

Best Characteristics for New Products: Product Innovation in the Financial Services Industry

By: Dr. Linda Eagle

The financial services industry makes up 4 percent of the Gross Domestic Product of the United States and employs 8.4 million people. With numbers like these, it is no wonder that development or renovation of products is so competitive. Product innovation is essential to attract new customers while enhancing the accounts of existing customers.

Product innovation is defined as a consistent change and growth of existing and new products to remain competitive within an industry. While it can be difficult for institutions to implement new products and services, it is not impossible.

In 1995, Wells Fargo launched online banking, one of the biggest innovations in the financial services industry. The initial need for such a service came with the demand for speed and ease when it came to personal financial management. With this idea, there was endless potential for growth which made the concept a sure thing. Online banking offered customers the option of accessing their account information from the comfort of their homes. While the initial product allowed the customer to simply sign in, review their accounts and statements, and transfer money from one account to another, it provided a basis where expansion and growth would be exponential. As technology progressed, customers became more familiar with navigating their way around the internet. The features of online banking have expanded to allow customers to now apply for loans, check the status of approvals, manage their bill payments and create direct debit options.

Online banking has a wide demographic. It is used by everyone from customers who hold only checking accounts to large businesses with investments. The appeal to customers is the ability to access up-to-date information and transactions affecting their accounts, 24 hours a day, 7 days a week.

It is important that you have a clear understanding of who you want to buy your product and how you anticipate that the product will be utilized to its highest capacity. You want your customers to like your product and even desire more products or services as a result.

When developing a new product or updating a current one, consider the following:

1. **Staying Power.** Will the product exist and progress with the changes of the market in the next five years? Can this product be operational under current conditions and advance with technology?

Since the financial services industry is highly competitive, a product or service must be revolutionary in its abilities to adapt and change with the services and needs of the customers utilizing them. In keeping with this idea, modern innovations created today must be able to anticipate the needs of tomorrow and adapt to them quickly and efficiently.

- 2. Technologically Friendly.** Those who stay current will have an advantage in becoming the leader in the financial services industry. Is this product innovative enough to stay current with the rapid changes in technology?

Advances in technology occur on a daily basis as we continue to progress in a society that relies heavily on speed and modernization. A truly innovative product is one that can adapt quickly to these changes and provide the most benefits for the customer.

- 3. Return on Investment.** Will the implementation of this product be cost effective, and will it sell?

No matter what kind of business you are working in, the ultimate goal is to make money. If your business would lose money by launching a new product or idea, would you be willing to take that risk? Many would answer "no." In order to determine whether your product will be worth your investments, you must analyze all costs to design, launch and market it. It is also important to have a timeline of expectations that are within reason to the response of your customer.

- 4. Consumer Target.** What is your target demographic? Can this product or service grow as the audience does?

It is important that you market your product to a specific demographic. Once you have identified your target market, you should choose a medium of advertising that will reach your target customers quickly and efficiently. The goal is to present information in a way that will grab the attention of your target audience and make them want to learn more about your product and tell their friends and family about it as well.

- 5. Customer Values and Needs.** Is this product something that the customer truly needs and will use?

When you understand the wants and needs of your customer, it should be easy to determine how your innovation can become something that they would want to make a part of their daily lives. A truly innovative product will be able to adapt to the needs of the customer by offering options that will allow them to customize their use.

- 6. Uniqueness.** Will the product have the flexibility to be personalized to meet the individual needs of the customer?

No matter what you are selling, your customer will want something that they feel was made just for them. It is important to create a product or service that can be tailored to the individual needs of your customers. No two customers are alike, so to be ground-breaking, the product must be multi-faceted in meeting this need.

7. **Buzzworthiness.** Is this product pioneering enough to create a buzz with people? Will your customers want to talk about the product with others?

The most critical time for a new product or service is the first few weeks that customers begin utilizing it. A product or service that creates a positive “buzz” among users is one that is likely to last. When customers are satisfied with a product, they will be eager to tell their friends and family, helping cycle new business and create a base of loyal customers.

8. **The Institution's Image and Business Mission.** Is the new product consistent with the long term values and goals of the financial institution?

If you want your customers to identify your product or service with your company, it is important to implement the values and brand in a way that is easily recognizable. If you have a solid business model with a strong emphasis on customers, they will feel more inclined to try your product and service and be able to understand the overall message that you are trying to send. It is important to ensure that your product or service is consistent with both the short and long term goals of the institution.

9. **Compliance.** Is the product able to be utilized without breaking laws or regulations?

Before forming any expectations for sustaining a place in the market, it is important to be sure that your new product or service complies with state and federal government laws and regulations. You do not want your efforts to go to waste by overlooking the legal aspects of business. It is vital to test all possible scenarios in order to comply with current regulations and remain flexible enough to change with the laws over time.

10. **Talent.** Will this product utilize the existing talents of current employees?

The best products are those that are easy to learn, use, and most importantly, sell! When launching your new product or service in your branches, you have to turn to your employees to sell it. While remaining consistent with the values and goals of your institution, be sure that your employees fully understand the new product or service and can diversely sell it to new and existing customers. Only an effective and continuous training program can ensure this.

No matter what product you're creating, it is important to remember to remain competitive, current, and modern in not only the development, but in the execution of the initial idea. The best products are those which can stand the test of time and that can change as quickly as those who utilize it.



Dr. Linda Eagle is Founder & President of The Edcomm Group Banker's Academy—a 21-year-old education and consulting firm dedicated to serving Banks, Credit Unions, Money Services Businesses and all areas of the Global Financial Community with thousands of generic and customized training programs in areas such as BSA/AML, Regulatory Compliance, Teller Training, Systems Training, Sales and Service Training, and many more.

Edcomm Group Banker's Academy is headquartered in New York, NY. For more information, email linda.eagle@edcomm.com or call 888.433.2666/+1.212.631.9400.