

How Should Your Company Deal with an Orphaned Product?

Keeping a product or service around that isn't pulling its weight might prove to not be a very good idea. You may have invested a good deal of time and resources into its development, but if that product or service is no longer contributing to your bottom line, it might be time to cut it loose. Even if your product is pulling its weight, but doesn't fit into your overall core business, then you should still consider getting rid of this "orphaned product." Let's take a look at some of the reasons you might want to keep or remove, an orphan product from your company.



There are four main reasons why a company might want to divest itself of a product line or service completely:

1. An orphaned product line can be a distraction that takes away from core business operations.
2. Funds allocated to an orphaned product could be used instead to build the core business or make improvements that are not in the current budget.
3. Another good reason to remove an orphaned product from your lineup is that while it could ultimately be profitable with increased resources, the funds would be better allocated elsewhere.
4. Your orphaned product could be profitable. Some buyers, companies and private equity groups are looking for product lines they can use to augment their existing ones. In fact, some buyers may even want to build a new business around a given product line.

Of course, it isn't always as simple as "pulling the plug" and moving on. It is important to step back and consider the negative impacts of jettisoning an orphaned product, such as the fact that the product line could have key employees attached to it. Or there could be company culture issues related to removing the product, such as causing disruption within your company. You must also consider if the orphaned product could ultimately play a role in the sale of your company.

At the end of the day, an acquiring company may feel that the orphaned product line is a great fit for their existing distribution chain. Additionally, your offering might fit into a new product line that the acquiring company has launched. It is important that you evaluate every aspect of an orphaned product before making the decision to remove it from your company.

Understanding the needs and goals of your most likely buyers should play a role in your decision making. Working with an experienced business broker is an easy way to increase your chances of making the right decision.

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