

Prioritising potential markets for a new mutual fund



We are an asset management company. We want to launch a new mutual fund offer and want to optimize marketing cost by prioritizing districts with potential.

DATA REQUIRED FROM THE GUIDE

- Market Potential Value MPV - Volume I
- Contribution from Means to MPV - Volume I
- Contribution from different constituents of Means to MPV - Volume I
- Past collections by district - Marketer

SOLUTION

For a new fund offer the most important variable from the Guide is contribution from Means to market potential. Out of the four constituents that measure the ability or Means to consume, we first need to find which of these four gives the best correlation to past performance. The interactive CD provides a feature wherein sales data can be keyed in and correlation analysis against individual variable can be performed as shown in the table below.

Table 1. Potential Districts in order of MPV and collections performance as an illustration.

District	MPV	Contribution from Means	Indicators as % across				Assumed Collections (Rs. lakhs)
			Per capita		Affluent Population	House ownership	
			Income	Bank deposit			
Ludhiana	129.19	46.13	37.10	4.58	33.42	24.90	350
Amritsar	104.56	38.54	36.97	3.84	28.36	30.83	290
Jalandhar	74.96	26.48	37.10	10.39	30.65	21.86	220
Sangrur	59.91	24.95	39.27	1.81	30.28	28.64	150
Patiala	58.57	21.63	37.91	4.55	27.07	30.47	145

We now run a correlation analysis using the interactive CD between Collections and each of the indicators representing Means. Table 2 below hypothesises such an analysis. It indicates correlation between Collections and each of the variables selected,

Table 2. Correlation value (as an illustration) between variables representing Means and Collections performance.

Punjab	
Variables	Correlation
Percapita income	0.98
Bank deposit	0.72
Affluent HH	0.75
House ownership	0.82

RESULT

It is clear that per capita income followed by house ownership provides the best correlation fit when compared with past performance. We now prioritise districts based on these two indicators for best allocation of resources. It can be seen that Sangrur and Patiala though lower in MPV offer better potential for mutual fund offers as compared to Amritsar and Jalandhar.