

Actuaries and Product Development: A step beyond $P_{x:\overline{n}|} = A_{x:\overline{n}|} / \ddot{a}_{x:\overline{n}|}$

David Heeney FIA

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Actuaries and Marketing People Working Together.....



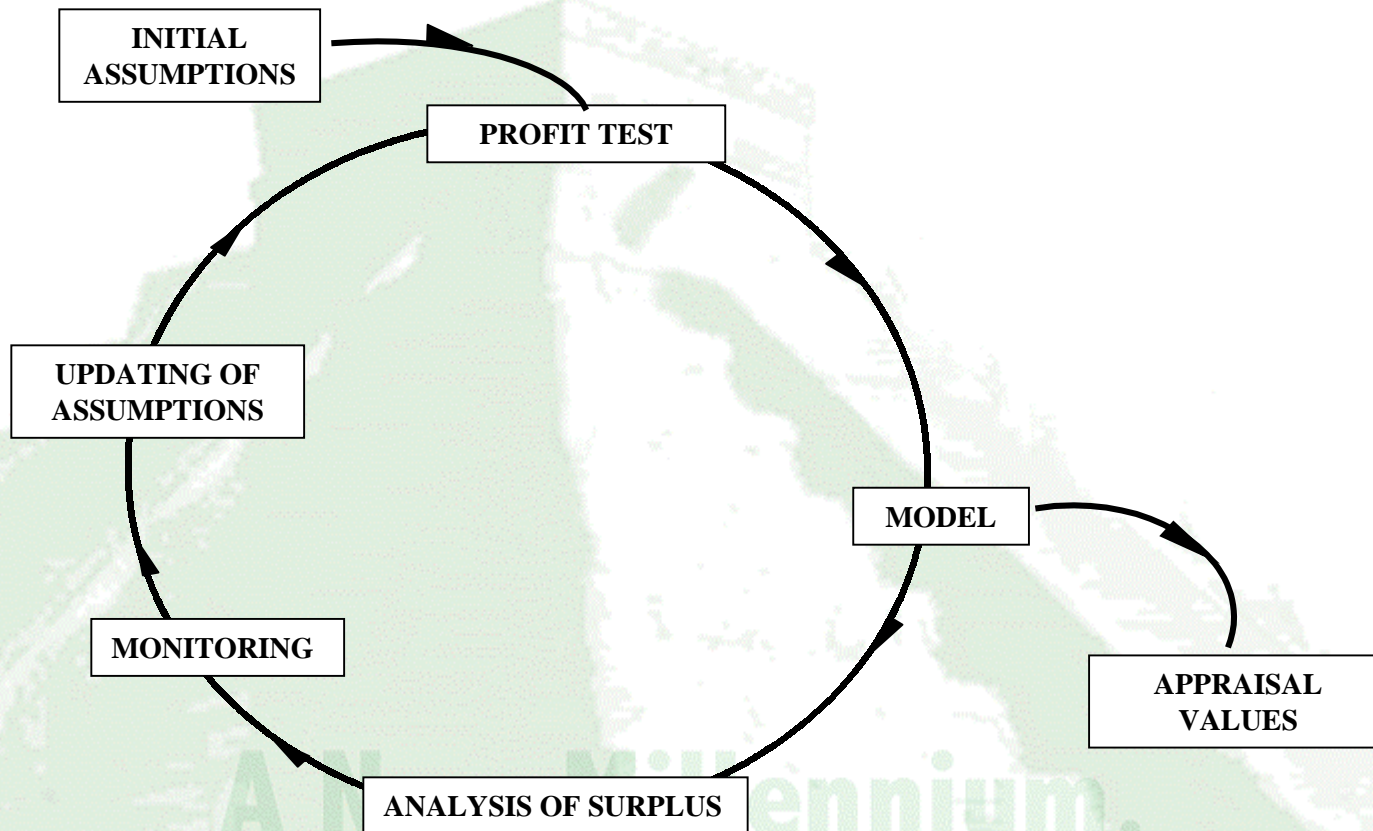
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.....There is another way!



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The control cycle is principally a pricing management tool; factors not allowed for in pricing model may go unnoticed

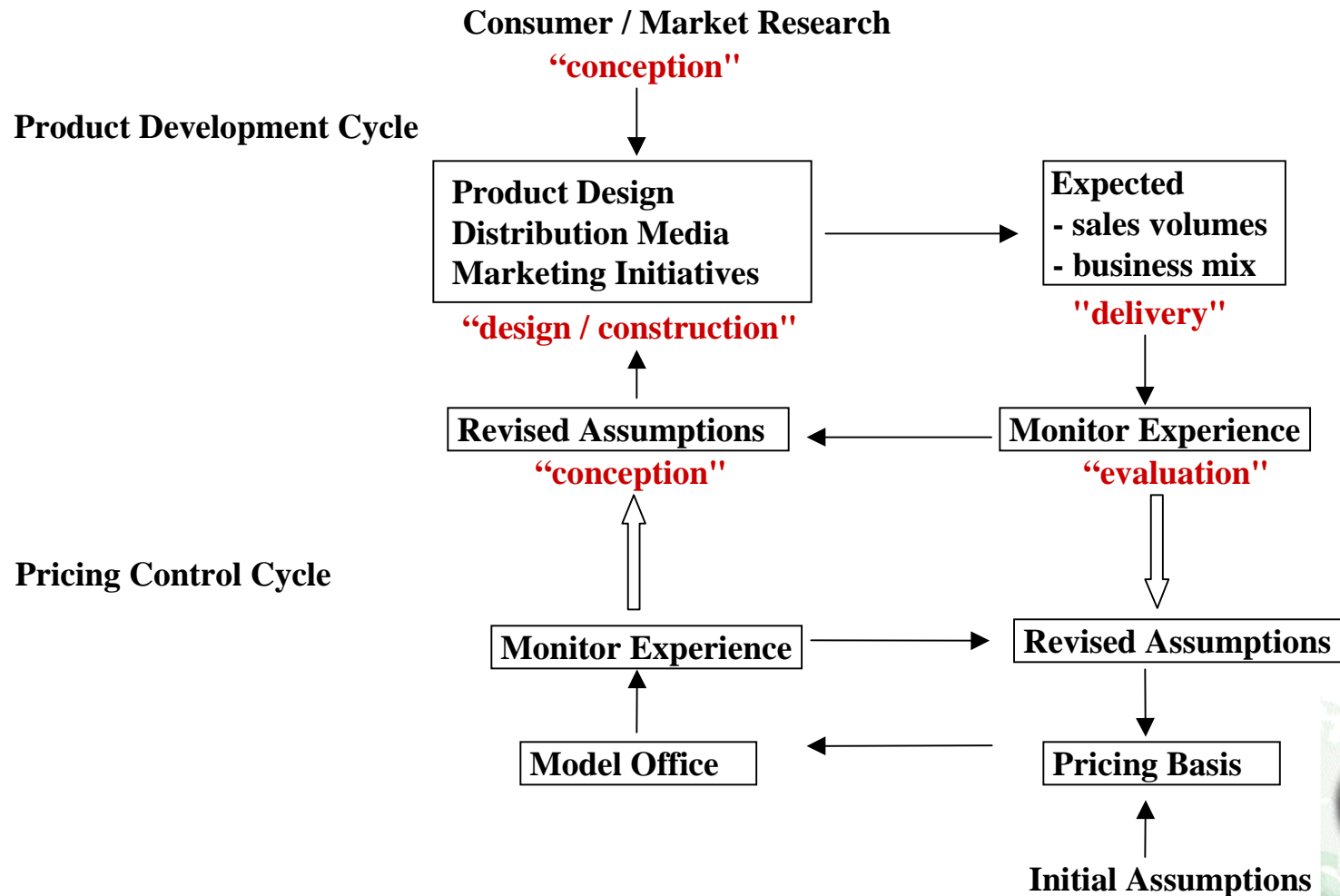


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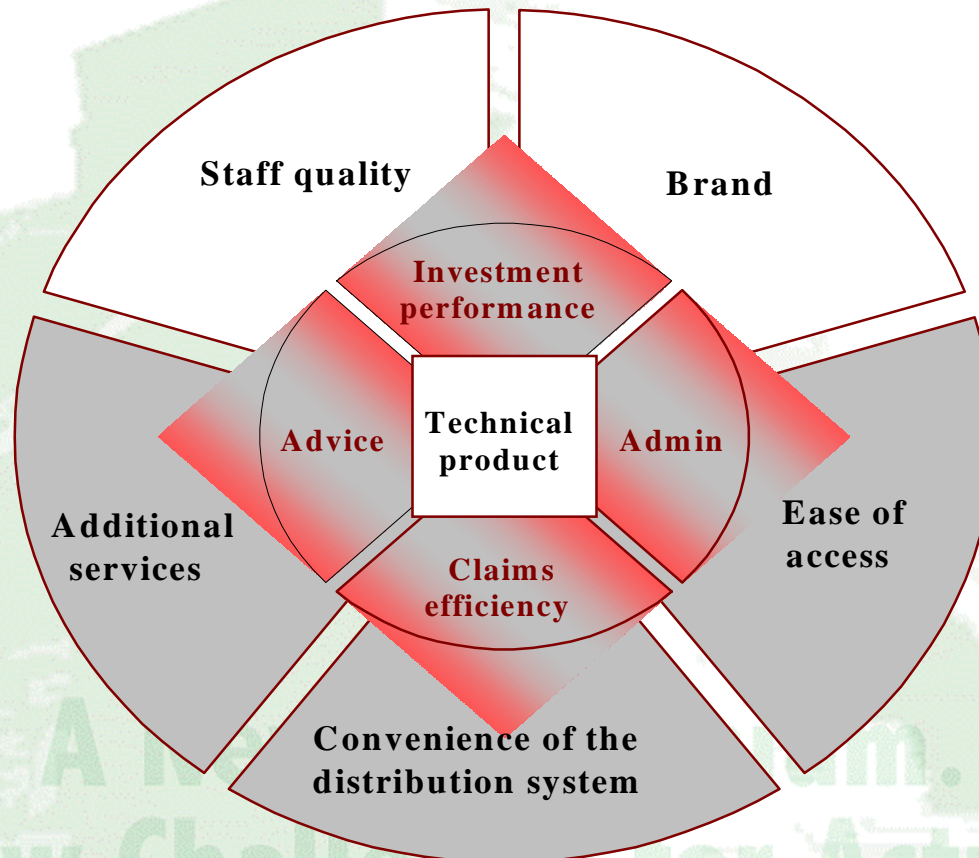
Marketing models for product development mirror the control cycle approach




Bringing these approaches together provides a much fuller picture of the factors driving product performance



Product performance will ultimately depend on consumer behaviour and perceptions; actuaries need a broader definition of “product”





Market research can be a valuable way of exploring customer perceptions but:

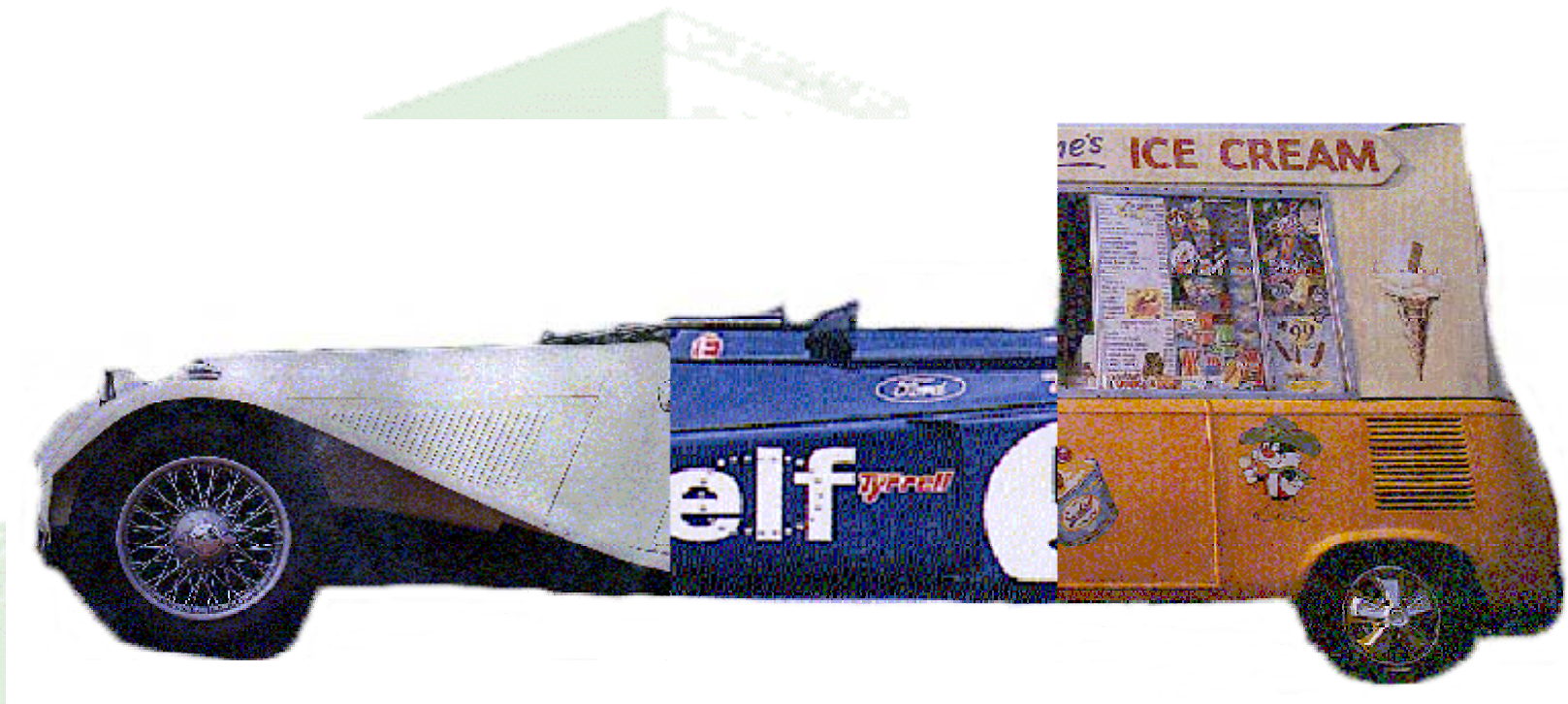
Customers can't design products for you.....



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A car designed by market research



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What do we mean by 'marketing'?

Is it:

- identification of markets/market research?
- advertising, sales promotion and publicity?
- literature design?
- selling?
- recognising and building brand value?

Yes, all of these...
but something is
missing

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Good marketing = Profit




“marketing is a business philosophy which seeks to meet customer needs **profitably**”

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Key conclusions for actuaries

- Need to apply skills to interpret “soft” as well as “hard” data as these may reveal key drivers of product performance
- Need to find ways of recognising key emerging trends in factors not originally allowed for in pricing models
- New technology more important as data source than as distribution medium
- Allowing for value of future flexibility (“real options”) may become key in product development project management
- Integration of actuarial skills with other disciplines is best way of maintaining actuarial influence



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