

Reflection 36. Review Your Product Mix

I've reviewed many different product portfolios for financial institutions. Sometimes these have been quick exercises - dives into the BCG matrix – stars, cows, question mark dogs, and other times, a much deeper analysis based on data. What I've realised is that many financial institutions do not as a rule and have not reviewed their product performance systematically on a regular basis.

So, in this reflection I would like to examine the issue of a financial institution's product mix, how a product portfolio can be reviewed, and a few of the lessons I've learned.

Why should we review our product mix?

1. Every financial institution I've produced a product costing for had loss making products.
2. Products have a lifecycle with performance rising and declining over time.
3. Products operate in a competitive environment – improvements are being made by others.
4. Carrying a large product range has costs which must be leveraged.
5. Decisions can be taken after review to refine, refresh, relaunch existing products, kill non-performing products or to fill gaps in a product range.

So how should we review our product mix?

A full review of a product range would consist of a multi-step process. This would include:

1. BCG analysis – impressionistic review by multiple parties on our product performance.
2. Product performance – analysing statistics geographically, over time, including channels.
3. From this analysis, a smaller number of products can be identified for further analysis. These are often the question-marks in the BCG analysis, where there is potential for significant improvement.
 - a. Competition analysis, comparing products with similar products from competing institutions. Analysis should cover the 8'Ps of financial marketing.
 - b. Qualitative market research can be used to inform refinements to products that matter to clients.
4. In taking final decisions on the future of products and services a product costing is recommended, as even a loss-making product can contribute to covering the costs of an institution. See Reflection 5: Follow the Money

This is broadly the process I walked with a financial institution in Kenya several years ago which had many non-performing deposit products. Research identified a competitive, core product which was developed and launched. Non-performing products were retired. Deposit liabilities increased dramatically.

It is important to note that whilst many product issues relate to product design – a product which is no longer competitive; other issues relate to how a product is delivered or executed. Common issues

relate to inconsistent product delivery, processes that take too long, failures in staff knowledge and promotion.

So, a product mix review should identify not only which products and services need to be retired, refined, or developed, but provide insights into why the products were not successful, or could be more successful. Often these insights apply to core capacities that need to be developed which will impact on the performance of all products and services going forward.

The process of refining a product mix typically goes through product retirement, to product refinement to product development. Retiring products ensures resources are focused where they can provide returns.

Product refinement is especially attractive for a financial institution, it is the process by which products are refreshed and relaunched, it is relatively inexpensive and usually produces rapid returns.

The nature of products is changing.

A final and compelling reason for reviewing products is that the nature of financial products is changing, through the fintech revolution through digitisation, integration with customers, through machine learning and algorithms. I discuss this transition in my thematic blogs – Seven Principles for Reimagining Financial Services and Designing Blogs for Gig Workers.

First Principles Consulting can review your product mix. Identify with you where your products and services can be refined.

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