

Reflection 25. Build Capacity to Develop Products

I've spoken, written, and trained on product development many times. Despite this, I find many institutions have weak product development approaches. They are poor in understanding their customers which leads to slow innovation, and a gradual decline. In a highly competitive market, it is even more important for all financial service providers to have capacity to develop new products and services. The major skills required are:

Research and development: A team that can conduct primary research with customers and potential customers, that can understand supply chains, and lifestyles, a team that can engage external researchers as required. This team creates product concepts which are then subjected to rapid testing with potential clients and the concept is refined into a prototype.

Business development and partnerships: The business development team works with the prototype product to identify any supply chain partners required for the core product, or technology partners used to help deliver the product.

Product development phase: The product development phase is where a new product is built, prior to the pilot test commencing.

- *Product development team:* The team assembled consists of a core team – which does most work, and other specialists who are brought in to cover their specific area as required. An outline budget is set.
- *Protocol or plan:* The plan identifies the product development process. It identifies the steps to be taken, by whom, when and the deliverables. Pilot test site (s) will be chosen.
- *Costing and pricing:* The business models are developed which are based around scenario analysis, from conservative to optimistic assumptions. This model is used to track product performance moving forward. This costing and pricing is a key step to assess the potential of any partnerships, and the partnership model.
- *Business process re-engineering:* the business processes required for the product are developed.
- *Systems:* The systems required for operationalising the product will be finalised.
- *Partnerships:* Partners will be evaluated against outsourcing criteria. Business modelling will be updated. The partnerships and associated services required for the product will be built and tested.
- *Marketing:* The marketing approaches for the pilot test will be designed, taking into account the customer value proposition established during the pilot test, and the local nature of the pilot test.

- *Staff training*: Staff will be trained in the features and operations of the new product.
- *Pilot test*: The pilot test will be launched. The progress of the product will be measured against pre-set objectives. Pilot tests are often misunderstood – pilot tests are active events; changes are made and evaluated during the pilot test. Pilot tests are designed to a) prove the market for the product, b) finalise the product design, c) determine whether, how and when to rollout the product.
- *Rollout*: The product is rolled out with a carefully constructed ‘go to market’ plan, this support is critical and is often underappreciated.

Where providers fail to invest appropriately in pilot testing, products may require expensive remodelling, or they may fail, through lack of attention to detail, or through lack of support. Remember, M-Pesa was pilot tested for 18 months, this was a long time, but the product was highly innovative. The results speak for itself.

First Principles Consulting can advise you on product design and development. We can build capacity in your teams.

If this reflection speaks to you... speak to me so that we can inspire change, together.

David Cracknell

Additional reflections in this series can be downloaded from www.firstprinciplesinfinance.com



 42 RIVERSIDE DRIVE
 NAIROBI
 BOX 76436 - 00508
 KENYA
 +254-733-713380

 DAVIDJCRACKNELL
 DAVID@FIRSTPRINCIPLES.CONSULTING
 @DAVIDJCRACKNELL
 WWW.FIRSTPRINCIPLESINFINANCE.COM