

Does a new business line have viability and the potential near-term profit growth?

Does a new business line have viability and the potential for near-term profit growth?

A client with a significant asset management presence and captive sales force entered the highly-competitive mutual fund business with a new index-oriented product line-up. While the product was essentially in the start-up phase, management wasn't certain to what degree outside distribution would be necessary to attract enough assets to succeed. They wanted answers to determine whether a sales infrastructure focused on external distribution could be built quickly enough to support a new company and if so, did it offer the potential for profit growth.

How do you assess sales opportunity and what area of the intermediary market do you focus your sales efforts? Harborside was engaged to help find solutions to these questions.

Utilizing our industry contacts, knowledge and experience, we performed a competitive review of the product attributes, sales force capabilities and current distribution opportunities. After significant evaluation, the answer was clear: the business line would continue to struggle near-term to gain assets and suffer growing expenses.

Our research found that from the start, costs were significantly higher-than-anticipated and the estimated timeframe to achieve critical mass, based on our competitive review, would be much longer than originally determined. Compounding the problem was the product was difficult to understand and product expenses were much higher, relative to competing products. Additionally, the unprofitable business line required a significant amount of time, thereby competing with the client's focus on their institutional core asset management business.

Result: Losses were minimized, and core profitability was insulated from further downside pressure.

By closing the new business unit, employees could keep their focus on their successful core business operation and resources allocated to the business line could be better utilized within the broader asset management division. Often times, it takes an independent perspective to recognize business limitations. An unbiased opinion can help bring to light distinct challenges, and sometimes unwanted results. These recommendations help to protect the viability of the overall business, especially when new ventures may threaten overall organic growth.

HARBORSIDE SALES GROUP

helps asset managers grow sales and retain assets. Whether it is product structure, sales focus or marketing efforts that are keeping sales from reaching new levels, our experienced professionals can help. We provide a focused array of services that span distribution consulting, strategic sales support, marketing and market research.

Let Harborside help you to better reach your target audience and deliver more effective product and service solutions.

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