Product Management Case Study

What makes Effective Product Management Process?
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The Product:
The steps involved in developing a product to eventually manage
What is involved in the development of a product?

- Identify a Niche
- Consumer Research
- Marketing Research
- Internal Buy-in
- Pricing Research
- System Development
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Identify a Niche:
- Is there an unmet need?
- Is it insurable?
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Consumer Research:

- Who is the likely buyer of this product?
- Is there enough mass within this group?
- What type of characteristics define the product?
  - Geography
  - Economic
  - Social
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Marketing Research:
Building on the Niche Identification & Consumer Research you need to define

- Distribution Mechanism(s)
- Marketing Objectives
- Media Selection
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Buy-In:
- Senior Management
- All functional areas
  - Underwriting
  - Processing
  - Actuarial
  - Claims
  - Sales
Pricing Research:

- Product Price = Frequency times Severity times Production Costs
- What sources are available
  - Governmental Agencies
  - Statistical Bureaus
  - Associations
  - Competitors
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System Development:

- Rating & Policy Issuance
- Information for Monitoring
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Part 2
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- Develop overall strategy and performance targets
- Set execution targets and manage execution
- Analyze results and implement changes
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Develop overall strategy:

- Learn about your market directly
  (e.g., visits to market, discussions with agents)

  and through research (e.g., rate filings, PCI data, DOI reports, DMV)
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Develop overall strategy:

- Near term, medium term, long term goals e.g., products to offer, target market share or position in market, target combined ratio, desired growth profile, agent distribution
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Develop overall strategy:

- Key success factors to achieve goals e.g., in depth understanding of regulations, broad distribution, superior product segmentation, tight underwriting

- Risk mitigation strategy e.g., CAT exposure, reinsurance.

- Special initiatives e.g., cost cutting measures
Set business performance targets:

- State/product Volume (e.g., $Written Premium) and Profitability (e.g., target Combined Ratio)
- Detail the volume drivers e.g., new business counts, cancellation rates, retention rates, average premiums, counts of policies in force
- Detail the profitability drivers e.g., Loss ratio, LAE ratio, Expense ratio
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Set execution targets:

- Distribution performance e.g., number of agents appointed, number of agents quoting, agent productivity, productivity of commission spend

- Marketing/sales force performance e.g., number and type of agent visits, what promotions to run, expected volume lift per visit or per promotion
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Set execution targets:

- Customer service performance e.g., call volume per representative, average call time, average wait time, % compliance with procedures, impact on customer retention

- Claims performance e.g., target customer response times, target days to close PD and Collision claims
Set execution targets:

- Pricing enhancement e.g., rate update schedule, new product introduction, anticipated rate need

- IT spend performance e.g., cost per rate revision, payback from projects
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Manage execution:

- Focusing each functional area on the activities to execute

- Ensuring activities are consistent with strategy e.g., tightening underwriting might conflict with overall strategy to improve retention

- Ensuring activities are properly completed. Often difficult to achieve

This is often the most challenging area
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Monitor performance:

- Volume vs. plan (e.g., new business production, policy life)
- Profitability vs. target (e.g., indications, loss development, fee revenue, expenses)
- Mix of business
- Customer satisfaction vs. target
- Competitive gaps (e.g., new features, rate changes) and opportunities (e.g., underserved markets, ease of use enhancements)
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Analyze results:

- Need to have reliable data readily available e.g., ability to review loss ratio by business segments.
- Build support staff with technical skills to extract data from systems and perform analyses.
- Draw on expertise across the business to improve the quality of analysis e.g., include finance department on review of “bad debt”.
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Use fact based analysis to drive recommended changes:

➢ Use facts from analysis to drive decisions. Take into account “intangibles” but generally place less weight on these.

➢ Need to know what can be implemented. Need a good understanding of regulatory constraints, market situation, IT capabilities

➢ Drive the decision making process - “sell your recommendations to the business leaders”
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Implement changes:

- Implement rate changes including selecting rates, obtaining regulatory approval

- Implement policy/form changes including coordinating changes across Claims/Legal/Product/Marketing, and obtaining regulatory approval

- Lead or support marketing activities including promotion design, agent visit strategy
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Periodic update of strategy and key tactics:
- Is the strategy working?
- Move to the next stage in the strategy?
- What’s the next big idea?

Other “Maintenance” items:
- Regulatory e.g., Market Conduct Exams
- Resource management e.g., Recruiting, Training