

# Defining Your Market – The First Strategic Decision

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*A board-level guide to understanding where you truly compete*

*Part of the Strategic Growth in the Mid-Market series by Outdoor Connect*

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The true test of leadership: choosing the playing field before choosing the strategy.

Every strategy begins with a choice — and the first, often underestimated, choice is:

*what market are we really in?*

Define it too narrowly, and you miss opportunity. Define it too broadly, and you dilute focus and waste resources. For mid-sized companies competing across Europe, this decision is especially complex. The EU may appear to be a single market, yet its reality remains deeply fragmented: language, regulation, customer expectations, and competitive structures still differ sharply between countries. Germany is not Belgium; France is not the Netherlands. Getting this first step right is not analytical housekeeping — it is a strategic act.

## What Market Definition Is – and What It Is Not

Many firms define their market by what they sell. “*We are in the CRM business.*” “*We sell telephony solutions.*” But markets are not defined by your products; they are defined by the customer need those products fulfil. As Peter Drucker argued, the customer rarely buys what the company thinks it sells. Strategic clarity begins when leaders reframe their market around what the customer is trying to achieve, not what the company happens to produce.

A helpful test: if your customers perceive different solutions as interchangeable, then they are part of the same competitive space — whether you recognise it or not. Your definition must reflect substitution, not self-perception.

## Substitution Defines Competition

Clayton Christensen taught that disruption rarely comes from direct rivals, but from substitutes that solve the same job differently. Strategic market definition starts with asking: *Who else is solving this problem in another way? What alternatives do customers consider acceptable — functionally, economically, and emotionally?* Firms that ignore substitution define their market too narrowly and wake up to find new entrants serving their customers better, faster, or cheaper.

An example: a Dutch SaaS firm once defined its market as “CRM software.” Only later did it realise that customers saw its product as one of several tools to manage client productivity — competing not only with other CRMs, but with workflow apps, email automation, and even spreadsheets. Once it reframed the market around the customer’s job (“keep client relationships productive”), strategy became sharper, marketing simpler, and product focus clearer.

## Geography Matters More Than You Think

In Europe, geography is destiny. Despite integration, national borders still shape market dynamics. Language, regulation, distribution channels, and legacy relationships all differ by country. Your position in Germany is not your position in Belgium. Local incumbents often enjoy deep-rooted advantages, while customer behaviour can vary sharply even between neighbouring markets. Mid-sized firms must therefore define markets **regionally, not theoretically**. Success in one geography rarely scales linearly to the next.

## The Cost of Getting It Wrong

Misdefining your market creates strategic distortion:

- You **overestimate or underestimate** your addressable market (TAM), leading to poor investment decisions.
- You **position against the wrong competitors**, leaving real threats unaddressed.

- You **allocate resources** to initiatives that miss true demand.
- You **fail to see substitutes** that could erode your core business.

A weak market definition locks a company into the wrong strategy. A precise one reveals where it can truly win.

When Skype was bought for \$8.5 billion by Microsoft in May 2011, a German CTO of an on-premise business communications solution argued that Skype was for consumers and said, in his own words, 'Cloud sprecht nicht' (the cloud does not speak), a dismissive comment implying skepticism about cloud-based communication. Skype became Microsoft Teams and the rest is history. And so was the CTO, who soon after got the pink slip.

### Market Definition as a Leadership Discipline

Market definition is not an analyst's task. It is a **leadership discipline**. CEOs and boards must treat it as a living hypothesis to be reviewed and refined as the market evolves. The best mid-sized companies revisit their definition regularly, staying close to customers, competitors, and weak signals. This agility helps them see change sooner and adapt faster — a critical advantage when strategic bets must be sharper and capital scarcer.

Boards can institutionalise this discipline through:

- Regular market reviews alongside financial reviews,
- External validation of assumptions (customer interviews, competitor scans),
- Scenario planning around potential substitutes or regional shifts.

Strategy is only as good as the market in which it plays out.

### Practical Tools for Strategic Clarity

Several tools help leaders structure their market definition:

- **Customer Jobs-to-be-Done (as popularised by Clayton M. Christensen):** What fundamental job is the customer hiring you to do?
- **Substitution Mapping:** Which alternative solutions compete for the same budget or function?
- **Regional Competitor Mapping:** Who dominates each geography, and why?
- **Use-Case Segmentation:** In what contexts is your product used, and what else might the customer use instead?

Used together, these tools push management teams to think beyond internal categories and legacy definitions.

## Conclusion

Strategy begins with defining the game you are playing — and part of that is defining the playing field. This choice determines every subsequent one: where to compete, how to win, and what to ignore. In a world where technology blurs boundaries and customer expectations shift quickly, the ability to define your market precisely is a core source of strategic advantage. For mid-sized leaders, it separates those who drift from those who decide.

Market definition is not analysis — it is foresight. It is the art of knowing, before others do, where your opportunity truly lies.

### About Outdoor Connect

Outdoor Connect is an independent strategy advisory platform focused on board-level value creation for mid-sized, growth-driven companies (€50–€1B). We bring direct senior engagement—without the traditional consulting pyramid—to help founders, CEOs and boards set direction, make sharper capital allocation choices, and embed an execution rhythm. Core areas include growth strategy in technology and the energy transition, strategic repositioning in fragmented markets, and board-level sparring on value creation and M&A preparation.

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