

# Penn River Blog: The Product Developers Dilemma

## Part 1: Capturing a Market Opportunity



*With ProductHub, as much as 35% of the product development process can be improved through better communication, transparency, and testing automation*

## The Product Developers Dilemma: The Idea; Capturing a Market Opportunity

- **Product Development** is for Life and Annuity *companies are tied to capturing an economic* market opportunity
- **Committees** (often with fancy names) are designed to enable discovery and early communication
- Teams comprised of representatives from areas such as Pricing, Filing, Legal, Distribution, Compliance, Service, and IT are formed
- **Result: Let the best idea win**
- **Time to Market** can span 12-18 months

The heart of any life insurance company lies in its ability to develop products that provide a value to the customers who buy them and the distributors who sell them in the market. This section looks at what is arguably the most difficult part of the process – where the ideas are formed, and the where the product is conceived.

### Some Facts

According to recent survey from McKinsey & Company:

- **82%** of life and annuities executives believe product development is a core competency. However,...
- **12%** of those same executives believe they have a process that delivers strong product development innovation

The same survey also shows that when product development is done well, insurance companies can realize a 30-40% reduction in the product development cycle time. Importantly, companies can realize up to **30%**

**revenue growth** when done well, **2-4% margin improvement**, and of course an increase in customer satisfaction with products introduced to the marketplace. So, how does product development work at typical insurance companies?

### Kicking it Off

The process normally begins with “ideation” sessions where a market opportunity is discussed, product design options are considered, and creativity is introduced.

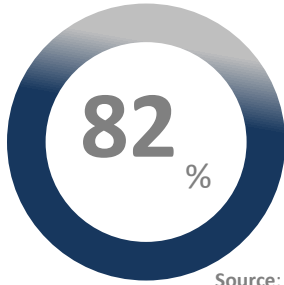
This is normally organized with committees crossing many functional areas of the organization. Teams comprised of representatives from areas such as Pricing, Filing, Legal, Distribution, Compliance, Service, and IT are formed and are part of the process.

Often, there are multiple teams formed to generate competing ideas, where the teams ultimately come together to discuss and agree on the best ideas.

The problem? During this stage, these ideas are loosely documented with dozens of people having (perhaps) a slightly different idea of what works best.

### Let the Best Idea Win

So, the best idea is selected. Now the hard part begins, and this can be a frustrating aspect of the process. The back and forth, particularly some groups such as finance, distribution, compliance, technology, and service organizations can begin introducing concerns about the product concept.



### *life and annuity company executives view of product development*

Percentage of executives who believe Product Development is a core competency

Source: McKinsey & Company

During this time, the product spec is beginning to be created and the idea begins to take shape.

The problem is that by the time the back and forth is done, the product that is agreed upon does not entirely match the goals and vision of the team that created the idea.

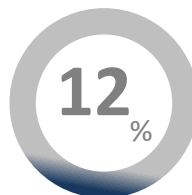
Certainly, during these early days, more advanced processes such as embracing design thinking and better tooling to capture the ideas and model profitability would be beneficial.

### **Getting Organized**

Our next blog post, **Part 2: Herding Cats**, will address what happens next, as this extended team gets organized and prepared. There are several latent process and technology issues that surface during this period. The communication challenge emerges, transparency as the process unfolds, and ensuring stakeholder engagement.

### **Process and Technology Innovation**

Life and Annuity companies are in an intensely competitive market. Process efficiency and tooling are both important: embracing design thinking and learning from how consumer focused companies operate will improve process efficiency, where digitizing the product development process with leading edge tools will substantially improve efficiency



### *life & annuity company executives' level of confidence*

Only 12% of executives believe they have a process that delivers strong product innovation

Source: McKinsey & Company