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MetLife's International Strategy

Alico's Acquisition

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Abstract

Title: MetLife's International Strategy – Alico's Acquisition by MetLife

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The current business environment is characterized by a huge uncertainty, competitiveness and constant attempt to decrease costs and increase productivity. The companies' focus is even more on processes in order to achieve the desired results. In order to remain in the market, companies were led to change their organization structure and processes to satisfy customers' needs, who are increasingly demanding and diverse.

It is essential that companies are able to develop sustainable strategic plan. If the strategy is well executed, this will result in the creation of a competitive advantage for the company, with the purpose of generate added value.

This thesis aims to analyze MetLife's international strategies.

The study will have as main focus, the international expansion, Iberian integration and especially the Alico's acquisition by MetLife - the main benefits and risks of this operation.

It was made an effort to have the largest possible access to participants in these three processes in order to understand the main reasons for the continued growth of MetLife, in a market that is increasingly global and competitive.

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CASE STUDY



MetLife[®]

1. MetLife's History

In 1863 a group of businessmen founded the National Union Life and Limb Insurance Company, in New York. The company assured sailors and Civil War soldiers, against disabilities, due to war injuries, accidents and diseases – with only U.S. \$100,000.

On March 24th, 1868, the National Union Life and Limb Insurance Company became Metropolitan Life Insurance Company, now known as MetLife, and changed its line of business to life insurance.

In 1873 a depression gripped the nation and consequently the company suffered a dark period with Metropolitan's business dropping from 8,280 policies in 1874 to 510 in 1879¹. Many life insurance companies were unable to meet their obligations and failed. As a result, popular confidence in life insurance hit an all-time low.

In 1879 MetLife's president, Joseph F. Knapp, traveled to London to observe the success of the Prudential Assurance Company of London, a company that had become successful writing industrial insurance. Knapp's interest in insurance of the masses was longstanding. He returned to New York more determined than ever to push MetLife into industrial insurance. The industrial insurance programs were characterized by small premiums, which were collected weekly or monthly at the policyholder's home.

In 1880 revenues from premiums exceeded U.S. \$1 million. MetLife had become the largest life insurer in the United States of America - ratings given by the total number of life policies issued - growing 93% comparing with the previous year.

In 1930, MetLife insured approximately one fifth of the population in the U.S.A. and Canada. And its assets grew from U.S. \$200 million to U.S. \$4.2 billion.

That same year, MetLife began to diversify its portfolio by reducing the percentage of individual mortgages in favor of public utility bonds, investments in government securities, and loans for commercial real estate. The company financed

¹<http://www.answers.com/topic/metropolitan-life-insurance-company>

the construction of the Empire State Building in 1929, and the construction of Rockefeller Center in 1931.

During World War II, MetLife put more than 51 percent of its total assets in bonds of war, and was the largest private contributor to Allied Cause.

During the postwar era, the company expanded its suburban presence, decentralized operations, and refocused its career agency system to serve all market segments it has also started to sell group insurance for employers and institutions.

In 1981 MetLife settled in 200 Park Avenue, buying the known "MetLife Building" by U.S. \$400 million to Grand Central Buildings, Inc., a group that included the Pan American World Airways.

In 1998, the Board of Directors authorized a demutualization of the company. Eighteen months later, on April 5th, 2000, MetLife held an IPO, which resulted in the issuance of 202,000,000 shares at U.S. \$14.25 per share. That year MetLife had 9 million shareholders and was the most widely held stock in North America.

MetLife announced on February 13th, 2001, that the Federal Reserve Board had approved the company's application for the acquisition of Grand Bank, which became known as MetLife Bank. That same year, the company also invested U.S. \$1 billion in the stock market in the U.S., after the terrorist attacks of September 11st.

On July 2005, MetLife acquired all international insurance operations of Travelers Life & Annuity from Citigroup, a business of around U.S. \$11.8 billion. The combination of Travelers Life & Annuity with MetLife made MetLife the largest individual life insurer, in North America, based on sales volume, and caused an increase of 60% in the retirement business and assets of general savings accounts.

Commenting on the agreement, the former president and CEO of MetLife, Robert H. Benmosche said, "this transaction increases the size of MetLife and scale our main products and markets. It also allows them to fully leverage the substantial investments made in their infrastructure, over the past few years, in order to improve operational efficiency and IT platforms and build a high performance culture.

On April 2006, the current president of MetLife, C. Robert Henrikson, was named chairman of the board, president and CEO of MetLife.

In 2008, MetLife Bank, NA, a division of MetLife Inc., acquired the residential mortgage business, located in Memphis - First Horizon National Corporation. The purchase included the unit for home loans - First Tennessee Bank National Associations - with 230 offices in the U.S.

Both transactions were carried out in order to expand the company's in the same year, MetLife also purchased the mortgage division of Florida - based EverBank Financial Corp. participation in the U.S. housing market.

In that same year, MetLife split off its 52% of participation in Reinsurance Group of America, Inc. MetLife received the majority of the RGA as a result of the acquisition of GenAmerica in 2000. The split off gave MetLife's shareholders the option to exchange shares of MetLife for RGA's shares.

On March 8, 2010, MetLife announced that it had agreed to acquire American Life Insurance Company - Alico from American International Group in a deal that would pay about U.S. \$7.2 billion in cash and U.S. \$9 billion in equity of MetLife and other securities.

Edward Liddy M - President and CEO of AIG –was looking for a buyer with a brand, well positioned, financially strong, to acquire the whole patrimony of Alico, a property with excellent production and distribution platform.

2. Alico

Alico was a world leading insurance company, with more than 85 years of history, characterized by growth, profitability and success.

Alico was a separate, stand-alone regulated insurance company acting in more than 50 countries around the world, satisfying needs of more than 19 million customers, and was one of the main international organizations, with assets that exceeded U.S. \$100 billion.

Its solvency and liquidity remained strong. Alico was rated independently from AIG, with a Standard & Poor's financial strength rating of A+ (developing

outlook) and a Moody's financial strength rating of Aa3 (under review) at the 23 September 2008².

However, the bankruptcy of investment bank Lehman Brothers, on September 15, 2008, after the failure of negotiations between the U.S. government and banks that were interested in its acquisition, caused a technical failure of AIG group.

The U.S. Government, in order to save AIG operations and prevent a bigger financial catastrophe, loaned U.S. \$85³ billion to AIG. In exchange, U.S. Government held 79.9%³ in the shareholding control of the group, and the management of their businesses, nationalizing it temporarily.

The sale of Alico was part of the AIG's strategy to generate sufficient liquidity to repay the loan from the Federal Reserve Bank of New York and change its capital structure.

Alico arrived in Portugal in 1985, and was the first foreign insurer to settle in the country, bringing extensive experience in private protection plans and a consolidated international position.

Looking at Alico's Portugal accounts reports, from 2009 to 2010. And looking to MetLife's Portugal accounts reports, from 2011 until 2012, after the acquisition, we can take two important conclusions, regarding the fluctuations of the premiums value and the amount of the investments:

- Since 2009, the premiums collected value has decreased, going from 75.2M⁴ in 2009 to €69.7M⁴ in 2012, representing a decrease of more than 7%. The main factor that justifies this situation is the difficult economic conjuncture that we assist in Portugal. This conjuncture has decrease the purchasing power of Portuguese families and therefore reducing the number of MetLife's customers and consequently the total premiums collected annually;

- MetLife Portugal spends, at least, 15%⁴ of the total premiums received, on investment. There is a positive relation between these two factors, when the

²Press Release from Alico and AIG

³<http://online.wsj.com/news/articles/SB122156561931242905>

⁴Accounts Report of MetLife

premiums increase the investment will increase too and when the premiums decrease the investment will also decrease.

3. Alico's Acquisition by MetLife

As one of the biggest worldwide international companies, MetLife is always looking for new opportunities to keep growing, in a fast global and competitive market, which has suffered in the last years an economic crisis that has turn more difficult to achieve the desired results.

Since early 2008 that MetLife was studying the possibility of acquiring Alico, and finally in 2010 that possibility become real. The negotiation process of the acquisition was absolutely normal, fast and calm, in spite of the popularity around this process, due to 16,2 billions that MetLife paid to AIG and the high benefits consequences of this acquisition to MetLife.

In spite of the high benefits, it was therefore necessary to create an integration program to achieve success as quickly as possible, getting the expected returns and to minimize unnecessary costs.

However, neither everything occurred like planed, as confirmed by William Toppeta, president of MetLife's international business, at an investor conference in Tokyo: "the integration will cost U.S. \$500M over three years. The company had originally projected that the integration would cost between U.S. \$300M and U.S. \$350M and had expected annual savings of U.S. \$50M, however, these higher integrations costs are coming in from IT costs, branding and people costs"⁵.

The integration process between MetLife and Alico was done in three major phases. The **first phase** was the "discovery of integration" which was completed around 100⁶ days after the acquisition. The intention was to valuate the business situation of the acquired company, realize a cultural diagnosis of the acquired company, in order to understand their values, their culture and the organization structure and processes. After that a new organizational structure, vision and mission

⁵Toppeta W., September 2010

⁶MetLife Internal Information

were set up and were transmitted to all employees, so they could start to feel as part of a new and unique company.

MetLife also determined the guidelines for internal and external communication, under the vision of how changes would add value to the company. The communication was made having the conscious of the anxiety and uncertainty lived by employees and customers. It requires a careful handling, based on intense and clear communication on both sides. So it was done in order to reassure them, to guide them throughout the process of integration and to stimulate them with realistic expectations.

MetLife made an effort to include all Alico's collaborators in its internal structure and to create a unified MetLife family, which would allow them not only to motivate collaborators but also contribute to the willingness for change and consequently facilitate the integration process. To do so, there were constant internal communication about the evolution and results of the integration progress, which acted directly in collaborators' motivation as they felt part of the process, knowing that their efforts would contribute positively to the chosen path.

Additionally, as a way to reduce attrition, both structures were allowed to continue operating as usual. Only after a proper assessment could be made, on which activities should continue or be terminated (either from MetLife and/or Alico), would the final structure be determined.

In early 2011, the **second phase** of the integration process started, by changing the brand name and image, which allowed presenting the company as one.

After the integration of all employees as a unification process, MetLife did a careful analysis of all available human resources, their responsibilities and organizational needs. After this, MetLife was able to decide which collaborators the company should retain or not and how to re-organize or invest in this area, in order to satisfy a greater number of business activities.

This analysis also allowed a better understand of the potential of each employee and how this potential could be applied and magnified for the benefit of the company.

Nuno Oliveira, Marketing Specialist in MetLife, said: “as a result of this analysis, there were a restructuring process, resulting in the dismissal of collaborators both from Alico and MetLife, mostly board of directors. After this thorough analysis, MetLife also decided to reduced its branches worldwide – Reducing approximately from 60 to 45 branches.”⁷

The **third and last phase** started in 2012 by changing most of IT systems and unifying all other infrastructure.

By the end of this process it was clear that this acquisition and consequent integration was possible due to MetLife's focus on the process, discipline and financial stability during the financial crisis.

4. Benefits and Risks of the Acquisition to MetLife

The acquisition was consistent with MetLife’s international growth strategy and its business was highly complementary with Alico’s. For example, this strategic combination allowed a better mix of products and significantly increased the distribution capacity of MetLife.

The acquisition allowed not only to refocus on global growth - MetLife moved its presence from 16 to more than 60 countries, and from 70 million to 90 million customers (See Exhibit 2) but also to increase the geographic amplitude in markets which were unexplored by MetLife, such as the Japanese. A significant portion of the current 90M customers came from Japanese market, which accounts approximately 18% of total worldwide premiums of life insurance. Through this acquisition, Japan accounts, approximately, 20% of MetLife’s operating earnings.

The elderly population in Japan continuous to have a growing need for health insurance and supplementary medical Alico provided. The segments of retirees and pre-retirees are growing rapidly as well as segments of single women and childless couples. This demographic growth, in these segments, represented an excellent growth opportunity for combined products and distribution capacity in Japan.

⁷Oliveira, N., December 2013

It allowed MetLife to become a leader in Japan, the second largest life insurance market and reaching the fifth position in emerging markets, with high levels of growth, in Central and Eastern Europe, Middle East and Latin America (See Exhibit 3).

It was expected that in 2011 the integration Alico would increase the combine entity's profitability, return on equity and the value of MetLife's share price.

According to Oscar Herencia - General Director of MetLife Iberia - "there were risks associated with the entry of MetLife in markets where the economy still under development, with few maturity."⁸

In such markets, there is a great potential for growth in the insurance sector. On the other hand, there is the risk of the population only have the financial resources in the medium and/or long-term and still not have a clear perception of the importance of being insured.

Oscar Herencia also confirmed that there was "concern about incompatibility between MetLife and Alico's culture. There is a risk of loss of identity and motivation among employees.

The combination of different cultures in such processes requires careful handling, based on intense and clear communication between employer and employee. Cultural conflicts are a major cause of failure in acquisitions processes (Harding; Rovit, 2005, p.21).

The post-acquisition period is characterized by the structuring of new working environment, where shouldn't exist the concept of "acquired company" and "buyer", but rather a new company with a new identity.

Oscar Herencia said, "there was the fear that the learning curve and the adaptation to new working methods, would grow more slowly than was expected.

There was also the risk of both costumers and employees, losing sight of MetLife's corporate identity.

The financial risk was the one that weighed less in decision making because Alico was a financially healthy company".

⁸Herencia O., September 2013

5. MetLife Group Today

MetLife's main source of revenue comes from insurance premiums. The company takes the money paid by those who buy insurance policies and invests it in a number of different ways, for example debt titles. If the return on investment plus the premiums is greater than the payout to policyholders, the company has profits.

Currently, its operations are located in the United States, Latin America, Asia, European markets, Middle East and India.

Today MetLife's top markets are: Mexico, where MetLife is leader; Portugal and Spain; Japan; USA; Russian and Poland⁸.

Through its subsidiaries MetLife is a leader in several markets of the insurance sector and ranked at fifth place by Fortune 1000 companies - year 2011.

MetLife operates in three diversified business areas, that include institutional insurance, individual insurance and international service:

The **Institutional Insurances** are responsible for half of MetLife's revenue. This category includes group life insurance, retirement plans, and savings services sold to third parties, rather than directly to the customer. Insurance in this category generates less revenue per unit than individual insurance, but each plan has multiple units leading to greater overall revenue. This portion of MetLife's business has remained relatively stable over the past few years.

Individual Insurance is in MetLife's retail department. The company sells individual life insurance plans and annuities directly to the end consumer. Although second in terms of revenue generated, this business is number one in terms of net income and it is MetLife's most profitable business. Regarding Auto and Home Insurance, this is a smaller portion of MetLife's business but it still is significant to the company's profits.

Regarding **International Services**, MetLife has a large operation in Mexico and several businesses in Korea and Japan selling financial services. MetLife also acquired Travelers Life & Annuity (mid-2005), which helped to open up channels for sales in Europe. As part of its plan for further international expansion the company is

targeting developing economies such as China. Typically it will "seed" these countries by offering a few services on a small scale. Based on the outcome MetLife will then make a decision to expand its service offering or shut down its operations in that country.

The company also operates in the banking sector, offering products with different characteristics, which depend of customers' needs.

In 2012, MetLife charged more than €87 million in insurance premiums, a decrease of 5.8% when compared to 2011. A year earlier, the value was €92 million.

Making a short reference to MetLife Portugal, besides the decrease of premiums also felt in Portugal, there was an increase of the risk of Portuguese public debt, which led MetLife to sell all their titles in 2011; having a smaller financial gain comparing with previous years. Today investments are made in public debt of countries like Germany, France and Austria, where the risk is substantially lower.

6. MetLife Portugal Today

According to José Salinas, Director of Strategy and Planning in MetLife Iberia, "MetLife has 4 main business pillars: Employee Benefits, Direct Marketing, Face-to-Face and Bankassurance.

The weight of these 4 pillars for the total annual premium varies, mostly depending on three factors, the macroeconomic environment, the profound demographic changes and the strength of competitors."⁹

In Portuguese recent years, there were no major demographic changes, or large variations of the strength of competitors. However, the economic crisis has forced the implementation of some changes that were only possible because of MetLife's Portugal small structure and also because MetLife sells mainly to a niche market.

The four commercial pillars are flexible which allows MetLife to swiftly refocus business depending on current market environment without assuming a substantial cost. Today, the strategic focus of MetLife Portugal is targeted for Direct

⁹Salinas, J., October 2013

Marketing and Face-to-Face, but a few years ago Bankassurance had a relatively higher contribution to the total value of annual premiums.

The commercial pillar that has greater weight is still the **Employee Benefits**, (a simple product developed for employers who want to benefit their employees), but it has been loosing market share in recent years due to huge competition in the domestic market, which also has similar products at a very competitive price.

Adding to this the Employee Benefits, sold by MetLife, is only a simple Life Insurance when compared to its competitors that aggregate Life Insurance and Health Insurance, making the offer more appealing as it cannot satisfy enterprise customers' needs, who seek both solutions.

Bankassurance line of business has three main sales channels: Insurance Companies, Banks and Specialized Financial Entities, but it has not grown, as MetLife would like, due to the low acquisition of new customers. In recent years, MetLife has done mostly the portfolio management.

Other reason for not growing as expected, is a verified pro-cyclical; sales increase or decrease according to the evolution of macroeconomic levels. Having that in consideration, it's accepted to say that MetLife has sold less Bankassurance policies once Portugal is economically unstable which led to a decrease of real property consumption and consequently credit products consumption. MetLife was able to mitigate this downfall, taking it to its advantage, by capturing customers from banking institutions who were looking for similar products at a more competitive price.

Face-to-Face line of business sells individual products, not corporate final consumption, through two different channels, Agencies and Brokers and it has registered an increase over the average in the total annual premiums in the last two year.

Agencies do a consultative selling, which means that they do a specific package to each customer with a specific set of products, in the form of protection plan, in order to satisfy their needs, previously diagnosed by a financial analysis.

Brokers are a multi-brand, which don't work exclusively for MetLife, and do sales by product.

According to Gonçalo Pereira, Face-to-Face Director, “the main reasons for this growth - since 2011 with values more pronounced in 2012 - are:

- Optimization of the structure through the main focus on activity rather than outcomes;
- Differentiated approach to different Brokers, by MetLife, as an expert in Life Products;
- Reset minimum standards focusing on professionalization, by reducing the Agencies structure - from 350 to 200 consultants;
- The certification of Mediators began to be made via e-learning, rather than be made in person (structure optimization by reducing costs)”.¹⁰

Direct Marketing Department is responsible for direct sales between MetLife and customers with similar needs. This line of business is divided into three types of activities:

- Sponsors/Partners: Providing databases to sell MetLife's products. The communication is usually done in partners name, and the products characteristics are, usually, agreed with the partner. The profit share is divided between these two entities.
- Ecommerce: Capturing online Leads. These leads come to MetLife via API's, and therefore contacted in real time, and the products are presented depending on what was previously selected. The profit share is 100% MetLife.
- List Brooking: Purchasing Database for a single use.

To achieve this, MetLife DM Department subcontracts telemarketing platforms, with trained teams and accompanied by MetLife's supervisors.

MetLife is an insurance company mainly of Life Products and Personal Accident, so its portfolio of products is based on these two products, looking after different approaches to sell its products, adding gimmicks, which allow a differentiation from the competition.

¹⁰Pereira, G., October 2013

Francisca Teixeira, MetLife's Key Account Manager said, "today we are selling mainly an Hospital product with health services associated. This product allows, in addition to a daily compensation in case of hospitalization upper than 24 hours, discounts on a range of health and wellbeing services".¹¹

There has been a significant increase in client portfolio and premiums charged due to the expansion of online business, and through product developments that seek to satisfied customer's real needs. Online business allowed reaching different clients, who don't belong to any partner that usually work with MetLife, but also allows MetLife to collect 100% of the premiums charged. On the other hand, products recently developed, have allowed not only to charge higher premiums, but also to satisfy customers' needs.

7. Competitors of MetLife in Portugal

By the end of 2011, the market worth around €12 billion (8€ billion coming from Life insurance and €4 billion from non-life insurance) spread over 82 insurance companies acting directly in Portugal, and employing 11,224¹² employees (See Exhibit 1). This 82 companies paid around €9.000 million (€6.000 million in Life products and €3.000 million in Non-Life products) in benefits and claims (See Exhibit 1).

MetLife Portugal sells three main products "Risk Life", "Financial Life" and "Personal Accidents") and by the end of first trimester of 2013 held the 7th, 12th and 2nd position respectively in Portuguese insurance market (See Exhibit 4).

A further examination to the competitors of each branch of MetLife's products, could be:

In the "**Risk Life**" market, MetLife has 3.61% of market share, with top three places being occupied by the BES-Vida (23.95 %), Fidelidade (18.65%) and Santander Totta Seguros (11.75 %) (See Exhibit 4). Also, BES-Vida produced over 564% more policies than MetLife, Fidelidade 417% more and Santander Totta Seguros 225% more, when compared with MetLife's production (See Exhibit 4).

¹¹Teixeira, F., October 2013

¹²Market Report of MetLife, May 2013

According to "**Financial Life**", MetLife Europe occupies the 12th place in the insurance market, being BES-Vida the leader, Fidelidade the second and Eurovida as number three (See Exhibit 4). Also according to the same article, BES-Vida has 30% of market share, Fidelidade has 28% and Eurovida has 3% of market share. So, we can conclude that this is a highly concentrated market, holding the first two companies about 60% market share (See Exhibit 4).

Moving to "**Personal Accidents**" market, MetLife occupied a solid third place with 10% of market share. Fidelidade occupies first place with 16% of market share, and a production of 55% more policies than MetLife. BES has 12% of market share and occupies the second place with a production of 19% more policies than MetLife (See Exhibit 4).

8. Main Challenges and Strategies

As an Insurance company, MetLife is vulnerable to natural disasters, swings in the equity markets and changes in the macroeconomic scenario. Natural disaster, such as hurricanes, earthquakes and forest fires, can result in hundreds of millions to billions of dollars in losses in a single year. The company paid out U.S. \$333 million in homeowners insurance in 2006 related to Hurricane Katrina.

In recent years, Europe is living a crisis of sovereign debt, plunged into an unfavorable macroeconomic outlook. The stagnation in Western Europe and the United States will continue, in the next years. If we join Japan, we have the world's major economies - and the main markets of MetLife - in crisis.

MetLife's global growth strategy has been redesigned and had the first impact with the acquisition of Alico, enabling rapid international expansion, strengthening its worldwide presence, increase immediately the number of customers and revenue.

After increasing the geographic range, acquiring markets that were unexplored by MetLife and resulting in the Acquisition of Alico, MetLife is now present in more than 50 countries but is always pondering, thorough an analysis about its markets, about what market should continue to invest and which markets should stop. This analysis also provides a good roadmap of new opportunities to keep growing.

Since the beginning of the millennium, Emerging Countries (according to the International Monetary Fund's World Economic Outlook Report, April 2011) are MetLife's main focus. Markets, such as Turkey (where MetLife settled in 1998), Chile (2001), India (2001), Nepal (2002), Lithuania (2005), Latvia (2005), Serbia (2008), etc.

To Nuno Costa, Regional Director of Direct Marketing for Western Europe, "these markets have three main factors in common:

- **Demography** - countries are generally densely populated which exponentially increases the number of potential customers to ensure;
- **Market** - the market has little maturity and has little competition. The existing competition have lower levels of operational quality comparing with Western European countries, in particular in the distribution channels and agencies; departments of Direct Marketing and Face-to-Face. Germany, Portugal, Spain and UK are the following references in these areas.
- **Economics** – the economic capacity of the majority population has increased, in line with the increase of awareness of the importance to be insured, which increase the prospect of higher premiums in a medium/long term".

After having done an exhaustive analysis of all markets where MetLife operates, EMEA was the region where numbers were less lower than expected and a certain stagnation was predicted. Adding to this, Portugal and Spain represented a small percentage each of EMEA's total premium collected. The solution was to integrate these two countries in one Iberian company, and leverage the results of both countries as one. This was a success and now Iberia is one of the major markets for MetLife.

9. Iberian Integration and Future Strategic Plan

On November 6th, 2012, MetLife Portugal and MetLife Spain joined structures by becoming MetLife Iberia. This union's main objective was to reduce costs, particularly employees' wages of senior positions, as a way to fight against the decrease of costumers caused by the economic crisis. It was a 2 year plan for the integration.

Positive results were immediately verified as the learning path was easy to follow, but still there was space for improvement, particularly in the integration process: improve task distribution, optimizing information technology systems and leverage Iberian position with suppliers, renegotiating contracts.

By the end of 2012, MetLife established a strategic plan to be held between 2013 and 2016, in which defined guideline to a continuous annual growth, on average, between 4% and 6%.

According to José Salinas, "the strategy has 4 main points:

- Attract new Sponsors and focus on key business areas in order to optimize the Iberian integration; Taking advantage of the Direct Marketing's expertise and capability as a differentiator factor in both markets. The major objective is to increase the ANP – annualize premiums - rom €34 million in 2013 to approximately €43 million.

- Focusing on Costumer Centricity;

- Improve the efficiency in the support areas: growth of the income from synergies and best practices in Portugal and Spain. This is one of the main reasons for integrating Portugal and Spain. José Salinas said "it is not necessary to reinvent processes but take advantage of the knowledge and experience of both countries. We have to optimize our talent and increase efficiency, because we have a commitment with the region and the Division: U.S. \$1M in process efficiency savings".

- Increase the role of Face-to-Face in Spain and optimize returns in this department in Portugal"¹².

Agencies represent a significant portion of total revenues and are the only distribution channel fully managed by MetLife. The differences between Portugal and Spain are seen as challenges and nurture the hopes of growth above 6%¹².

Brokers represent a successful business model in Portuguese market and a perfect case to be exported and replicated in Spanish.



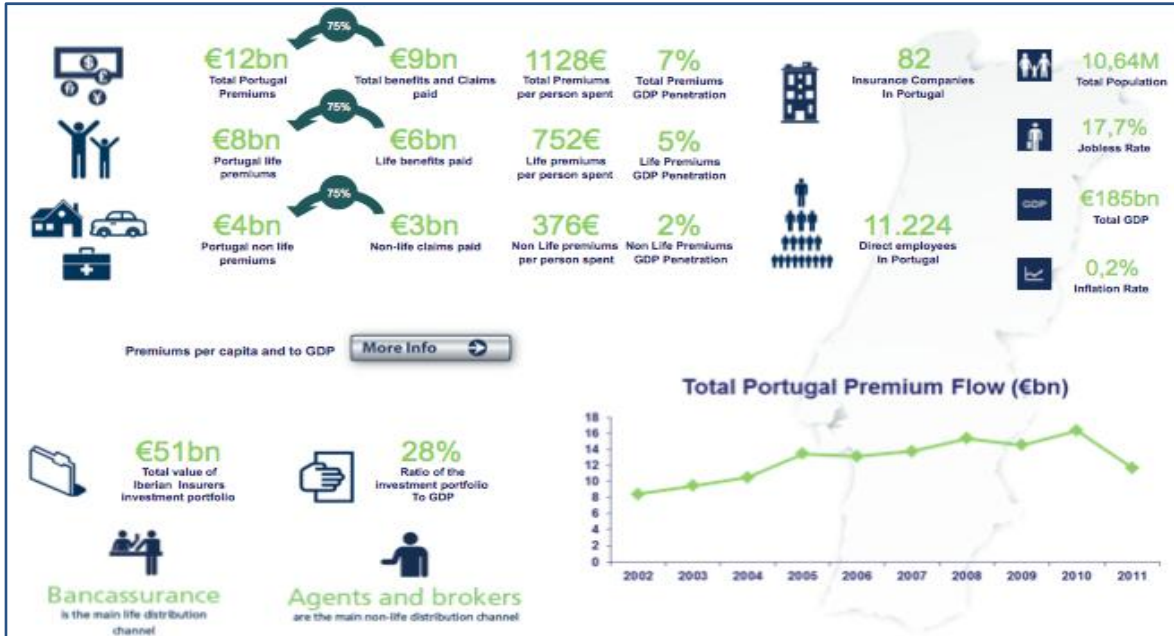
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EXHIBITS



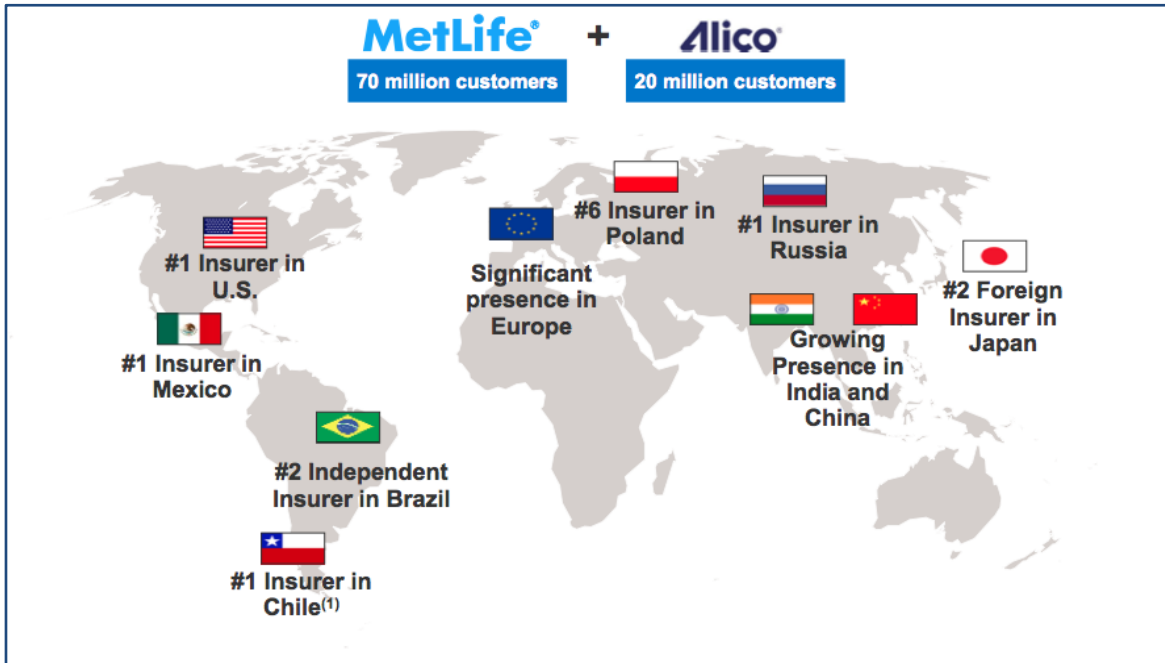
MetLife®

Exhibit 1: Market Observatory - Snapshot – Portugal



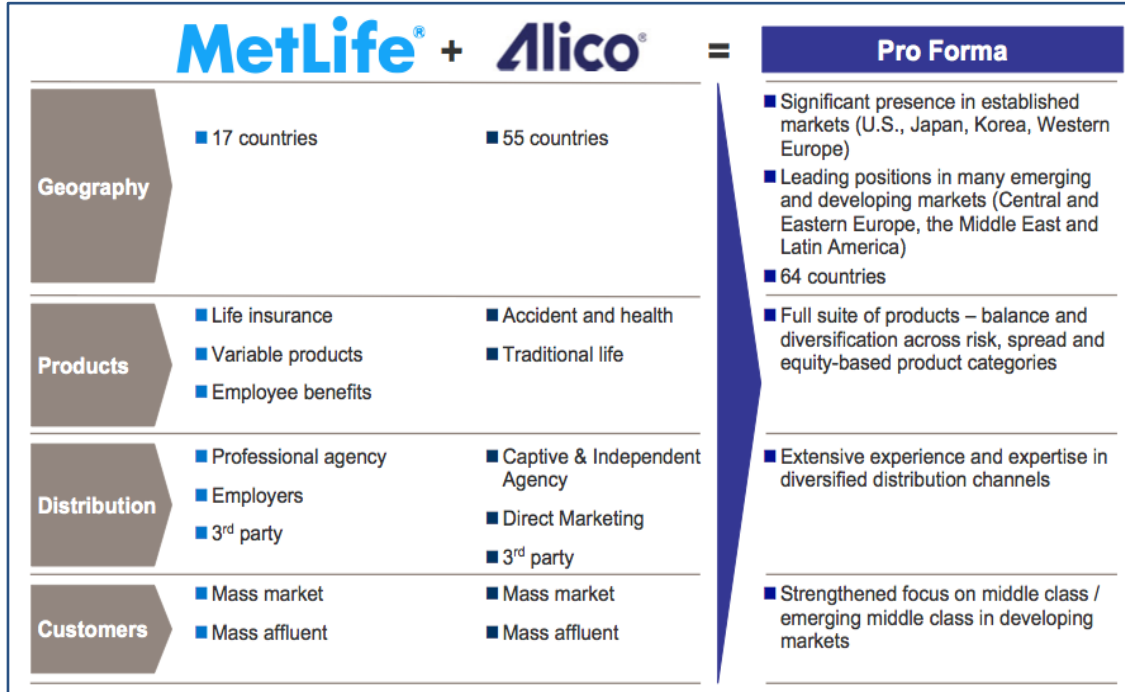
Source: Swiss Re Sigma

Exhibit 2: MetLife and Alico in Worldwide



Source: Internal Report from MetLife, March 2010

Exhibit 3: Combination creates the Premier Global Life Insurer



Source: Internal Report from MetLife, March 2010

Exhibit 4: MetLife Portugal versus Market

MetLife Face-off (1 st Q 2013)			Risk Life		Financial Life		Personal Accidents				
COMPANY	RANK	QUOTA	FACING MET	COMPANY	RANK	QUOTA	FACING MET	COMPANY	RANK	QUOTA	FACING MET
Occidental Vida	1	23,95%	563,87%	BES-Vida	1	29,60%	10753,56%	Fidelidade	1	15,63%	54,85%
Fidelidade	2	18,65%	416,93%	Fidelidade	2	28,34%	10293,13%	Occidental	2	12,00%	18,87%
Santander Totta Seg	3	11,75%	225,51%	Eurovida	7	2,55%	836,64%	MetLife Europe	3	10,10%	
Allianz Portugal	4	8,04%	122,72%	Allianz Portugal	10	1,68%	516,63%	CA Seguros	4	8,31%	-17,73%
BES-Vida	5	5,50%	52,47%	Axa Portugal Vida	11	1,01%	269,62%	Açoreana	5	7,95%	-21,22%
Axa Portugal Vida	6	3,70%	2,59%	Lusitania Vida	12	0,97%	254,55%	Lusitania Seguros	6	7,02%	-30,42%
MetLife Europe	7	3,61%		Açoreana	13	0,92%	237,53%	Allianz Portugal	7	6,87%	-31,99%
T-Vida	8	2,88%	-20,20%	Zurich Vida	14	0,87%	220,00%	AXA Portugal Seguros	8	5,88%	-41,78%
CA Vida	9	2,85%	-21,09%	Mapfre Seguros Vida	15	0,63%	129,42%	Tranquilidade	9	5,23%	-48,15%
Victoria Vida	10	2,79%	-22,81%	Generali Vida	16	0,39%	44,77%	Generali Seguros	10	4,98%	-50,72%
CNP Barclays Vida Y P	11	2,28%	-36,71%	Groupama Vida	17	0,36%	31,73%	BES Seguros	11	2,84%	-71,83%
Lusitania Vida	12	2,17%	-39,81%	MetLife Europe	18	0,27%		Mapfre Segur Gerais	12	2,74%	-72,89%

Source: APS



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TEACHING NOTES



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10. Introduction

The teaching notes serves as a demonstration of the interpretation done after a thorough reading of the case study. By proposing questions, which can be discussed inside the classroom.

It is important to note that these are sample answers that can have different approaches and answers once frameworks are dynamics and the problem can be seen from different perspectives.

11. Synopsis

MetLife was founded in 1863 and nowadays has presence in over 60 countries, satisfying needs of more than 90 million customers.

The company is permanently looking for new ways to grow sustainably and achieve other markets and consequently other costumers.

The strategy plan is based on three main points: Acquisition, cost-cutting and entry into new markets.

The benefits and risks were thorough analysed, during the development of a strategy plan that had the maximum exponent the acquisition of Alico. The business plan took shape with the introduction in new markets and is currently undergoing by a process of cost reduction, where is incorporated the Iberian integration.

Nevertheless, MetLife is studying the market in order to seek new opportunities. Is the Eastern Europe attractive?

12. Teaching objectives

This thesis provides a teaching case where students can explore various issues, related to strategy, business plan, and acquisition/mergers. The case study allows students to apply this knowledge to a real scenario where they have to analyse risks and benefits. This particular case is focused on a multinational company with 85 years of history characterized by a consistent growth and success and how to keep this trajectory even in a scenario of economic crisis worldwide.

Students should analyse external environment from a macro and micro perspective and apply strategic frameworks, such as, the PEST analysis, the Porter's Five Forces model and the SWOT analysis.

Information and data provided in the case should help students to solve the study questions.

Students should familiarize the concepts of acquisition and integration and finally analyse the benefits and risks of this two approaches. After this analysis, students will be able to comment and give suggestions about the approaches followed.

13. Use of the case

MetLife is a global player in an increasingly globalized and dynamic market. Managed to grow sustainably and achieve success due to the constant designing strategic plans and their ability to meet them.

In this thesis are listed some strategies used in real business cases - Alico acquisition, expansion to countries of Eastern Europe, Iberian Integration - where we can examine specific decision making process.

This case study can be used in strategy courses such as Strategy and Strategic Management, both at undergraduate and graduate level and also in Business Plan courses at undergraduate and graduate level.

14. Suggested assignment questions

The following questions were prepared to help students structure the analysis of the case study and uncover major points of the case. By a thorough analysis and the application of strategic frameworks students should be able to give a well base answer, covering the key points.

a) How would you describe the company's evolution and business model?

The Metropolitan Life Insurance Company, MetLife, began in 1863 to insure "life and limb" with only U.S. \$100,000. It has since expanded to a multi-billion dollar diverse financial institution. MetLife provides insurance and financial services for individuals and institutions, and is constantly pursuing international opportunities.

Nowadays, MetLife is one of the largest insurance and financial services companies in the World.

MetLife operates in four segments. Its services include institutional insurance, individual insurance, auto and home insurance and international service.

Its main source of revenue comes from insurance premiums. The company takes the money paid by those who buy insurance policies and invests it in a number of different ways, for example debt titles. If the return on investment plus the premiums is greater than the payout to policyholders, the company has profits. This business model is quite common in the insurance industry but is vulnerable to natural disasters, swings in the equity markets and changes in the macroeconomic scenario.

Over the past several years, MetLife has focused on sustainable growth and cost reduction. While it has experienced some success in this area its expenses still continue to be high compared to those of the insurance industry.

Other main focus is the attention given to new markets, which allows reaching new customers.

b) How was the integration process between Alico and MetLife?

MetLife focused on the strategic and financial aspects of deal, but also gave attention to operational and cultural elements that can ultimately affect the success of the process over time.

The first stage of the acquisition process is critical, when fears and indignities arise. The management process is also difficult (Fraga, 2011, p.230).

In order to minimize the drama, anxiety, uncertainty and high costs was necessary to create an integration program to achieve success as quickly as possible, getting the expected returns, with a completely integration between both companies.

The integration program between MetLife and Alico was composed by three major phases and was defined a priori, which means that decisions were centralized and the conclusion was rapid and objective. The policy makers were skilled executives.

In the first phase, was detailed the strategy after the acquisition in order to guide its collaborators and was also defined a new organizational structure.

At the beginning, the intention was to valuate the business situation, realize a cultural diagnosis of the acquired company, in order to understand their values, their culture, the organization structure and processes.

In this phase, MetLife had in consideration the retention of key talent to not waste precious human resources, which have high costs to the company. Were given a warm welcome to all employees in order to making them feel part of the MetLife's family.

The program contemplated a quality evolution of the cultural fit early on, in terms of leadership style and working process to accelerate effective integration.

A survey conducted by PWC in 2005 indicated the speed of the integration of work processes and people, as the second most important factor for the success of the acquisition process.

According to the same survey, the employees, of the companies involved, deal with an overload of functions, because they have to perform their routine activities

and other activities related to the transition. With this factor, increases workload, stress and fear of dismissal.

In the first moments, was set up a new organizational structure, as well as the vision and mission that would be transmitted to all employees. After that, MetLife determined the guidelines for internal and external communication, under the vision of how changes would add value to the company.

MetLife made an effort to have success in this integration and a proof of their collaboration sense was the merger between Alico's guidelines and MetLife's guidelines.

In this phase MetLife had a huge worry to integrate all of the Alico's collaborators in MetLife. To everyone feel part of the MetLife's family, in order to incentivize them and hasten the integration process.

In early 2011, started the second phase of the integration process, by changing brand name and image, which allowed the presentation to customers in a unified way.

After the integration of all employees and the beginning of the unification process, MetLife did a careful analysis of all available human resources and organizational needs, to better understand the potential of each employee and how this potential can be applied for the benefit of the company.

As a result of this analysis, were decided if the company should dispense or invest in human resources, in order to satisfy a greater number of business activities.

The third phase started in 2012, changing most of IT systems, with the integration of other infrastructure and the processes of unification. This is a slow process because it requires a more specialized intervention and time for employees to become accustomed to the use of new IT systems and business.

This acquisition was possible due to a high focus from MetLife on this process, its discipline and financial stability during the financial crisis.

The creation of the integration plan reduced the risks and allowed a quick process, without breaks on performance and production.

c) What were the main risks and benefits of the acquisition to MetLife?

The bankruptcy of Lehman Brothers in the U.S. was one of the factors that led to a worldwide economic crisis. Many other financial institutions followed the same path than the American Bank, and many others didn't fail due to the participation of the American Government, such as AIG Group.

MetLife was aware to market's movements and decided to buy Alico, since AIG was looking for a buyer with a brand well positioned, financially strong in order to generate sufficient liquidity to repay the loan from the Federal Reserve Bank of New York and change its capital structure.

With the process of globalization, companies try to increase their presence in a market even more global, through mergers, acquisitions or strategic partners. These strategies provide a reduction in operating costs, enable to meet the needs of a larger number of clients and increase productivity.

However, the decision making process was not easy. Were analysed thorough the benefits and disadvantages of this acquisition.

The acquisition allowed a diversified distribution and a balanced product mix favouring protection products, which allowed satisfy a higher number of customers' needs.

The acquisition allowed an increased presence in mature markets like Japan and Western Europe and established top positions in many emerging and developing markets, such as in Central and Eastern Europe, Middle East and Latin America. MetLife moved its presence from 16 to more than 60 countries, and from 70 million to 90 million customers.

With one less competitor in the world market, increased considerably the ability of MetLife to establish prices, to introduce new products and to negotiate with sponsors.

With the conjugation of these benefits, MetLife would profit from an increase in operating margin of international insurance business. Was expected a growth of

MetLife's international insurance premiums, a growth of its capital and its shares. So, in a financial perspective, this acquisition would be very advantageous.

On the other hand, there were many risks to have in consideration, and the success likelihood is equal or less than 30%¹³.

In acquisition processes there is a risk of incompatibility between business processes of the two companies. The unification process is slow and needs to be performed carefully and planned in order to achieve the main goals.

The process should be fast and well conducted to not waste human resources, since there is a risk of demotivation and lost the organizational identity. There is a clash between both cultures but this should not be an obstacle to acquire new or additional capabilities, whether in skills, technology or other resources.

Is necessary to have the capability to accept new methods and concepts in order to unify processes and improve them, through the exchange of knowledge and experience. However the learning line can be smaller and slower than what was desired and expected.

There was also the financial risk, however, this is the smaller one comparing with other previously indicated. This risk is associated with the entrance in unwanted markets, where the risk of have success is low, and the market is characterized by little maturity and a macroeconomic scenario that has not yet reached the desired level. In this markets the population still don't have the perception of the importance to be assured.

¹³Pricewaterhouse Coopers. M&A Integration Survey (June 2011);

To summarize, the following table provides a graphical overview:

BENEFITS	RISKS
<ul style="list-style-type: none"> - Better product mix; - The increase of the distribution capacity; ✓ Higher satisfaction of customers' needs. - The significantly increase of the geographic amplitude; - The global growth strategy of MetLife; ✓ Reach more markets and consequently more costumers. - Less one competitor; ✓ The increase of the ability to establish prices; ✓ The increase of the capacity to introduce new products; ✓ The increase of market share; - More Profit. - Cost-cutting. 	<ul style="list-style-type: none"> - Enter in unwanted markets; - Mismatch between the culture of MetLife and the culture of Alico; - Risk of demotivation and loss of identity among employees; - Low and slow learning curve; - Misunderstanding/doubts from customers and sponsors; - Difficulty of unification of all business processes.

MetLife should study the macro-environmental factors that might influence the decision/choice of a certain strategy, through a PEST Analysis, in order to decide whether or not to acquire Alico.

This analysis allows taking into account political, economic, social and technological factors.

The political factors include tax policy, labor law, environmental law, trade restrictions, tariffs and political stability.

The economic factors include key economic indicators such as economic growth, interest rates, unemployment rates, inflation rates and income.

The socio-cultural dimension includes social trends and cultural habits.

Last but not least, the technological dimension is all about R&D activity, innovation, technology incentives and the rate of technological change, (Johnson et al., 2002).

Through the PESTEL Analysis, managers can identify the key drivers that influence their businesses and focus on developing and strengthening the latter (Johnson et al., 2002).

PESTEL Analysis

Political/Legal:

When analyzing the political factors that influence the American insurance industry it is important to mention that the American government has been known for having a transparency and rigid bureaucratic system, which allows a fair competition.

However, a frequent modification of legislation become it difficult for companies to understand the environment that they are working in and often they refrain from their offensive initiatives of competition.

A mandatory third party car insurance policy by American governments has pushed people to go and get their insurance done. It means, more cars on the road prosperous growth opportunities for the insurance organizations.

The increase in taxation shall have a negative impact on MetLife once the spending of the people would be lowered down since people would not be willing to pay higher premiums or packages.

There are also some restrictions on the corporate spending on the political activities, defined by the US Supreme Court. MetLife has created its political action committee called PAC. The MetLife PAC has so far spent around 2 million dollars in the year 2010 as political contributions in the state, federal and local level political parties.

MetLife is subject to various legal proceedings currently in pipeline. Some of the law suits filed against the company includes: Drelles v. Metropolitan Life Insurance Company (federal class action for illegal sales practices), class action claims for which MetLife recently paid U.S. \$50 million in settlement (Wise, 2009), Harvey v. MetLife Class Action Lawsuit Settlement (Holter, 2010), etc. If these matters remain unresolved or the verdict is made against Metropolitan Life Insurance Company Inc. then it could have material impact on its financial stability and the market position in the domestic markets of United States and international markets.

Economic:

The economic conditions of a country play an important role on determining the future success and failure of a company's strategy. Since, part of the functions of MetLife and Alico were directed in the domestic markets of United States, so its likelihood of getting hit by the economic changes and governmental ruling is high. The downfall in the economy of United States has adversely affected MetLife and increased the opportunity costs associated with its business segments and operations.

The MetLife's business operations are highly effected by the international conditions of the capital markets and the economy of the world. These international conditions have increased the state of stress and volatility in the markets (USSEC, 2011).

Earning more money is a trend, which resulting in a large disposable income, hence people are having more tendencies to spend more to live comfortably and taking advantage of expensive schemes, which ultimately result in a increase of insurance sales.

People in U.S.A. are having a better quality of life, which shall result in coming back in living an expensive and better life, due to a higher affordability of clothing, houses, cars etc. Which ultimately improve the health of people and insurance companies shall be paying out less on the illnesses cases.

Social:

Three important factors are the stable economic capacity of the majority population, a population that is growing in numbers and is even more aware of the importance to be insured. Which leads to an overall increase in the consumption of insurance products. For example, is even more usually that one family has more than one car, which means, more than one security product.

There have been an increased proportion of young drivers in the society. This create a huge opportunity for insurance organizations, since young drivers are more prone to get accidents and the insurance companies tend to fix high premium for those young drivers.

Technological:

The emergence and progress of Internet has given to organizations an opportunity to realize its operational activities at lower costs - through spreading information effectively and quickly, due to Information Technology Systems.

Consumers currently using internet as a best replacement for yellow pages, which allows an opportunity to compare the offerings from different organizations, sharing knowledge with the community, posting their feelings and comments in blogs.

This technological evolution helped organization to save huge amount of money from paying commission. This has given to companies a room to review their prices and bring them at a lower level for the consumers.

MetLife has implemented the latest information technology systems to facilitate the flow of information within departments and between them. Recently MetLife has upgraded its customer service centers by employing the latest technological advancements to boost its external recognition capabilities through their call centers. It is now using knowledge management based platforms in the customer service centers that help the customer service representatives with more accurate information in a reduced time period to acknowledge the requests of customers.

Slightly throughout the industry, companies have made a substantial investment in R&D, in order to minimize costs and maintaining profits, in spite of the weak growth of sales. This investment is also justified by the attempt to satisfy customers' needs and to increase the speed of all business processes.

Environmental:

Like other companies in insurance markets, MetLife is also engaged in the activities that foster the environmental safety. It has started number of activities in order to minimize its impact on the environment and atmosphere. Among its initiatives includes reduced carbon dioxide emission, paper recycling and less consumption of energy in all of its offices and subsidiaries. MetLife started the paper recycling system in the year 1970 by reprocessing the used newspapers and saving over 30,000 trees in return. As a result of its green environment initiatives, MetLife has won energy star awards from EPA for more than ten of its US domestic business units.

To better understand the risks and benefits of the acquisition, it is important to do a SWOT Analysis, which provides a deeper insight about the company, before the acquisition. Through this analysis, it is possible to identify the main strength and

weakness of the company, to analyse the major challenges and to focus on their positive characteristics. It is also possible to identify the market's opportunities and threats, in order to define the path to hereafter.

This analysis helps to decide whether the acquisition of Alico would be a virtuous choice or not by measuring the pros and cons, depending on the characteristics of the company and the global market.

Strength:

- **Strong brand awareness**, especially in U.S.A.
- **Financial Stability**, which allowed the acquisition of Alico by U.S. \$11.8 billion.
- **Top position in U.S. insurance market;**
- **Varied range of services and products;**
- **Significant presence in the global market** - MetLife is present in 16 countries with a customer base of 70 million;

Weakness:

- **Lacking in global recognition**, comparing with other competitors. Alico had a higher market presence and consequently higher global brand recognition.

Opportunity:

- **Expansion in other countries – growth opportunity in emerging markets.** This allows a greater global presence, satisfying the needs of a larger number of customers, thereby increasing sales.
- **Acquisitions and JVs.** This strategy allows a greater business experience, an exchange of knowledge and a greater market presence.

Threats:

- **Other competitors in the industry insurance American market**, such as, American International Group Inc., Allianz SE, and ING Groep NV;
- **Natural disasters**, such as hurricanes.
- **Worldwide economics crisis**. With the decrease of families' purchasing power, the consumption of insurances is rapidly reduced.
- **US mortgage market crisis**. The mortgage market crisis in the United States is one of the weaknesses of MetLife Inc. The financial crisis back in 2000, are derived and indicated by the US subprime mortgage crises as well. These crises were classified by the increasing mortgage rates and the closing of the businesses that resulted in the declining securities associated with them.

After the SWOT analysis there are three main points to take in consideration.

Is visible the possibility to expand the business to other markets, especially in emerging markets, which, would increase the volume of sales and number of customers. This opportunity would minimize its weakness according with the lacking in global recognition as compared to its competitors. One factor that allows this operation is the financial stability of MetLife, which enabled the purchase of Alico.

d) Indicate and describe main responsible strategies of MetLife's global growth.

Since its foundation, MetLife has had an almost constant growth, with two big breakages due to the economic crises in 1929 and 2008. This growth is explained by the adaption of business strategies and the thorough compliance of business planning.

MetLife is a global player, attentive to the market movements and opportunities.

Emerging countries - the majority from Eastern Europe - represent a growth opportunity in a medium/long term, and are one of the solutions to overcome a

negative global economic scenario. These markets have risks, however if you achieve the pretended goals, the return is huge.

In order to maintain profits and compensate the decline of annual premiums, MetLife has made an effort to **improve their operational efficiency** and reduce costs, which also allowed an increase in profitability.

The Iberian integration follows the need to reduce costs. Integration would reduce wages and increase operational efficiency through the exchange of knowledge and experience between MetLife Portugal and MetLife Spain.

In the last years there has also a concern to increase the number of sponsors and to increase the **focus on Customer Centricity**.

Throughout its history, even being a large company present worldwide, MetLife has demonstrated **ability to adapt to market changes and needs of its costumers by changing the characteristics of existing products and introducing new ones**. This adjustment is visible from the first years of its existence, when for example changed its focus from products to sailors and Civil War soldiers, against disabilities, due to war injuries, accidents and diseases; to “industrial” or “workingmen’s” insurance programs in the United States.

MetLife has 4 main business pillars: Employee Benefits, Direct Marketing, Face-to-Face and Bankassurance. **The weight of these 4 pillars for the total annual premium varies, mostly depending on three factors, the macroeconomic environment, the profound demographic changes and the strength of competitors.**

The economic crisis has forced the implementation of some changes. These changes were only possible because MetLife Portugal is a small organizational and sell to a niche market. The four commercial pillars are flexible, being that the change of focus of MetLife is crucial to adapt to market needs and to exceed the economic crisis.

As we can see, the strategy for the desired continuous growth of MetLife is based on international expansion, since the insurance market in the U.S. is very competitive and is going through a period of stagnation. To better understand it, Porter's Five Forces provides a framework, which allows for industry analysis and business strategy development.

The Threat of New Entrants

The level of threat of new entrants is relatively low in the industry. There are few barriers to the entry. The main reasons for this are:

- The new entrants will have to comply with the governmental regulations in order to make their entry in the markets;
- Then the existing players are protected by the number of barriers, which makes it difficult for the new entrants to give hard time to them. Among them are: high capital requirement, distribution channels and entry restrictions, such as, existing loyalty to major brands, high fixed costs and high costs of switching companies. These barriers limit them to compete against the existing market players;

Bargaining Power of Suppliers

The threat of suppliers luring away human capital is medium. If a talented insurance employee is working for a smaller insurance company, there is the chance that person will be enticed away by larger companies. Underwriter is the most skilled employee in an insurance company, and is important to retain key professional and executive talent.

Bargaining Power of Customers

The individual buyers do not have much power to influence the insurance industry at large. The large corporate clients and other related businesses pay large sums of money as health insurance premium to these companies. The corporate clients have a higher influence in the insurance companies.

The Threat of Substitute Products

In the American security industry the threat of substitute products is considered medium/low. Banks are the major threat once they sell substitute products as savings and pension plans.

The identification of substitute products is dominated through the search of other products that may execute the same function in the industry.

Substitute products may limit or even reduce the return rates in an industry forcing the establishment of a limit on prices that companies may state as profit.

Broadly speaking, all companies in an industry are competing with the industries of substitute products in the sense that “the much more attractive the alternative of price-performance offered by substitute products, the more constant will be the pressure on profits of the industry” (Porter, 1986, p.39).

Therefore the competitive force of substitute products represents a constant threat for the companies established in an industry.

Competitive Rivalry With in the Industry

The level of competition among the existing competitors in the industry is very stiff. The top three competitors of MetLife Inc. are American International Group Inc., Allianz SE, and ING Groep NV¹⁴. In the health insurance industry, the customer demands are associated with the increasing costs of medical options available to them. The market success and profitability of the firms operating in the industry is dependent on their operations and their ability to obtain favourable contracts with the medical and health care personnel (Hoovers, 2011).

¹⁴ <http://finance.yahoo.com/q/co?s=MET+Competitors>

The Porter's Five Forces framework allows the assessment of the competitive environment of a certain industry, as well as to determine the attractiveness level of the latter in order to identify its profitability (Porter, 1979).

For each force, there are several constituent factors that influence its power and impact on company profitability and market attractiveness. The forces that operate within the industry will affect every company – the only difference is in the way that each company responds to them (Henry, 2008).

Therefore, a manager's goal is to find the company's right positioning within the industry in which it can defend itself against these forces or, ultimately, try to influence these forces into its benefit.

After analyse the framework, is possible to conclude the insurance market in the U.S. is not attractive. Despite a remarkable growth since its founding, MetLife could not find in the domestic market, sources to a continuous growth for the next years, in order to achieve the desired results.

Through a thorough analysis are easily identified three main points that explain the reduced attractiveness of American insurance market. There are many competitors in the market, to satisfy the same consumers' needs, through very similar products. The level of competition between these companies is huge, and the only ways to gain a competitive advantage is by price and quality of service. However, the quality of service is only checked after the acquisition.

Banks are the major threat once they sell substitute products as savings and pension plans. Which means, in the American security industry the threat of substitute products is considered medium.

Last, there is also the threat of suppliers luring away human capital, which is medium. In other words, there is a high possibility of one insurance underwriter, exchange a smaller company by a larger insurer, which operates in a wider market. There is this possibility if his potential and quality would be recognized.

MetLife realized its limitations and its inability to keep growing, to reach a higher level, if continuous with a major focus in the U.S. market. Therefore increased their efforts in order to operate in other markets, satisfying the customers' need in worldwide.

This effort was redoubled after the emergence of a global economic crisis in 2007. In addition to expanding into emerging countries, MetLife was also worried in increasing efficiency, improving all processes until the respective sale. Last, MetLife also invested heavily to increase its focus on customers, in order to satisfy even more its needs, putting the customer in the center of the whole process.

e) What is the MetLife's Iberian Future Strategic Plan?

MetLife's Iberian Strategic plan to 2013 until 2016 has 4 major focuses:

➤ Increase MetLife's activity in sponsorship to generate incremental opportunities and keep focus on key corporate areas optimizing the Iberian integration, taking advantage of MetLife's experience, abilities and value differentiation as Direct Market specialist in both markets, being an reference to MetLife EMEA. It is important to bring premium through corporate business to let Face-to-Face business follow its own path. However, will not be easy to attract new customers. In recent years, MetLife is only managing its customers portfolio;

➤ Increase the focus on customer centricity. Customer centricity needs to become a core pillar in the corporate strategy, in order to help MetLife to become a customer-oriented company. Customer centricity will allows an increase of customer retention and loyalty;

➤ Improve efficiency in support areas: full advantage of synergies and best practices. This one of the core reasons of Iberian integration. A new metric in terms of savings and efficiency has been incorporated and MetLife has a commitment with the region and the division: U.S. \$1 million in process efficiency savings.

MetLife can optimize its talent and gain efficiencies, keeping some money to be invested in the operation;

- Revamp Face-to-Face in Spain and optimize return in Portugal.

Agency distribution under MetLife's model is part of MetLife's value differentiation: it represents a significant part of MetLife's revenues and is the only distribution that MetLife really own and manage. The different status between Spain and Portugal brings a new challenge.

Individual Broker Distribution represents a successful business model in the Portuguese market and a perfect case to exported and replicated in the Spanish one.

Whether the strategy for the next three years is completely respected, in the best scenario, the company will have a growth rate equal to 6%. It is a low rate, but a positive indicator, having in consideration the macroeconomic picture.

f) What are the main factors responsible for MetLife's Portugal growth?

MetLife Portugal is a small company, which sells mainly to a niche market. It is flexible and able to adapt to market's needs and macroeconomics' scenario changes. MetLife Portugal has 4 main pillars of business: Employee Benefits, Direct Marketing, Face-to-Face and Bankassurance. Nowadays, the key responsible pillars for the continuous growth of MetLife Portugal are Face-to-Face and Direct Marketing.

The main reasons for Face-to-Face's growth - since 2011 with values more pronounced in 2012 - are:

- Optimization of the structure through the main focus on activity rather than outcomes. It was important to increase the efficiency of the processes in order to minimize wastes and to achieve the desired results, once was expectable that sales would not increase at a high rhythm;
- Differentiated approach to different Brokers, by MetLife, as an expert in Life Products;

- Reset minimum standards focusing on professionalization, by reducing the Agencies structure - from 350 to 200 consultants. This strategy would allow an increase in the quality of the Agencies, and consequently an increase in customer satisfaction and fulfillment of MetLife's goals;
- The certification of Mediators began to be made via e-learning, rather than in person. This decision would optimize the company structure by reducing operational costs.

On the other hand, the Direct Marketing Department also contributes positively to MetLife's Portugal continuous growth, through a significant increase in client portfolio and premiums charged due to the expansion of online business, and through product developments that seek to satisfy customer's real needs.

Last but not least, in recent years, MetLife has been trying to improve the efficiency of business activities, in order to achieve profits through minimizing resources. This strategy is mainly based on a better selection of new Sponsors - in order to reach the final consumer through lower costs - and through a better product development, which allows not only to charge higher premiums, but also to satisfy customers' needs.



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CONCLUSION



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Conclusion

During an economic crisis it is normal the sales volume decrease and the growth is lower than in previous years. It is therefore crucial being creative, establishing new strategies to overcome the undesirable situation, and to have the ability to adapt to a dynamic global market and to be aware to new opportunities that allow growing.

Companies have increased their focus on processes to achieve the desired results, and they are attempted to increase the business process efficiency and to reduce wastes. However, the efficiency will reach maximum levels and companies need new tactics.

MetLife, before purchase Alico, already was one of the major American institutions. Had strong brand awareness and high volumes of sales, however the future projection would be stagnation.

MetLife proved to be sensitive to market movements, and the acquisition was consistent with the international growth strategy of MetLife and its business areas were highly complementary with Alico's areas. The financial stability was other reason that allowed the acquisition.

The acquisition was a difficult process, which needed to be planned since the first moment, however was a positive decision, checking the growth level in the last three years. Sales increased, the number of customers also increased and the efficiency continuous on high levels.

During the integration process, MetLife had to overcome cultural differences, had to create a new organizational structure and exceeded projected outcomes. Oscar Herencia said that was an "operation of tremendous success that just was possible due to the quality and effort of all employees".

Despite the success, MetLife took two other important decisions, continue its expansion into countries of Eastern Europe and integrate the MetLife Portugal with MetLife Spain, becoming MetLife Iberian. This last operation is not yet completed but the results in this year are higher than what was expected. MetLife Iberian had

results, during this year, above France and Italy, positioning itself as one of the major markets worldwide to MetLife.

All decisions were very well planned and managed by professionals who have analysed in advance all the risks and benefits of its strategies. They are attentive to the demands of the market and they always try to innovate, increasing customer centricity. It is an international strategy that tries more and more to shorten the distances between markets, trying to act worldwide and increasingly closer to its customers.



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