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I Want It All, and I Want It Now or You Can't Always Get What You Want, but You'll Get What You Need: Value-added Product Development

Track: Product Development

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Summary: This session explores the product development process life cycle and focuses on the front-end elements of market research and competitive analysis. Instructors examine some "solid gold" market/product initiatives and some "bottom 40" product failures to identify best practices in action. They provide some hints to speed up the implementation process so that longer front-end efforts do not slow down total time to market.

MS. NANCY M. KENNEALLY: I'm a consultant with Tillinghast –Towers Perrin in our New York office. Over the past six years with Tillinghast, I've worked with insurance companies to help them to price, develop, and implement new products with a particular focus in the variable market, both life and annuities.

Our session today is on value-added product development. I'm going to talk briefly about the product development process and then introduce our two speakers, who

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Note: The chart(s) referred to in the text can be found at the end of the manuscript.

are going to share with you their experiences and insights into the process, both in designing and implementing new products.

Product innovation and the newest bells and whistles seem to be emerging at a faster and faster pace these days. In some markets, these bells and whistles are needed just to play in the market; in other markets, they're needed to win. Whichever situation you're in, speed to market is critical to success, whether you're trying to keep up with the market or trying to keep ahead of the market.

In an increasingly competitive marketplace, product has been one of the areas that companies have looked to as a means of differentiation. The whole product development process is becoming more and more important to companies and to their overall success.

Products are constantly evolving, and the life cycle—or the shelf life—of products has shortened dramatically. Five or 10 years ago, a product might be priced and implemented over a one-year time frame, and it might be sold for, say, four or five years before being revisited. Today, products are being repriced constantly. There are new features being added, and the shelf life for a new product may be as short as one to three years. With new features cropping up constantly, companies really have had to look hard at their processes to make them more efficient to keep in step with innovation and changing market conditions.

Product development has a number of steps in it, but it looks fairly straightforward. It starts with idea generation, moves to product idea screening, and then moves to preliminary product proposal and on to an initial decision until you get to your final product decision. Then, it moves into product implementation, product introduction and launch phases, and then into the important last step— tracking the product that has been introduced and launched. The process seems a little bit onerous—it might seem tempting when you're trying to develop a new product to skip a few of these steps and move right from the idea generation phase to final product decision and say we can work out the details as we go along.

Several years ago Tillinghast did a study of the product development process in which a number of companies participated. What we found in our study was that the most efficient companies used a well-defined process, such as the one mapped out here, and didn't skip any of the steps.

One step too that seems to be very critical is the tracking step. Once you've gone through the whole product development process — which typically takes several months from start to finish — it's important that you track the product's success once it has been launched to see what lessons can be borrowed for future product development. What worked well and what didn't work well?

The topics for our discussion today include how to assess the market for product opportunities, how to analyze successes and failures, how to use your successes

and failures to identify best practices, and then finally what tools are available to assist in the product development process to make the job a little bit easier.

We have two speakers today, Eva Goldstein and Mildred Oliver. Eva is a senior consultant with Insource Ltd. Insource provides advice and resources to insurance and other financial services companies around the world, assisting with the creation and implementation of business development strategies. Their services include assistance with strategic planning, market assessment, market entry strategies, surplus management, mergers and acquisitions, product development, asset liability management, development of distribution systems and market representation.

Eva Goldstein manages Insource's Center of Excellence for Strategic Market Research and Assessment. She also advises clients on work flow and process management issues. Before joining Insource, Eva worked as a marketing analyst developing industry research reports and executing domestic and international market assessments.

Mildred Oliver is a Vice President in the Life Product Management area of AXA Financial/Equitable. She's been with AXA Financial for over 30 years. Right now she is responsible for both the Individual and Corporate Owned Life Insurance (COLI) product portfolios and has been in the life product area for the past 15 years. Prior to that she held positions in various areas of the company in operations and agency and distribution. Now, I will turn it over to Eva.

MS. EVA GOLDSTEIN: I have two confessions to make. I'm not an actuary and I don't do product development, so if you want to get up and leave now, that's fine. I'm actually trained as a Sigma of quality black belt. For those of you who don't know what that is, GE has a Six Sigma quality program, and it's a methodology, a philosophy, and a way of living and working and that helps you optimize and improve your business processes. As a black belt, I'm trained to lead projects that do that. I have also been involved in numerous product development projects, so I do know what I'm talking about, I think.

If you look at today's product development environment, those problems and product solutions are becoming increasingly complex. Innovation is accelerating at an enormous pace. Customers, as we all know, are becoming more sophisticated and have much higher expectations. They have rapidly changing needs. They have rapidly changing marketing conditions, as well, and expanding global competition. All this leads to an ongoing need to increase our efficiency. Basically, what it means is that you have to do more with your resources.

Successful manufacturers today focus on unique product benefits and well-defined product plans. They use more non-traditional tools in market research, such as team-based market research. By molding cross-functional teams earlier, you get more direct access to customer knowledge, you get ownership and buy-in across

functions, you get earlier detection of changing needs, and you should get a broader perspective of understanding your market and hopefully faster execution of a new product.

Defining DFDSS/i
So what is this DFSS/i thing that I'm going to be talking about? DFSS stands for Design For Six Sigma. It's a very structured methodology within the Sigma program for designing new processes and products. The "i" stands for innovation.

It's easier to lower the risks and costs associated with new product innovation as part of the Six Sigma initiative. DFSS/i requires multidisciplinary teams. It's very structured, and it's a data-driven approach to assess business opportunities and to define CTQs.

CTQ stands for Critical to Quality element, and basically, it's your product and process requirements as dictated by your customers.

The way that we measure our processes and the success of our product is by defects, and a defect occurs any time that you don't meet a customer's CTQ. We use this approach to select market opportunities, to define new products, track market behavior after launch, and to leverage our market intelligence efforts. Really, what we have is a front end of a structured product-development process.

So why do we need this structure? Because some new products fail.

It could be that a pet idea went out in spite of negative market research or maybe market research wasn't even done. You may have overestimated the market size, the product might have been incorrectly positioned in the market, or there may have been unexpected competition. All of these are indicative of a lack of information.

We also need structure because some other new ideas never make it to the market. There may have been insufficient information to warrant an investment and pursue the idea further, or there may have been unexpected show-stoppers. Sometimes you also miss new or established market opportunities, and this is because a company is too busy with responses and fixes. Basically, the core problem is that we don't have enough information.

If we look at resources committed versus time with respect to a product launch, the typical pattern is that most of the efforts and the resources are expended at the time of launch. With DFSS/i, not only are you using fewer resources, but you're moving the effort up in the process so that most of your work is done up front to make sure that you're developing the right products.

Chart 1 shows risk versus time. Over time, as you move from an idea to the launch, your amounts at stake are going up but your uncertainties should be coming down

and your risk is under control. You're controlling risk and improving efficiency.

Using DFSS/i
What we do first in a DFSS/i approach is assess our customer's needs, and then we assess distribution needs. Maybe you consider distribution to be your customer — it's all in the definition. Then we look at our own business needs. Then we can define the product specs and define the product requirements.

One of the tools we use for defining product requirements is what we call a VOC, which stands for Voice Of the Customer — a concept you may have heard of. For us, it's a very structured process for gathering our customer requirements, or CTQs, and translating them into something that's quantifiable, measurable, and reasonable. Another tool is a scorecard, which is something that we use internally and with our clients to track our performance. The requirements flow down from our research and our capabilities flow up from within. This approach then balances the voice of the customer, the business needs, and our product design constraints.

Five Phases of DFSS/i
There are five phases to DFSS/i: 1) define, 2) measure, 3) analyze, 4) design, and 5) verify.

The first phase is define. In this phase we identify the market opportunity and the general product scope, based on our existing knowledge and secondary research. We develop a hypothesis, basically. We gather the knowledge we need to have some validation of that hypothesis, and we make a go/no-go decision. We answer the question, "Is this worth pursuing any further?"

One of the tools we use is a 10-question survey. Then there's the opportunity fishbone, and we also have a hypothesis development tool kit. Basically, this step brings focus and efficiency to the rest of the process.

Then we go into the measure step. This is where we actually focus our data-gathering within the context of our business models, and we try to translate what we've heard from our customers and from the distribution and from within the business into prioritized and measurable CTQs, the critical-to-quality element.

What we actually do is develop the product framework— we fill in data gaps and we establish CTQs. Some of the tools we use for this are a basic business case and basic statistics such as analysis to variance.

The key to Six Sigma is that it's data-driven. You can't implement anything unless you can show a statistically significant impact either of a process change, a new product, or a new process. The emphasis is on CTQs, and this leads to data-driven decisions and focuses the limited resources that you have.

The analyze phase is next, and this is where we analyze the data to generate a concept design and define the most attractive product opportunities. What we do is analyze the data, we do some financial modeling, and we establish a scorecard for the project. Some of the tools involved there are capability analysis, risk return analysis, and a failure mode error analysis.

The failure mode error analysis is a neat tool. Basically, what it does is it forces you to consider all the different points at which your product or process could fail and then rate the impact of that failure on your business overall, whatever your measurements are. Then you look for solutions or control plans, rate how easy those are to implement and the impact they will actually have on the problem, and then come up with a final score that allows you again to focus your resources on mitigating risks where it's most important.

The key thing to remember in this phase is to avoid analysis paralysis. You can analyze until you're blue in the face, but at some point, you have to move on.

The design phase is next, and this is where we evaluate the impact of alternative solutions and develop the details designed for the most attractive approach. We have to assess the technology impact of our design, we have to establish a product scorecard, and we have to develop our pricing strategy.

While there's a lot of technical thought in here, a lot of this is also brainstorming. This is where you get all the brightest minds together and you really come up with a detailed design. We have tools for that as well.

Two of the tools we use for this are the priority matrix and the capability matrix. Again, you have to remember that design is iterative, but it's also finite. At one point you have to say, "OK, this is good enough, we're going to move on, we're going to validate that this it the right thing." That's what we do in the verify step.

The objective of the verify step is to validate that the opportunity is real and verify the concept design by transitioning to implementation. We reach a go/no-go decision at this point.

There's some final abatement of risk as needed, and believe me, it's needed. There's a hand-off to the execution team. The tools here are pretty basic. We have a bunch of documentation templates for each project, and we gather stakeholder input at this point, as well. Documentation is critical, and the thing you have to remember is that it's OK to have a no-go decision, because at this point you have come to a fairly detailed product design. It's OK to have a "no" answer.

How It Worked for a Real Company
We used this approach on one project in which we created a virtual insurance product here in Canada. I'm going to take you through that case as an example.

In this case, the distributor wanted to drive the product design. They came to Insource for a product. They wanted a new solution for an established market, and this case required a fundamental shift because the manufacturer usually funds the product design and we had to rethink the way a product is built.

We also needed to design not only a product but also a process, and risk control was critical. So in the define phase of the tools, we used a 10-question opportunity summary. We found that the distribution needs were a proprietary product and a unique product, but that there were no obvious competitive solutions to the kind of product that they wanted to put out there.

The market they were going after was the high-end business market. They were also very concerned that there would be no productivity gap in the mind of the consumer. They wanted a unique commodity product. Unfortunately, there's no such thing, so we had to use processes to differentiate this product.

We then went to the measure phase and established CTQs. The distributor wanted a unique, proprietary product, and they wanted to increase their sales to the small business market. The market itself wanted a competitive product that was competitively priced — something simple and high- end — and the insurer that got involved wanted risk free income (they were not interested in really being involved, but they wanted to make some money off of this). From this we could devise measurable and reasonable CTQs for our project.

In the analysis phase, one of the tools we used was our capability analysis. Chart 2 lets us look at the unique combination of business processes, technical competencies, and the ability to access and utilize information for each of the capabilities that we're interested in.

We looked at the capabilities that we knew we needed (and these are pretty basic), and we rated them on a scale of A, B, or C. You'll note that, to nobody's great surprise, the distribution company was very good at distribution and not much else. They did get a B on policy service, which showed us that while they probably shouldn't be handling that aspect of it themselves, it was something that was very important to them, and they had to have some input and some control of that function.

Then we moved into our design phase. Chart 3 shows what we came up with at a very high level. We assembled all the different capabilities from different sources. We had Insource doing the actuarial consulting work and project management. We had the distributor doing the marketing and distribution. We had a reinsurer who assumed 100 percent of the risk, and all the administration was outsourced to a third-party administrator who also then outsourced the underwriting to a third-party underwriter.

The insurer basically just provided the brand and the paper. When you look at all these capabilities separately, we got straight As on capabilities.

Then we documented the processes that we developed in the verify phase. We documented the cash flows, which is important to everybody. We documented the product specs. We did a final risk analysis, which turned out to be very important, and we reviewed all of this with all the stakeholders to ensure agreement.

Lastly, we looked at the implementation requirements. The biggest lesson we learned was that you need to identify — or force all the participants to identify — the possible risks up front, because those are the kinds of things that can really crop up unexpectedly at the end and almost become show-stoppers. Luckily, they didn't in our case, but they could happen.

The results of the case study can be summarized as follows: We defined a need, measured CTQs, analyzed the product and process requirements, designed a solution, verified the design, and created the first virtual insurance product in Canada (we like to say).

For an update, two competitors immediately repriced their competing products, and we are no longer number one. But because we have this virtual model, we're extremely flexible, we're able to respond to this new market situation, and we're already working on the next one.

MS. MILDRED M. OLIVER: I have a few confessions to make, too. The first one is I'm not an actuary and the second is I don't have a black belt in Sigma. I do have a black and blue belt from being in the product development area for 15 years.

A Tale of Two Products
We've had a chance today to see a couple of different product development processes. I'm a process person. I'm just oriented that way by nature, but process isn't the only thing you need to be successful. Today, I'd like to share with you a couple of our recent product development efforts and then share a few observations with you that I have about the product development process. I call this a tale of two products.

The tale of two products involves one success and one failure. The first product, which I call product X, is a single premium variable life insurance policy. It was a multiyear development effort, and it's a failure because in the six months that it was in the market, we sold exactly three policies — nothing to be proud of.

The second product is really a portfolio of level-term products, and these were developed fairly rapidly. We went from design to implementation in a period of about six months or less, and they've been a very big success, especially in our career sales force channel.

Now, both of these products used the same process model, but with very different results, and you're probably wondering why.

The Failure

I'll start with the single premium variable life policy (SPVL) and talk a little bit about what went wrong mostly, a little bit about what went right, and some of the lessons we learned along the way.

The idea for the single premium variable life policy originated with a home office senior executive. They like to think of new ideas occasionally. This executive happened to be head of the product development area at the time. We started looking at it and did some initial work and some pricing on it and went to talk to our distribution channel about it.

They were very lukewarm to the idea at that point. We distributed mainly through our captive sales force, and they were used to selling flexible premium variable life. This SPVL product had a very low commission structure. It was more expensive than the product we were currently selling from a consumer standpoint because it basically had a very simplified underwriting structure, and there's a cost for that. So our distributors were lukewarm to it.

At that point, common sense prevailed, as I like to think it does occasionally and we just kind of put the idea on the back burner for maybe 12-18 months.

Time passed, and we started distributing life products through our wholesale channels, which originally had been doing annuity products. We weren't very successful selling life products there, but those wholesalers came up with the idea that maybe what we needed was a single premium variable life policy, which breathed life back into this product.

They were fairly excited about it, and so were we. It seemed like if there was any way we could break the ice with people who were used to selling annuity products, it would be to give them a product like this that was very annuity-like, although it was still life insurance.

We thought they should be able to sell it with easy underwriting and that sort of thing and that it actually would serve as a bridge to get those annuity producers to the point where someday they might be able to sell life insurance. So there was a lot of excitement.

This was the first time I'd ever been involved in a product development effort where it turned out that I thought the distributors got everything they wanted. We'd sit in meetings, and they'd ask for things, and we'd say, "Why do you need that? It really is going to make the product more complicated, it doesn't seem to add any value."

In the end, we gave in on just about everything. We did have the idea at one point, I think, where we were going to talk to the end distributor to just make sure we were on the right track. But corporate politics prevailed, and we never got that far. We decided to just go ahead. We gave in. That was our first mistake. We started product development and implementation of the product.

We were into the implementation phase of the project when there was a major change in our distribution's management. At that point we went back to the new players and revalidated the facts. We asked, "Do you still want the product? Are you sure this is what you should be doing?" Everything still looked fairly rosy. We kept on developing. This is where mistake number two occurred.

We were working with distribution on who was going to distribute the product and who was going to promote it. We had been operating under the assumption all along that this was being developed for annuity producers to be distributed primarily in the wholesale channel by our annuity wholesalers.

Distribution management, for reasons I'll never understand, decided that maybe the life wholesalers should promote the product. This was mistake number three, and I think it was, in the end, the death of the product, so to speak. The life wholesalers obviously were very familiar with variable life insurance. They looked at the product, and the same issues came up that came up when it was suggested the first time: low commissions, fairly expensive.

As a result, we sold three policies in six months. We've now removed the product from the market. I still think it's a good product. I think there's a place for it in the market with the right sales distribution, but it's out of our product portfolio.

The Success
The second product, which was the successful product, is three level-term products that we introduced at the end of April. I know you're all thinking that it's pretty easy to design term products and "What's the big deal here?" but we're a fairly high-expense company, and the primary driver of term sales is expenses.

We knew we were never going to have the cheapest premiums. We thought we could be fairly competitive, but unless we found a way to differentiate ourselves in the market, it wasn't going to do us any good.

We worked very closely with our distribution channel on trying to identify areas where we thought we could justify the difference in our cost. The areas that we identified primarily had to do with our disability waiver provisions and with our conversion privilege, the period, the credit that we offer, and the products that we had to convert to.

We also spent a lot of time with our people in distribution working out a detailed launch plan, and a way to promote the product. In the weeks before we launched,

we did particular mailings to our captive sales force, something that we had never done before. As a result, when we launched on April 30, we were really off to a strong start in our retail channel and we've been doing very well there.

I think we did everything right as far as the retail channel is concerned. On the wholesale side of the house, they weren't nearly as excited about the products as we were. They don't fit well with our wholesaling models, which are very focused on variable life.

Strangely enough, though, after a couple of months in the market, they see how much term we are selling (and we're really not a term player), and it's getting their attention. So, we are starting to come around and ask questions. Better late than never.

It probably sounds, after I've gone through these two examples, like I blame everything on distribution, and that's not just because I'm in the product area. The point I was trying to make with both of these examples is that they're really key to everything that we're trying to do and one way or another they have to get on board or you can do everything and it's for naught.

We really work on our relationships with our distributors, and it's tough in a multichannel environment and with all the different products — the customization that they request and that sort of thing — but we really try.

Proven Product Development Processes
I'd like to talk a little bit about what I think are some practices that we use and we do fairly well because I think they can make a difference in your product development.

The first thing is that we use a team-based approach to product development. We work with multidisciplined product development teams. The product manager for the product line is responsible for assembling the team and managing it from start to finish.

The complexion of the team changes over the life cycle of the project. At the very beginning, it's very focused on distribution, product, actuarial, and legal. At the end of the process, it's very focused on marketing, systems, quality assurance, and administration. It seems to make the process a lot easier. We're not meeting-mad, but the teams do meet on a regular basis and give status reports on a regular basis.

We also use a concept we call a test committee. That's a group of people from the systems, administration, product, and quality assurance areas that develops very extensive test plans for the product. They develop the test sample and they execute the test plan.

I think that over the years this has served us well. We have, I think, fairly high-quality proposal systems. Rarely do we find errors in them once they're in production, and the same goes with our administration system.

Product benchmarking is another of our best practices. We do extensive product benchmarking. Over the years, we've done a lot with product policy performance, where you're doing funding levels and running specific cases and that sort of thing.

Within the past year, we've added benchmarks on other attributes that are important to the product development process. We benchmark now for the ease of doing business with us, underwriting policy, and performance of the funds underlying the variable contract. And this is just in recognition of the fact, again, that you can have a great product, but if you're weak in some of these other areas, you're still going to have a sales problem.

We also do concurrent development. This is where, early on, when we know what we're going to do and we have preliminary specifications, we meet with our systems people and our marketing people and we try to identify areas that we can start development on — even though we don't have all the i's dotted and the t's crossed — to kind of jump start the product. So you'll find us going through final design at the same time you see us starting to kick off the development teams and that sort of thing.

We do specification walk-throughs. This is where we'll walk through the actuarial specifications or detailed business specifications. We meet with the implementation team (and these are sometimes long and painful meetings) to walk through, page by page, the specifications and to answer any questions. This accomplishes two things.

One is, it helps everyone on the team internalize the product. They understand exactly what it's about, why it's happening, how it works. But it also has helped us, because a lot of times, somebody in administration or somebody in systems will say, "Wait a second, you think you're building this, but if this is processed this way, it's not going to make any difference. Why can't we just do it this way?"

The net of that is, if it doesn't make any difference, and it's going to save money or save time to market, we'll just change the specifications rather than get picky about making sure the system agrees with the specs.

We do just-in-time functionality, which translates that we go to market occasionally on a wing and a prayer. We try to go with proposals, issue, and first year functionality. Over time this has been reduced to proposals, issue, and the first 90 days. Now we're down to proposals and issue. We build the rest of the functionality as we need it.

After launch, we'll end up in the first year trying to build second-year functionality and so on and so forth. Now, this helps a lot if you're trying to get to market fast. On the single-premium variable life product I was talking about, it saved us from the renewal year cost on that product. We're going to structure a buyout for those three clients and, as a result, we don't have to do in-force proposals, annual reports, etc.

Unfortunately, it also comes with its down side. That is, all these little mortgages add up, and over the years, they can become a considerable amount. They have to be very carefully managed, or you may find yourself someday without some functionality that you really need.

The other thing is that if the resources to deliver the mortgages are the same resources that you have for new product development, guess what gets taken care of first? It's usually the mortgages, because they're legally required or the number of transactions that have to be processed manually is unacceptable. It's something I think can work and work well, but it has to be carefully managed.

The final thing I think we do, and I'll admit we don't do it all the time, is postmortem analysis. I think a postmortem should be done on every project, quite frankly, because I think it's a chance to pat yourself — and the team on the back for a job well done and to identify what didn't work well and try to do it better the next time. Usually, these only end up getting done when there's been a problem with the execution. They're still good, but I think you have to watch that the sessions don't turn into "Who's to blame?" and finger-pointing sessions.

Useful Tools
We have a couple of tools that we use. For a project management tool, we use Microsoft Project. I'm not in love with it, but it's about the best package out there that we've been able to find. What's important, I think, is that you not just have the tool but that you use it.

I know some areas at the Equitable use Microsoft Word, for example. We've used this long enough now that we have templates for various product development efforts. For example, we have templates for developing variable life insurance, for developing term products, changing dividend scales, etc. So whenever a new product comes on, basically what we're doing is pulling the template and modifying it for the specific project that we're working on.

I might add that we use that same process for actuarial and business specifications. We'll actually pull a similar type project that we were working on and then mark things with change bars so that people can see how things are different and what needs to be changed and what's the same.

We're rolling out a new project management database that we've developed on a Lotus Notes platform. This database contains all of our product initiatives for the life

product area, and it maps each one of the projects to the phase it is in during the product development process. So you can go in and see what's in idea screening, what's in preliminary pricing, what's in the final decision phase, etc.

The database also reflects the status of the project — green, yellow or red, which are pretty obvious. The green projects are the ones that are a clear go, and they're proceeding on schedule; yellow, there's been some bump in the road; and red, the thing's really off track and needs help.

The database also is the place where we store all of our specifications, meeting minutes, state approvals, etc. So at any given point, anybody on the team can go in and look at the various statuses and things that are associated with any product development effort that we're working on.

The Good, The Bad, and The Ugly
Finally, the good, the bad, the ugly file. This is a file that I started keeping about 10 years ago. After being in the product development area for a few years and having changes going on in distribution and with management, what you find is there really aren't that many new ideas. There's a lot of ideas, but not all of them are new; with work, the good ones probably get implemented. The bad and the ugly got put aside, but they just kind of kept surfacing.

I started keeping this file because whenever the ideas come up now, I can just go to my file, pick up where we left off the last time it surfaced, and take it from there.

An example of something that's in my ugly file is a producer we have that insures a lot of clients who are jockeys. He came up with the idea that if we developed a variable life policy on racehorses, he was sure he could sell a lot of them.

Organization
I have just a few comments on organization. I don't really have any strong feelings about where the product development and product management areas should be in an organization. I do feel strongly that everybody on the team has to know what their role is on the team and what their responsibilities are.

The implementation teams are multidisciplined, and I think that's fine. What I find happening sometimes is that players start commenting on things that are frankly not anything that they should be concerned with. It's not unusual that you'll have conversations with systems people about marketing strategy. The product managers kind of act as police on straightening everybody out about what their role and responsibility is and keeping that straight.

Decision makers sometimes are hard to find. Either you have none or you have too many. Equitable is expanding. We have a lot of new players involved. We have a multidistribution strategy. With all of that going on, it's very hard sometimes to figure out who the decisionmakers are.

As a product developer you've got to sort out that information, make sure that they understand what their roles are and get the decisions made. I think the one thing that can slow down the product development process the most is, frankly, not being able to do this and not being able to get a decision about what you're trying to do.

The last thing is communications. We're lucky, or I'm lucky, that a lot of the key players in the product development area for life products at Equitable have worked together now for many years. We really trust each other, and we're comfortable with each other, and a lot of times we've been there and done that.

With that said, we have a lot of new players in our distribution area. We have a lot of new players in senior management, and you really have to work at communications to make sure that the process goes smoothly. This is especially true if you physically aren't located near one another. I think it's easy, especially in certain phases of the project where you just feel overwhelmed, to kind of forget that there's somebody in Atlanta that you probably ought to be talking to. I think you should communicate, communicate, communicate.

I'll wrap up by saying it ain't over until it's over. What this means is that you go to market, and you go into the tracking phase of the project, and the tracking phase of the project is going to help you ferret out when to remove the product from the product portfolio, because all products have a limited life span.

Unfortunately, all those policies that you've sold don't go away. So if you're somewhat successful over the years, you're going to build up this incredible block of business, and that needs to have some in-force management. What we're finding now that we have a few million of these policies is that you can spend as much time or more on in-force management and dealing with those policies as you can on new product development.

At the Equitable right now we have the same resources basically supporting both of those. It may be that we're going to have to split that off, because I think that in-force issues are so important, they kind of supercede any kind of new product development that you're trying to do. As long as they're together, it's a problem.

The upside of having them together is that, as a product developer, once you've had to have live with what you've built for a while, you learn a few things. For example, I've learned I'll never build another product with premium redetermination.

If I could leave you with one thing, I guess it would be this: People are your most important asset. We talked about processes, practices, and tools that you can use. In the end, it's all about people — the people who build the products and the people who sell the products. So choose your team well, manage them well, and you're on the road to success.

FROM THE FLOOR: I have two questions. Have you built any sort of optimization techniques for production of state filings to try to determine which states you should file earlier or later in to optimize your sales results? And second, have you done anything with respect to any modifications on your systems and quick fixes or software packages to work around system limitations?

MS. OLIVER: We spend a lot of time on state filing strategy. We have analyzed how long it takes to get the various filings through each one of the state insurance departments, and we will actually work with distribution on projecting sales in each of the states to know how we're going to have to file to maximize sales given our expectations on receiving approvals.

We'll file once we are to that point, in a very strict order, based on how the filings go in. I mean, there is some variation, because some of the states require more information than others, but we give it a fairly rigorous examination in developing the filing strategy.

With respect to systems limitations, it depends on how important the limitation is to the product. If it's not important, as I said, we'll go ahead and we'll change the specifications for the product to actually agree with the system processing. But there are things that we don't give in on, and we actually will go ahead and modify the system — it just depends on when we're going to deliver it.

Like I said, renewal year. It's not necessary for day one. We'll just let it go until we have to deal with it.

FROM THE FLOOR: I guess you talked about market research and stuff that you do for some of the clients you have. I was hoping that you could expand on what you consider market research and what kind of data you gather for that.

MS. GOLDSTEIN: It really depends on the project. I guess when we're talking about product development, we will do all levels of market research. We start at the secondary level, try to gather sales data, look at products and competitive analysis, that kind of thing.

We also do focus groups. We call consumers to see what they want, what they're buying. We look at other people's studies, but we need to go to all levels, and we have to go out in the field and gather the information, as well. Distribution is a huge source of information, there's no doubt about that.

MS. OLIVER: I'd have to say that we rely on our captive sales force a lot for ideas. We have tried customer focus groups, and frankly, the ones that I've been involved with, especially when it comes to life insurance, have been very hard to get anything meaningful out of. I think they're good for probably validating the needs

of those customers, but for articulating what kind of product best meets those needs, I haven't found them to be very useful.

I think that we're probably going to have to work on our wholesale channel. Our wholesale channel is more familiar with annuity products, and so far, they've just kind of piggy-backed on whatever our captive distribution channel articulates they need. I think that's probably going to change in the future as we start to drill down on the different channels within that model.

MS. KENNEALLY: I'd like to thank both of our speakers for sharing their experiences and insights and thank you all for attending our session.
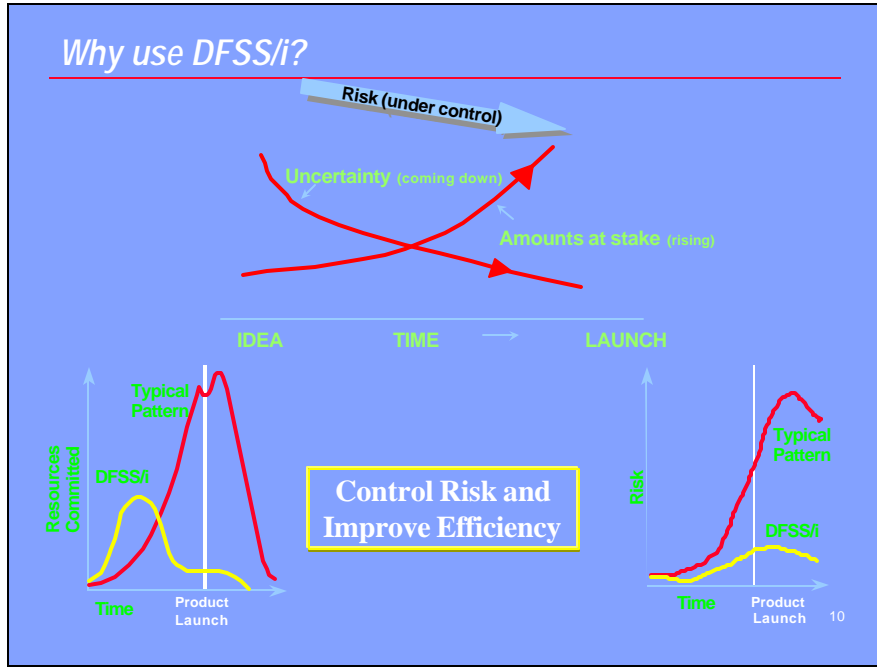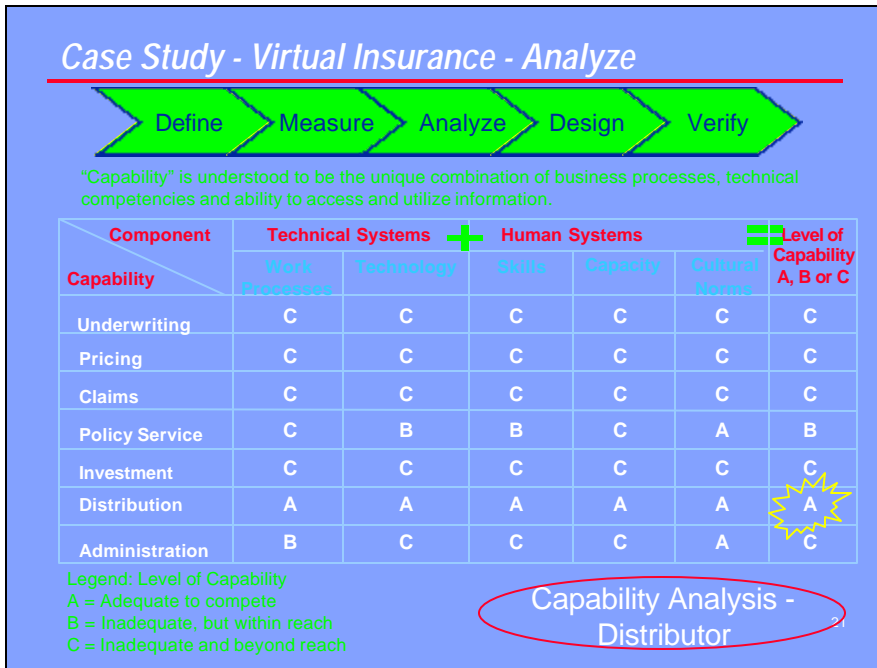
Chart 1

Chart 2

Chart 3