

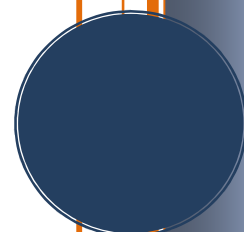


# WHAT BUSINESS ARE YOU IN?

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.

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# NEELY READY – GROWING WITH CONFIDENCE

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## 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:

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*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

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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.

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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),*

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*but because it was not filled by the railroads themselves. They let others take customers away from them because they assumed themselves to be in the railroad business rather than in the transportation business. The reason they defined their industry wrong was because they were railroad-oriented instead of transportation-oriented; they were product-oriented instead of customer-oriented.*

*Hollywood barely escaped being totally ravished by television; actually, all the established film companies went through drastic reorganizations. Some simply disappeared. All of them got into trouble not because of TV's inroads but because of their own myopia. As with the railroads, Hollywood defined its business incorrectly. It thought it was in the movie business when it was actually in the entertainment business.*

*"Movies" implied a specific, limited product. This produced a fatuous contentment, which from the beginning led producers to view TV as a threat. Hollywood scorned and rejected TV when it should have welcomed it as an opportunity- an opportunity to expand the entertainment business.*

*Today TV is a bigger business than the old narrowly defined movie business ever was. Had Hollywood been customer-oriented (providing entertainment), rather than product-oriented (making movies), would it have gone through the fiscal purgatory that it did? I doubt it.*

- Theodore Levitt, *Marketing Myopia*, Harvard Business Review, July-Aug (1960)

## Conclusion

It is often difficult, in the day-to-day bustle of running a business, to achieve true clarity about why your business exists, and why your customers buy from you.

While it is important to be aware of your competitors and stay abreast of the internal issues that shape your business, it is even *more* important to stay close to your customers.

To succeed in business, and to sustain that success, you need to ensure that all aspects of your business reflect the needs of your customers. It starts with an understanding at all levels of the business as to what it is your customers are trying to achieve when buying from you, through to ensuring that the way in which those products and services are delivered is similarly customer-focussed.

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## Checklist – How Customer-Focussed Is Your Business?

Use the following checklist to gauge whether there are any areas of your business that require improvement as part of the journey to becoming truly customer-focussed:

- How clear is your and your staff's understanding of your customers' true needs and wants?
- Does your selling process focus on the price, the product, or the customers' desired outcome?
- How do you explain your products and services to your customers?
- Does the language and imagery in your advertisements and brochures reflect the way in which your customers view your products and services?
- What processes exist within your business for keeping up to speed with changing customer needs?
- How often do you speak directly to your customers, and listen openly to their thoughts?
- How is the 'voice of the customer' represented in your business' new product development process?
- What processes exist for capturing and responding to customer feedback, including complaints and products requests?
- How do you benchmark your level of customer-focus?
- Have you ever lost a customer due to a perception that you did not want their business?
- How are your customers' expectations and perceptions of your products and services created, and how well do you meet those expectations and perceptions?
- What processes do you have in place for identifying your customers' future needs ahead of your competitors?
- How far removed are you, the business owner, from the customer?
- When was the last time you, the business owner, *spoke* to a customer?

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## Checklist – Do You Really Understand What Business You Are In?

Use the following questions to explore just how well you know your market and customers, and whether you have a sufficiently broad understanding of the true nature of your business and how it is positioned for future growth:

- What is happening in your marketplace?
- How are the needs of your customers changing?
- What is causing the changes?
- What opportunities do these changes create?
- Who are your competitors?
- What other products or services could be readily substituted for yours?
- Who are these alternate suppliers?

Use the following questions to gain an understanding of how well your business is positioned to respond to current and future market opportunities:

- What specific customer needs does your business satisfy now?
- What customer needs *could* your business satisfy now?
- What customer needs could your business satisfy in the *future*?
- What is the cause of the gap between the needs you currently satisfy and the needs you could satisfy?
- How could you bridge that gap?
- What internal capabilities do you have that are an advantage to bridging that gap?
- What internal capabilities do you have that are a *disadvantage* to bridging that gap?
- What capabilities, beliefs, and mindsets must you change in order to bridge that gap?



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## About Mark Neely

Mark Neely has successfully run his own consulting business for over 10 years, and is actively involved – either as a founder, director, or mentor – in a number of other successful businesses.

He is a speaker, writer, and consultant on subjects related to business improvement and growth, profitability, and customer-focussed strategy. He is a former lawyer, holds a Masters of Science & Technology Commercialisation, and has written over 10 books on a range of topics, including the *Australian Business Guide to the Internet*.

## How Can I Help?

As a small business owner, you may find yourself confronted by a particular decision or challenge that threatens to disrupt your business.

In many cases, the real risk to your business is **not** that you will make a bad decision (these can usually be fixed), but that you will delay making a decision until it is too late – when changing events effectively take the decision out of your hands, and you lose control of the issue.

I offer a range of services for business like yours. My objective is to give you the confidence to make the right decisions that will keep your business on the path to growth and increased profitability.

My goal for NeelyReady.com is very straightforward: to give you the advice, insight, and guidance you need to confidently make the right decisions to grow your business, become more profitable, and to get ahead of the waves of change affecting your industry.

## New Service - MyAdvisor

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