

The Need for Speed

Blame Silos For Slow Product Development

By Paul Menchaca

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Product developers say that companies with the best “speed to market” usually grab the most market share. So why don’t more annuity issuers get up to speed?

“Continuous product innovation is nonstop, so whoever has the speed-to-market advantage in our view will earn the bulk of market share,” said Alice Su, head of retail annuity product management for ING.

But Su finds that a lot of shops would rather talk about speed than achieve it. Speed to market makes good scuttlebutt at annuity conferences, but she doubts that many companies are stepping up to the challenge.

In fact, Chris Conklin, principal and actuary of Insurance Insight Group, said product development itself is often secondary for a lot of companies. Why? Blame the silo syndrome.

Most companies are still organized by function. They’re divided into individual departments with their own priorities. From these “little functional silos,” Conklin said, a company might recruit what looks like a product development team, but each member stays loyal to his or her department.

“So in theory you can coordinate a cross-functional team, but it turns out to be very slow and stressful for the people involved,” he said. “Everybody has different priorities and a different manager.”

Reorganization, slow and painful as it may be, should thus be a top priority for any company that wants faster speed to market, according to Conklin. “It revolutionizes the whole process to get people together in one permanent department,” he said. “It changes their perspective and shows them how all the parts fit into the whole.”

Vice presidents don’t like losing people to cross-functional departments, but that’s what it takes to build speed.

“Companies that make that change become much better at product development,” Conklin said. “And I think that will give them a sustainable advantage in the marketplace.”

Lorraine Thompson, director of product marketing for Camilion Solutions, said the pace of new product introductions hasn’t accelerated, just the pace of new features on existing products—especially in the guaranteed lifetime withdrawal benefit area.

How to Improve Speed to Market

- Define your goal at the start in writing.
- Prioritize each step of the process
- Reorganize the product developers into a permanent team.
- Make sure team members understand their roles.
- Find a reusable product “chassis.”
- Eliminate unnecessary steps in the process
- Use the best available technology.
- Keep an eye on your competitors and the market.

“[The GLWB] is the piece that distributors look at the most. Companies that can quickly change this component to meet market demand are the most successful,” she said.

Reusable chassis are also an important factor in speed to market, she said. It’s much more efficient to build new products on top of an existing chassis than to start from scratch every time.

Camilion markets a solution called ProductAuthority that helps companies meet their speed-to-market goals by

giving them pre-built templates and common calculations to create life and annuity products.

Another speed-to-market tip, according to Conklin, is to define upfront and on paper what the end result of a product development effort should be. ING’s Su calls this the “pipeline calendar process.” The problem is that people eagerly take the first few steps without knowing what the last step will be.

Laurence Greenberg, CEO of Jefferson National, emphasized the importance of upgrading the technology platform to increase the efficiency of product development. “We have a very modern system that helps keep costs low and allows for speed to market,” he said.

It’s essential to prioritize, added Greenberg. That is, at the very beginning of the process the company must ask itself how it can get products into the marketplace quickly.

By prioritizing the steps, the company can make rapid changes to its products during development. In addition, everyone on the team should understand their role, Greenberg said.

Mark Foley, vice president of innovative simplicity for Prudential Retirement, works with qualified retirement group plans. His job presents him with a different set of challenges than those making individual annuity sales.

The fiduciary responsibility of a plan sponsor, in particular, makes the review and due diligence process longer-sometimes resulting in a 12- to 18-month sale cycle.

Foley pays close attention to his competitors and keep tabs on what’s resonating in the market. He noted that Prudential came out with an institutional withdrawal benefit at the end of 2006 and over the last six months several companies have come out with similar products.

“Right now it’s important to pay attention to product structure,” he said. “This is a space that is fairly new. We expect new firms to come in and we’ll have to monitor it closely.” 