

WHY EVEN GREAT NEW PRODUCTS CAN FAIL: There was a time when federal regulations dictated what products financial institutions offered. For example, many bankers remember when banks could not even offer money market accounts. Instead, banks were limited to “time accounts” like CDs and passbook savings accounts. Even pricing was dictated: thrifts could pay 5.25% on savings accounts, but banks could pay 5%. Now, everything has changed.

With products mostly deregulated, banks often imitate one another’s products and services in spite of the freedom to be different. Yet occasionally a new idea surfaces that is truly unique in the marketplace. Often, however, because the bank likes the product idea, and thinks the customer will as well, the product is rushed to market only to experience market failure. Here are some reasons why even good products can flop:

- **Moving too fast:** If the product is rolled out too quickly, without thorough testing, it may be the victim of operational problems. Data processing and operations should not have to fix problems after the fact—causing the customer to be the product development guinea pig.
- **Failure to test:** Product design and pricing research among potential users should be conducted. If not, the product may be poorly designed, incorrectly positioned or unattractively priced to be competitive in the marketplace.
- **Generic product name:** New products succeed best when given a unique name because a generic name is difficult for consumers to differentiate from other similar products. For example, instead of marketing yet another “Premium Money Market Access Account,” a product could be called a “Liquid CD.”
- **Poor communications:** Promotional campaigns sometimes need to be tested with potential consumers. If a product is truly a new concept, a test will help identify the sales language, graphics, product positioning and other communications factors that will “click” with consumers. This helps avoid a product failure due to poor communication.

Over 90% of all new consumer products fail. The percentage of new bank products that fail is not known, but one thing is certain: a product failure is expensive and embarrassing. Therefore, it is often wise to spend a few more dollars ensuring that your product decisions are correct than to cover the cost of a failed product.

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