Industry research reports suggest that over 85% of new products fail, and an overwhelming 90% of companies state they are too slow in launching new products and services.

While traditional insurance insights have been completely reliant on historical data, approaching new markets has always been a riskier proposition for companies, resulting in catastrophic losses or exorbitant premiums to factor in the unknown risk parameters. New product failures in the past have also been attributed to the lack of understanding of customer needs and the agility to react to market changes and make quick product modifications.

The fast-changing consumer behaviour patterns create a need for an agile approach that speeds up the launch and learn cycle, and real-time customer insights become crucial for success.

This Minimum Viable Product (MVP) methodology helps bridge these gaps by providing a much more structured, reliable, agile and cost efficient approach to acquire real customer insight early in the process, take calculated risk and accelerate the time to market.

Some of the dominating new trends poised to impact the Insurance landscape are:

**New Customer Segments**
The new customer group ‘Millennial’ matters, as they already make up 25% of the workforce. By 2020, this new range of Millennials and potential target segments will form 50% of the global workforce. Traditional long product cycles will not work for building new bespoke product offerings for this new customer segment that is not only highly digital, tech savvy, with instant access to information and a knack for innovation, but also has constantly changing needs and behaviour patterns.

**New Competition**
Large enterprises are being challenged to keep up with the level of disruption coming out of start-ups. The influx of insurtech start-ups and their whirlwind success such as Lemonade, Simply Business, SPIXII, and PolicyGenius raises the bar on points of parity requirements for incumbents. They are up against competitors offering improved customer experience, highly customised digital offerings, agility and adaptive new product feature launches.

**New Technologies**
Advent of new digital omni-channel solutions including mobile, virtual and contextual interactions alongside cognitive and natural language engagement, robotics, artificial intelligence and machine learning, furthers the need for innovation and experimentation in this traditional industry.

Successful start-ups have incorporated the notion of MVP as part of their standard product life cycle.

MVP is a version of a new product that enables you to collect the maximum amount of validated learning about
customers with minimum effort. Many of the successful tech start-ups like Dropbox, Leonid Systems, Stealth Photosocial Startup, Intuit, Kaplan, Yipit, AngelList, Zappos, Pandora, Groupon, Airbnb, Buffer have all adopted the MVP approach.

Liberty Mutual, an American diversified global insurer, recently took a major step towards launching a cloud-native development, iterating faster and releasing an MVP in a record 28 days. It went on to deliver an insurance app in six months.

Lloyds Banking Group, a UK financial services firm, implemented MVP methodology during their digital business transformation initiative. This helped emphasize speed over perfection to help teams focus on releasing services with sufficient customer value rather than waiting until they are deemed complete.

This methodology can be similarly applied to various business requirements such as tapping new customer segment, launching new product to existing customer group, transitioning to straight through claims solution, automated customer handling and so forth.

New innovation via blockchain and other technologies is also being approached using MVP. The Blockchain Insurance Industry Initiative (B3i), a collaboration of insurers like Aegon, Allianz, Munich Re, Swiss Re and Zurich, when exploring the potential of distributed ledger technologies, started by developing a minimum viable product (“MVP”) to transact a reinsurance contract on blockchain.

Whether MVP is used at a start-up or within a mature set up, it’s a concept that should be kept simple, brief and laser-focused.

What is it All About?
A minimum viable product refers to a full product and not a minimal product. In contrast to building a product that may have value, MVP proposes that learning by getting potential customers to test a prototype or initial offering,

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### How Minimum Viable Product Development Works

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**Like this!**

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and then adapting the product based on the feedback collected rather than investing a lot of time and money in building a fully-fledged product before determining whether it has the required value.

The phrase minimum viable product can be misleading, as the concept is more about the customer rather than the product.

As opposed to the traditional approach of designing an end-to-end solution and ironing out the integrities of internal backend processes, this approach focuses on customer-facing feature development before large scale investments are made into detailed architectural changes.

It is important to validate ideas at the early stages – does a problem exist? Are people willing to pay for a product that addresses the problem? Is there a market for it? Does the idea address the problem?

Once the idea is validated, the next step is to figure out how to execute it. A MVP needs to be designed to test the product, not the idea. In case of failure, the likely issue lies in the execution, and not the idea. Starting by building the MVP runs the risk of creating a product that no one wants.

As Erin Ries explains in Lean Start-up, “It is not necessarily the smallest product imaginable, though; it is simply the fastest way to get through the Build-Measure-Learn feedback loop with the minimum amount of effort. Its goal is to test fundamental business hypotheses.”

It is a key ingredient of a design thinking, non-linear, agile methodology to allow a solution based human centric approach.

Why Large Enterprises Are Slow to Transform, and How They Can Prepare

While large organisations start honing in-house “intrapreneurs” in the form of innovation labs, some critical factors define the success of such initiatives. Creating an entire ecosystem that can think, act and react like a start-up makes these labs on par with competition.

### The Start-up Approach to MVP

**Start-up Mindset**
- Combining adaptability, fast-moving innovative thinking, sensing and reacting instead of predicting and controlling, risk tolerance, and a test and learn attitude

**Start-up People and Governance**
- A cross-functional core team with sufficient authority and business knowledge to avoid long approval cycles. A separate governance structure that enables quick decision making, fast underwriting review and updates, legal and compliance sign off – create a fast lane

**Start-up Offering**
- Highly customized products to specific target segments, adapting best customer experiences from other industries

**Start-up Technology**
- Identification and adoption of new generation nimble configurable technology that allows:
  - Short product development cycles
  - Modular build capabilities
  - Real time updates
  - Iterative AB testing
  - Easy integration into legacy systems via APIs
  - Ongoing Customer Analytics based insight
  - Fit-for-purpose bespoke technology instead of enterprise-wide solutions

**Start-up Process**
- Agile process that quickly takes products to market, tests, updates, and iterates. Rely on validated value add to customers through direct customer feedback instead of the traditional approach of perceived value by insurers

**Start-up Constraints**
- Set limits for time, cost or features so a definitive and viable amount of effort is expended. Keep track of all ideas and feedback that keep pouring in during the MVP, and consider building them into a future release.
When Should You Go For an MVP?
While overall agile principles apply to any form of new feature build or product development in current business scenarios, minimum viable product methodology has more appeal for approaching new business segments or new product innovation compared to incremental improvements to customer experience.

If innovation is meant for sustaining in a market, a feature war is the likely scenario, so building more than the minimum is a must. That is, in order to be viable, the minimum must be enough to compete against existing players plus some level of differentiation. An MVP approach is not the right fit in such cases.

On the other hand, if the organisation’s idea or product aims to turn the market around, a fully blown product isn’t likely required. It’s possible that so much value is created...
Execute a Successful MVP

One example of this is how Drew Houston’s video for Dropbox generated 70K signups for a product that hadn’t been released yet, confirming a product-market fit.

It is important to clearly define failure in validating MVP’s.

Failure of this test doesn’t invalidate the business model – it indicates failing to convince early adopters to buy the version of the product which is reasonably good (though still inferior) version. It generally points at the quality benchmark for the product being higher than expected.

Cons: Running MVP validations can go on for long periods of time. This can be due to wondering whether people aren’t buying because the concept is flawed, the product isn’t good enough yet, the target customer group is wrong, or because the creative design is wrong.

Examples of this include when Paypal revolutionised the Internet payment processing market, as people used the product despite a sub-optimal user experience.

Types of MVP
Based on the desired outcomes of a MVP, there are two main types used in practice.

If the MVP is a product worse than the final version, success validates the idea, but failure is inconclusive. On the other hand, if the MVP offers an improved experience, then failure invalidates the business model, though success doesn’t validate it.

Validating MVP:
To confirm a product-market fit, a worse product than the final version is built.

that early adopters would jump at the opportunity of using even an imperfect product.
Hence, using metrics that capture this forward-looking qualitative feedback is advised.

**Invalidating MVP:**
To build a better product than the final business that is highly personalised, with unsustainably high investment.

**Cons:** This only works where it is feasible to produce better products in small batches. This approach becomes difficult when low-quality alternatives are available in large numbers, or when quality depends on scale of use.

**Maximize the Lessons From an MVP**
To ensure that you gather maximum customer insight using an MVP, you must establish KPIs.

The measure of a MVP success lies in uncovering long-term product potential and the ability to develop a roadmap to unlock that potential.

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### EXL’s Approach to MVP Development

#### Start-up like Ecosystem Requirements

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### EXL Capabilities

- Roadmap, MVP planning and execution
- Target operating model design
- Customer journey mapping
- Customer analytics-based needs assessment
- Correct fit assessment and strategic alignment of product outcomes for MVP
- New gen technology assessment and onboarding
- Analytics driven insight enabled by machine learning, network analytics, computer vision, NLP/text/speech, predictive analytics
- RPA
- Agile project management and delivery
- AB test execution
- Benefits tracking and alignment to objectives
- Full go-live planning and management

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### Analysis of feature flow:
What features people use, and how they’re sequenced – hence identifying the most valuable features.

### Quantify the word-of-mouth traffic:
Useful metrics here include the Net Promoter Score, as well as interviews with customers.
How Can EXL Assist?

EXL Consulting has extensive experience and credibility in assisting organizations through consulting, advisory and project management capacities through the MVP lifecycle.

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EXL (NASDAQ: EXLS) is a leading operations management and analytics company that designs and enables agile, customer-centric operating models to help clients improve their revenue growth and profitability. Our delivery model provides market-leading business outcomes using EXL’s proprietary Business EXLerator Framework®, cutting-edge analytics, digital transformation and domain expertise. At EXL, we look deeper to help companies improve global operations, enhance data-driven insights, increase customer satisfaction, and manage risk and compliance. EXL serves the insurance, healthcare, banking and financial services, utilities, travel, transportation and logistics industries. Headquartered in New York, New York, EXL has more than 27,000 professionals in locations throughout the United States, Europe, Asia (primarily India and Philippines), South America, Australia and South Africa.

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