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Case study

UNIQA vs VIG: What is the right brand strategy for Central and Eastern Europe?

Arnold Schuh and Ferdinand Mayrhofer, Vienna University of Economics and Business (WU Vienna), Austria

Vienna Insurance Group (VIG) and UNIQA are two universal insurance companies headquartered in Vienna, Austria, offering a full range of insurance products and services to individuals and businesses. Both insurers jumped at the enormous growth opportunity that the opening of the neighboring markets of Central and Eastern Europe (CEE) offered to them in the early 1990s. At the beginning more opportunistically, later more systematically they entered the underdeveloped insurance markets of CEE via direct investments. In 2018, VIG was present in 18 markets of CEE and generated nearly 60% of its premiums abroad. UNIQA had a presence in 15 CEE markets and its international arm, UNIQA International, contributed about 30% of total premiums (Exhibit 1).

The VIG group bet on a multi-brand strategy by retaining most of the brands of the acquired local insurance companies. Klaus Muehleder, Head of Group Development and Strategy at VIG, emphasized the multi-brand strategy as a core management principle that connects the business firmly with the local markets. Each VIG company used its local brand name as its first name, followed by the umbrella brand Vienna Insurance Group as its family name (Exhibit 2). This policy complemented perfectly another management principle of VIG, namely local entrepreneurship. VIG's management model was based on decentral structures and local management enjoyed high autonomy in decision-making (Exhibit 3). "How comes that Vienna tells the management in Serbia how to grow their insurance business? That would be presumptuous", so Muehleder. In his view, the multi-brand strategy was a great tool to maintain customer and employee loyalty as both groups identified strongly with the local brands.

By contrast, the Austrian competitor UNIQA followed a one-brand strategy. Until 1998, the UNIQA predecessors operated under different brands. In 1999, the new UNIQA "millennium" brand was introduced with the goal to transmit the image of a modern, European insurance company with proud Austrian roots being a leader in quality and service. This launch encompassed nearly all firms in Austria and abroad. A massive marketing campaign supported the brand building process in all the countries. Wolfgang Kindl, CEO of UNIQA International, commented this major change as follows: “It would have been irresponsible not to use UNIQA internationally from then on. After 1999, all newly acquired companies had been changed to the new brand”. Kindl could not imagine returning to a multi-brand strategy.

On the other hand, VIG’s Muehleder referred to the good experience with continuing local brands, pointed to the successful growth of VIG’s local businesses and the fact that VIG was market leader in eight of the CEE markets and a top player in the other markets (Exhibit 4). He saw no reason to change VIG’s successful multi-brand strategy just because “single-brand strategies are in fashion now”.

THE OPENING OF CENTRAL AND EASTERN EUROPE

With the fall of the Iron Curtain in 1989, a formerly isolated economic space opened to the global economy again.[1] The overcentralized communist system could not cope with economic, social and technological progress anymore, most economic sectors were underdeveloped and inefficient and finally liberal revolutions led to the collapse of the system. In 1990, the average GDP per capita in Central Europe and the Baltics was about 30-40% of the average of the West European countries.[2] Starting in 1989 those countries embarked on a journey from a centrally planned to a market-based economy. This economic transition process aimed at pushing back the all-embracing influence of the state, introducing the rules of a market economy and bringing up the private sector. The privatization of the formerly state-owned enterprises played a major role in this process. The restructuring and modernization of the CEE economies caused many hardships for households and businesses. In the 1990s, the economies in Central Europe faced declines in the economic output of 20-25% compared to 1989 due to the “shock therapy”, in Southeastern and Eastern Europe the fall in GDP was even higher. It took Central European economies on average 10 years to regain 1989 levels again. From 2002 to 2008, an economic boom period turned the CEE countries into “tiger economies” with annual growth rates above 5%.[3] During this boom, eight Baltic and Central European countries joined the EU in 2014[4], three years later Romania and Bulgaria followed (Croatia in 2013). The global financial crisis abruptly stopped the “growth fantasy” in 2008-09 and sent the economies downwards. Since 2015, the CEE economies had been outperforming the old EU-15 states again and the economic outlook promised further growth differentials. In 2018, the leading countries such as Czech Republic, Estonia and Slovenia had reached 80-90% of the EU-28 GDP per capita level (in PPP), Hungary, Poland and Romania

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[1] The countries in Central and Southeastern Europe came under communist or socialist rule in the second half of the 1940s; for the Republics of the Soviet Union the communist regime even began in 1922 and lasted until 1991.

[2] World Bank. World Bank Open Data, WB Online, accessed November 3, 2019. https://data.worldbank.org/

[3] James Roaf, Ruben Atoyan, Biks Joshi, Krzysztof Krogulksi. *“25 Years of Transition – Post-Communist Europe and the IMF”*, Report October 14 (Washington: International Monetary Fund, 2014), 37-39.

[4] In May 2004, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia joined the EU.

followed with 65-70%. Compared to 1991 they gained between 20-40 percentage points what underlines the view that the catching-up process had been successful so far.[5]

THE INSURANCE INDUSTRY IN COMMUNIST TIMES

In the communist countries of CEE, the insurance sector was nationalized after World War II (in the Soviet Union already in the 1920s) and foreign insurers were expropriated.[6] The monopoly of the state-owned insurer was the key feature of those markets. In each country one or two state-insurers were established which were the sole providers of both domestic and international insurances[7]. These monopolists offered customers both life and non-life insurances. Non-life policies focused on compulsory types of insurances (e.g. car/third party motor insurance). Life insurance policies were available to citizens through arrangements between the state insurer and state-owned enterprise employers. Insurance products were simplistic in nature and of limited value and utility.[8] The citizens knew that the communist state would take care of them from "the cradle to the grave" by guaranteeing their basic needs in terms of healthcare, education, employment and pensions. There was also little need for commercial insurance coverage in an economy dominated by state-owned enterprises as the state settled any damage claims directly.

The lack of competition and demand due to this overarching protecting and caretaking role of the state resulted in underdeveloped insurance markets, weak insurance practices and cultures in general.[9] Underwriting practices did not follow sound actuarial analysis, statistics were not seriously collected and respective skills and expertise were hard to find. Trust between insurers and insured was not established by contracts and the commercial legal system in the first place, but by state policy and the confidence in state solvency. This was the situation that Western insurers faced when approaching the region after the political and economic opening in the 1990s. Relatively low entry barriers and the expectation of a fast growing market with high profits lured new local and foreign firms to the insurance sector.

The privatization of the leading insurers and the emergence of new competitors turned the former monopolistic market into an oligopolistic one. Foreign insurers bought stakes in local insurers and

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[5] World Bank. World Bank Open Data, WB Online, accessed November 3, 2019. https://data.worldbank.org/.

[6] Safet Kozarevic, Laura Peressin, Giorgio Velantinuz. "Efficiency of the Transition of Insurance Markets in South-Eastern European Communist Countries", *South-Eastern Europe Journal of Economics* 2 (2013): 143.

[7] Robert Pye. "The Evolution of the Insurance Sector in CEE and the NIS of the Former Soviet Union". Presentation, *The IX Dubrovnik Economic Conference.* 26-28 June 2003, accessed November 2, 2019, http://old.hnb.hr/dub-konf/9-konferencija-radovi/robert-pye.pdf

[8] Ibid., 7.

[9] Darko Tipuric, Mirjana Pejic Bach, Tomislava Pavic. "Concentration in the insurance industry in selected transition countries of Central and Eastern Europe, 1998-2006". *Post-Communist Economics* 20, No.1, March 2008: 98.

often became later majority owners.[10] For instance, German Allianz Versicherung took over Hungaria Biztosito and Italian Generali became majority partner in a joint venture with the local PPF Group that owns Ceska pojist' ovna a.s. in the Czech Republic. In 2018, the top 10 insurers held a cumulated market share of more than 70% in the region[11].

AUSTRIA'S ROLE AFTER THE FALL OF THE IRON CURTAIN

Austria was one of the winners of the opening of CEE. Being before – geographically seen – the "dead end" of the Western world, the removal of the Iron Curtain pushed Austria into the center of the New Europe. Austrian companies had the pole position when the rush into the region in the early 1990s started. An almost euphoric-mood took hold of the country and fueled the "go east" among Austrian firms. This foray into CEE was a kind of "mini-globalization" for the Austrian economy. Entrepreneurial-minded executives of Austrian firms and of Austrian subsidiaries of global players spotted the big chance that a quick entry offered to early movers.

Above all, banks and insurers were benefitting from the opening, as for them the expansion into the mature Western European markets with entrenched strong local competitors was no growth option. Raiffeisen Bank International, Erste Group Bank, Bank Austria/Unicredit as well as VIG and UNIQA recognized this "once-in-a-lifetime-opportunity" and entered these new emerging markets. As modern banking and insurance services did not exist at this time in CEE, the potential for sales growth, market and business development was immense. The growth potential of insurance spendings per person was still impressive in 2018 and, despite several throwbacks on the way, justified the early expansion into CEE (Exhibit 5).

Thanks to its central geographic position, excellent traffic connections, as well as cultural and historic ties, Vienna developed into a business hub for the region economy[12]. There exists a dense network of professional service providers such as law, auditing, advertising, business consulting and executive search firms as well as insurers, banks and transportation firms. They followed their clients into the emerging markets of CEE and helped them in assessing real estate, carrying out takeovers, developing brand strategies and finding candidates for local management positions. This concentration of regional expertise, services and business networks combined with a politically stable and safe location close to the region attracted many foreign firms too. More than 200 regional headquarters of global firms (e.g., Siemens, Henkel, Boehringer Ingelheim, Canon, Mondi, Beiersdorf) have steered operations in CEE and beyond out of Vienna. Austria has been a major

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[10] Ibid., 115

[11] Deloitte. "CEE Insurance M&A Outlook – Momentum is picking up", October 2019, accessed December 14, 2019, https://www2.deloitte.com/content/dam/Deloitte/ce/Documents/about-deloitte/CEE-Insurance-MA-%20Outlook-2019.pdf

[12] Arnold Schuh. „FDI in Central and Eastern Europe – The business perspective". in Ernest Gnan and Ralf Kronberger, eds.: *Schwerpunkt Außenwirtschaft 2016/2017 – Direktinvestitionen: Trends, Erklärungsfaktoren, Barrieren.* (Vienna, Facultas, 2017): 263-271.

investor in CEE too. In 2016, Austrian firms held about 10% of the FDI stock in EU-CEE – being placed third behind the Netherlands (19.4%) and Germany (14.1%) and they are among the top-3 investors in the Western Balkans, Bulgaria, Romania and Slovakia.[13]

VIG'S EXPANSION TO CEE

In 2010, the Vienna Insurance Group AG Wiener Versicherung Gruppe was established as the holding company of the whole group. VIG was listed at the Vienna and Prague Stock Exchange. In 2019, the holding encompassed around 50 insurance companies in 25 countries and carried out cross-national steering and coordination, reinsurance functions as well as corporate services. No insurances were sold under the VIG brand – around 50 subsidiaries ran the operational business under their local brands in all the countries. However, the VIG brand was already used as an umbrella brand from 2006 on to demonstrate the affiliation of the insurance companies to a common group.

VIG originated from three predecessors, all dating back to the 19th century when Vienna was the center of the Habsburg Empire[14]. The first one, the "Wechselseitige k.k. priv. Brandschaden-Versicherungs-Anstalt," a fire insurance company based on reciprocity, was founded in 1824 by 364 noble- and businessmen. The second one, the "Allgemeine wechselseitige Capitalien- und Rentenversicherungsanstalt" was founded by Joseph Salomon in 1839 as a life insurance company. The third institution was established due to the 50th anniversary of Franz Joseph as emperor in 1898: the city council of Vienna decided to fund the "Städtische Kaiser Franz Joseph-Versicherungsanstalt" as life-, pension- and disability insurance. Further mergers followed in the interwar period. After World War II, the company mainly expanded in Austria and acquired shares of some smaller companies. Historically a major event was the successful takeover of the "Donau Versicherung" in 1971, which was the starting point for the multi-brand strategy in Austria. From this moment on, the company had two different brands in the Austrian market, namely "Wiener Städtische" and "Donau Versicherung".

The expansion to CEE began in 1990 when the insurer took a minority stake in "Kooperativa". Cooperatives in former Czechoslovakia wanted to form a private insurance company but they lacked the knowledge for this endeavor. While all Western insurers invited to the negotiations made a majority stake a condition, Wiener Städtische agreed to a 15% stake in the newly formed joint venture "Kooperativa". Due to its successful business development and several rounds of

[13] wiiw. *"FDI in Central, East and Southeast Europe: Declines due to Disinvestment"*. wiiw FDI Report 2018 (Vienna: wiiw, 2019): 18-19.

[14] Wiener Städtische, „Wiener Städtische Versicherung: Eine österreichische Erfolgsgeschichte." *Wiener Städtische*. Accessed October 27, 2019, https://www.wienerstaedtische.at/unternehmen/corporate/geschichte.html

capital increases later, Wiener Städtische became a majority shareholder in 1997.[15]

For Wiener Städtische, the expansion to Western Europe was not considered a profitable growth strategy in the early 2000s. The market was quite saturated, competition fierce and Wiener Städtische did not have any unique competitive advantage against German, Swiss and Italian insurers in their home markets. In CEE, however, they found underdeveloped insurance markets with a huge growth potential and rather weak local competition. Moreover, as an early mover into those markets you had the chance to buy a stake or fully acquire one of the leading state-insurers. While not underestimating the business risk and the necessary restructuring efforts, the sales potential of these reforming markets was immense. VIG's Muehleder brought it to the point: "With little investment, we increased our potential market from 8 million [the population of Austria] to 180 million. And you can grow in a growing market. This is like cycling with tailwinds".

Further investments followed in CEE (Exhibit 6). After some early greenfield investments abroad such as the joint venture Kooperativa in Czechoslovakia, consecutive investments were executed with foreign partners: The further expansion into Hungary in 1996 with Swiss Life (that exited the joint venture in 1999) and Poland in 2001 with HUK-Coburg (that exited the joint venture in 2007) were examples for this strategy[16]. In the last years, VIG tried to reduce the number of joint ventures and to take full ownership of the subsidiaries abroad, either via a capital increase or via purchase of the partners' shares.

In the early 2000s, the focus shifted to the acquisition of established insurers in the CEE region. In some markets, VIG succeeded in buying the former state-owned insurer, for instance, Bulstrad in Bulgaria. Furthermore, VIG concentrated on buying medium-sized insurance companies with good market positions, well-recognized brands and a broad customer base. The goal was to be at least one of the top five insurance companies in each of its core markets. The selection of the takeover targets was crucial, as, for instance, in Romania, where several smaller competitors went bankrupt.

In 2008, the year of the global financial crisis, VIG entered the Baltic markets (Estonia, Latvia, Lithuania), in 2010 Montenegro, in 2011 Bosnia and Herzegovina and Moldova in 2014[17]. Having been active in most of the relevant CEE markets in the meantime, VIG focused on strengthening the market positions in the most profitable businesses by organic growth, acquisitions and establishing new companies. Although many firms were acquired in the last years, just the most valuable brands and companies were kept. For instance, from ten acquisitions in Poland, just four

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[15] Christian Domforth. *"Eine Erfolgsgeschichte im Herzen Europas. Von der Wiener Städtischen zur Vienna Insurance Group"* (Vienna: Brandstätter, 2011), 63.

[16] Zephyr. Wiener Staedtische Versicherung AG Vienna Insurance Group. Accessed July 6, 2019. https://zephyr.bvdinfo

[17] VIG. History of VIG. Accessed November 8, 2019. https://www.vig.com/en/vig/history/history-of-vig.html

brands – COMPENSA, InterRisk, Wiener and Vienna Life – remained in the original or in a renamed version in 2019.

The multi-channel distribution is another core management principle of VIG. The idea of using multiple "go-to-market-channels" and addressing different target groups with different brands was also mirrored in the "preferred partnership" with Erste Group Bank, an Austrian bank with 16 million customers in Austria and six CEE countries. In 2008, VIG acquired the entire insurance business of Erste Group Bank for EUR 1.45 billion, a move that made it market leader in CEE. Additionally, a mutual distribution agreement was concluded that makes it possible for both corporate groups to use the potential client base of the other and give preference to the other's products in sales[18]. Thanks to the great success, VIG extended the cooperation agreement with Erste Group Bank until the end of 2033.

Lately, VIG also started to develop its business outside of CEE. In the fall of 2019, VIG began to expand the corporate customer business in the Scandinavian countries (Sweden, Norway, Denmark, and Finland) via branches in Stockholm, Copenhagen and Oslo and via local insurance brokers. The intention was to gain new business customers as well as to offer services to Scandinavian corporate customers that operate in CEE and in the Baltics, in their home countries as well[19].

VIG's strategist Muehleder summed up the main risks for VIG in this internationalization process as follows: "Do we have enough financial resources, do we have enough and the right personnel and do we have enough knowledge to go into these markets?" A good example of the lack of information and the elevated risks of doing business in CEE was the liberalization of third-party motor insurance in the Czech Republic in the year 2000. Neither VIG nor any of its competitors had reliable statistics to calculate the insurance premium. VIG's "bet" to risk more than the competitors helped VIG gaining the market leadership for third-party motor insurance in the Czech Republic[20]. On the other hand, financial limitations made it very difficult to acquire leading companies in larger insurance markets such as Hungary. Extremely high capital requirements made acquisitions of local insurers very costly. That limited the number of "affordable" targets to grow by acquisitions. Although having entered Hungary already in 1996, VIG had no further possibility to grow and so remained just one of the top five players in the insurance market[21].

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[18] VIG. History of VIG. Accessed November 8, 2019. https://www.vig.com/en/vig/history/history-of-vig.html

[19] VIG. *Vienna Insurance Group intensifies its activity in Northern Europe. Focus on corporate customer business in four markets.* VIG Press release, accessed September 10, 2019. https://www.vig.com/fileadmin/web/Public_Relations/News/Presseaussendungen/2019/18_VIG_Northern_Europe_en.pdf

[20] Christian Domforth. *"Eine Erfolgsgeschichte im Herzen Europas. Von der Wiener Städtischen zur Vienna Insurance Grou.p"* (Vienna: Brandstätter, 2011), 69.

[21] Ibid., 73

VIG'S BRAND STRATEGY

Since the beginning of its international expansion, VIG followed a local multi-brand strategy. VIG offered its services through 2-4 local brands in each foreign market. For instance, VIG had been present in Poland via four brands: Compensa Life, Compensa Non-Life, InterRisk, Vienna Life and Wiener. These brands covered the non-life insurance market and the life-insurance market through different channels – own sales persons, brokers and agents – and ideally addressed different target groups. The newly acquired Wiener (former Gothaer TU[22]) offered non-life insurance products mainly through brokers and agents. In most of the cases, the brands were unique to each country or used under the same name but different logo in other VIG markets (e.g. InterRisk in Poland and Germany or Vienna Life in Poland and Liechtenstein).

A significant step in establishing a brand identity for the whole group happened when VIG added "Vienna Insurance Group" to the brands and logos of their subsidiaries as "umbrella brand" or "surname" in 2006. This step should indicate the affiliation of all those subsidiaries to a "strong" parent company. A main trigger for this "umbrella strategy" was to improve the company's stock attractiveness. At this point of time, shareholders still perceived VIG as a local Austrian insurer, despite earning 42% of the insurance premiums abroad[23]. Turning to an umbrella brand allowed VIG to highlight the fact that they were the largest insurance group in CEE. In addition, the small brands and companies in CEE gained more trust and appeal in the markets. In CEE, the "Vienna Insurance Group" had been perceived as a Western, high quality and reliable brand. Reliability was an important buying criterion, as many insurance companies in CEE countries faced bankruptcy at that time.

UNIQA'S EXPANSION TO CEE

UNIQA originated from five predecessors, the earliest three dating back to the 19th century (Exhibit 7)[24]. The oldest one was the "Salzburger Landes-Brandschaden-Versicherungsanstalt" founded in 1811, first as part of the royal Bavarian fire insurance, and from May 1848 onward as an independent insurance company. The "Austria, allgemeine wechselseitige Kranken- und Lebens-Versicherungsgesellschaft" was founded in 1860. In 1959, it was acquired after volatile and troublesome years as part of several different insurance groups by the "Austria Versicherungs-verein auf Gegenseitigkeit," which was founded in 1919. Together they formed the "AUSTRIA Österreichische Versicherung AG". The "Collegialität Versicherung auf Gegenseitigkeit" was established in 1899 as health insurance, and after its re-establishment in 1948, it has been the

[22] „TU" stands for „Towarzystwo Ubezpieczeń" which means „insurance company" in Polish

[23] VIG. History of VIG. Accessed November 8, 2019. https://www.vig.com/en/vig/history/history-of-vig.html

[24] UNIQA. History. Accessed September 7, 2019. https://www.uniqagroup.com/gruppe/versicherung/uniqa-group/ueber-das-unternehmen/geschichte/History.en.html

largest private health insurance company in Austria[25]. After World War I, the “Bundesländer-Versicherung” was founded in 1922, and in 1969, as the youngest predecessor of UNIQA, the “Raiffeisen Versicherung”.

In 1997, the AUSTRIA-Collegialität and Bundesländer-Versicherung merged to form the Bundesländer-Austria-Raiffeisen-Collegialität (BARC) group. In 1999, the new UNIQA brand was introduced. The BARC group changed its name to UNIQA, and the “UNIQA Versicherungs AG” was set up as parent company with the operative subsidiaries “Raiffeisen-Versicherung,” “Salzburger Landesversicherung” and “Collegialität-Versicherung.” However, “A UNIQA Group company”, was added to their brands.

The predecessors of UNIQA had already acquired a firm in Czechoslovakia in 1991 and then complemented it by a greenfield investment in 1993. In 1999 the greenfield operation „UNIQA osiguranje“ in Croatia was established. The real expansion into CEE started with market entries into Poland in 2001 and Hungary in 2002. In 2003, UNIQA bought the Austrian AXA with subsidiaries in Hungary and Liechtenstein. Due to the great success of the first investments, expansion into new countries continued. Within just five years (2005-2009), UNIQA expanded into 10 markets in Southeastern Europe, Western Balkans and Eastern Europe (Exhibit 8).

As UNIQA was rather a laggard in its expansion to CEE, only smaller players were still available in Central Europe. However, in Southeastern Europe and in the Western Balkans the institutional reforms and the market opening occurred later and UNIQA seized the opportunity to enter into those just emerging insurance markets, leading to the acquisition of strong market leaders (e.g., SIGAL in Albania). Subsequently, the acquired local insurers were rebranded within a maximum of two years to the UNIQA brand, including a co-branding phase for the transition phase, when “A Member of UNIQA Group Austria” had been added to the local brand.

In this phase, the management focused on strengthening the market position mostly through organic growth and a few additional acquisitions. UNIQA complemented its portfolio in Poland and Slovakia in 2006, in Romania in 2008 through the acquisition of UNITA and in Croatia, Poland and Hungary in 2013 through the purchase of subsidiaries from the Swiss Baloise (“Basler Versicherungen”).[26] These companies were merged with the already existing subsidiaries in the respective countries. Furthermore, in 2012 UNIQA gained sole ownership of the subsidiaries in Croatia, Poland and Hungary as it acquired the remaining shares from the European Bank for Reconstruction and Development. Today, UNIQA is present with one brand and one or two subsidiaries[27] in each of its markets. There are exceptions to the rule. In Albania, UNIQA bought

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[25] Johann Hanslik. Genealogie der Versicherungsunternehmungen in Österreich. In Wolfgang Rohrbach, ed.: *Versicherungsgeschichte Österreichs* (Vienna: Holzhausen, 1988), 1164.

[26] Zephyr, uniqa. Accessed July 6, 2019. https://zephyr.bvdinfo

[27] Life insurance companies have to be established as a separate legal entity in most countries to protect the capital stock.

the market leader SIGAL with subsidiaries in Kosovo and Macedonia in 2007. While the Macedonian subsidiary was rebranded to UNIQA in 2009, the SIGAL brand was kept in Albania and Kosovo.

Only in Russia, UNIQA bet from the beginning on a pure "bancassurance business model"[28]. In 2009, UNIQA formed a joint venture with Raiffeisen Bank Russia, called Raiffeisen Life Insurance. Raiffeisen Life Insurance was a subsidiary of the UNIQA Group (75% UNIQA Group, 25% Raiffeisen Bank Russia). Together with Raiffeisen Bank, they launched tailor-made life insurance products that were sold through Russian Raiffeisen Bank's 230 branches[29]. The insurance services should suit the individual wishes and risk profiles of the bank's clients and the requirements and possibilities of the bank. Raiffeisen is a well-established brand in Russia and highly associated with trustworthiness. According to the head of UNIQA International, Wolfgang Kindl, this was a "double niche approach" as in Russia only life insurance products were offered by UNIQA and they were sold exclusively through the distribution channel of Raiffeisen Bank Russia.

In this case, UNIQA drew on the existing strategic bancassurance partnership with Raiffeisen Bank International (RBI) in other CEE markets. In order to tap the huge sales potential in CEE, UNIQA relied on strong inside sales via its own channels, sales via brokers and agents as well as on the established partnership with Raiffeisen for the sale over the bank counter. The extensive sales partnership with RBI gives it direct access to approximately 13 million Raiffeisen customers in twelve countries in CEE[30].

UNIQA was facing external and internal difficulties, restricting the expansion into CEE in the early 2000s: The most crucial external factor was, that UNIQA started the expansion relatively late compared to its competitors. The privatization of state-owned companies in Central Europe began already in the early 1990s. Against this background, UNIQA was expanding into CEE at a late stage of the economic transformation: it entered Hungary and Poland in the early 2000s, further acquisitions followed then in 2005. Most of the formerly state-owned big insurers had been privatized yet and international competitors (e.g., Allianz, Generali) had already established businesses there. For a late entrant only medium-sized insurers, mostly amongst the top 5-10 in their respective countries, were left as acquisition targets.

Internally, the main constraints were a lack of human resources, weak communication with the leadership teams in the countries, and the strong sense of national pride and identity in the CEE

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[28] Bancassurance means the sale of insurance products over the bank counter.

[29] Raiffeisenbank International, Russia's Raiffeisenbank to offer life insurance products in cooperation with UNIQA. RBI Press release October 14, 2009. Accessed September 23, 2019. https://www.rbinternational.com/eBusiness/01_template1/829189266947841370-829189148030934104_829602011694466988-829421449122869977-NA-2-EN.html

[30] UNIQA. Annual Report 2018. Accessed November 8, 2019. https://reports.uniqagroup.com/2018/ar/

countries[31]. Especially in the early years of the expansion, members of the middle management in Austria did not want to move to CEE countries, what limited the exchange between the headquarters and the subsidiaries and reduced the speed of integration of these subsidiaries. UNIQA tackled this issue by introducing mandatory appointments abroad when pursuing a management career.

For the communication within the leadership team, many intercultural trainings and workshops for the Austrian leadership, as well as for the teams abroad, were held to become aware of the cultural differences, to improve communication, and to create processes and solutions to avoid pitfalls.[32] The presence of strong national identities in CEE made UNIQA appoint local managers and establish a decentralized organizational structure. The standards for brand management were still set by the headquarters in Austria. However, the subsidiaries were given some room to adapt to the local needs, for instance, by choosing local advertising themes.

The strong influence of national pride was also experienced during the acquisition of Polonia in 2001. The deal was heavily opposed by some Polish minority shareholders of Polonia, as the takeover by the Austrian UNIQA reminded them of the partition of Poland in the 18th century when Poland was split up between the Kingdom of Prussia, the Russian Empire and the Austrian-Hungarian Empire. Despite this opposition at the beginning, the Polish business turned into a success story for the company[33].

In 2011, UNIQA introduced its "UNIQA 2.0" strategy, which refocused management attention to its core business "insurance" and to its core markets in Austria and CEE. The goal was to double the customer base to 15 million; the insurance premiums from outside Austria should reach half of the total revenues by 2020. The focus on CEE was justified by the high growth potential: the annual insurance spendings per person in the most developed CEE market, the Czech Republic, were one quarter of the Austrian ones, in Southeastern Europe they were less than 10% (Exhibit 5). Furthermore, UNIQA intended to get full ownership of all subsidiaries.[34] According to this strategy, the Mannheimer Insurance in Germany as well as stakes in media companies and hotels were sold in 2012. In 2016, UNIQA started the process to sell its Italian subsidiary; in 2017 the sale to

[31] Andreas Brandstetter. „Die Expansionsstrategie der UNIQA in Mitteleuropa“. In R. Bätscher, C. Grossmann, R. Lürzer, eds.: *Executive Agenda 2004: Leadership / Controlling, Asset Liability Management, Marketing/Vertrieb*. (Lech am Arlberg: GNC - General Consulting Network, 2004), 109–117.

[32] Ibid., 114.

[33] Wolfgang Unterhuber and Andreas Brandstetter. „Die Marke soll begeistern“. in K.-D. Koch, ed.: *No.1 Brands. Die Erfolgsgeheimnisse starker Marken*. (Zürich: Orell Füssli, 2013), 233–246.

[34] UNIQA. UNIQA Group Report 2011. Accessed September 17, 2019: https://www.brand-trust.de/de/artikel/2015/Andreas-Brandstetter-Uniqa-Marke-soll-begeistern.php

Società Reale Mutua di Assicurazioni was legally completed. Not surprisingly, after the shopping spree in the 2000s, the formation of an integrated insurance group had become the main goal.

UNIQA'S BRAND STRATEGY

UNIQA kept many of the brand attributes and positioning since the launch in 1999 and only sharpened it in some aspects. When the company launched the brand UNIQA, it took advantage of the "future aura" of the near new millennium. Market research after the implementation showed that customers associated the brand UNIQA with the terms "open, transparent, likable, friendly and active".[35] This confirmed the successful positioning of the brand as "new and fresh […] and as a symbol for something unique".[36]

UNIQA used the brand positioning in Austria and abroad. The excellent image of Austria in the region helped promoting the brand in CEE. Having the image of a modern, reliable and safe Western insurer was a strong selling proposition in times when several local banks and insurances in CEE went bankrupt and people were tricked by Ponzi schemes. The Western image and the simple fact that UNIQA was sticking to the contract and did pay when legitimate claims were raised, built a positive reputation for the brand.

While the idea of having a single brand across all countries based on a set of core values was quickly understood, the rebranding process itself became a major challenge. In some countries, the local management opposed heavily the rebranding from the local brand to UNIQA, making the transformation tedious and costly. As one official remarked: "In the short run, it would have been definitely easier to keep the local brands." However, Wolfgang Kindl was convinced that it was the right decision: "Being not a local brand, you did not share the history of conflicts in a country and you were not part of any side. That protected our local business and staff in times of conflict." And he added that "under a European brand all your employees identify with the same company, what leads to a common team spirit. This helps in recruiting and makes job rotations within the corporate group easier."

As the largest health insurance provider in Austria, the company stressed the "friendly and active" values of UNIQA in their campaigns. The selling proposition was not just to sell insurance policies but to support the customers in adopting an active and healthy lifestyle in order to gain

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[35] Brigitte Turner. *"PR als Element der Kommunikationspolitik in der Versicherungswirtschaft am Beispiel der UNIQA-Versicherung."* Diploma thesis. (Vienna: Wirtschaftsuniversität Wien, 2000), p.91

[36] Brand Trust Insights. „Die Marke soll begeistern". Interview of UNIQA CEO Andreas Brandstetter. Accessed December 5, 2019. https://www.brand-trust.de/de/artikel/2015/Andreas-Brandstetter-Uniqa-Marke-soll-begeistern.php

“confidence and vitality”.[37] UNIQA used two different strategies to achieve this goal: Health and vitality services and sport sponsoring.

Soon after the rebranding from BARC, the “UNIQA VitaClub” was introduced for its customers, offering fitness and health advice as well as access to a network of “UNIQA VitalCoaches” that included discounts for fitness centers and medical checkups. All these measures aimed to support a healthy lifestyle and to reduce the risk of fatal injuries and illnesses for the customers. UNIQA benefitted from saving costs for medical treatments for their customers.[38]

Sport sponsoring has two significant advantages for UNIQA: First, the brand could be credibly connected with an active, positive and healthy lifestyle and, second, it allowed localizing the brand. Sports and athletes were carefully selected based on the popularity in each country. UNIQA made use of the strong sense for national identity by supporting selected national heroes, particularly world champions and Olympic medal winners, and hoped for a positive image transfer to its brand. For instance, UNIQA had supported the alpine skier Veronika Zuzulowa in Slovakia, the water polo players, the “Steinmetz brothers”, in Hungary, Štěpánka Hilgertová in white water rafting in the Czech Republic and the basketballer Sascha Djordjevic in Serbia.[39]

LOOKING AHEAD

For both insurers future growth did not lie in adding new country markets to the existing ones in CEE but in growing the business with the existing accounts and in winning new customers in each market. They expected that the lagging in Southeastern Europe and Eastern Europe might reach the higher level of Central European markets within 20 years. This development alone would further increase the CEE’s share of total premiums. The introduction of new products and services, an increasing demand for retirement planning in aging societies as well as the cross- and up-selling opportunities for existing products will fuel growth in the rather mature markets of Austria and Central Europe.

One major trend that the insurance industry was increasingly feeling was digitalization. Customers and channel partners were asking for simpler products and processes, as well as easier access to their insurance services. Additionally, the internal rationalization potential was enormous. Not surprisingly, innovation and digitalization conquered a central place in the strategic plans of both

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[37] Christopher Spall. Differenzierung in einem undifferenzierten Markt: Wie Finanzmarken sich in fünf Zügen aus der Austauschbarkeitsfalle manövrieren. In K.-D. Koch, ed., *„No.1 Brands. Die Erfolgsgeheimnisse starker Marken.“* (Zürich: Orell Füssli, 2013), 247–261.

[38] UNIQA. “Eine Produktidee von UNIQA - der VitalPlan PLUS.“UNIQA Press Release. Accessed September 14, 2019. https://www.uniqagroup.com/gruppe/versicherung/press/press_release/archive/2003/pa_eichler_fohnsdorf.de.html

[39] Peter Schnitt and Rainer Himmelfreundpointner. *Interkulturelles Marketing in aller Welt. Das Geheimnis der Exporterfolge österreichischer Unternehmen anhand von 21 Fallbeispielen aus der Praxis*. (Vienna: Service-GmbH der Wirtschaftskammer Österreich, 2008), 46.

insurers. The modernization of IT systems and the development of digital hubs to support and coordinate activities had a high priority. Under the "Agenda 2020", VIG ran more than 150 projects and invested about EUR 200 million within four years into digitalization.[40] In 2016, UNIQA launched the largest investment and innovation program in the company's history amounting to around €500 million[41]. The program aimed at aligning processes and services with customer expectations that were increasingly shaped by the digital revolution. Both insurers motivated their subsidiaries to come up with new digital solutions and began cooperating with innovative startups.

There remained the question how branding would be affected? Would digitalization push VIG to form a unified company under one brand? VIG's strategist, Klaus Muehleder, was not convinced that digitalization called for a single brand strategy across countries and for a departure from the highly successful multi-brand strategy: "In the case of a damage event, the customer still needs to contact somebody who is locally available and able to check the damage at short notice properly. Therefore, a local presence will still be needed in the future and the single international brand does not necessarily make a difference in this situation." Digital solutions might work in a specific niche market such as travel insurance, but not for all the offerings of a universal insurer whose range of insurance services includes property, casualty, life, health, and retirement plans.

QUESTIONS:

1. What were the main characteristics of the internationalization processes of VIG and UNIQA in CEE? In which respect were their CEE expansion paths similar and where did they differ?
2. Why did UNIQA opt for a single brand strategy? What are the main advantages of UNIQA's single brand strategy?
3. What challenges brings VIG's multi-brand strategy? Having 2-4 brands in a local market, what should be the main criteria guiding the management in running this brand portfolio?
4. How does the increasing digitalization influence the brand strategy? Is digitalization threatening the continuation of the multi-brand strategy?

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[40] VIG. Investor Presentation Half-Year Results 2019. Accessed December 11, 2019. https://www.vig.com/fileadmin/web/Investor_Relations/Downloads/Praesentationen/BankConferences-Roadshows/englisch/2019/191007_08_-_Bank_Conference__Investor_Presentation.pdf

[41] UNIQA. History. UNIQA corporate website. Accessed September 7, 2019. https://www.uniqagroup.com/gruppe/versicherung/uniqa-group/ueber-das-unternehmen/geschichte/History.en.html

EXHIBIT 1: VIG AND UNIQA – KEY FIGURES 2018

	VIG	UNIQA
Premiums written (EUR mio.)	9,657	4,989
Foreign share of premiums written	60%	30%
Result before taxes (EUR mio.)	485	294
Geographic presence (number of CEE markets)	25 countries (18)	18 countries (15)
Number of customers	20 mio.	10 mio.
Number of employees	25,000	12,800

Sources: Annual Reports 2018 of VIG and UNIQA

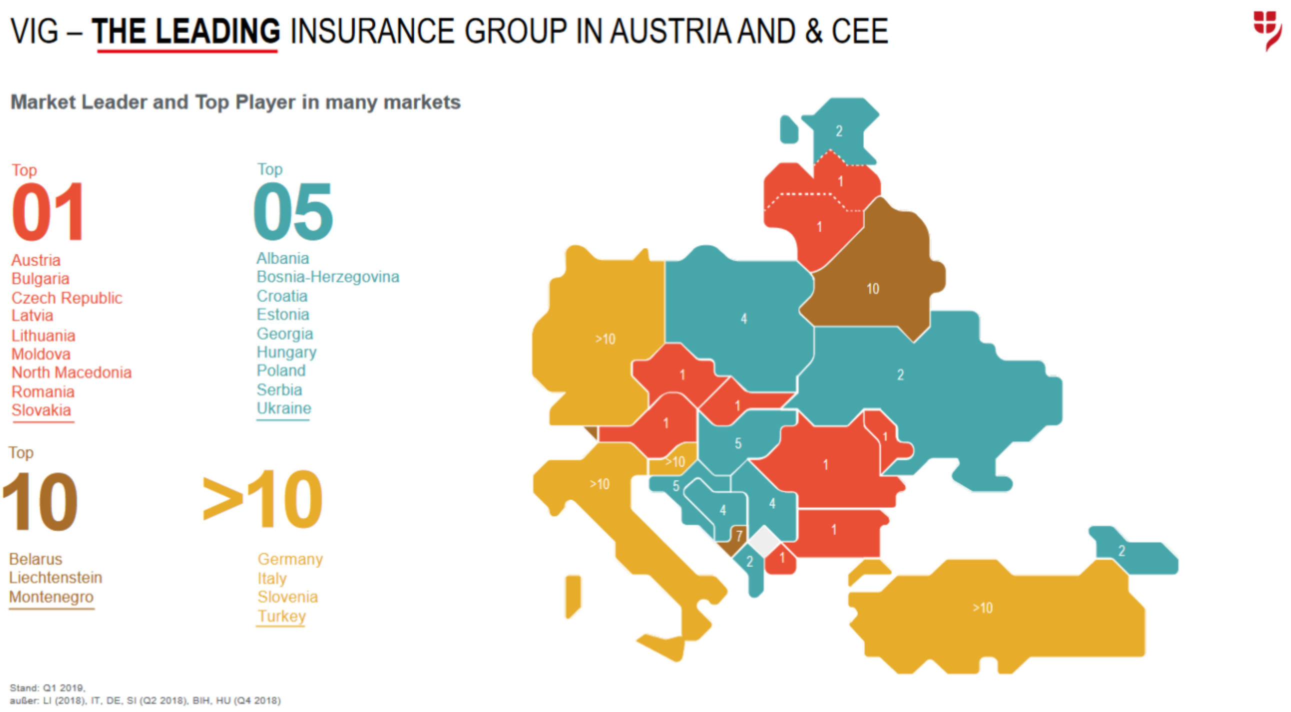
EXHIBIT 2: OVERVIEW OF VIG'S COMPANIES AND BRANDS

Source: VIG Corporate Presentation September 2019

EXHIBIT 3: MANAGEMENT PRINCIPLES OF VIG

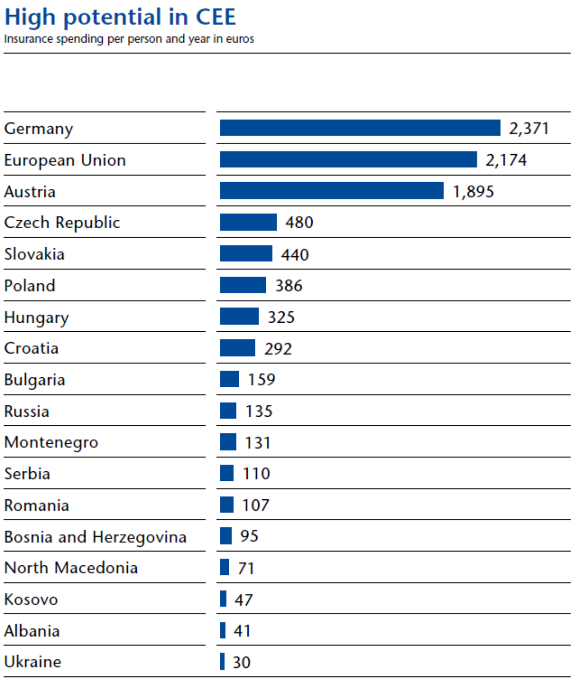
Source: VIG Annual Report 2018

EXHIBIT 4: VIG –PRESENCE AND MARKET POSITIONS IN AUSTRIA AND CEE



Source: VIG Corporate Presentation August 27, 2019

EXHIBIT 5: ANNUAL INSURANCE SPENDING PER PERSON IN CEE (IN EURO)



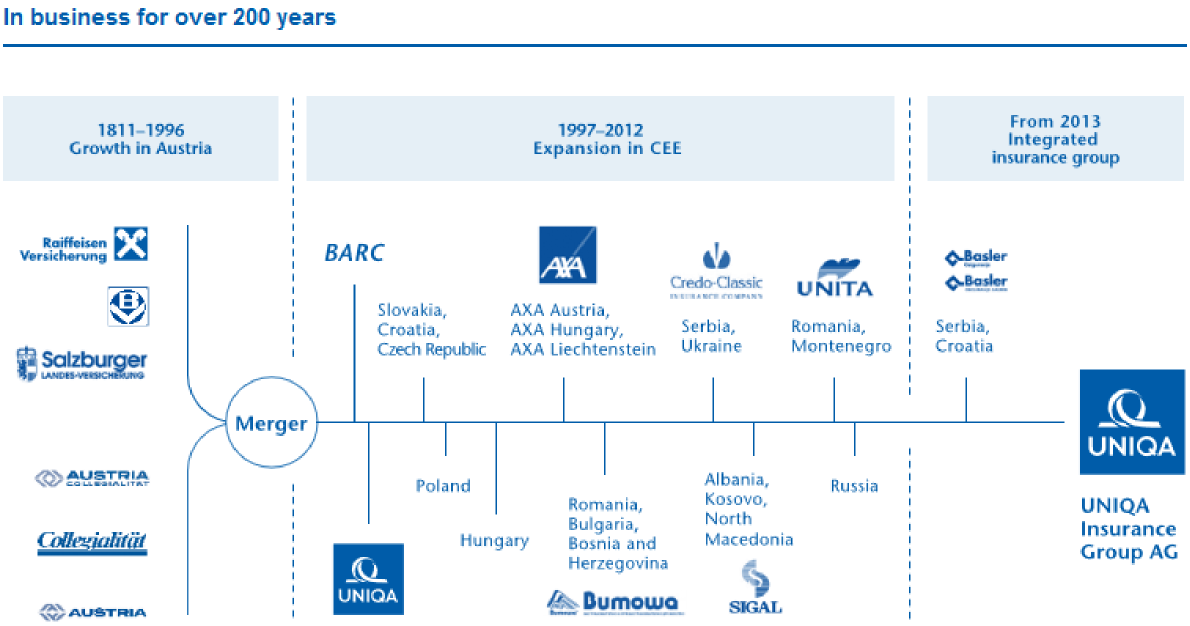
Source: UNIQA Annual Report 2018

EXHIBIT 6: VIG'S FOREIGN MARKET ENTRIES SINCE 1990

Year	**Central and Eastern Europe**	**Other countries**
1990	Czechoslovakia	Germany
1996	Hungary	
1998	Poland	
1999	Croatia	Italy, Liechtenstein
2001	Romania, Slovakia	
2002	Bulgaria, Belarus	
2003	Serbia	
2004	Slovenia, Ukraine	
2005	Georgia	
2007	Albania, North-Macedonia, Kosovo, Estonia, Latvia, Lithuania	Turkey
2010	Montenegro	
2011	Bosnia-Herzegovina	
2014	Moldova	

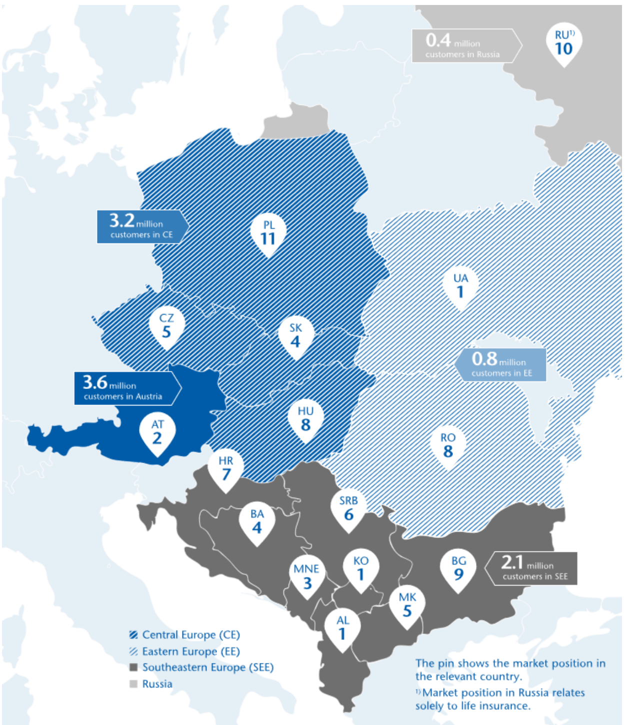
Source: VIG Corporate Website https://www.vig.com/en/vig/history/history-of-vig/

EXHIBIT 7: UNIQA'S GROWTH IN AUSTRIA AND EXPANSION IN CEE



Source: UNIQA Annual Report 2018

EXHIBIT 8: OVERVIEW OF UNIQA'S PRESENCE IN CEE



Source: UNIQA Annual Report 2018