

Try This at Home!

A Brief Case Study Showing How You Can Apply “5 Paths to Growing Asset Management Firm Revenues”

Introduction

Your Second Opinion, LLC has recently released a report called *5 Paths to Growing Asset Management Firm Revenues*. This brief case study simulates the opportunities and challenges of pursuing any or all of these paths. First, here are the 5 paths to increasing revenues:

1. Extend the duration and profit of each client relationship by reducing client turnover, and charging fair fees to each client.
2. Capture share, compete with substitutes – beating the competition can build revenues, but also look for opportunities to offer substitutes for seemingly unrelated product classes.
3. Respond to popular trends – use existing, or easily acquired capabilities, to capitalize on current trends.
4. Extend product lines, distribution – extend existing capabilities through organic growth, lift-outs or small acquisitions.
5. Introduce new products to the world – real innovation can be challenging but very lucrative.

Wait! For more information about the 5 paths, you can access the full paper at www.yoursecondopinionllc.com

The Case Study: Long only Large Cap Equity Firm

A traditional investment management firm is struggling. It was once recognized as a top performer in the large cap growth space, and assets under management rose considerably. But in recent years, assets under management have drifted lower, in spite of continuing strong investment performance. Unfortunately, client preferences for passive, international and hedge fund strategies have undermined interest in the domestic long-only mandates offered by this firm.

You have been asked to help this firm to consider alternate ways to restore revenue growth. Your objective is to consider each of the 5 paths to growing revenues and recommend some specific initiatives for consideration and further development.

Question no.1

You will offer some specific suggestions in a moment. But first, we need to determine the organization’s goals. Choose 3 financial and 3 non-financial goals for this firm.

Examples of financial goals could be:	Examples of non- financial goals could be:
<ul style="list-style-type: none"> operating margins 	<ul style="list-style-type: none"> a professional investment culture
<ul style="list-style-type: none"> revenues 	<ul style="list-style-type: none"> teamwork
<ul style="list-style-type: none"> economic value 	<ul style="list-style-type: none"> client-centric
<ul style="list-style-type: none"> profits 	<ul style="list-style-type: none"> succession
<ul style="list-style-type: none"> other financial goals (specify) 	<ul style="list-style-type: none"> other non-financial goals (specify)

Which goals will you choose?

Financial Goals	Non – Financial Goals
1.	1.
2.	2.
3.	3.

Wait! Did you choose increasing the firm’s economic value as your primary financial goal? If not, why not?

Wait! Are the non-financial goals, SMART goals? (SMART goals are specific, measureable, attainable, realistic and timely)

Question no.2

Which of the 5 paths for growing revenues should be considered by this firm, in your view?

Possible Paths to Increase Revenues	Yes/No
Extend the duration, increase profit of each relationship	
Capture share, compete with substitutes	
Respond to popular trends	
Extend product lines, distribution	
Introduce new products to the world	

Wait! Did you select all or most of the paths? Is it possible to succeed without a diverse portfolio of strategies?

Question no.3

Consider the financial and non-financial goals that you selected in answer to question 1 above. Which one of the paths that you chose in answer to Question 2 to increasing revenues should be pursued first, second and so on, to have the best chance of achieving these goals?

The paths to increasing revenues	Rank on a scale of 1-5 based on your suggested goals
Extend the duration, increase profit of each relationship	
Capture share, compete with substitutes	
Respond to popular trends	
Extend product lines, distribution	
Introduce new products to the world	

Wait! Is your ranking of the paths to increase revenues likely to contribute to reaching the financial and non-financial goals that you selected? Look at this next table and consider whether you would like to change your ranking.

The paths to increasing revenues	Likely contributor to financial goals	Likely contributor to non- financial goals	Your revised rank on a scale of 1-5 based on your suggested goals
Extend the duration, increase profit of each relationship	Maybe yes, increasing fees - yes	Maybe yes – increasing fees maybe no	
Capture share, compete with substitutes	Maybe yes	Maybe yes	
Respond to popular trends	Maybe yes (in short - run)	Maybe no	
Extend product lines, distribution	Maybe yes or no	Maybe yes or no	
Introduce new products to the world	No (in short -run)	Maybe yes	

Question no.4

Which of these specific initiatives to increase revenues should be considered for further investigation by this firm?

Possible Initiatives	Yes/No
Encourage cross-selling to existing clients	
Increase fees for some (where discounts have existed), or all clients	
Ask for referrals to prospects from existing clients	
Target prospects who consider factors (equity risk), not just asset classes	
Add products with different capitalization securities (mid/smids/small)	
Add international products	
Add hedge fund products (long/short)	
Lift-out teams from competitors to launch new products	
Innovate entirely new products	

Wait! If the firm is 100% successful with these initiatives, will it/they be enough to meet the goals that you suggested in answer to question no. 1? If not, go back to questions 2,3 and 4, and consider other initiatives until you are confident that the goals can be satisfied.

Wait! Consider how you will fund these initiatives. What will you stop doing in order to redirect resources towards the initiative(s) that you have selected in order to meet the goals?

Summary

This brief case study is an introduction to the 5 paths to growing asset management firm revenues. If you'd like to learn more about how we can create a detailed and customized simulation for your firm, please contact me.

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