shared vision for modernization while preserving their core values.

Fourth and last, digital transformation requires efficient allocation of resources, financially and operationally. Balancing the assignment of resources between digital innovations while maintaining high-quality face-to-face services adds another layer of complexity. Mismanaging can lead to financial strain and service disruptions, and therefore to customer dissatisfaction. Ulf must decide where to focus his investments, whether to retain traditional strengths or accelerate digital capabilities to compete in the increasing tech-driven market.

#### **4. How do you evaluate the impact of digital transformation on Guardians?**

Digital transformation strongly affects Guardians Insurance AG, influencing its operations, customer relationships, and competitive position. The impact brings both opportunities and challenges.

First advantage to be highlighted is the positive effect of using digital tools such as mobile apps, AI chatbots, and online portals to connect the firm with younger, tech-savvy customers who value speed and convenience. By adopting these technologies, Guardians can expand its customer base and appeal to a growing segment that prefers self-service solutions. In addition, the automation of administrative tasks such as claims processing or policy management can reduce the need for manual processing and lastly, resulting in lower labor costs as fewer employees are required. Furthermore, by expanding self-service tools, Ulf can minimize the company's reliance on physical offices and in-person consultations for routine services, which can lead to a significant reduction in overhead costs. Moreover, digital services can be used to simplify and streamline workflows, leading to enhanced overall productivity, allowing Guardians to allocate resources to higher-value activities like customer retention and innovation. Another opportunity arising from the digital transformation is the introduction of a hybrid approach that combines digital tools with personal consultation, allowing Guardians to serve both younger and older customers, maintaining its traditional strengths while modernizing its operations. Lastly, digital transformation provides Guardians with the tools to compete against digital-first companies and InsurTechs, closing the gap in areas like efficiency, target group, and user experience.

Regarding potential challenges, the risk of losing loyal customers should be mentioned first. Older customers make up the majority of Guardians' client base, and by replacing face-to-face

services fully with digital services, the firm could expect client decline, especially when the transition is not perfectly executed. Moreover, if Guardians overemphasizes on digital transformation, it might harm their unique value proposition of personalized, trust-based service. Second, employees who conduct personal consultations and are used to traditional workflows could fear job redundancy. The reasons can be a lower demand for human resources and struggles with adapting to the new systems. Most affected are people working in customer service as these are the first positions replaced by digital tools. In general, it is crucial for Guardians to align the goals of the leadership, employees, and the organization. Otherwise, implementation efforts could be hindered. Furthermore, digital transformation requires significant investments in technology implementation, employee training, and marketing for clients. If these resources are not allocated strategically, Guardians risks overspending without reaching their intended goals to expand and increase efficiency. Should Guardians decide to invest in digital transformation, competition will intensify. From this point on, the firm will be exposed to InsurTech firms and insurers that already invested strongly into digital transformation. These digitally advanced incumbents are already ahead in their digital journey and may capture market share more quickly, leaving Guardians behind to catch up. Additionally, digitalization in general lowers the barriers to enter the insurance industry. That means new competitors, including startups and tech-focused challengers, can enter the market more easily, leveraging new business models and innovative approaches to disrupt established players like Guardians. This intensifies competition further, posing a significant threat to traditional business models that are slower to adapt. Lastly, expanding the company's digital capabilities will require more robust cyber security measures as they become more exposed to data breaches and cybercrimes. Besides that, ensuring compliance with data security is important to maintain customer trust and regulatory penalties.

##### **5. What strategic alternatives are open to Guardians?**

Guardians Insurance AG faces several strategic alternatives to navigate its challenges and exploit the opportunities. These options merely show the various possibilities with their advantages and disadvantages that Guardians will have in the future but should not be taken as strict recommendations.

The organization faces mainly two different customer groups. One expects continued personalized services and the other digital offerings. On the one hand, Guardians Insurance AG can further continue focusing on their traditional core strengths without giving in on the market pressures towards digital transformation. Continuing to offer trainings for Ulf's employees for high quality services and providing the premium face-to-face consultations for their clients will

reinforce Guardians' differentiator in a market increasingly dominated by impersonal digital-first players. In addition, it will further develop customer satisfaction and retention, particularly among their older, loyal clients which make up a major share of Guardians' customer base. However, the resources required for the training and human capital invested for high quality personalized services are high, especially in comparison with digital solutions which are more efficient and easier to scale. Furthermore, this alternative might limit Guardians' ability to attract younger customers who expect the organization to integrate digital tools for more convenience.

On the other hand, there is the possibility for the insurer to focus mainly on tech-savvy clients who prioritize convenience and efficiency. An important step towards that would be to invest in digital tools, such as mobile apps and online self-service platforms. By appealing to this demographic, Guardians could increase its customer base and secure long-term growth. In addition, attracting younger clients early in their financial journey allows Guardians to build relationships and cross-sell products, as their insurance needs evolve. Building such a long-term revenue stream could even balance out the eventual decline of older customer segments. Another important aspect is related to the investment in digital platforms, which can reduce Guardians' reliance on labor-intensive, face-to-face services, lowering operational costs. However, there are disadvantages connected to this alternative. Ulf's customers are mainly older generations above 45 years. Losing them will particularly harm the firm's profitability in the short-term. Additionally, digital transformation requires huge financial investments which can take time to show positive effects. Moreover, younger, tech-savvy customers are already well-served by digital-first competitors and InsurTech firms, making this segment highly competitive.

In addition, the third alternative is a hybrid approach. By using such a strategy, Guardians could tailor their product portfolio to the two different customer groups: more extended and developed for the older group, and simple as well as standardized for the younger group. The organization should maintain its personalized, face-to-face interactions for their loyal segment, leveraging their preference for trust-based relationships and comprehensive insurance solutions. However, Guardians would need to simultaneously invest in digital tools, such as mobile apps and online self-service platforms, to attract tech-savvy customers who prioritize convenience and efficiency. This approach brings two main advantages. First, it allows to retain the loyalty of the existing core customer base while expanding into younger demographics. Second, it supports building long-term relationships with younger customers who can grow into premium clients. However, this strategy will require significant investments in both digital infrastructure

and the training of employees to deliver high-quality service across both segments. Beyond that, potential collaborations between Seifert and InsurTech startups could focus on younger clients as they develop digital solutions. Lastly, the implementation of such a hybrid strategy is possible, for example, through dividing the organization and introducing different brands tailored to their target groups.

Furthermore, Guardians could consider focusing on niche markets by offering specialized products to avoid direct competition with the big market incumbents and InsurTechs. Yet, it will be challenging to find such an underserved market. Additionally, niches have limited growth potential compared to mainstream markets. This alternative requires thorough market research, targeted marketing efforts and risks losing big shares of their current customer base.

Another possibility for Guardians to accelerate its digital transformation can be strategic collaborations with InsurTech firms. Advantages of this approach are faster implementation of new technologies without bearing the full development costs, enhanced service offerings, and operational efficiency, making the company more competitive. The dependence on external partners, however, can reduce Guardians' control over critical processes and makes decisions more complex. Moreover, the organization should carefully select their partners and ensure that they align with Guardians' brand values as well as long-term goals.

## **6. What are your recommendations for Ulf Seifert?**

Differentiation in the insurance industry is particularly challenging because most products have commodity-like characteristics, making them easily comparable for customers. Within this market, a company's ability to stand out depends less on the product itself, but more on how it engages with its customers. For Guardians Insurance AG, this means leveraging its strengths in personalized services while modernizing to meet evolving customer expectations.

The first recommendation lies in implementing a hybrid approach in order to balance traditional and digital services. Ulf should retain the core strengths and continue offering personalized, face-to-face consultations to customers who value trust-based relationships. Moreover, further strengthening the local agency network by providing additional training and resources to sales agents will guarantee high-quality customer service. At the same time, investing in user-friendly digital platforms such as mobile apps, online self-service portals, and AI-driven chatbots, will attract tech-savvy clients. It is crucial to ensure a seamless integration between digital tools and traditional services to create a hybrid model that serves diverse customer needs. Using this approach will support preserving the loyalty of the current customer base while expanding into demographics that value digital solutions. Lastly, it will position Guardians as both a trusted and modern insurance provider.

Second, forming strategic partnerships will be helpful. Such cooperations with tech providers can accelerate digital transformation as it simplifies adopting cutting-edge solutions such as AI-driven underwriting or predictive analytics for risk assessment. Furthermore, they can reduce the implementation time and costs required for new technologies. In addition, Seifert gains the possibility to co-develop digital products that improve the customer experience, such as faster claims processing or personalized policy recommendations. Another benefit arising from this approach is connected to the firm competing with digital-first insurers without bearing the full costs of innovation because the tech providers carry part of the resources involved. Lastly, increased operational efficiency and enhanced service quality are results from strategic partnerships, because of the newly implemented technologies.

In addition, the third recommendation addresses the resistance from the leadership level. It is particularly important to clearly communicate the vision and benefits of digital transformation. In this context, all relevant stakeholders must be involved in the digital transformation process through workshops and regular updates, ensuring they feel valued and included. Moreover, continuing employee development by focusing on both digital and interpersonal skills is helpful. Applying these approaches will support building a unified organizational culture that supports innovation as well as ensuring a smoother transition to a hybrid service model.

Fourth, allocating resources efficiently for long-term growth is key. In more detail, strategically assigning them for modernizing digital infrastructure and maintaining high-quality traditional services. At first, focusing on scalable, cost-effective digital solutions that provide immediate impact, such as automated claims processing is recommended because it will build the foundation for the digital transformation the company will go through. This will show immediate positive effects to strengthen the motivation to continue. Further expanding the corporate customer share and focusing on cross-selling will help diversifying income streams. Financial stability and enhanced profitability can result from this as well.

Fifth, when Guardians expands their digital solutions, they should invest into cybersecurity measures simultaneously. Robust data protection for their clients is crucial to maintain trust and loyalty.

## 4 Conclusion

This Case Study explores the strategic challenges of Guardians Insurance AG as shifting customer expectations, and a rapidly evolving insurance industry posed new obstacles. The analysis focuses on Guardians' ability, as a traditional firm known for personalized and trust-based customer service, to compete with digital-first insurers and disruptive InsurTech startups. During the pandemic, this urgency further accelerated, forcing the company to reassess its traditional strategy and adapt to evolving market dynamics.

One of the most interesting aspects of this research was examining the tension between tradition and innovation. Guardians' dilemma displays a broader industry trend whereby established players must balance their core strengths with the demands of modern technology. It was particularly insightful to analyze how the company's strong local agency network and high-quality personal consulting services provide a foundation for a hybrid strategy, combining new digital tools with the firm's traditional strengths in personal consultations.

If time had allowed, it would have been valuable to dive deeper into the organizational culture at Guardians and its impact on change management. Resistance from leadership emerged as critical barriers, and further exploration could have uncovered additional strategies for fostering a culture that embraces digital innovation without losing sight of the company's traditional values.

Looking forward, it will be fascinating to follow how Guardians, and the broader insurance industry, navigate the balance between cost-efficient digital solutions and the human element of customer service. As environmental risks, regulatory pressures and new technologies continue to reshape the market, future research could focus on how insurers use data analytics and partnerships with InsurTech firms to develop innovative, customer-centric products.

In conclusion, Guardians' journey highlights the complexity of digital transformation in a traditional industry. The company's ability to preserve its identity while adopting new, efficient technologies will determine its long-term success. This Case Study underscores the importance of strategic alignment, customer-centric innovation, and organizational adaptability, lessons that are not only relevant for Guardians, but for any firm facing similar challenges.

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