What Caused the Bank’s Products to Die?
A New Zealand Perspective

David R. Harness & Norman E. Marr

Abstract
Many financial service organisations are loath to eliminate products that have long life cycles and where existing customers expect these products to remain available. Whilst previous research has identified factors that cast doubt over the viability of continuing to supply a product, the existence of these factors does not necessarily mean that they will automatically lead to elimination. This study looks at the factors triggering product elimination in the New Zealand banking sector. It outlines the type of triggers that cause elimination, and places them into seven broad clusters that relate to the product management activities or the strategic functions of the organisations. The paper considers how an organisation’s response to the triggers influences the final decision on whether to eliminate, rejuvenate, or leave untouched the reviewed product. The study concludes that where an organisation takes a proactive stance in managing the end stages of the product life cycle, options, other than elimination, become possible.

Keywords: Financial services, product elimination, New Zealand banking, elimination triggers

1. Introduction
Products seldom live forever. The desirability of keeping a product in a market is strongly influenced by those factors which relate to the macro competitive environment and the organisation’s own capabilities combined with their commercial aspirations. It is known is that these conditions are not constants. The changes they instigate are reflected in the type of products offered. Although predominantly seen as driving new product development and modification, these forces also drive the need for elimination (Avlonitis, 1986; Hart, 1988; Harness et al, 2000). A full understanding of the specific factors that lead to a questioning of an offering’s existence is required if decision-makers are to manage the end stage of a product life more effectively. This paper seeks to considers the following issues:

- To explore what is known about the causes of product elimination.
- To outline specific causes of product elimination identified from the New Zealand banking sector.
- To discuss how an understanding of the causes of product elimination can be used to improve end-stage product management.

2. Identifiable Causes of Product Elimination
Why do products have to be eliminated? Writers such as Martin (1957), Alexander (1964), Kotler (1965), and Wind and Claycamp (1976) conceptualised that products reach the end of a life cycle because they cease to satisfy the needs of a significant number of customers or of the supplying organisation. The death of the product is an expected and natural part of its life and can be considered to be the end-stage of a “product life cycle”. This concept, although useful in acknowledging the need for products to be culled, fails to identify the actual causes of a product’s decline. For example, causes might range from product obsolescence to the loss of a raw materials supplier. Authors such as Hise (1977) and Avlonitis and James (1982) identified that products are eliminated at different stages of their life cycle due to a wide range of factors. Avlonitis (1986, 1993) classified these factors into a typology of 17 internal and external variables, which he termed “precipitating circumstances”. Internal factors generated by the organisation included for example,
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Changes in product line policy, and poor quality/design. External influences included for example, government regulations, and changes in exchange rates; these were considered to be out of the organisations control. A limitation on the usefulness of these precipitating circumstances is their orientation to physical goods without any consideration of service product issues.

Studies with a service product orientation have identified additional reasons why products become elimination candidates. Vyas (1993) and Saunders and Jobber (1994) identified that new product development can trigger an elimination event if sales and production capacity is fixed. This was seen in a service environment where production was based on fixed IT capacity, so that spare capacity could only be made by removing an existing product. Quelch and Kenny (1994) and Atuahene-Gima (1997) identified that the desire to increase sales efficiency drove organisations to remove products with complex features which might compromise sales efficiency. Brouwers and Stevels, (1997) highlighted the fact that the financial activity of a product and its contribution to the portfolio drove elimination if performance was below a set benchmark. Finally, Radharishnan and Srinidhi (1997) commented that product elimination occurred because products went into a “death spiral” as cost data was misinterpreted. However, these studies failed to take account of the production and consumption characteristics of service products.

3. The New Zealand Banking Sector

The banking sector in NZ has experienced many changes that are likely to have driven product elimination. The NZ retail banks operate within an environment created by government legislation, changes in taxation levels and regulations, interest rate fluctuations and the state of the economy. Each of these factors influence the potential risk and profitability of banking products; for example, legislation that enabled non-NZ-owned financial service organisations to enter the market through either new business start ups or via acquisitions/mergers (Everett 1996; Suanders and Walter 1996). This has focussed effort on cost control, as well as giving rise to a greater understanding of how to answer the needs of the customer. The increased awareness of the value of relationship marketing has emphasised the need to fully utilise the customer base (Rosa and Dacko 1995, Colgate et al. 1996). All of which have forced the banks to review their product ranges (Alexander and Colgate 2000). In addition, NZ banks have experienced an I.T. revolution in the provision of financial service products. New distribution channels have been developed simultaneously

Table 1:
Factors that Drive Product Elimination in the UK’s Financial Services Sector

<table>
<thead>
<tr>
<th>Externally-led deletion</th>
<th>Strategically-led deletion</th>
<th>Operationally-led deletion</th>
<th>Customer-led deletion</th>
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</thead>
<tbody>
<tr>
<td>Changes in interest rates</td>
<td>Customer retention</td>
<td>Product management – systems constraints</td>
<td>Response to demographic changes</td>
</tr>
<tr>
<td>Compliance of legislation</td>
<td>Re-segmentation</td>
<td>Cost reduction</td>
<td>Retention policies</td>
</tr>
<tr>
<td>Economic factors</td>
<td>New business activities</td>
<td>New product development</td>
<td></td>
</tr>
<tr>
<td>Social changes</td>
<td>Distribution issues</td>
<td>Changes in risk profiles</td>
<td></td>
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<tr>
<td></td>
<td>Strategic objectives</td>
<td>Quality of management information</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increase effectiveness of sales function</td>
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</tbody>
</table>

*Source: Harness, Marr and Goy (1998)*

changes in product line policy, and poor quality/design. External influences included for example, government regulations, and changes in exchange rates; these were considered to be out of the organisations control. A limitation on the usefulness of these precipitating circumstances is their orientation to physical goods without any consideration of service product issues.

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reducing the role of other channels. An example of this has been a reduction in the use of paper based money transactions in favour of EFTPOS (Prendergast and Marr 1996). These factors, taken collectively, have provided the impetus for changing existing product portfolios and, as a result, driven the need for elimination.

Evidence from the UK’s financial service sector indicates that there may be other reasons why NZ banks may have to eliminate products. Research conducted in the UK’s retail financial services sector identified that the causes of product elimination fell within one of four clusters (Harness et al. 1998). The four clusters were: externally led (e.g. changes in interest rates); strategically led (e.g. customer retention goals); operationally led (e.g. cost reduction); and customer led (e.g. a response to demographic changes). In total, 17 separate factors were seen as driving product elimination. The majority of these belonged to the “operationally led” cluster (see Table 1). This cluster reflects the day-to-day running of the business of producing the product, getting it to the customer, and servicing their needs. Whilst the other clusters’ factors tend to influence future product policy.

The extent to which the UK derived triggers of elimination can be related to NZ’s banking industry is unknown. It is possible that there will be similarities both in the type of triggers that exist and their importance as drivers of an elimination event. For example, both sets of organisations exist to make profit, deal with retail customers, offer similar types of products, and use the same forms of distribution systems and technologies. Differences are also likely to exist, e.g. in economic cycles, size of operations, level of technological development, government legislation and social factors. What the UK study does suggest is that financial service products are likely to be susceptible to a wide range of factors. This may also be true for the NZ banking industry. Therefore, the NZ study sought to answer the questions listed in Section 1: (1) what are the overall forces that drive product elimination in the NZ banking sector? (2) how can specific factors become elimination triggers?, and (3) can an understanding of the causes of elimination be used to improve end-stage product management?

4. Methodology

As the research was exploratory, a qualitative methodology was employed which sought to identify and examine the factors that caused products to be eliminated in the NZ banking sector.

Semi-structured interviews were chosen as the data collection method. In order to ensure robustness, an interview guide was constructed using information from three sources - themes identified in the literature; a previous study undertaken in the UK (Harness et al. 1998); and discussion with experts on NZ banking at Massy University. The interview guide contained questions relating to nine areas: product line planning policies; external product influences; internal product influences; organisational structure; elimination practices; barriers to elimination; causes of elimination; post elimination customer management; and success factors. Respondents were asked to identify and consider cases of elimination that had occurred within the preceding five years. This timescale was felt to be appropriate because they would have a clear memory of events over this time period. It was also expected that changes in IT systems would be a key driver of elimination, and most of this change had occurred within the preceding five years.

Once the interview guide had been constructed experts on NZ banking at Massy University provided valuable feedback and as a result amendments to the schedule were made. The schedule was also evaluated after the first interview and minor modifications were undertaken.

Interviews were conducted with senior product managers in the retail banks. Three of the sampled organisations gave access to two product managers from different offering areas. This meant that nine interviews were conducted overall, all of which were taped. The types of products discussed were: savings, money transmission, lending (short and structural), credit cards, and investments.

Although additional interviews in each of the organisations would have been desirable, the timescale available for data collection was limited and coincided with the key holiday time in NZ. This made getting access to product managers with experience of product elimination difficult. It is possible that other elimination factors may exist, which as yet have not been identified. Despite this, the interviews were extensive, lasting between one and three hours and generating up to 35 pages of transcript. This provided a rich and valuable data set.

Three data reduction techniques were employed. According to Miles and Hubermann (1994), the process of creating codes should start from what is known. In line with this, the data was initially coded using the nine interview topic areas described above. Using researcher judgement the codes were applied to the interview transcripts. The process was repeated to ensure completeness. Each document was then deconstructed to leave only coded data.
Once the first stage had been completed it was identified that the data was rich in examples of why products had been eliminated. Each example of elimination was considered and grouped into different causes of elimination. To increase the reliability of the process it was decided to only include an elimination cause if it could be identified as existing in more than one retail bank. A total of 43 different causes of product elimination were identified. The process was repeated to increase validity and subjected to an independent review by an industry expert to ensure that each cause of elimination reflected the nature of business within the NZ banking sector.

The final stage of data reduction involved using researcher judgement to examine the 43 factors and cluster them into themes that reflected why products had been eliminated. From this it was identified there were seven discrete clusters that took account of all of the 43 variables. It is acknowledged that verification of the clusters and of the factors within them is required before they can be considered wholly safe as a method to describe why products are eliminated. This should form the basis of further research into this area.

The last stage of the analysis involved undertaking a limited comparison of the New Zealand data in relation to those studies which outlined UK financial services product elimination. The basis for comparison between the studies was twofold. Firstly, the data collection tool, based on a semi-structured interview, was a modified version of the one used for the UK study (Harness et al. 1998). The interview topic guide was modified to take account of the differences in technical language and the advances in technology that had occurred since the original study. Secondly, the data was explored using the same analysis processes. This enabled insights to be gained, but with the acknowledgement that further research into perceived similarities and differences needs to be conducted before the findings could be considered conclusive.

A number of steps were taken to increase the validity of the research process and to ensure that the drivers of elimination and clusters demonstrated honesty. Internal documentation was used to help place the elimination events within the wider operating context of the organisation. This documentation included minutes of product review meetings and procedures for conducting elimination actions. The collection, transcription and analysis of the data were conducted by the same person enabling a deeper understanding of the data to be gained. An indus-

<table>
<thead>
<tr>
<th>Cluster Type</th>
<th>Description</th>
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<tbody>
<tr>
<td>Product Led</td>
<td>Triggers associated with the management of products as part of the overall portfolio.</td>
</tr>
<tr>
<td>Customer Led</td>
<td>Triggers associated with either the impact that the product has on the customer or in managing the customer.</td>
</tr>
<tr>
<td>Employee &amp; IT Systems Led</td>
<td>Triggers associated with supporting the existence of the product.</td>
</tr>
<tr>
<td>Strategic Led</td>
<td>Triggers associated with the long-term survival of the business.</td>
</tr>
<tr>
<td>Externally Led</td>
<td>Triggers associated with events outside the control of the organisation that impact on the product's ability to survive.</td>
</tr>
<tr>
<td>Business Structure Led</td>
<td>Triggers associated with adapting the business function to meet changes in the competitive environment.</td>
</tr>
<tr>
<td>Cost &amp; Profit Led</td>
<td>Triggers associated with controlling the cost of keeping the product, relative to overall contribution to profits.</td>
</tr>
</tbody>
</table>

Table 2:
Clusters of Variables that Initiate Eliminating Events in the New Zealand Financial Services Sector
try expert was consulted to ensure the coding practices employed and their subsequent interpretation reflected the operational realities faced by the NZ banking industry.

5. Findings and Discussion

It was identified that the use of clusters derived from the UK study on financial service product elimination failed to take account of all the distinct relationships that existed within the NZ data. This led to the removal of the “operationally led” cluster and the introduction of four new ones - “product led”, “people and IT led”, “cost and profit led”, and “business structure led” (see Table 2). The “product led” cluster takes account of the role the product has as a key competitive tool for the organisation. The production and delivery of the product to the customer is linked to the capability of employees and the functionality of IT systems. The creation of the “cost and profit led” cluster relates to the advances identified in the NZ banking sector’s ability to apportion both cost and contribution to a specific product and to the individual customer. The “business structure led” cluster reflects structural changes within the banking environment centred on new technology and a desire to remove expensive branch based product and service delivery. These clusters summarise the nature of the forces driving product elimination. For these clusters to be meaningful to product managers, the actual factors that form them need to be considered. From this, the overall influence of each cluster can be judged.

5.1 Triggers of Elimination

In total 43 triggers of elimination were identified and these were collapsed into nine distinct areas. This suggests that NZ banking products have been susceptible to a wide range of influences (see Table 3). The following section considers why these factors have arisen, and their relationship to each other.

5.1.1 Product Led

The NZ banking sector in the early 1990’s experienced product proliferation based on the introduction of new technology, distribution channels, and different segmentation policies. Savings products manager: “We had a range of savings products which didn’t have a personality of their own and were very similar in features and benefits to each other”. The impact of this on the product line was to add complexity, increase costs and reduce sales effectiveness by creating confusion in the minds of the customers and sales staff.

In addition as the IT management systems improved the type and quality of product management information, it became apparent that older products could not sustain cross selling activity. This was due to the inability of old and new systems to interface with each other, thus preventing the sharing of customer information. It also highlighted the relative value of specific products as generators of profits or, in some cases, losses. This indicated that some of the older products needed large levels of cross subsidisation to make them viable. This did not fit into the product objectives of three of the banks that believed that products should be able to pay for themselves. Money transmission products manager: “People are not keen to see cross-subsidisation as a rationale to keep a product at market”.

The institutions also began to face problems in servicing products that had been launched to satisfy a specialist need. For example, drought loans were a government inspired initiative aimed at the agricultural community. These loans had small sales volumes and could only be sold with government agreement, making the product very expensive to maintain. The situation was made more difficult for the organisations because the IT support systems had become obsolete, and the ability of staff to service the systems was rapidly diminishing as employees either left or retired from the organisation, taking their knowledge of the systems with them. Lending products manager: “Once you cease to sell a product, the problem is that over time you can’t service it because no one knows what it is about any more”.

Finally, due to changes in government policy the product could not be sold to any new customers, making it obsolete. These triggers reflect the business objective of improving the effectiveness of the individual product and the overall portfolios by making them function in line with commercial objectives. Money transmission products manager: “We have woken up recently and said we have lots of old dead products, with lots of manuals and computer systems - life would be easier if we tidied them up”.

5.1.2 Customer Led

Products incapable of supporting customer retention objectives or offering little or no cross sales capacity were withdrawn. These included products that failed to fit a single defined customer need. Savings products manager: “The savings products we had did not really meet the needs of the customers as they had moved on”. Other products had been incorrectly sold, or could not be serviced to a quality level equivalent to other product offerings. Savings products manager: “We had a savings
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Table 3:
Drivers of New Zealand Financial Services Sector Product Elimination.

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</thead>
<tbody>
<tr>
<td>Remove duplication</td>
<td>Poor fit with customer needs</td>
<td>De-commission system</td>
<td>Poor profit levels at product level</td>
<td>Competitor activity</td>
<td>Increase reliance on IT</td>
<td>Maintain profitability</td>
</tr>
<tr>
<td>Removal of cross subsidisation</td>
<td>Poor service level</td>
<td>New IT systems</td>
<td>Poor profit at customer level</td>
<td>Changes in government legislation</td>
<td>Rationalisation of workforce</td>
<td>Control costs</td>
</tr>
<tr>
<td>Reduce risk levels</td>
<td>New segmentation policy</td>
<td>Capacity constraints</td>
<td>Identify high cost to low income ratios</td>
<td>Entry of Foreign players</td>
<td>Branch rationalisation</td>
<td>Remain competitive</td>
</tr>
<tr>
<td>Lack of Differentiation</td>
<td>In-operative account</td>
<td>High level of complexity in salesforce function</td>
<td>Poor PR from media</td>
<td>Independent host system</td>
<td>Make customers pay for what they use</td>
<td></td>
</tr>
<tr>
<td>Low sales</td>
<td>Sold wrong account</td>
<td>Enhanced data management facility</td>
<td>Health of the economy (domestic)</td>
<td></td>
<td>Survive in the market place</td>
<td></td>
</tr>
<tr>
<td>No cross sale opportunity</td>
<td>Lack of customer information</td>
<td>Enable new distribution channels</td>
<td>Health of the economy (global)</td>
<td></td>
<td>Change delivery network</td>
<td></td>
</tr>
<tr>
<td>Poor portfolio mix, high costs, low profit</td>
<td>Require different distribution systems</td>
<td>Enhance speed of product management</td>
<td></td>
<td></td>
<td>Capture benefits of IT</td>
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account with instant access, customers were using it as a money transmission product rather than as a savings vehicle. The sales staff sold the product as a money transmission account rather than as a savings vehicle”.

Not getting the right product to the customer was seen to be the result of having poor quality customer information.

Inaccurate or missing customer records acted as an impediment to implementing segmentation policies or achieving cross sales. Investment products manager: “We sent a mail shot out to get customers to buy into a ten year investment bond. We got lots of returned envelopes marked deceased, or letters saying thank you.
but I am 90 years old!” The cost of updating the information was considered to be greater than the benefits associated with keeping the product, thus promoting the need for elimination.

5.1.3 Employee and IT Systems Led
Information technology and human systems (i.e. the staff who deal directly with customers) are capacity constrained. For example, new products cannot be created unless IT capacity is made available by removing another product from the system or creating a new IT system. It was also identified that as product variants became more numerous and complex, support staff found it harder to sell offerings they did not understand, or service the customers who purchased them. This reduced the overall effectiveness of the sales and servicing functions. Savings products manager: “We recognised that our branch staff have so many products to deal with - to learn and sell - that they are reaching overload”. Money transmission manager: “We had a product that gave the over 55’s extra benefits. We could not identify who these customers were due to missing dates of births and not having an IT system that automatically told us when these individuals qualified. What we found was that we had to rely on staff to find this out - which did not happen - and the result was that customers complained. We removed the product because it was simpler and cheaper than trying to get it to work”.

The reliance on IT to manage and deliver the product to customers makes the products held on specific systems susceptible to new technologies. This was seen in a number of ways: the introduction of new host IT systems which led to the redundancy of old systems; the need for better customer information to maximise the information processing abilities of new IT systems; and the movement to new distribution systems (e.g. EFTPOS). Investment products manager: “We have an investment product with low usage on its own dedicated I.T. support system. At some point we will want to get it onto a standard system and close down its platform”. Elimination occurred if it was perceived that the products supported by older systems could not be economically transferred onto the new systems. It also drove elimination by creating specific IT based products rather than changing earlier products that simply used IT to improve delivery.

5.1.4 Strategic Led
Unlike the other clusters this relates solely to the organisations’ ability to create the impetus for product elimination by defining its long-term strategic goals. For example, strategies to survive the changes in the market place, or to increase efficiency and revenue in order to be in a position to take over other players, could all lead to product elimination. Essentially the cases of elimination reported as being driven by strategic reasons suggest two things. First, that there is an awareness amongst the NZ banking community that the elimination of a product can be used to achieve strategic goals as well as short term gains such as a reduction in costs or the creation of spare I.T. processing capacity. Secondly, that product elimination is not an activity that should be conducted in isolation from other product management and business objectives. An example of this was the change in the balance of delivery systems. This change was driven by the need to control costs, compete with new and existing players and reduce a historical reliance on the branch network. Credit cards manager: “We charge 50 cents for a cheque, it costs us a dollar to process, so we want to push them into our remote banking operation”. To facilitate the closure of branches, products had to be rationalised, and existing offerings simplified to increase saleability and ease the burden on service staff. Marketing manager: “We have about 450 branches and will be down to 260 in two years”. The rapid growth in card technology and electronic delivery systems allowed the banks to use the network of post offices, retail outlets and gas stations plus ATMs to distribute cash. This was believed to have, in part, softened the impact of closing branches in small communities.

5.1.5 Externally Led
The six areas identified under this cluster relate the legal, social and competitive environment to the operating conditions of the organisations. These impact both at an operational level and have a significant influence on a company’s future strategic direction. For example, the entry of foreign players who targeted high value customers and altered the profitability of specific types of products, such as credit cards and mortgages. In the short term this caused products to be withdrawn to control costs and to improve sales-force efficiency. In a structural sense it meant that the sector’s overall level of competitive intensity was irreversibly changed, ensuring that proactivity in the product management function became essential for survival. For example, one bank supplied a petrol company with a jointly branded card, but the volume of sales achieved was too small to gain sufficient operating scale economies. The lack of success was due to competitors launching similar products that were perceived to be more attractive by customers. Credit cards manager: “We had a shared brand credit
For money transmission and savings products, it drove this impact on the product line in two key ways. First, and customer groups were profitable or unprofitable. This facilitated product managers to identify which individual customer financial contribution of individual products. This facilitated an assessment of the overall financial products. Lending products manager: “Because of the change in the financial environment, queuing for home loans disappeared, removing the demand for first home savings accounts”.

5.1.6 Business Structure Led

The NZ banking sector is emerging as a highly responsive and dynamic industry out of the necessity to cope with the changes occurring in its competitive environment. The impact of this on products is concerned with altering the way products are delivered, e.g. using remote banking as a way to ease the burden on consumers when branches closed. It is also seen in the desire of the banks to reduce their workforce, partly via branch closures but also by reducing head office support functions through streamlining processing activities. For example, as one bank’s product manager money transmission stated: “I suppose we are trying to get our cost to income ratio down at the moment, things like ATM’s and EFTPOS, that type of thing is a lot cheaper, and saves you teller based transactions or manual transactions. Within a few years we will have half the branches we have now”.

The desire by the banks to have their own host IT management systems, rather than keeping the original shared one has led to the introduction of their own dedicated processing and production platforms. This has resulted in an assessment of the viability of transferring products that were domiciled on the original shared system onto new platforms. This has led to elimination as the benefits of migrating the product to a new system were substantially less than the costs involved. For older passbook savings accounts and some money transmission products this led directly to their elimination. Lending products manager: “Our management realised that having all these products, just tied up resources which could be used elsewhere”.

5.1.7 Cost and Profit Led

As NZ banks began to gain reliable cost and profit data, this enabled an assessment to made of the overall financial contribution of individual products. This facilitated product managers to identify which individual customer and customer groups were profitable or unprofitable. This impacts on the product line in two key ways. First, for money transmission and savings products, it drove the need to create activity based costing, whereby customers paid for what they used. Money transmission manager: “We were looking to introduce activity based pricing, products which we couldn’t change to this we got rid of”. Prior to this, a system of bundled costing was employed due to the inability to apportion specific costs. The second impact was to remove products that were considered to cost more then they contributed. Savings products manager: “It is not just falling volumes of sales or usage, it is also about the level of fee generation of each product”. How product elimination was used as part of a general strategy to increase profitability can be seen in the following example. A savings product paying little or no credit interest but allowing customers to be entered into a prize draw with the chance of winning a car was launched as a way to generate higher profits. It was perceived that the gambling nature inherent within elements of the New Zealand population would make this type of account attractive. This indeed proved to be the case. It was used as a means to encourage customers to migrate out of traditional savings accounts, which were expensive for the banks to service, into accounts that provided a chance of winning a car but paid little or no interest on cash balances. This, in turn, greatly reduced total support costs.

6. Management Implications

Triggers generated from changes in government legislation, or competitor activity, may force product elimination. The nature of the majority of triggers, however, suggests that they occur without necessarily causing an elimination event. They are also the same influences that drive NPD activity, product enhancement, and changes in business practice. This is not altogether surprising given that the clusters and triggers deal with factors that enable a product to perform, as well as being issues that influence future performance. For example, product complexity may make it hard for a product to be sold, and thus prevent scale economies to be gained, further reducing the potential for profitability. It is likely that each organisation will create its own performance criteria with which to evaluate a product. This in itself is no guarantee that factors challenging a product’s viability will be identified. The total number of factors, combined with extensive product ranges, would make a monitoring system capable of identifying all the causes of elimination highly complex and difficult to use. An additional problem is that the frequency and predictability with which elimination triggers arise is likely to be highly variable.
To help overcome these problems and enable product managers to focus their attention, triggers can be put into one of three categories. Category one - triggers initiated by the organisation which are both predictable in their outcome and controllable (e.g. branch rationalisation, removing an IT host system, and seeking to control costs). Category two - triggers that may arise with a level of predictability and are managed proactively (e.g. capacity constraints, removal of duplication, and new segmentation policy). Category three - triggers that take place infrequently, with a low level of predictability (e.g. entry of foreign players, competitor activity, and poor PR from the media). The capacity of the organisation to manage the occurrences of both predictable and unpredictable triggers relates to the proactivity of their product management function. A condition for proactivity must be that end-stage product management is perceived by the organisation as an important activity. For this to happen elimination has to be seen as an activity that can provide the organisation with benefits over and above the removal of a problematic product.

The consequence of failing to identify an elimination trigger is that the causal event continues to impact negatively on the organisation’s objectives. Given the extensive range of triggers identified, it would appear that banks need to view end-stage product management as a critical function. This implies that resources should be directed towards monitoring systems and to planning how to manage elimination events. This provides the basis for becoming proactive in the function, and enables the organisation to respond more effectively to the occurrence of triggers. In addition, the product elimination function should link more fully to other stages of product management that aid the overall portfolio planning and customer management activity.

7. Conclusions

The usefulness of the actual NZ derived elimination triggers for product managers needs to be considered against whether the factors that caused them are constants. Organisations and the environment in which they operate seldom remain static. Changes are due to improvements in organisational capabilities. Once competitors modify their business practices, consumers become more sophisticated and often governments alter their policies accordingly. The triggers can therefore only be considered to be a snapshot in time of the factors that have driven elimination in the late 1990’s. Although, it is likely that forces for change will continue to influence future product line policy, the extent to which they will drive elimination is open to speculation.

It is would be unsafe to conclude that there is a correlation between the number of triggers in each cluster and their overall influence on product policy. In part, this is because the importance of a cluster and specific triggers will be unique to an organisation based on their capabilities and overall business aspirations. It will also be determined by whether the trigger affects one product or a whole range of offerings. For example, removing duplication may result in the removal of a single product, whilst branch rationalisation may lead to a whole product category being eliminated. In addition, the clusters fail to show the relationship between each of the triggers. Yet triggers may exist and drive elimination in isolation, or combine with others to instigate an elimination process. For example, a change in government legislation is a single driver of elimination, whereas lack of customer information may lead to the wrong product being sold. Although this paper has only been able to conceptualise that these relationships exist, it is an area worthy of further investigation.

The NZ study of causes of elimination extends the findings of previously reported studies from the UK. Although it is not an objective of the paper to draw a direct comparison between these countries, there are number of observations that can be made. First, the addition of new clusters which reflect the operating conditions faced by the NZ banks, plus the additional numbers of specific triggers, would indicate that the UK studies need to be revisited. The case for this is based on the similarity of product types, distribution systems and the nature of business. Second, not all the clusters were mutually exclusive. The external, strategic, and customer led clusters contained many shared triggers (e.g. cost reduction, compliance to legislation, and customer retention). It would be premature to claim that these are universal factors until research that maps triggers across a number of business types has been conducted. The fact that clusters exist to describe the type of forces impacting on banking products in NZ and the UK is a start to this process.

There are a number of limitations of this study. The sample size was appropriate to conducting exploratory research, but insufficient to be able to claim that the results are definitive. This study has enabled a large number of causes of elimination to be identified, why they arise, and, to a limited extent, how they can be used to improve end-stage product management. The list of elimination triggers may not be exhaustive and additional factors might be identified if a larger sample was used.
The study has not identified the frequency with which a trigger arises or the overall importance of the factor as a driver of product elimination. It also has not considered the importance of each trigger relative to others. Research is also needed to explore whether specific product categories (savings, money transmission, investments, and lending products) are susceptible to different types of triggers.

References

Biographies
David R. Harness is a Senior Lecturer in the Department of Marketing, Huddersfield University Business School. He specialises in the areas of services marketing and strategic customer management with experience of teaching and international consultancy in...
these areas. His research has focused extensively on the end-stages of product management leading to product elimination for financial services products.

Norman E. Marr is Professor of Marketing at the University of Huddersfield. He is currently involved in the supervision of a number of PhD students from Malaysia and the Middle East. He has a PhD in logistics and marketing from Cranfield School of Management. Prior to becoming a full-time academic in 1986 he had 20 years’ experience in a variety of industries. He has recently returned to the United Kingdom after ten years in New Zealand where he was involved in a major research project, “Banking in the 21st Century”.

Correspondence Addresses
David R. Harness, Senior Lecturer in Marketing, Huddersfield University Business School, Department of Marketing, Queensgate, Huddersfield, West Yorkshire, UK. Telephone: +44 (0) 1484 472597, Facsimile: + 44 (0) 1484 472896, e-mail: d.harness@hud.ac.uk, Norman E. Marr, Professor of Marketing, Huddersfield University Business School, Department of Marketing, Queensgate, Huddersfield, West Yorkshire, UK.