

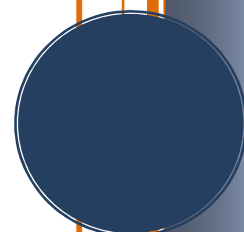


WHAT BUSINESS ARE YOU IN?

Most business owners are unable to answer a very simple question: *What business are you in?* Not because they are no good at what they do, or lack the skills required to be successful in their chosen field. It is because they have not yet learnt one of the fundamental rules for being consistently competitive in business: you must view your business through your customers' eyes.

Written by Mark Neely

www.neelyready.com
mpn@neelyready.com



NEELY READY – GROWING WITH CONFIDENCE

WHAT BUSINESS ARE YOU IN?

It seems like a straightforward question: what business are you in? Yet it can be surprisingly difficult, as a business owner, to answer the question in a way that resonates with your customers. The cause of the difficulty is that you and your customers have a completely different perspective of your business.

What business are you in? Seems like a straightforward question, but most people get it wrong when they try to answer it for themselves.

Try it for yourself. Take out a piece of paper and, in 30 seconds or less and using 20 or fewer words, describe the business you think your company is in.

Chances are the language you use to think about (and thus describe) your business is *business-centric*.

For example, an owner of an IT consulting business might describe their business in this way:

We are an IT consulting business that manages large projects on behalf of clients for the design and installation of new software.

Equally, an owner of a metalworking business might offer a description like this:

We are a custom metal fabricating business that specialises in fencing, prefabricated metal buildings and parts, and miscellaneous metal work.

Most of us fall into the trap of thinking about our business in terms of the specific products or services that we sell, rather than thinking about how our customers view the *solution* we provide for them.

While a difference in perspective sounds harmless enough, the reality is that it is likely to be costing you real money. It can lead to a loss of sales or defection of customers to competitors.

Overcoming the perspective barrier

You may have heard the old adage that ‘Nobody *needs* a hammer’. It may be somewhat pithy, but it holds a very powerful truth. When a customer wanders into a hardware store to buy a hammer, it is not the hammer that they want. What they want is a means by which they can drive a nail into their living room wall. In fact, they do not even want to drive in the nail – what they want is to hang the painting they bought the day before.

By changing your emphasis to focus specifically on what it is your customers want, your business will be better able to position its products and services in a way that appeals directly to their buying process.

Professor Clay Christenson, in his book *The Innovator’s Solution*, explained the customer-focussed approach this way:

NEELY READY – GROWING WITH CONFIDENCE

Predictable marketing requires an understanding of the circumstances in which customers buy or use things. Specifically, customers – people and companies – have ‘jobs’ that arise regularly and need to get done. When customers become aware of a job that they need to get done in their lives, they look around for a product or service that they can ‘hire’ to get the job done. This is how customers experience life. Their thought processes originate with an awareness of needing to get something done, and then they set out to hire something or someone to do the job as effectively, conveniently, and inexpensively as possible...Companies that target their products at the circumstances in which customers find themselves, rather than at the customers themselves, are those that can launch predictably successful products.

- Clay Christensen, The Innovator’s Solution (2003)

Adopting a customer-centric focus

The examples given earlier describe a business from an insider’s perspective – from the perspective of the business owner. The path to true business clarity is to describe your business is from *your customer’s* perspective.

Your customers are not interested in what business you think you are in. They probably have little knowledge of its history, how you got started, or how your business got to where it is today.

Your customers are completely self-centred and entirely selfish. They view your company and its products and services through a single lens: How well do these products and services satisfy my current needs?

Your customers do not define or even think about their product or service needs according to your internal view. They are driven by a single-minded desire to satisfy their own needs – to address the problem they are seeking to solve or to achieve the outcome they seek.

There is often a disconnect between the way consumers think about the product or service they need, and the way those products and services are sold.

As a result, there is often a disconnect between the way consumers think about the product or service they need, and the way products and services that could potentially satisfy that need are marketed to them.

When you start to look at the products and services offered by your business from the point of view of your customers, and the needs and wants they are trying to satisfy, you start to see your business in a very different way. If we were to revisit the hammer analogy, it now starts to make

Copyright © Mark Neely 2008

Visit neelyready.com to take the next steps in achieving dramatic business growth.

NEELY READY – GROWING WITH CONFIDENCE

sense why hardware stores talk about renovating, decorating and redesigning living spaces in their catalogues and TV advertisements, rather than focussing expressly on specific items of hardware – because it is the pursuit of these outcomes that drives most of their customers to their stores.

Similarly, grocery stores promote several items together in-store as “meal solutions,” in recognition that a substantial percentage of shoppers enter their store with the express objective of buying food to prepare for that night’s meal. Likewise, whitegoods stores group multiple related products together – as ‘kitchen solutions’ or ‘bathroom solutions’ – in recognition that that is the context in which their customers consider the products on offer.

More and more, businesses are presenting their customers with “solutions” rather than products.

Take a few minutes to consider the specific outcomes that your customers are trying to achieve when they first initiate contact with your business. What problem are they trying to solve? What task are they trying to complete? How might they envisage the solution? What language do they use to describe the problem or task and the desired solution?

Having peered into the minds of your customers, it is time to revisit the description you wrote earlier of the business you think your company is in.

Look at the 20 word description of your business that you prepared earlier, and ask yourself the following questions:

- What are the outcomes that my customers may be trying to achieve with my products or services?
- What are the different scenarios or contexts in which my customers might use my products or services?

As a final tip for finetuning the description to make it more customer-oriented, try re-writing it without using descriptors of your industry or products and services to explain the solution you offer.

Turning an eye to the bigger picture

Even when businesses start to look at themselves, and their products and services, through the eyes of their customers, they can still fall short of gaining a true understanding of the market they serve, and who their customers (or potential customers) are. That is, they may still arrive at an incorrect conclusion when posed the question of “What business are you in?”

The reason for this is simple: businesses allow unspoken assumptions to narrow their understanding of the true nature of their business. Once again, this is because their assumptions remain *product*-focussed, rather than *customer*-focussed.

NEELY READY – GROWING WITH CONFIDENCE

Allow me to cite a personal example.

I recently worked with a client in the radio industry. As I met with the CEO, and other senior business executives at the start of the project, I asked them to describe what business they saw themselves in. Without fail, each earnestly responded that the company was in the 'radio business'.

On its face, this response made complete sense. The business had owned and operated a large number of radio stations for over 25 years, achieving a dominant market share and enviable profitability.

Nonetheless, the answer failed to capture the true essence of their business. These senior stakeholders had defined their business according to the kind of assets it had acquired, and expertise it had built up over the years and the *product* they produced with those assets and that expertise. Their answers did not reflect an objective view of the actual role it played in the lives of its customers (that is, its listeners).

The company was, in fact, in the business of providing entertainment to its listeners, in the form of the music it played, the banter of its DJs and the various other show segments, from call-ins to news headlines and interviews with celebrities and discussions of local matters of interest.

Viewing itself as being in the 'entertainment business', the company was quickly able to identify a number of potentially dangerous 'blind spots' in its current strategy and business plans. In particular, it was able to recognise that it was competing not just with other radio stations, but with a much broader category of competitors. It came to the realisation that, in essence, it competed with *all other forms of entertainment media*, from TV shows, DVDs and magazines to Web sites and computer games.

In light of this revelation, it was able to redefine the true nature of its business, which in turn had a considerable impact on how it developed and delivered its products. In short, it was able to better position itself and its products to satisfy the entertainment needs of its audience and compete more effectively for their attention.

The company was by no means alone in misunderstanding the fundamental nature of its business. It had fallen into the same trap that many – in fact, **most** businesses – fall into at some stage in the business lifecycle. By adopting such a narrow definition of their market, these businesses not only miss potential business opportunities but, more dangerously, they run the risk of failing to recognise potential business threats and emerging competitors.

This is by no means a recent phenomenon. Theodore Levitt authored an influential paper in the *Harvard Business Review* in 1960 about the risks entailed in adopting too narrow a view of your business and failing to revisit your operating assumptions about your customers' needs. Levitt drew upon examples of businesses – even entire industries – in the 1800s and 1900s who suffered significant damage due to this form of business myopia:

The railroads did not stop growing because the need for passenger and freight transportation declined. That grew. The railroads are in trouble today not because the need was filled by others (cars, trucks, airplanes, even telephones),

Copyright © Mark Neely 2008

Visit neelyready.com to take the next steps in achieving dramatic business growth.

Thank You for previewing this eBook

You can read the full version of this eBook in different formats:

- HTML (Free /Available to everyone)
- PDF / TXT (Available to V.I.P. members. Free Standard members can access up to 5 PDF/TXT eBooks per month each month)
- Epub & Mobipocket (Exclusive to V.I.P. members)

To download this full book, simply select the format you desire below

