

**Goldman Sachs**

*European  
Bank & Insurance  
Conference  
2001*

*Lisbon, May 9, 2001*



*Edoardo Lombardi*

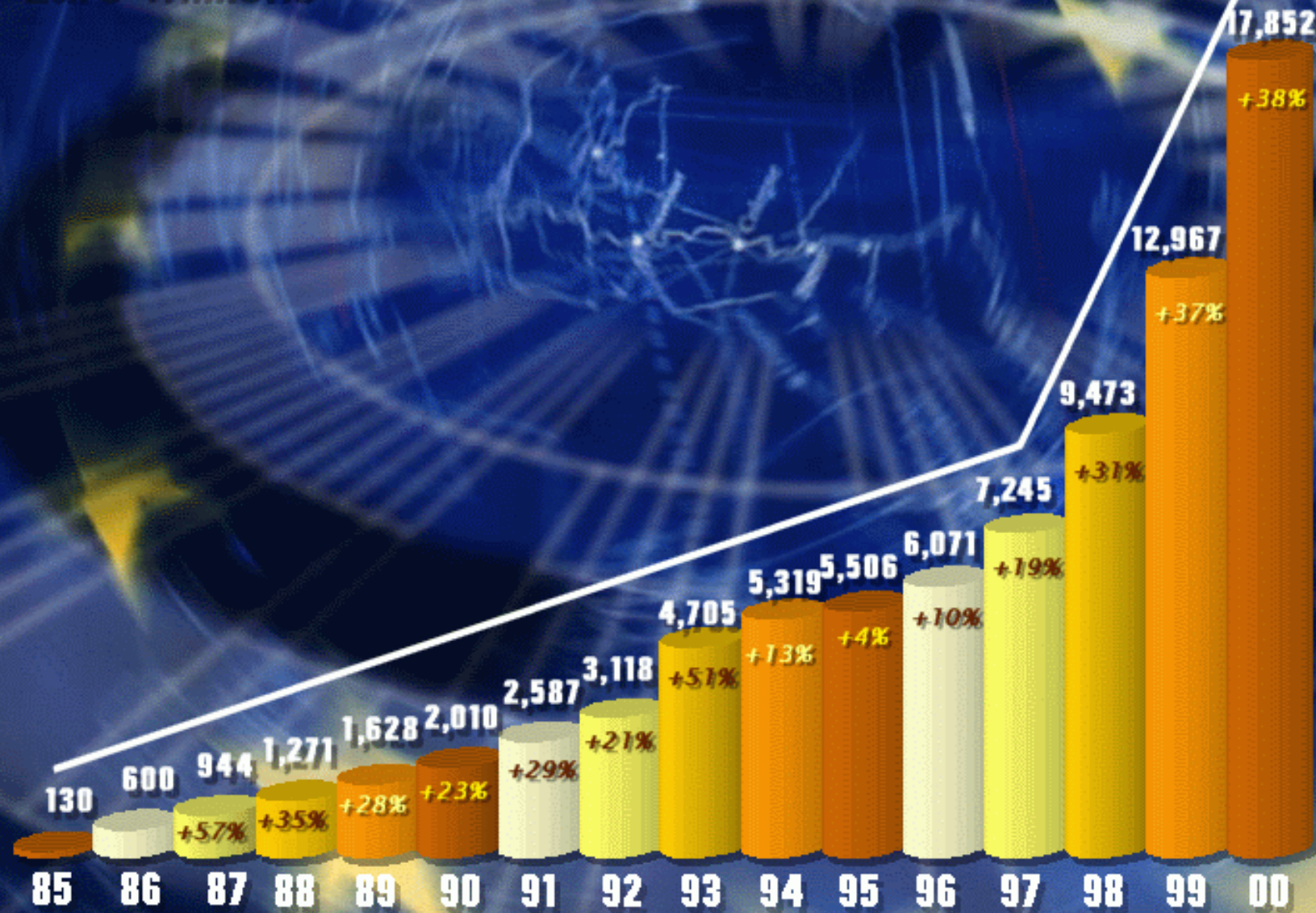
**Who owns the customer ?**

*Executive Vice Chairman & COO*

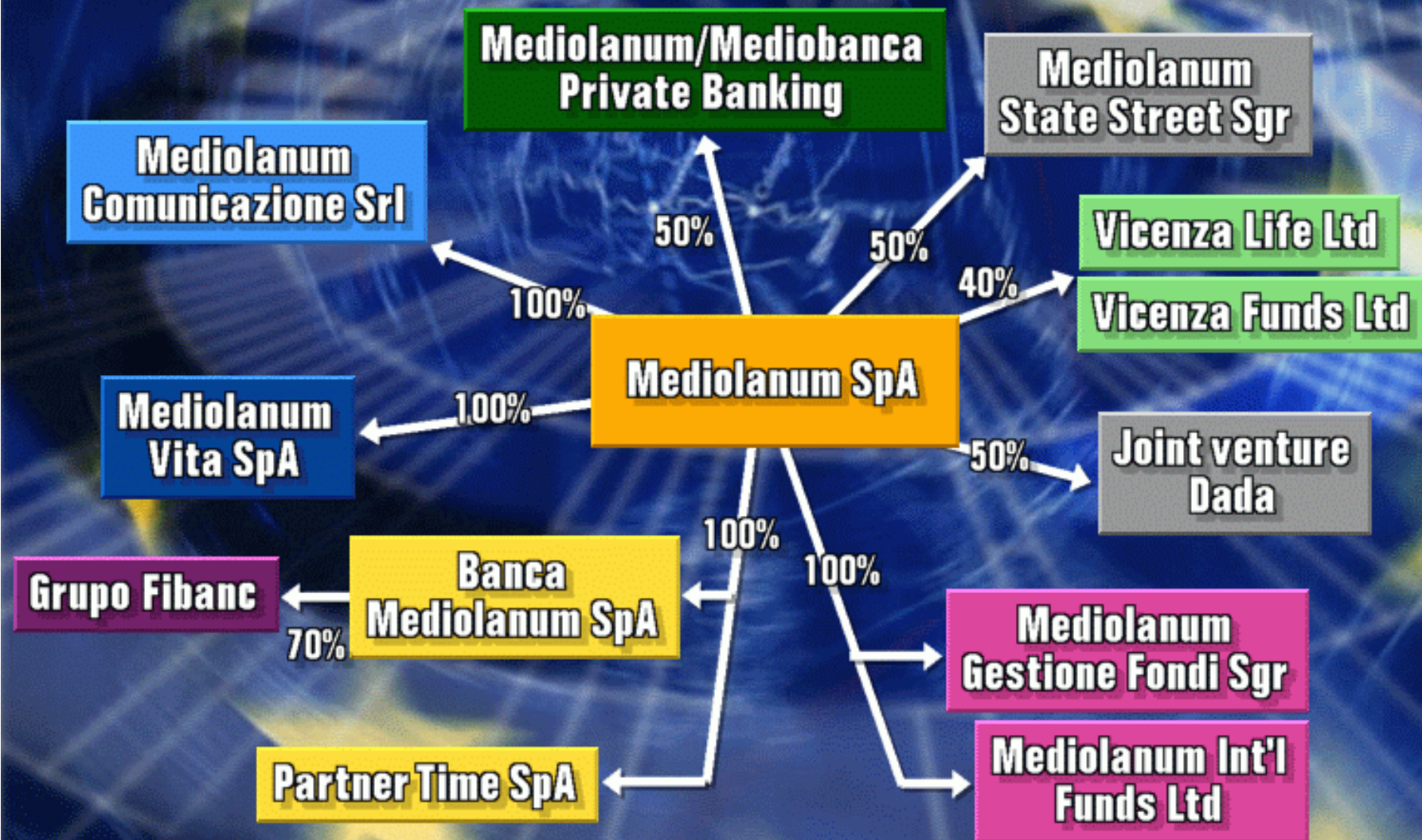


# Mediolanum Assets under Administration

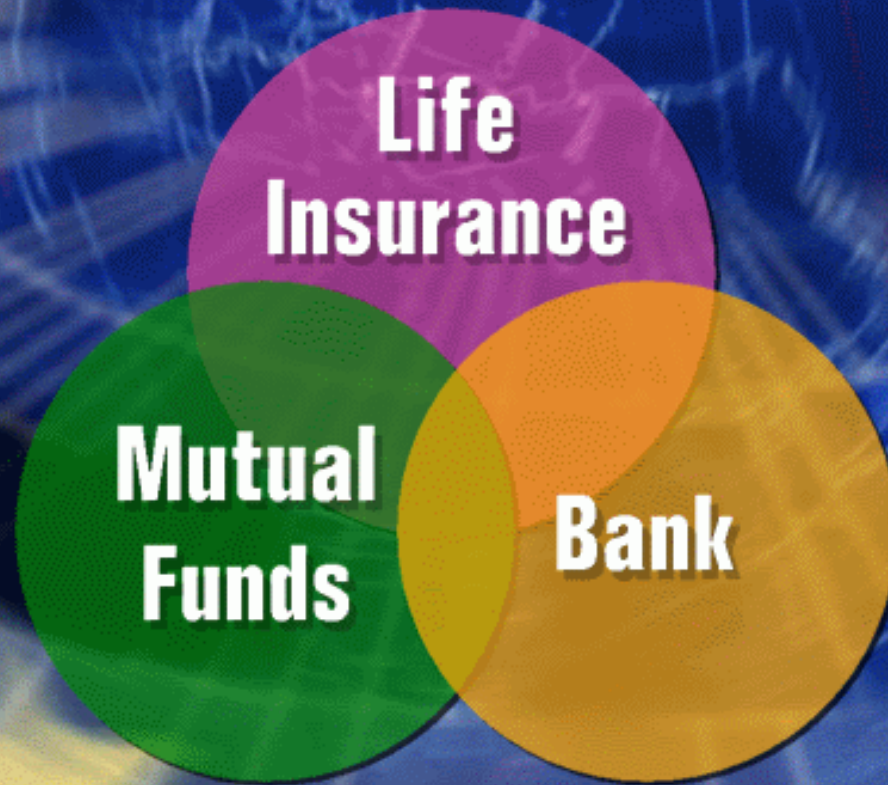
Euro millions



# Mediolanum Group Structure



# *What is Mediolanum today*



# *The importance of Owning the Customer*

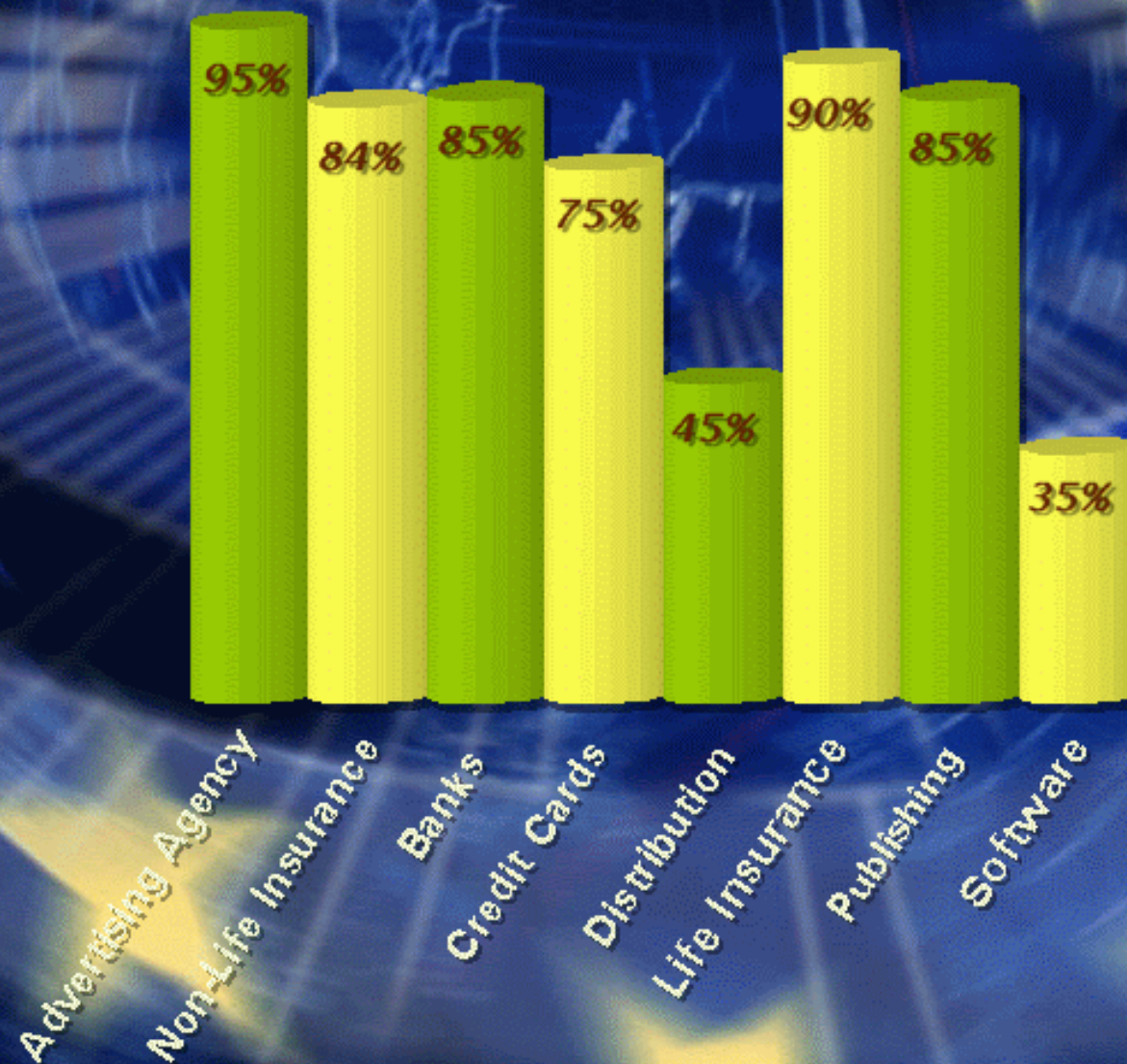
- **The customer loyalty is one of the key element of value creation in all industries**
- **An increase of the customer retention rate of 5% can rise the net present value of the customer base\* by 35 up to 95%, depending on business sectors**

*\* the discounted amount of profit that the company can make in the course of the life of its relation with the customer*



# *The importance of Retaining the Customer*

*Impact of an increase of 5% in Customer Retention Rate  
on Customer Net Present Value*



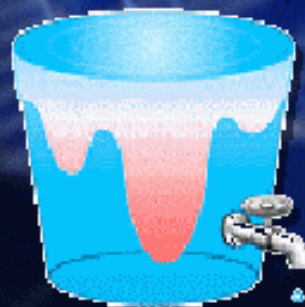
# Effects of Customer Retention on Customer Base Growth

## Company A

**Retention Rate = 95%**



*Customer acquisition = 10% y*



**Customer Loss = 5%**

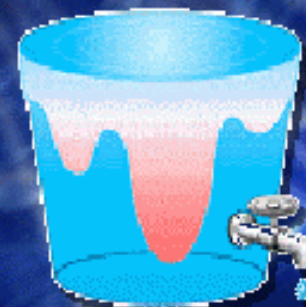
*Customer Base growth = 5% y*

## Company B

**Retention Rate = 90%**



*Customer acquisition = 10% y*



**Customer Loss = 10%**

*Customer Base growth = 0% y*

**In a 14 year period, the customers of Company A will double, while those of Company B will remain unchanged**



# *Effects of Customer Retention*

## *on Profit Contribution from Customers*

- **In every business, the profit generated by a customer grows with the duration of their relationship**
- **The higher the customer retention rate - which means a longer average life of the customer - the higher the profit contribution**



## *Average Customer Life*

if you **lose** 200 customers out of 1000  
in a year, or  **$1/5$**  of all customers,  
to calculate the **average life**  
of the customer, you **invert** the fraction.

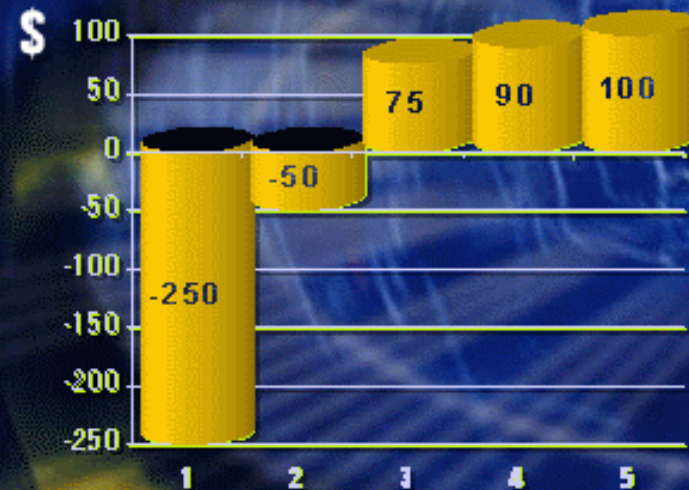
In this case, you get **5**, which means  
the average customer  
**stays** with the company **5 years**



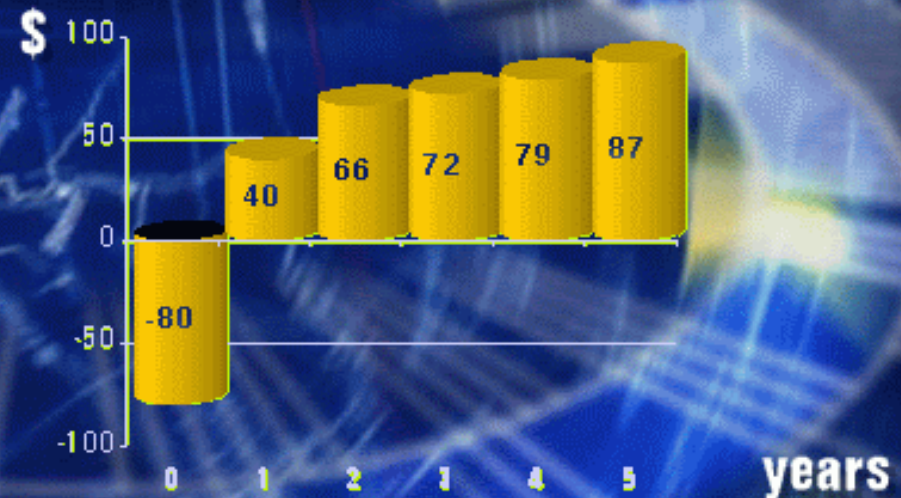
# Profit contribution in Customer Life Cycle

Source: F. Reichheld, *The Loyalty Effect*

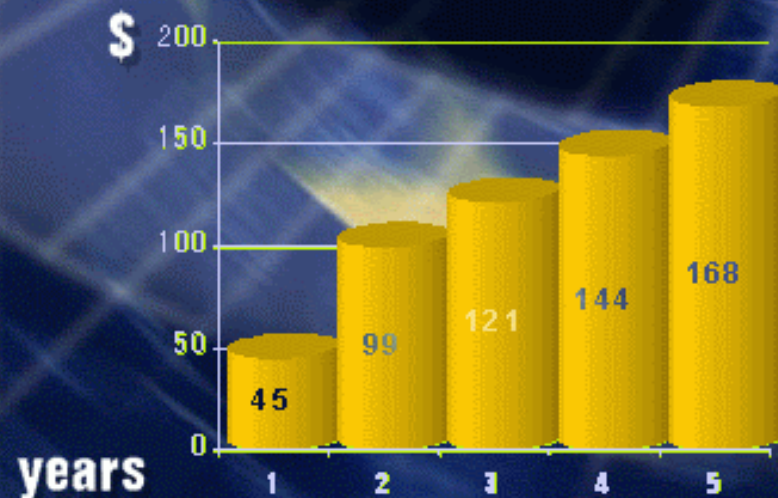
## Motor Insurance



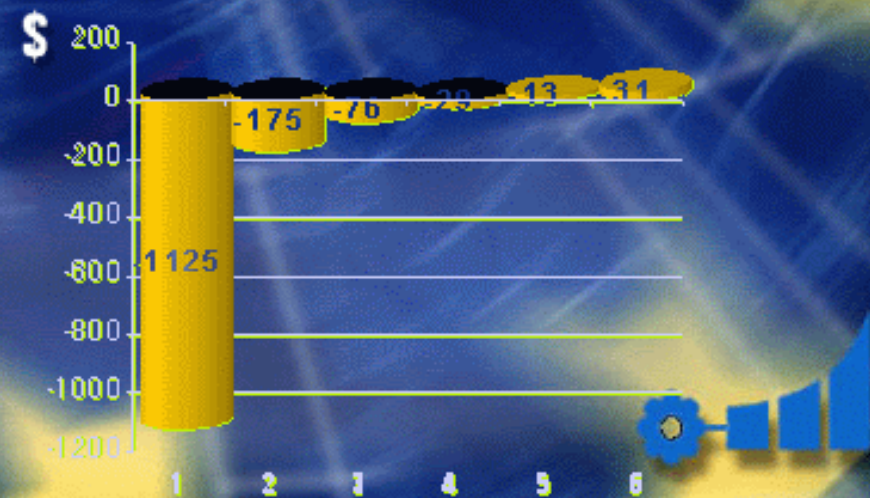
## Credit Cards



## Distribution



## Life Insurance



# **Mediolanum Customer Retention**

*as of December 31, 2000*

**Customer Retention Rate**

**97.2%**

**Average Customer Life**

**30 years**



## *The Customer wants Value ...*

... based on the **product**  
or **service**, but also based on  
everything connected,  
including the **brand**  
and the customer's impression  
of **trustworthiness**  
and **competence** of the company



# *Knowing the Customer Satisfaction*

- **Mediolanum has been tracking customer satisfaction for almost 10 years**
- **The survey is carried out by an outside market research agency - 'Unicab' - specialized in quality measurements**
- **In 1999 the research was based on 9,000 telephone interviews**
- **It measures the level of satisfaction of active customers related to their financial advisor and to the company**



# Mediolanum Customer Satisfaction

1999 Figures

Customers '**Dissatisfied**'  
with the Advisors → 3.6%

Customers '**Dissatisfied**'  
with the Company → 5.2%



# *The 'Global Customer' Concept*

- **One supplier only to satisfy all customer's financial services needs.**
- **'One-stop shopping' concept**



# *Mediolanum Business Idea*

**GLOBAL**

**Customer Focus**

**Comprehensive  
Product Range**

**ADVISING**



## *Mediolanum Mission*

**To enhance the financial  
resources of the households  
and satisfy their insurance,  
pension, savings and  
investment needs**



# *Mediolanum Multi-channel Integrated Bank*



# *The importance of the Human Relationship*

- **Customer satisfaction stems from the value 'perceived' rather than the 'actual' value**
- **Key role of the Financial Advisor**



# Mediolanum Customer Satisfaction

1999 Figures

Customers **'Satisfied'**  
with the Company

**71.2%**

*thus ranging:*

contacted by the advisor  
every week

**96.6%**

contacted by the advisor  
< once a year

**63.0%**

- > The level of satisfaction with the Company increases directly as the frequency of contacts with the Financial Advisor increases
- > The same happens for the level of sense of security for the investments
- > This confirms how important the role of the advisors is with respect to the relationship with the customer



# *Mediolanum Communication Tools*

- **Encrypted Corporate TV Network for the Advisors**
- **Intranet System for the Advisors**
- **Digital Mediolanum Channel for the Customer Community**



# Net Inflows of Mutual Fund Companies

Euro millions

