A Startup’s Guide to New Product Development

ACCION VENTURE LAB

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Throughout the lifecycle of your business you will be constantly exploring new ways to serve your customers – whether through brand new products, or adjustments to existing ones.

This guide is meant to help you through that process – from brainstorm to launch – to know how to start, what questions to ask, and what to plan for to ensure you’re set up for success.

We’ve broken the guide into three key “phases” (covered on the next slide); however, we recognize the launch of a new product or feature is often not linear.

We encourage you to start with the phase that makes most sense for you, whether the beginning, middle, or end, and recognize you may revisit specific steps or entire phases multiple times.
# The three phases of this resource

<table>
<thead>
<tr>
<th>Phase 1: Define the full option set</th>
<th>Phase 2: Narrow down option set &amp; prioritize</th>
<th>Phase 3: Design, test, &amp; launch <em>(coming soon)</em></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What’s the Goal</strong></td>
<td><strong>Phase 1</strong></td>
<td><strong>Phase 2</strong></td>
</tr>
<tr>
<td>Revisit your customer needs &amp; re-establish core principles</td>
<td>Guide you through key questions to consider for new products</td>
<td>Lay out the steps required to make a product idea into reality</td>
</tr>
<tr>
<td><strong>When to Use</strong></td>
<td>Infrequently – when core customer sets and needs should be revisited</td>
<td>More frequently – when determining new product priorities or pressure testing potential of a certain product</td>
</tr>
<tr>
<td><strong>Pre-Requisites</strong></td>
<td>Definition of core product and customer set</td>
<td>Shortlist of potential products</td>
</tr>
<tr>
<td><strong>Desired Outcome</strong></td>
<td>List of potential, needs-based products targeting different customer segments</td>
<td>Understanding of expected relative lift + impact for products considered</td>
</tr>
<tr>
<td></td>
<td>Ability to best prioritize and sequence “high impact” products</td>
<td>Ability to successfully determine design + GTM execution plan</td>
</tr>
</tbody>
</table>
Guide to new product development

**Phase 1:** Define the full option set
- Determine who you’re looking to serve – customer segments & types
- Understand & detail out each of those segments’ needs
- Brainstorm products to fill those needs

**Phase 2:** Narrow down option set & prioritize
- Determine your goal & related success metric
- Validate customer interest & demand
- Understand competitive set, product substitutes, and their impact
- Understand product sustainability and related bottom line impact
- Understand capability or resource gaps (if any)
- Highlight additional considerations driven by the impact of COVID-19 (addendum)
- Determine new product categorization & related prioritization

**Phase 3:** Design, test, & launch

*Additional resource to launch soon*
Guide to new product development

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Phase 3: Design, test, & launch
- Additional resource to launch soon
The target output of this section is a segmented view into your customers’ needs & products to serve them.

<table>
<thead>
<tr>
<th>Identified Needs</th>
<th>Potential Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core financial services offering</td>
<td>Core Customer Set (to replicate for each customer segment)</td>
</tr>
<tr>
<td>Adjacent financial services offering</td>
<td>Financial Services</td>
</tr>
<tr>
<td>Broader financial services</td>
<td>Non-Financial Services</td>
</tr>
<tr>
<td>Non-financial services</td>
<td>Other Core Stakeholders</td>
</tr>
<tr>
<td>Stakeholder-targeted products</td>
<td>Non-Core Stakeholders</td>
</tr>
<tr>
<td>Other customer-targeted products</td>
<td></td>
</tr>
</tbody>
</table>

### Core financial services offering
- Defined as your “core” product type – e.g., working capital lending

### Adjacent financial services offering
- Defined as products that fall in a similar vein to your core product – e.g., if WC lending is core, growth loans

### Broader financial services
- Defined as non-core financial products – e.g., business insurance
The creation of this output & option set of products will come from answering three key questions:

1. **Who am I looking to serve?**
   (Defined by customer segmentation)

2. **What are their needs?**
   (Informed by customer research)

3. **How do I serve those needs?**
   (Determined by company capabilities)

While each step is critical to ensuring a successful, customer-centric product, they will likely happen iteratively.
A strong customer segmentation will allow for a more customer-centric lens throughout your product cycle.

Most segmentations create 4-6 core customer segments based on the most pertinent variables across each of these dimensions.

<table>
<thead>
<tr>
<th>Description</th>
<th>Demographic variables</th>
<th>Needs-based variables</th>
<th>Behavioral variables</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description</strong></td>
<td>Demographic characteristics (age, income, banked, etc.)</td>
<td>Concrete customer needs and attitudes</td>
<td>Customer behavior (purchasing behavior, usage patterns)</td>
</tr>
<tr>
<td></td>
<td>Useful for describing customer segments</td>
<td>Helpful in creating value propositions</td>
<td>Valuable for targeting different segments</td>
</tr>
<tr>
<td><strong>Example variables</strong></td>
<td>Income, net worth</td>
<td>Prioritization of price vs. quality vs. convenience vs. service, etc.</td>
<td>Purchasing, saving, borrowing habits</td>
</tr>
<tr>
<td></td>
<td>Nationality, geography</td>
<td>Most important product needs and use cases</td>
<td>Typical product usage</td>
</tr>
<tr>
<td></td>
<td>Age, gender, household size</td>
<td>Emotional state or attitude toward product</td>
<td>Financial, tech literacy</td>
</tr>
<tr>
<td></td>
<td>Employment status, industry</td>
<td>Customer onboarding questions</td>
<td>Usage of channels</td>
</tr>
<tr>
<td><strong>Typical data sources</strong></td>
<td>Customer onboarding questions</td>
<td>Customer interviews or surveys</td>
<td>Reliance on social network</td>
</tr>
<tr>
<td></td>
<td>Secondary market data</td>
<td></td>
<td>Transaction data</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Web, app, or other customer behavior data</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Customer surveys</td>
</tr>
</tbody>
</table>
Example: Segmentations help you understand key traits & needs across portions of your base

<table>
<thead>
<tr>
<th>Economic</th>
<th>Segment #1</th>
<th>Segment #2</th>
<th>Segment #3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>&lt;20K</td>
<td>20-40K</td>
<td>&gt;40K</td>
</tr>
<tr>
<td>Net worth</td>
<td>In debt</td>
<td>Near break-even</td>
<td>Actively saving</td>
</tr>
<tr>
<td>Attitudinal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emotional state</td>
<td>Highly stressed</td>
<td>Stressed</td>
<td>Cautiously optimistic</td>
</tr>
<tr>
<td>Empowerment</td>
<td>Unaware of products</td>
<td>Passively considering products</td>
<td>Proactively pursuing products</td>
</tr>
<tr>
<td>External reliance</td>
<td>Isolated, reserved</td>
<td>Close community institutions</td>
<td>Broader institutions</td>
</tr>
<tr>
<td>Behavioral</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transaction habits</td>
<td>Monthly</td>
<td>Weekly</td>
<td>Daily</td>
</tr>
<tr>
<td>Financial literacy</td>
<td>Minimal knowledge</td>
<td>Basic awareness</td>
<td>Actively managing</td>
</tr>
<tr>
<td>Tech literacy</td>
<td>Largely offline</td>
<td>Basic online</td>
<td>Online / mobile savvy</td>
</tr>
<tr>
<td>Demographic</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment status</td>
<td>Unemployed</td>
<td>Partial / temporary</td>
<td>Fully employed</td>
</tr>
<tr>
<td>Age</td>
<td>&gt;50</td>
<td>30-50</td>
<td>&lt;30</td>
</tr>
<tr>
<td>Geography</td>
<td>Rural</td>
<td>Suburban</td>
<td>Urban</td>
</tr>
</tbody>
</table>

One approach is to use this ‘worksheet’ to brainstorm customer groupings; if having trouble, start with the profile of a common customer to complete the worksheet.

Understanding the situations of various common “segments” will help you better hone your potential value proposition, approach, & channel strategy for each individually.
### Within segments, it’s helpful to overlay customer type to understand the user’s current situation

<table>
<thead>
<tr>
<th>Definition</th>
<th>Existing</th>
<th>Inactive</th>
<th>Net New</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Customers in your existing, active customer base</td>
<td>• Customers who tried your product but stopped using it</td>
<td>• Customers you have never acquired or engaged</td>
<td></td>
</tr>
<tr>
<td>• Low cost of engaging</td>
<td>• If re-acquired, often turn into your strongest promoters</td>
<td>• Open-minded about the product &amp; company</td>
<td></td>
</tr>
<tr>
<td>• Willing to try new things; often more forgiving of early issues</td>
<td>• Difficult to drive engagement due to pre-existing opinion</td>
<td>• Highest potential for cross-sell &amp; ability to drive LTV</td>
<td></td>
</tr>
<tr>
<td>if framed as pilot</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Will not drive raw growth numbers</td>
<td></td>
<td>• Most expensive to reach given lack of relationship</td>
<td></td>
</tr>
<tr>
<td>• This customer is already being serviced by your products – what needs</td>
<td>• Why did you lose this customer in the first place?</td>
<td>• Do these customers use alternative solutions today or are they</td>
<td></td>
</tr>
<tr>
<td>are being met today? How can you extend their lifetime value?</td>
<td>• Do you believe you lost them to a competitor? Or are they not using a</td>
<td>completely greenfield? What would switching costs be?</td>
<td></td>
</tr>
<tr>
<td>• You know this customer best – what does your data allow you to infer</td>
<td>• What would it take to re-engage them?</td>
<td>• What needs are and are not being solved by substitutes today?</td>
<td></td>
</tr>
<tr>
<td>about their needs?</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Pros of this audience
- Low cost of engaging
- Willing to try new things; often more forgiving of early issues if framed as pilot
- If re-acquired, often turn into your strongest promoters
- Open-minded about the product & company
- Highest potential for cross-sell & ability to drive LTV

#### Cons of this audience
- Will not drive raw growth numbers
- Difficult to drive engagement due to pre-existing opinion
- Most expensive to reach given lack of relationship
- Do these customers use alternative solutions today or are they completely greenfield? What would switching costs be?

#### What should you consider?
- This customer is already being serviced by your products – what needs are being met today? How can you extend their lifetime value?
- Why did you lose this customer in the first place?
- Do you believe you lost them to a competitor? Or are they not using a given product or service today?
- What would it take to re-engage them?
Once segments are defined, detail out the needs of each – and for other potential customer types

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<thead>
<tr>
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<th>Non-financial services</th>
<th>Stakeholder-targeted products</th>
<th>Other customer-targeted products</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Why is your core product offering relevant to this customer segment?</td>
<td>• What are other needs this segment has that may be solved within the same product type?</td>
<td>• Outside of your core product type, what are other issue areas this segment faces within their financial lives?</td>
<td>• This list is likely long… are there any aspects of your segments’ non-financial life you’re uniquely plugged into?</td>
<td>• Are there other stakeholders you’re uniquely positioned to serve?</td>
<td>• This segment may be further down the product roadmap, but it’s worth understanding.</td>
<td></td>
</tr>
<tr>
<td>• What are struggles within the current product design that they still have?</td>
<td>An adjacent need could be access to flexible, long-term capital to fund the opening of a second store location</td>
<td>A broader need may be protection from unexpected store closures</td>
<td>• What are their wants and needs?</td>
<td>• What are their wants and needs?</td>
<td>• What are other segments that you may be interested in serving?</td>
<td></td>
</tr>
<tr>
<td>Assuming I’m a WC lender, a need for this segment could be longer repayment cycles to free up cash flows for operations</td>
<td></td>
<td></td>
<td>A non-financial services need may be a way to stop theft during store closed hours</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core Customer Set (to replicate for each customer segment)</td>
<td>An example segment could be “Urban-located, SME owner, single shop location”</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Core Stakeholders</td>
<td>Non-Core Stakeholders</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Would you ever expand into small-holder farmers?</td>
<td>Gig workers? Microbusinesses?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
It’s important to capture customer voice when defining needs – and throughout the entire product process

- While many founders and product leads have intuition around what they think their customers want or need in a product, it’s important to pressure test this with your actual customers – intuition is not always enough!

**Product Idea**

- **Goal (of customer voice):** Understand needs, pain points, and desires for various products
- **How (to accomplish):** Customer calls + surveys; sales team feedback; app + product reviews; etc.
- **Other notes:** Having defined feedback loops built into your processes will set you up for success in customer discovery

**Product Launch**

- **Goal:** Understand what aspects of the value proposition resonate the most with customers, how they expect to use the product, and how those findings should flow through to your marketing + GTM strategy
- **How:** Key questions often combined with product design survey given related content; also recommended to facilitate focus groups or other customer interviews to gain a more qualitative lens
- **Other notes:** Product positioning will never be fully finalized – A/B testing is a great way to iterate on copy and drive the best results

Process likely to be iterative based on findings

- **Customer research isn’t finished at launch – and neither is product design.** As stated before, you should have feedback loops built into your process and continue iterating accordingly

**Phase 1**

- **Customer Discovery + Feedback (throughout)**
  - **Goal:** Understand share of customer base interested in the given product, high-level willingness to pay, and strength of the value proposition
  - **How:** Can be done thru lighter touch surveys or customer calls
  - **Other notes:** It is important to flow through customer findings to a product’s economic model to understand the impact on profitability & likely product sustainability

**Phase 2**

- **Initial Demand Validation**
  - **Goal:** Understand for a given product, what do customers expect, want, and need in product features and how they fill this need today. Can also dive deeper on willingness to pay and begin testing price sensitivity
  - **How:** Typically done thru a more extensive survey, with option for follow-up customer calls – can be combined with questions needed for positioning + GTM strategy
  - **Other notes:** Can be combined with questions needed for positioning + GTM strategy

**Phase 3**

- **Product Design & Related Economic Impact**
  - **Goal:** Understand what aspects of the value proposition resonate the most with customers, how they expect to use the product, and how those findings should flow through to your marketing + GTM strategy
  - **How:** Key questions often combined with product design survey given related content; also recommended to facilitate focus groups or other customer interviews to gain a more qualitative lens
  - **Other notes:** Product positioning will never be fully finalized – A/B testing is a great way to iterate on copy and drive the best results
Different primary research approaches can be used throughout the process depending on goals.

<table>
<thead>
<tr>
<th>Description</th>
<th>Short-Form Surveys</th>
<th>Long-Form Surveys</th>
<th>Focus Groups</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2-3 questions</td>
<td>Sub 15-minute survey</td>
<td>Small group discussion</td>
</tr>
<tr>
<td>Medium</td>
<td>Push notification, WhatsApp, FB Messenger, etc.</td>
<td>Email, Google Forms, Qualtrics, Survey Monkey, etc.</td>
<td>In-person or via video call</td>
</tr>
<tr>
<td>For Whom?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Customers</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Existing Customers</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>For What?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantitative Research</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Qualitative Research</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Validation / Simple Understanding</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Product Design</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Product Positioning + GTM</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Customer Feedback</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Benefits</td>
<td>Quick to stand up; high response rate</td>
<td>More in-depth responses; collect a lot of info at once</td>
<td>Adds qualitative understanding &amp; a true customer voice</td>
</tr>
<tr>
<td>Blind Spots</td>
<td>Limited data collection</td>
<td>More resource-intensive; may struggle with survey fatigue</td>
<td>Small sample size</td>
</tr>
</tbody>
</table>

For a more detailed approach and list of best practices for standing up a survey or focus group, see our dedicated customer research resource here.
3. Then, finally, once you understand segments’ needs – what products could you offer to fill those needs?

Using the identified needs slide as a base – what products are you as a company able to offer to fill each of the needs listed? This brainstorm may cover short-, mid-, and long-term product opportunities.

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<th>Other customer-targeted products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Customer Set</td>
<td>Longer-tenure WC loans, with adjusted pricing</td>
<td>Multi-year, term loans for business growth</td>
<td>Business insurance offerings</td>
<td>Store alarm systems</td>
<td>Health insurance for the end customer, sold through the store</td>
<td>WC loan, targeting smallholder farmers with longer tenures repaid at harvest</td>
</tr>
<tr>
<td>(to replicate for each customer segment)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Carrying from the earlier example... an “Urban-located, SME owner, single shop location”

Other Core Stakeholders

Non-Core Stakeholders
## Guide to new product development

### Phase 1:
**Define the full option set**
- Determine who you’re looking to serve – customer segments & types
- Understand & detail out each of those segments’ needs
- Brainstorm products to fill those needs

### Phase 2:
**Narrow down option set & prioritize**
- Determine your goal & related success metric
- Validate customer interest & demand
- Understand competitive set, product substitutes, and their impact
- Understand product sustainability and related bottom line impact
- Understand capability or resource gaps (if any)
- Highlight additional considerations driven by the impact of COVID-19 (addendum)
- Determine new product categorization & related prioritization

### Phase 3:
**Design, test, & launch**

*Additional resource to launch soon*
Phase 2 is designed to guide you through a list of lenses to help narrow down & prioritize products

Phase 1 Output
(shortlisted based on team thinking)

- This phase constitutes **different lenses to evaluate** a potential product at **this moment in time**
  - While some products may not make sense now, that does not mean they won’t make sense later

- Throughout this process, ask yourself: “Is the answer to this question compelling enough that I want to devote the resources necessary to develop this product?”
Each lens will act as an input to the potential impact + lift of these products – allowing for direct comparison

**Relevant lenses**

1. Performance on key success metric
2. Amount of expected customer demand
3. Competitive need + potential differentiation
4. Product sustainability / bottom line impact

**Potential Impact**

**Expected Lift**

- **High (5)**
- **Low (1)**

**Note:** If there is a clear deadline for the product (e.g., launch by growing season; need to see traction by next raise) apply these considerations within that timeframe

**Relevant lenses**

5. Capability & capacity requirements, including:
   - Additional talent required and related cost (if any)
   - Additional data & analytics required and related cost (if any)
   - Team time required and related costs or trade-offs
   - Current cash position and ability to support a successful launch

6. Ability to execute within desired timeline
We will then overlay categories and discuss pros/cons of each & how to think about prioritization

**Relevant lenses**

1. Performance on key success metric
2. Amount of expected customer demand
3. Competitive need + potential differentiation
4. Product sustainability / bottom line impact

**Potential Impact**

- **High (5)**: Strategic Priorities
- **Low (1)**: Do Not Pursue
- **Hold for now**: Current cash position and ability to support a successful launch
- **“Filler” Projects**: Ability to execute within desired timeline

**Expected Lift**

- **High (1)**
- **Low (5)**

**Note**: If there is a clear deadline for the product (e.g., launch by growing season; need to see traction by next raise) apply these considerations within that timeframe
Define your goal & success metric early, as it will allow you to focus on a shorter list of products

• Before considering any new product rollouts, ask yourself: **What are we looking to drive, and how well will this potential product impact that goal metric?**

• Examples of product goals include:
  - Increasing customer LTV
  - Driving top-line revenue
  - Bettering unit level profitability
  - Increasing customer engagement / retention
  - Driving user growth
  - Gaining access to a new user type

• Whatever the metric, it should be **aligned with what your operational & fundraising goals are as a company**. Throughout the product selection and launch process, be sure to **keep this metric top of mind**.
As noted in Phase 1 – validating demand & willingness to pay is critical to understand impact

- While many founders and product leads have intuition around what they think their customers want or need in a product, it’s important to pressure test this with your actual customers – intuition is not always enough!

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- **Process likely to be iterative based on findings**

### Product Design & Related Economic Impact

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- **How:** Typically done thru a more extensive survey, with option for follow-up customer calls – can be combined with questions needed for positioning + GTM strategy
- **Other notes:** It is important to flow through customer findings to a product’s economic model to understand the impact on profitability & likely product sustainability

### Product Positioning & Go-to-market Strategy

- **Goal:** Understand what aspects of the value proposition resonate the most with customers, how they expect to use the product, and how those findings should flow through to your marketing + GTM strategy
- **How:** Key questions often combined with product design survey given related content; also recommended to facilitate focus groups or other customer interviews to gain a more qualitative lens
- **Other notes:** Product positioning will never be fully finalized – A/B testing is a great way to iterate on copy and drive the best results

### Customer Discovery + Feedback (throughout)

- **Other notes:** Customer research isn’t finished at launch – and neither is product design. As stated before, you should have feedback loops built into your process and continue iterating accordingly
These primary research outputs can act as direct inputs when understanding impact on success metric

**Existing customers**

- **Estimated Sign-Up Rate**
  - What % of existing customers will use this new product?
  - Informed by customer surveys – “If interested, add your name to the waitlist for this product”

- **Annualized Revenue**
  - Of new product
  - Cannibalization

- **Expected Customer Lifetime**
  - How long do you expect the customer to use the product?
  - Informed by market research + customer data – how long do you keep customers today? What are mkt benchmarks for this new product type?

- **Revenue uplift from existing customers**

**Net new customers**

- **Estimated Customer Capture**
  - Total Addr. Market
  - Est. Sign-Up Rate

- **Annualized Revenue**
  - Of new product

- **Of existing products**

- **Expected Customer Lifetime**
  - What is the total addressable market size of non-current customers?

- **Revenue uplift from net new customers**

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ILLUSTRATIVE TOP-LINE REVENUE
### Define the competitive set of product substitutes & understand their key attributes & flaws

<table>
<thead>
<tr>
<th></th>
<th>Substitute #1</th>
<th>Substitute #2</th>
<th>Substitute #3</th>
<th>Substitute #4</th>
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<tbody>
<tr>
<td>Estimated market share</td>
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<tr>
<td>Acquisition channel</td>
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<tr>
<td>Product requirements</td>
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<td>Pricing</td>
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<td>Product-specific characteristics</td>
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<tr>
<td>Major aspects of the value proposition</td>
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<td>Major pain points associated</td>
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<tr>
<td>Graduation path (if any)</td>
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- **Estimated market share**: How competitive is the product in the market?
- **Acquisition channel**: How does the competition acquire customers (e.g., D2C, employer channel, etc.)?
- **Product requirements**: Are there any barriers to using the product?
- **Pricing**: How do all competitors’ prices compare? Should be “fully-loaded” – e.g., APR + admin fees
- **Product-specific characteristics**: Any other key characteristics to note? E.g., coverage for insurance; tenure for loans
- **Major aspects of the value proposition**: What do customers cite for why they use this product today?
- **Major pain points associated**: Where do current solutions fall short – what pain points do customers cite?
- **Graduation path (if any)**: Any “sweeteners” that are used to keep customers engaged and around longer?
Example: Landscaping the US secured card market allows you to see positioning & offering of key players

<table>
<thead>
<tr>
<th>Card type</th>
<th>Mastercard</th>
<th>Discover</th>
<th>Visa</th>
<th>Mastercard</th>
<th>Mastercard</th>
<th>Visa</th>
<th>Mastercard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting balance</td>
<td>$200*-3,000</td>
<td>$200-2,500</td>
<td>Min $200</td>
<td>Min $200</td>
<td>$200-2,000</td>
<td>$200-1,000</td>
<td>$200-2,000</td>
</tr>
<tr>
<td>Annual fee</td>
<td>$0</td>
<td>$0</td>
<td>$35</td>
<td>$0</td>
<td>$29</td>
<td>$39</td>
<td>$49</td>
</tr>
<tr>
<td>Intro APR (length)</td>
<td>--</td>
<td>10.99% (6 mo.)</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Regular APR</td>
<td>26.99% variable</td>
<td>25.25% variable</td>
<td>19.64% variable</td>
<td>24.74% variable</td>
<td>19.99% variable</td>
<td>19.99% variable</td>
<td>10.74% variable</td>
</tr>
<tr>
<td>Rewards</td>
<td>--</td>
<td>1-2% cash back, depending on purchase</td>
<td>--</td>
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</tr>
<tr>
<td>Graduation path</td>
<td>Increased credit line after 5 months of on-time payments</td>
<td>Automatic, periodic review to transition to unsecured</td>
<td>Credit tops &amp; education through online platform</td>
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</table>

More popular cards offer $0 annual fee with higher APR – Perception of no fees, with greater margin on revolving balances.
Once competitive landscape is understood, ask yourself the following...

Strategically, do we need this product?

• If we don’t offer this product, do we risk losing customers – either due to competitors or due to a lack of continued engagement (e.g., customers graduate out)?

Operationally, can we launch a competitive product?

• What are the common aspects of the value proposition across competitors – can you at least match, if not better, each of those?
• What are the major pain points across competitors (especially those you hope to target) – can you address these effectively?
• What is the switching (or joining) cost for potential customers? Will your unique value proposition offset these costs?
• Outside of the product itself, do competitors have a superior ability to acquire these customers (e.g., pre-existing relationships, partnerships, etc.)? How does that influence the product features or touchpoints needed to win in this market?
Finally, creating an end-state unit economics will help understand product sustainability + bottom line impact

**Note:** Not all unit economics will be the same, and this slide is not exhaustive – it should be taken as illustrative and includes the more common line items, as well commonly forgotten costs

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Variable Costs</th>
<th>Fixed Costs</th>
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</thead>
<tbody>
<tr>
<td>• Direct product revenue</td>
<td>• Revenue share agreements and/or incentives offered</td>
<td>• Non-direct marketing spend</td>
</tr>
<tr>
<td>• Related admin/processing fees</td>
<td>• Customer acquisition cost</td>
<td>• Product-related R&amp;D</td>
</tr>
<tr>
<td></td>
<td>• KYC + other reg costs</td>
<td>• Related tech costs</td>
</tr>
<tr>
<td></td>
<td>• Delivery + servicing costs</td>
<td>• Team time for non-direct roles (e.g., ops, sales, execs)</td>
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<td></td>
<td>• Customer support costs</td>
<td></td>
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<td></td>
<td>• If a lending product:</td>
<td></td>
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<tr>
<td></td>
<td>- Expected loss/defaults</td>
<td></td>
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<tr>
<td></td>
<td>- Cost of capital</td>
<td></td>
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<tr>
<td></td>
<td>- Collections costs</td>
<td></td>
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<tr>
<td></td>
<td>• If an insurance product:</td>
<td></td>
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<tr>
<td></td>
<td>- Claims costs</td>
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</table>
Lay out the investment & trade-offs necessary to execute on this product vision

**Ability**

(Do we have the capabilities to do this?)

- Do we have the talent (tech, sales, etc.)?
  - Yes – N/A
  - No – what type of talent is needed?
    - How much would that talent cost to hire or contract?
- Do we have the data & analytics to execute (UW model, etc.)?
  - Yes – N/A
  - No – what data or analytics are required?
    - How much time would it take to build out?
    - How much capital would be req’d to hone it?

**Availability**

(Do we have the capacity to do this?)

- Do we have the team time available to execute?
  - Yes – N/A
  - No – what teams are under capacity?
    - How much time would it cost to add the HC?
    - What would we deprioritize if we shifted bandwidth?
  - OR
    - What is the opportunity cost of using the capital?
- Do we have the capital required for a successful launch?
  - Yes – N/A
  - No – how much capital do we need?
    - What is the cost/implication of raising equity?
    - OR
      - What is the cost/implication of raising debt?
    - OR
      - What would we deprioritize if we shifted capital?

Note: Illustrative; your current frameworks (e.g., hire vs. contract) can still be applied within these decisions.
Given the capability & capacity req’ts outlined – are you able to execute on your desired timeline?

There are many factors that may impact necessary timeline for a product launch…

• **Competitive threats** – are you working to be the first to market? Is there a barrier to entry that may expire that you’d like to capitalize on?

• **Fundraising plans** – do you have certain traction targets or proof points you need to hit before your next debt or equity fundraise? Are you baking in enough time to hit those?

• **Seasonality requirements** – is there a seasonal component to your product (e.g., planting season, school calendar) that requires the product to be live by a certain date?

• **Situational pressures** – did a sudden change in market conditions impact your product strategy (e.g., inability to lend during COVID moratoriums)?

• **Macroeconomic impact** – would a shift in the broader economic situation impact the economics or value proposition of your product (e.g., hyperinflation or a recession)?

Is the timeline you have outlined realistic for your team? If not, are there potential negatives impacts of a rushed, partial, or late launch?

Note: It’s important to build in “buffer time” for unexpected delays.
COVID Addendum

Given situations have changed so dramatically during COVID-19, a few additional considerations for this time:

- Ask yourself if this is a short- or long-term need. In other words, will this need continue once the world returns to normal?
  - If yes, approach the product in a similar way. Acknowledge that desired timelines may be shorter given how quickly things are changing.
  - If no, make sure you don’t invest too much time and energy. If the need will last 6-12 months, what level of investment is worth it?

- Consider the team’s capability to build and operate given different working conditions.
  - Are they able to build effectively remotely?
  - How may this new way of working affect timelines, decision-making processes, etc.?

- Capital markets are currently tighter for both debt and equity. Pursue products with large cash requirements cautiously.
  - We recommend conferring with your board regularly for support and guidance.
For products of interest, plot qualitative assessment of impact vs. lift to create relative positioning

**Potential Impact**

- **High (5)**
  - Strategic Priorities
  - No Brainers

- **Low (1)**
  - Do Not Pursue
  - “Filler” Projects

**Expected Lift**

- **High (1)**
- **Low (5)**

**Relevant lenses**

1. Performance on key success metric
2. Amount of expected customer demand
3. Competitive need + potential differentiation
4. Product sustainability / bottom line impact

**Note:** If there is a clear deadline for the product (e.g., launch by growing season; need to see traction by next raise) apply these considerations within that timeframe

**Relevant lenses**

5. Capability & capacity requirements, including:
   - Additional talent required and related cost (if any)
   - Additional data & analytics required and related cost (if any)
   - Team time required and related costs or trade-offs
   - Current cash position and ability to support a successful launch

6. Ability to execute within desired timeline
Once bucketing has occurred, understand the implications of products in each category...

**Strategic Priorities**
Given lift required, should be pursued one-at-a-time (maybe two) based on strategic necessity and company priorities.

**Do Not Pursue**
Given lift associated and minimal impact, these products are likely not worth pursuing.

**Potential Impact**

**Expected Lift**

**No Brainers**
Low lift and high impact are products that are often prioritized for the short- to mid-term—can likely be rolled out in tandem with other products given low lift required.

**Filler Projects**
These types of products can be rolled out opportunistically, as team bandwidth allows.

**Hold on Pursuing**
If there are options in the “strategic priorities” or “no brainers” buckets, products in this category can be deprioritized. If none exist in those two buckets, consider adjusting your scale.
...and select the products you’d like to move forward for launch

- The chart on the previous slide is NOT a static view – things will move into different categories driven by many factors, such as time, urgency, the relative comparison set, and more

- Anything in the green category today should be in the consideration set for a product launch

- For prioritization of launches, a few additional topics to consider when making your decision:
  - Is there a time element that may expire or make launch more urgent (e.g., an exclusivity contract)?
  - What will be the impact on your core product or other products you plan to launch?
  - Will there be incremental learnings from some products (e.g., customer data captured) that could benefit other future launches?
  - Is there a preference on your teams for one product over the other? Leaning into excitement around the work may lead to human capital benefits.

- When considering multiple launches, frame the decision by understanding the trade-offs (e.g., what’s the cost/benefit of pursuing 2 “strategic priorities” vs. 1 “strategic priority,” and 2 “no brainers”).

**DISCLAIMER:** Determining product roadmap will forever be more of an art than a science – while applying objectivity where possible is critical, some decisions will come down to team intuition. Additionally, once you’ve decided to launch a product, continue to listen to your customer and remain willing to discover it was the wrong decision.
Finally, before moving to launch, the PR FAQ is a useful tool for aligning on a new product vision

- The Press Release (PR) Frequently Asked Question (FAQ) is a product tool that gained popularity through its use at Amazon – it is a customer-centric write-up that helps you align on the end-state vision for a product, while getting all stakeholders on board.

- The purpose of the exercise is to “work backwards” from what you want the customer experience to be to what you need to build to make that a reality. It should be used before kicking off the design and launch process to define your end goal, and then be revisited throughout to hone & test your thinking, while keeping you focused on the overall vision.

- As the name would suggest, a typical PRFAQ has two sections:
  - The press release for the new product, written from the future point-of-view (i.e., why should customers be excited?)
  - Expected FAQs for the new product, covering the questions from a customer’s perspective (i.e., how will the customer interact with this product?)

- A few helpful primer links to get you started:
  - How Amazon uses PR FAQs
  - How to use PR FAQs (includes a link to an example PR FAQ)
  - 101 on PR FAQs
  - Best practices for PR FAQ reviews + buy-in
Be on the lookout for a resource on Phase 3: design, test, & launch – coming soon!

<table>
<thead>
<tr>
<th>What’s the Goal</th>
<th>Phase 1: Define the full option set</th>
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<tbody>
<tr>
<td></td>
<td>Revisit your customer needs &amp; re-establish core principles</td>
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<tr>
<th>When to Use</th>
<th>Phase 2: Narrow down option set &amp; prioritize</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrequently – when core customer sets and needs should be revisited</td>
<td>Guide you through key questions to consider for new products</td>
</tr>
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<table>
<thead>
<tr>
<th>Pre-Requisites</th>
<th>Phase 3: Design, test, &amp; launch (coming soon)</th>
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<tbody>
<tr>
<td>Definition of core product and customer set</td>
<td>Layout the steps required to make a product idea into reality</td>
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<thead>
<tr>
<th>Desired Outcome</th>
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<tbody>
<tr>
<td>List of potential, needs-based products targeting different customer segments’</td>
<td>Semi frequently – when a product idea has been chosen, but exact design &amp; GTM remains unclear</td>
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<tbody>
<tr>
<td>Understanding of expected relative lift + impact for products considered</td>
<td>Product that you have decided to launch</td>
</tr>
<tr>
<td>Ability to best prioritize and sequence “high impact” products</td>
<td>Understanding of steps required + best practices for product launches</td>
</tr>
<tr>
<td>Ability to successfully determine design + GTM execution plan</td>
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</table>
Thank you.