MicroSave **Briefing Note # 14**

The Systematic Product Development Process

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MicroSave promotes a systematic approach to product development designed to minimise the risks associated with what is a complex task. The approach looks to maximise the information the Microfinance Institution (MFI) can gain at each step before proceeding to the next one – thus optimising the product for the clients in the market and the institution offering it.

The Product Development Process

I. *Evaluation and Preparation*
   Analyse the institutional capacity and "readiness" to undertake product development
   Assemble the multi-disciplinary product development team, including a "product champion"

II. *Market Research*
   2.1 Define the research objective or issue
   2.2 Extract and analyse secondary market data
   2.3 Analyse institution-based information, financial information/client results from consultative groups, feed back from frontline staff, competition analysis, etc.
   2.4 Plan and undertake primary market research

III. *Concept/Prototype Design*
   3.1 Define initial product concept
   3.2 Map out operational logistics and processes (including MIS and personnel functions)
   3.3 Undertake cost analysis and revenue projections to complete initial financial analysis of product
   3.4 Verify legal and regulatory compliance
   3.5 On the basis of the above plus client feedback sessions, refine the product concept into a product prototype in clear, concise, client language
   3.6 Finalize prototype for final quantitative prototype testing or pilot testing, according to the risk/cost nature of the product

IV. *Pilot Testing*
   4.1 Define objectives to be measured and monitored during pilot test, primarily based on financial projections
   4.2 Establish parameters of pilot test through the pilot test protocol, including sample size, location, duration, periodic evaluation dates, etc.
   4.3 Prepare for pilot test, install and test systems, draft procedures manuals, develop marketing materials, train staff, etc.
   4.4 Monitor and evaluate pilot test results
   4.5 Complete recommendation letter documenting the results of the pilot test, comparison with projections, lessons learned, finalised systems/procedures manuals, etc. and the initial plans for the roll out

V. *Product Launch and Rollout*
   5.1 Manage transfer of product prototype into mainstream operations
   5.2 Define objectives to be measured and monitored during roll out based on financial projections
   5.3 Establish parameters of rollout through the rollout protocol including schedule, location, tracking, budget, process
   5.4 Prepare for rollout, install and test systems, finalise procedures manuals, develop marketing materials, train staff etc.
   5.5 Monitor and evaluate rollout process and results

Using *MicroSave's* "*Market Research MicroFinance Toolkit*" MFI staff are provided with the skills needed to understand their clients' perceptions, needs and opportunities using Focus Group Discussions (FGDs) and Participatory Rapid Appraisal (PRA) tools. The techniques are used to develop initial product ideas into concepts and to refine the product concepts into prototypes for testing.

Product Costing – To enable MFIs develop profitable products and credible financial projections, it is essential to implement a product costing system. On the basis of *MicroSave*'s experience with Allocation Based Costing, it has developed a *"Costing and Pricing Financial Services Toolkit"* to assist MFIs with this process.

> *"Making costs more transparent is key in controlling them."*

Market Research and Prototype Development Process Overview
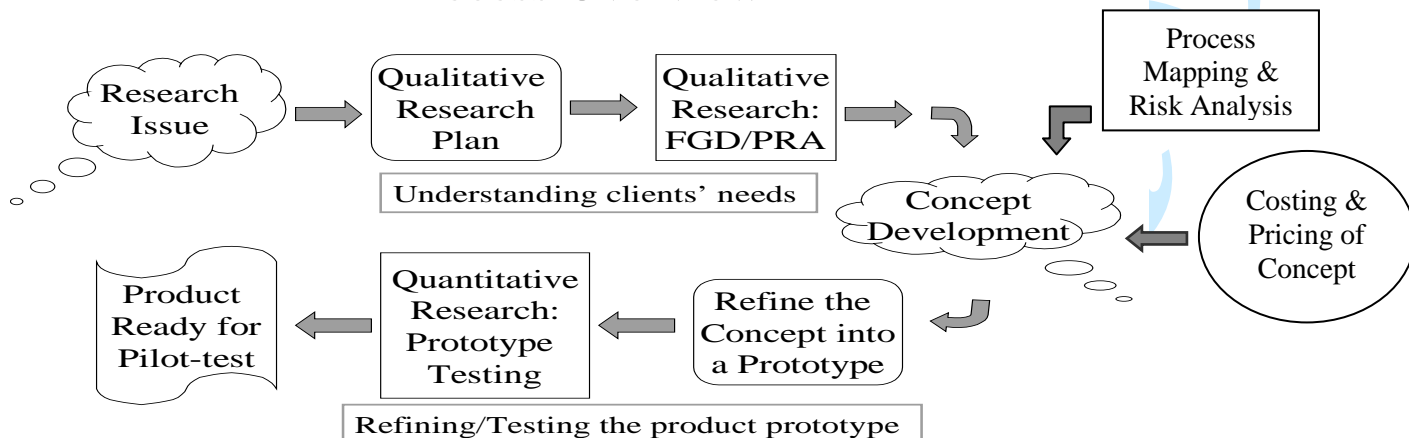
Pilot Testing – *MicroSave* assists MFIs to plan and establish a pilot test to test the product that they have developed. The pilot testing process has ten stages detailed in *MicroSave*'s "*Planning, Implementing and Monitoring Pilot Tests Toolkit*", outlined below. Typically assistance is given in planning the pilot test, setting goals and indicators, and in developing financial projections.

The Ten Steps of Pilot Testing
1. Composing the Pilot Test Team
2. Developing the Testing Protocol
3. Defining the Objectives
4. Preparing All Systems
5. Modelling the Financial Projections
6. Documenting the Product Definitions & Procedures
7. Training the Relevant Staff
8. Developing Product Marketing Plans and Materials
9. Commencing the Product Test
10. Monitoring and Evaluating the Test

> *"As always MicroSave is providing very useful and easily accessible resources and documents"*
>
> *"We are now reaping the benefits of working with MicroSave."*
>
> *"MicroSave is the best technical assistance provider we have."*

Marketing – The successful introduction of new products often depends on the ability of the product development team to market the product to customers *and to staff*. Adapting its Market Research for Microfinance tools, *MicroSave* helps MFIs to define product benefits to customers and in communicating the product to staff. *MicroSave* has formalised this experience into a "*Product Marketing Strategy Toolkit*" and workshop. Key outputs of this process are field based research leading to taglines, benefit and positioning statements, competition analysis, publicity material and a marketing plan.

Rollout - on the basis of its experience with its Action Research Partners, *MicroSave* has completed a "*Product Rollout: A Toolkit for Expanding a Tested Product Throughout the Market*" for use in the microfinance industry. The toolkit provides practical tips and checklists to assist MFIs with all aspects of the rollout process: recommendation letters, handover, finances, human resources, systems and marketing, as well as assessment of the rollout process.