

Title:

Starting Your Own Business

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Summary:

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The "Production Model" of Doing Business

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Article Body:

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The "Production Model" of Doing Business

Most of us start out in business by applying what we might call the "production model". We are all capable of doing certain things -- cutting hair, cooking food, framing houses, fixing teeth, designing buildings, etc. -- and we set about to sell these services. We ask ourselves "What can I do? What are my skills?", and then we ask "How can I sell these skills? What products can I produce that take advantage of these skills?"

Many, many people believe the production model is the only way to do business. They believe Kevin Costner in "Field of Dreams" was uttering an important truth when he said "If you build it, they will come." They just change the words around a bit:

"If I set up my restaurant, people will come."

"If I start building bird houses, people will flock to my store."

"If I set up a lemonade stand, the neighbours will buy some."

"If I learn to be an airline pilot, surely someone will hire me."

And generally, this works. People go to school to become dentists or engineers or teachers, and they actually end up being dentists, engineers, and teachers. Other people love to cook or make bird houses, so they set up restaurants and craft shops, and miracle of miracles, their restaurants and craft shops are actually successful.

But this is an oversimplification of the marketing process, and distorts what actually happens "on the ground" when a new business is started.

One important reason trained dentists end up with successful practices is because the dental market is tightly controlled to allow only the right number of dentists to graduate every year.

And the reason we can point to successful restaurants and bird house companies, is because we are looking at them after they have been successful. What about all the restaurants, construction companies, and land development conglomerates that were not successful? Their owners were probably equally skilled, and enjoyed cooking and serving the public as much as the next guy. They built it, and nobody -- or at least, not enough people -- came.

So obviously going into business is not as simple as "If you build it, they will come." There are factors we cannot control, variables we cannot predict. And once we acknowledge this, we are forced to begin looking for an alternative to the "production model".

A Real Life Example

Let me give you another example. Many years ago, long before the internet even existed, I had a client involved in the music business. This company had been around for many years, and had grown to become one of the country's major publishers of certain niche music products. These were aimed mostly at the music-in-schools market, and included things like sheet music, children's music, and specialty record albums, featuring a stable of relatively low profile artists.

Like most companies, this one had built up a set of "skills", and had developed specific products and services in response to market demand. There was just one problem. The market was changing and the company was now losing money. My job was to help them sell more of their products.

Sometimes being an "outsider" is not a good thing. It seemed obvious to me that the market was changing, that sales of the old faithful products were doomed to decrease rather than increase, and that the long term answer to their problem was to develop new products in response to new demands, rather than try to flog the old ones. It was hard for me to be a "true believer" in the long term success of the company. It looked to me as though we were fighting a losing battle.

Of course, this was the beginning of the end of our relationship. As I've said, my job was to help them sell stuff, not reorganize their company. Most companies have a very difficult time shifting gears, and they certainly don't want to hear about it from some young whipper snapper who knows virtually nothing about their business. Within a few months we lost the account. And within a year or so the former client declared bankruptcy, and was forced to contract to about 25% of its former size.

I don't think this is very unusual. Lots of companies -- probably most -- are successful for a while, and then fall on harder times and are forced to change. My point is that eventually the "production model" stops working, and we are forced to consider alternatives.

The Most Obvious Alternative is the "Marketing Model"

When confronted with these obvious facts of business life, most marketers trot out the theory they learned in Marketing 101. "You must begin with an analysis of your market, determine what people are likely to buy, and then develop products accordingly."

In other words, the marketing guy (predictably) advocates that the marketing / production process be inverted. Marketing should be used to determine which products are likely to be successful in the market place, not brought in after the horse has left the barn. Marketing should come before production, not after. Don't worry about what skills you have. Skills can be bought or rented. Worry about what products you can sell. And then figure out how to make them.

The purest application of the marketing model these days is in internet marketing. For example, take Ken Evoy's instructions in the Site Build It manual where he details how to choose your marketing "niche". The process goes more or less like this:

1. Choose four or five possible areas of interest you might enjoy. These are your "website concept" candidates -- the type of businesses you should

consider going into.

2. Then analyze each of these website concept candidates in terms of the potential traffic you can generate, products you can sell, etc.

3. Choose the one with the best sales potential.

This sounds like a perfectly reasonable procedure. But in fact it is rather revolutionary for most non-marketing people. They are being told "Don't get "production" underway until you make some important decisions about what people are likely to buy." This is the "marketing model" in a nutshell.

Problems with the Marketing Model

The "pure" marketing model has one obvious problem. It assumes we are all sitting around a table as consultants with unlimited options and infallible information about all of them. The model seems to assume we can just feed the information into our decision-making machine and have the answer to the question "What should I do?" pop out the other end.

Even committed marketers know it does not work this way. Every person or organization has their own special likes and dislikes, and generally are good at doing some things, and not so good at doing others. Ken Evoy's procedure addresses this by saying "Be sure to choose something you feel passionate about." He should probably add "...and make sure you're good at it too."

Think of it like one of those industrial food processing units where you put a variety of things in the funnel at the top, and it spits out products at the bottom. What we feed into our business idea processor is not just a bunch of statistics about products and markets and prices, but also information about our own preferences, skills, habits, and experiences.

And we must keep all the ingredients going into the top of the machine in their proper proportion. It's not just about what people will buy. And it's not just about what we are good at or what we enjoy. It's about all of these things at the same time.