



Developing a Successful Product

What is the appropriate level of governance?

Donna Schlegel, Deloitte Consulting LLP
Kelly Cusick, Deloitte Consulting LLP

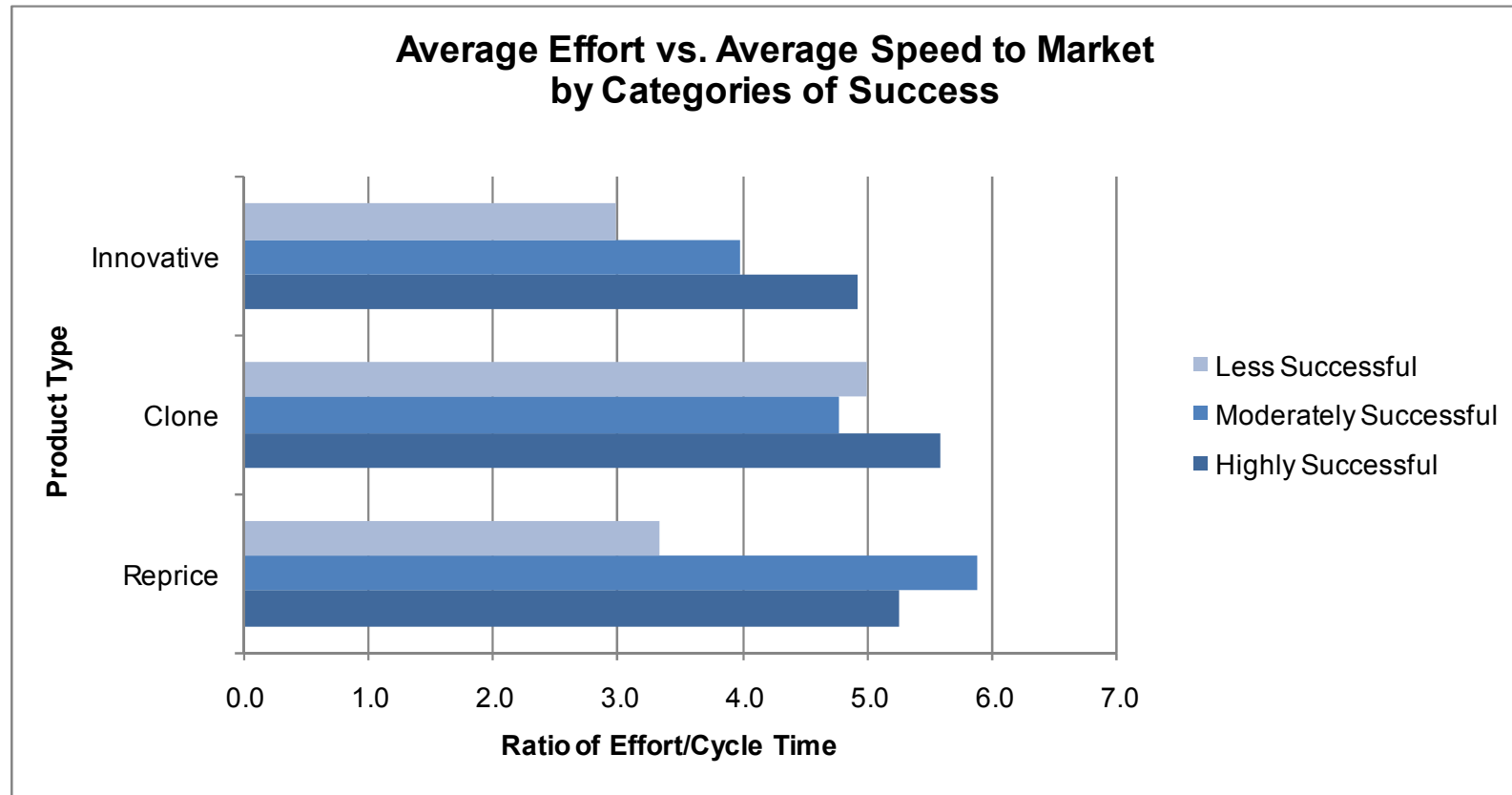
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Speed to market is generally not a predictor of product success



Source: Deloitte Survey

So what factors contribute to product success?

Success in a new product launch

- Research & Development
- Business Case
- Process Flow and Roles
- Project Plan
- Post-Launch Evaluation

Maintain discipline and accountability throughout all stages
with the appropriate level of active governance

Governance structures

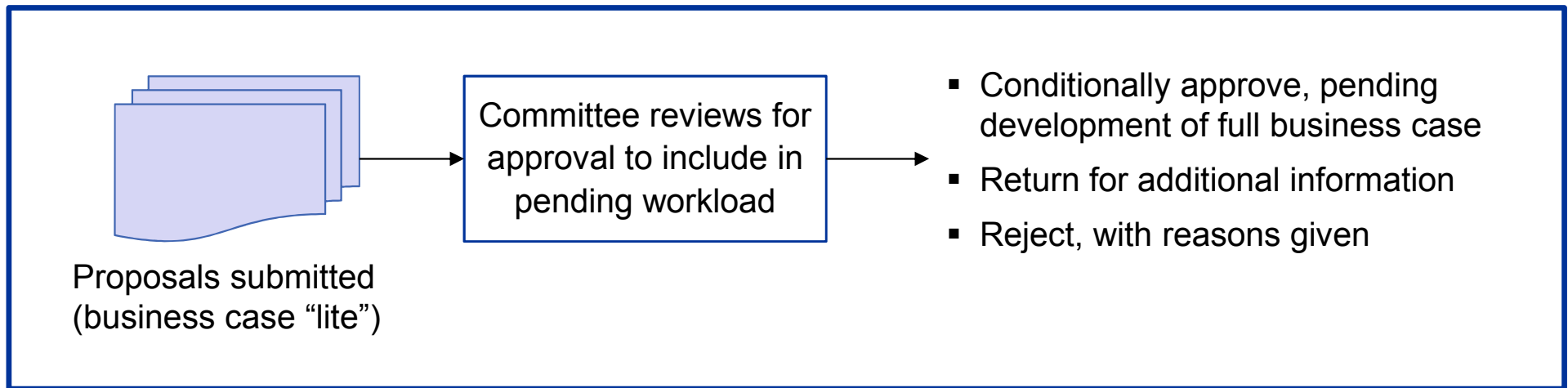
Establishing a product steering committee is one approach to governance

- Primary role is to charter, review, approve and prioritize initiatives
- Initiatives include new product development and implementation, product enhancements, major product maintenance and compliance
- Ensure adequate budget for routine maintenance and compliance

- Use of a committee approach provides several benefits:
 - Initiatives are properly reviewed prior to inclusion in the pending workload
 - Structured process for the review
 - Forum for communication about key initiatives early in the process
 - Discipline in alignment with the business strategy

Key responsibilities for steering committee

Process for review of product proposals



Review and approval encompasses several key considerations:

- Appropriate fact base was properly developed
- Fit with existing and expansion strategies
- Viable fit for technology platforms
- Resources are properly allocated
- No negative impact on in-flight initiatives
- Additions or revisions to the pending workload must not alter the business plan commitments
- Ability to leverage new product or product enhancement across multiple business units

Governance body establishes roles and accountability

Governance Body Roles & Responsibilities

- Alignment with product strategy and business objectives
- Appropriate research completed
- Adequate resources devoted
- Decision-making responsibility or delegation

Contributors Roles & Responsibilities

- Day to day project management
- Business case development
- Issue elevation
- Decisions when delegated by governance body

Research & Development

R&D is essential to a constant flow of ideas

Lessons learned from successful companies

- Perform primary and secondary research on distribution
- Even for companies that use third-party distribution, perform customer focused research
- Have a disciplined approach to understanding competitors' products and capabilities at a deep level
- Have a rigorous process for scoring and prioritizing ideas

Governing body holds team accountable for R&D process

Key aspects of the R&D process viewed through the lens of the product strategy



Market

- Size and profitability of key markets
- Adjacent markets
- Competitive intensity in target markets

Customer

- Gain insights through:
 - Focus groups
 - Prototypes
 - Consumer Market Research
 - Blogs

Competitors

- Product features
- Profitability of competitors
- Available tools and monitoring mechanisms

Distribution

- Gain insights through:
 - Producer Councils
 - Producer Conferences
 - Primary/Secondary Research
 - Blogs

Business Case

Build an effective business case

Lessons learned from successful companies

- Have a clearly articulated, broadly understood and accepted product strategy
- Have the discipline to make sure that an idea fits the strategy
- Demonstrate a disciplined examination of ideas, with active involvement of executive leadership with a clearly defined process
- Involve the distribution channel
- Leverage the insights provided by all key stakeholders, including operations and systems, during the development of the business case

Populate the business case based on R&D

1. External Market Analysis

Market Structure	<ul style="list-style-type: none">▪ Conduct a Market Opportunity Assessment
Competitive Environment	<ul style="list-style-type: none">▪ Develop competitor profiles
Environmental Scan	<ul style="list-style-type: none">▪ Identify and analyze emerging issues
Customer Needs Analysis	<ul style="list-style-type: none">▪ Conduct a customer needs assessment
Distribution Channel Analysis	<ul style="list-style-type: none">▪ Suitability, cost-benefit and risk by distribution channel

2. Internal Analysis

Strategic Focus	<ul style="list-style-type: none">▪ Assess fit with business strategies
Desirability Analysis	<ul style="list-style-type: none">▪ Assess risk characteristics
Product Features	<ul style="list-style-type: none">▪ Summarize features
Distribution Requirements	<ul style="list-style-type: none">▪ Describe channel selections
Capability Requirements	<ul style="list-style-type: none">▪ Summarize capabilities and needed investments

Populate the business case based on R&D

3. Strategic Risk Assessment

Fit in Product Portfolio

- Conduct a Market Opportunity Assessment

4. Product Design

Scope

- Refine based on output of External Analysis, Internal Analysis, and Strategic Risk Assessment

5. Economic Model

Profitability

- Determine revenue and expenses

6. Implementation Strategy

Approach

- Outline implementation needs and post-implementation monitoring

Living document that changes as the product evolves

Governing body assesses due diligence around validation of models

- Validate the models used in developing new products
 - Produce 3-5 year pro-formas
 - Consider separate metrics for new and renewal business
- Confirm the accuracy and peer review of vendor models
- Clearly communicate expectations to management
 - What is the capital need?
 - What is the profit measure?
 - How long before target returns are expected?

Governing body assesses due diligence around risks

What risks are the most significant for this product?

- Data Quality
- Operational Risk
- Market Risk
- Regulatory Risk

How can these risks be mitigated or managed?

- Use of a pilot prior to full launch
- Ability to share risk with external parties
- Other approaches?

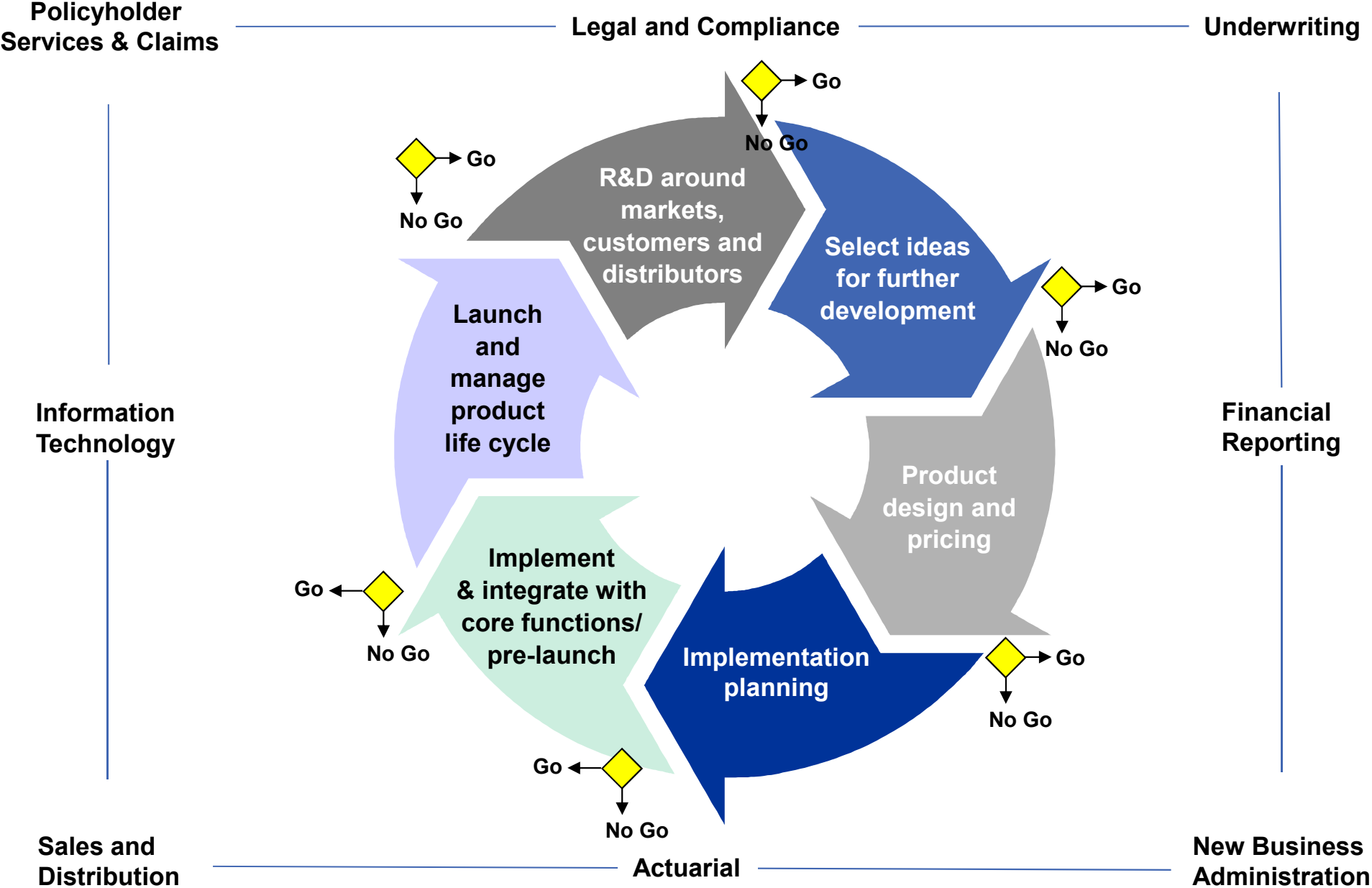
Process Flow and Roles

Process Flow and Roles

Lessons learned from successful companies

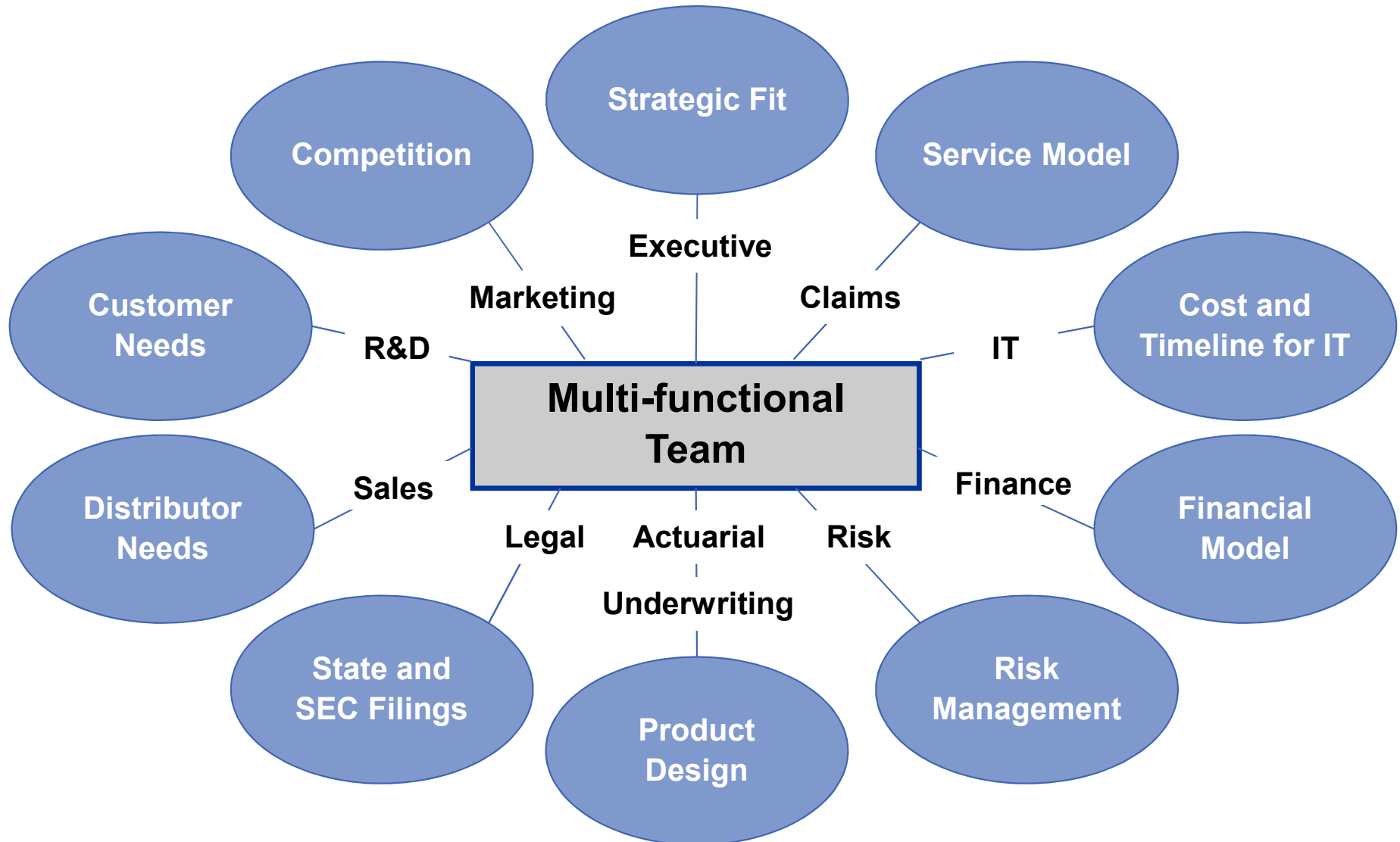
- Have a well documented, repeatable process that includes all those involved in the total end-to-end process
- Introduce products on a regular cycle as opposed to on an ad-hoc basis
- Establish roles and accountability
- Build and sustain producer commitment to the new product, from research through launch
- Focus on establishing a reputation with producers for delivering quality, error free products on time rather than a focus on speed to market

Governing body monitors the execution of the end-to-end process



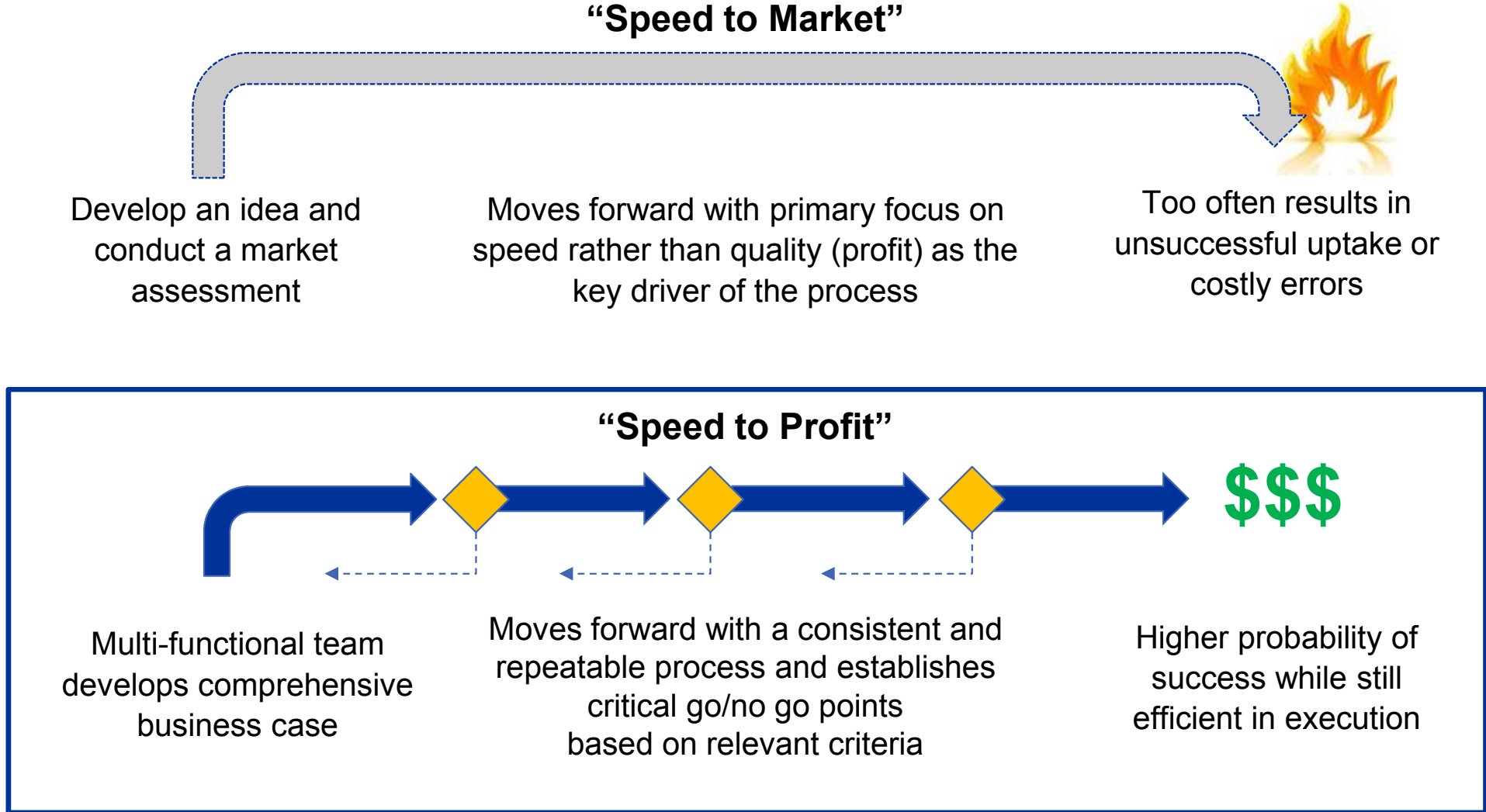
Integrate and collaborate across functions

Invite the right parties to the table at the beginning



Governing body establishes key decision points

Holds the team accountable for key decision points as the fact base develops



Project Plan

Project Plan

Lessons learned from successful companies

- For each task put the accountable party (name names)
- Include dependencies
- Build in time for the actuarial models, which will depend upon new to industry (innovative), new to company, revision
- Include deliverables for each phase
- Have a disciplined approach during implementation

Project Plan

ILLUSTRATIVE

Task Name	Task Owner	Duration	Start	Finish	Dependencies	Wk 1	Wk 2	Wk 3	Wk 4	Wk 5	Wk ...
Phase I: Gather data, develop business case		25 days	1/1	1/25							
Gather stakeholder feedback	<i>Owner A</i>	1 day	1/1	1/1							
Working sessions	<i>Team</i>	2 days	1/2	1/3	Task 1.1						
Gather data for business case	<i>Owner A</i>	10 days	1/4	1/13	Task 1.5						
Draft business case	<i>Owner B</i>	10 days	1/14	1/23	Tasks 2.1-5						
Review draft business case with stakeholders	<i>Team</i>	2 days	1/24	1/25							
Phase II: Business case refinement		20 days	1/26	2/15							
Assign owners for follow up areas	<i>Owner A</i>	1 day	1/26	1/26	Task 2.3						

Progress Update

Draft Business Case

 Milestone / Deliverable

Maintain discipline through implementation

- Once a product is in the market, the focus shifts to active product management
- Focus will be on operational excellence while maintaining a high level of customer intimacy
- Product team will work closely with internal and external partners to:
 - Deliver the product through the sales and servicing model
 - Gain insight on the customer segments and promotion / advertising support
 - Obtain product performance reporting and analytics
 - Provide ongoing system support

Post-Launch Evaluation

Post-Project Evaluation

Lessons learned from successful companies

- Perform a Post-Project Team Survey
- Develop a Post-Launch metrics scorecard
- Tie metrics back to original Business Case and execution plan
- Actively manage the lifecycle of a product

Post-Project Survey

- The survey should focus on the process as well as the Product Manager
- Meet to discuss the survey results and discuss lessons learned

Sample Process Scorecard

Metrics to evaluate the performance and efficiency of the process

ILLUSTRATIVE

Ideation	<ul style="list-style-type: none"> ▪ Number of ideas captured per quarter & per year (including % breakdown of sources, e.g. product group, members) ▪ Number of ideas approved for Product Development per year / Number ideas captured per year
New Product Development	<ul style="list-style-type: none"> ▪ Number products in development, number of products launched per year ▪ Wasted development spend per year (cancelled projects) ▪ Development cycle time ▪ % on time launches ▪ % products >20% over budget at time of launch
Product Mgmt.	<ul style="list-style-type: none"> ▪ Number of products retired per year ▪ Number of existing products to enter process at Ideation Phase per year (e.g., enhancement, extension, etc)

Post-Launch Metrics Scorecard

Assumption Validation

Metrics Scorecard Definition

Product Performance Monitoring

Loss Ratio	Financial	<ul style="list-style-type: none"> Sales Earnings Mix of business...
Underwriting Mix	Operational	<ul style="list-style-type: none"> Expense ratios Error rates System efficiency...
Frequency		
Severity...	Customer / Producer	<ul style="list-style-type: none"> Satisfaction Ease of sales process Behaviors in line with expectations...

ILLUSTRATIVE	Business Case Estimates	Actual
Financial		
Sales (\$M)	XX	YY
Earnings (\$M)	XX	YY
Margin (%)	XX	YY
Operational		
Error rates (%)	XX	YY
Expense Ratio (%)	XX	YY
Loss Ratio (%)	XX	YY
Customer/ Producer		
Customer Satisfaction	XX	YY
New Premiums Generated (\$M)	XX	YY

Feedback & suggestions to the various stakeholders of the Product Development team



Monitor throughout the product lifecycle

Success in execution requires careful monitoring of the product post-launch

Monitor the product



Make a profit

- *What is the appropriate frequency for touch points?*
- *Who should be involved in the monitoring process?*
- *Which metrics are critical for measuring financial success?*
- *Which metrics are critical for measuring competitive success?*
- *What are the triggers for action?*
- *What is the feedback from producers?*
- *Was the launch campaign appropriate?*

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