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Whitepaper

Outcome-Driven Innovation® (ODI): Jobs-to-be-Done Theory in Practice

by Anthony W. Ulwick, updated January 1, 2017

Outcome-Driven Innovation® (ODI) is a strategy and innovation process created in 1991 by Strategyn's founder Tony Ulwick. The methodology is built around Ulwick's finding that studying the "underlying process" a customer is trying to execute, rather than focusing on the product or the customer, provides companies with a deep understanding of the customer's needs and presents a path to make innovation more predictable. Since 1991, Strategyn, under Ulwick's leadership as Founder and CEO, has engaged with dozens of Fortune 500 companies to evolve ODI into a proven, customer-centric and data-driven innovation process.

The ODI process enables companies to discover hidden growth opportunities, create products and services that customers want to buy—and predict, with a success rate that is five times the industry average, which new products will succeed in their given market. In other words, **Strategyn's Outcome-Driven Innovation® process helps companies avoid the frustration of hit-and-miss innovation because it makes innovation five times more predictable.**

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This paper details Strategyn's latest thinking and recent advancements to the ODI process.

Introduction

Executives know that their company's ability to innovate is the key to ongoing success. In order to address this challenge, companies spend on R&D, create programs for open innovation, invest in innovation centers and big data, create customer advisory boards, and more—yet these investments alone have not helped to make success at innovation significantly more predictable.

For most companies, innovation remains a flawed business process, yielding failure rates that are consistently over 80 percent. The question is: why? What is the root cause of this failure? With 25 years' experience studying this problem, Strategyn can offer an explanation: While executives, managers and entrepreneurs agree that the goal of innovation is to create products and services that address unmet customer needs, companies struggle to predictably create winning products because **they fail to define their customers' needs with the rigor, precision, and discipline that is required to discover, prioritize and capitalize on opportunities for growth.**

In most companies, **managers do not agree on what a "need" even is.** As a result, when it comes to innovation, marketing and development managers still struggle to reach agreement on what the customer's needs are, which of those needs are unmet, and to what degree. They also struggle to discover segments of customers with unique sets of unmet needs.

Despite the fact that companies have access to more customer data than ever before, they lack the information needed to effectively evaluate their ideas for new products. In other words, companies struggle to innovate because they have yet to develop the skills needed to define, prioritize and use the inputs that lead to predictable innovation.

Without a system for evaluating which ideas are best, companies are forced to guess at which solutions will win in the marketplace. Not surprisingly, they often guess wrong. Companies cope by adopting techniques for pivoting and failing fast, which do little to help them make the right move to begin with. The problem with innovation is clear: **without knowing precisely what you target you trying to hit, your chances of actually hitting it are slim.** This problem is universal.

In 1991, Strategyn proposed a solution to this problem: to gain deep insight into the customer's needs, companies should stop focusing on the product and the customer and instead aim to **understand the "underlying process" (or job) the customer is trying to execute when they are using a product or service.**

The theory holds that to create a product or service that customers will want, companies must first understand what fundamental measures of performance those customers use to measure success when getting the job done. To obtain this understanding, Strategyn suggests that companies break down the customer's underlying "job-to-be-done" into discrete process steps and ascertain from them what must be measured and controlled to ensure the job is executed with the speed, predictability, and effectiveness they desire. **Strategyn calls these uniquely constructed performance metrics the customers' desired outcomes.** They possess distinctive characteristics (measurable, controllable, stable over time, devoid of solutions, multi-purpose) that make them the perfect need statement and the perfect input into in the innovation process.

"I call Anthony Ulwick the Deming of innovation because more than anyone else, he has turned innovation into a science."

-Philip Kotler, 2016

With insight into which of the customer's 100 or more desired outcomes are underserved, companies are able to focus their ideation efforts on specific targets and then **evaluate their ideas against those same performance metrics** to determine if their ideas for new products will help the customer get the job done better. Knowing whether or not a new product concept/idea will help the customer get the job done significantly better, in advance of product development, is key to ensuring the predictability of the innovation process.

Strategyn's first application of this methodology was completed in a 1992 engagement with the medical device company Cordis Corporation. The challenge: to reinvent Cordis's line of angioplasty balloon products. Strategyn led the effort to interview interventional cardiologists to break down and analyze the underlying process they went through to "restore blood flow in a blocked artery." The customer's desired outcomes were revealed, prioritized and addressed. By mid-1993, Cordis launched 19 new products, all of which became number 1 or 2 in the market. **Cordis' market share increased from 1 percent to more than 20 percent, and its stock price more than quadrupled.**

Cordis is one of hundreds of successes that companies have achieved in the years since using this innovation process, which Strategyn calls **Outcome-Driven Innovation® (ODI)**. Six of these successes are described in detail in a book recently released, JOBS TO BE DONE: Theory to Practice (Ulwick, October 2016). The original book on the subject, What Customers Want, written in 2005, offers foundational insights into the ODI process and additional case studies.

Strategyn introduced ODI to Harvard Business School professor Clayton Christensen in 1999 (see the video). Christensen later popularized the theory in his book, *The Innovator's Solution* (2003), labeling it "jobs-to-be-done theory" and citing Strategyn and its practices. Today, we also refer to the theory as "jobs-to-be-done theory" and describe ODI as the process that puts the theory into practice.

"Ulwick's outcome-driven programs bring discipline and predictability to the often random process of innovation."

-Clayton Christensen, 2005

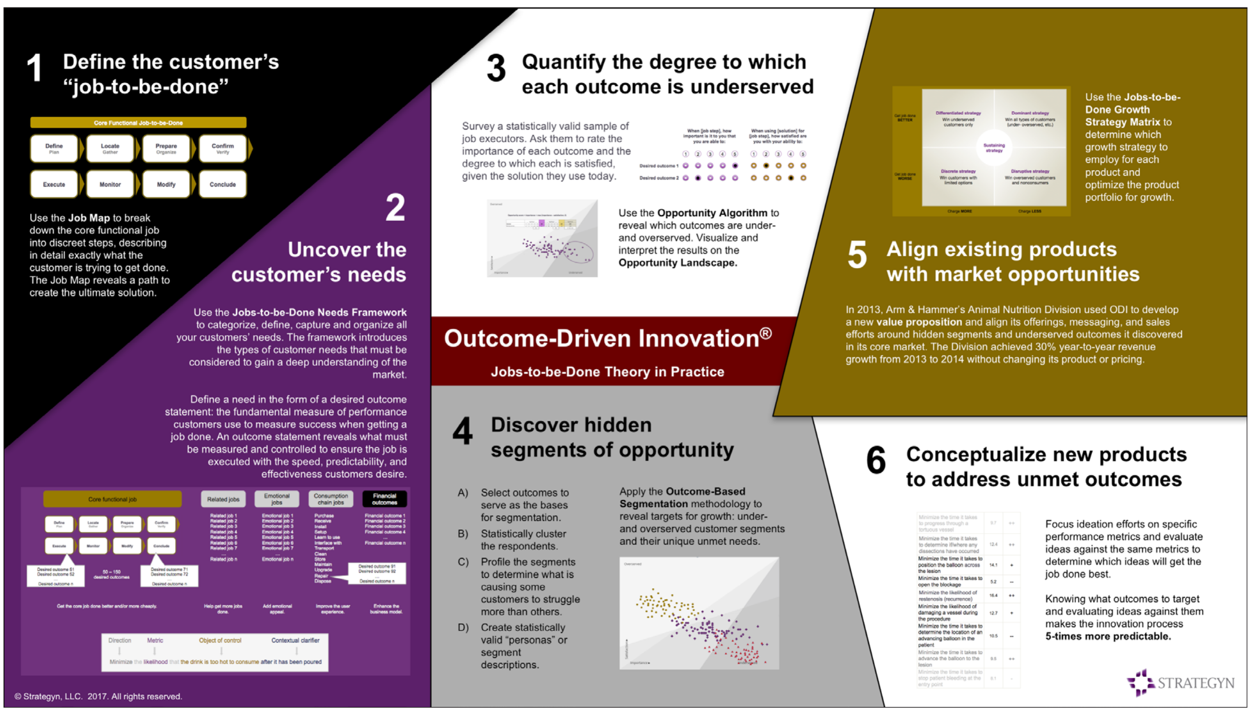
What makes Outcome-Driven Innovation unique is that Strategyn been applying it in Fortune 500 companies for 25 years and it has a proven track record. How good is it? An independent study conducted with Strategyn's clients who used it to introduce new products put their success rate at 86 percent. That is a five-fold improvement in the chances for success. Put another way, the study showed that **ODI makes innovation 5-times more predictable.**

The ODI process is intuitive: **if a company knows what target to hit, the chances of hitting it increase dramatically.** For example, there is less than a one percent chance that a company will randomly conceptualize a solution that addresses all the unmet needs in a segment of the market if the company is unaware that the segment exists and unaware of what the unmet needs are. But once the target is known, a winning product can be conceptualized—often within days or hours.

Strategyn has designed ODI from the start to transform innovation from an art into a science. **The process is comprised of the six steps defined below.** The ODI process incorporates unconventional qualitative and quantitative market research techniques that yield predictive data and a sophisticated market segmentation methodology that helps companies discover and prioritize hidden market opportunities.

ODI-based research explains how, specifically, a company should innovate to undermine the established leaders or maintain a leadership position. Most importantly, **the ODI process informs companies how to create products and services that customers will want to buy—and predict which new products will succeed.**

Each step is explained in detail below.



1. Define The Market Around The Job-To-Be-Done

Companies often define the markets they serve around the technology in their product offerings—a technology that one-day will become obsolete. Clearly, this approach is misdirected, but it's one that has been repeated by hundreds of companies over the decades. Many companies today find themselves in this same situation.

A market, which is the target of everything a company does, should not be defined around something so unstable that it may only remain valid until the next product iteration. It should be defined around something that is stable for decades, making long-term strategic investments more attractive and providing the company with a vision for the future. For this reason, ODI defines a market around the job-to-be-done.

The first step in applying Jobs-to-be-Done Theory is to define the target market as "**a group of people + the job they are trying to get done**." Parents (a group of people) who are trying to pass on life lessons to their children (the job-to-be-done) constitute a market. Dental hygienists who clean patients' teeth and farmers who grow a crop also constitute markets.

Defining a market around the job-to-be-done has many benefits:

- **It enables the transformation of innovation from art to science.** Because the job-to-be-done is a process, statistical process control principles can be applied to help figure out what factors cause customers to struggle when getting the job done. Consequently, proven ODI-based qualitative and quantitative market research techniques can be applied to discover customer needs, which are unmet, and which customer segments are under- and over-served.
- **It provides a central focal point to define all customer needs.** The core functional job is the stable, long-term focal point around which all other needs (related, emotional and consumption chain jobs, and financial outcomes) are defined and around which value creation is centered. The job-to-be-done offers a starting point from which to understand the market from the customer's perspective.
- **It more accurately defines the competition.** The job-to-be-done does not care if your company provides product, software, or service offerings. The job has no solution boundaries and no competitive boundaries. This means that a deep understanding of the job will inform the creation of a solution that transcends the traditional competitive landscape.
- **It acts as protection against disruption.** A focus on the job-to-be-done keeps a company focused on its true mission over the long term—to help customers get a job done better. With an ongoing focus on the job, a company is more likely to make investments in the right technologies and not miss key opportunities. In addition, they are less likely to get sidetracked by phantom opportunities or make investment decisions that will fail to get the job done better and/or more cheaply.

- **It provides global insights into the market.** The job-to-be-done has no geographical boundaries. People who live in the USA, France, UK, Germany, South Korea, China, Russia, Brazil and Australia have many jobs in common that they are trying to get done. The solutions they use to get those jobs done may vary dramatically from geography to geography, but the jobs are the same. The degree to which the customer's desired outcomes are underserved may also vary by geography, depending on the solutions they use, but the collective set of desired outcomes are the same.

Defining The Job To Be Done

Defining the core functional job-to-be-done correctly is a prerequisite to predictable success. **Getting it wrong is a problem, but getting it right is not easy.** Defining the job too narrowly will limit the discovery of growth opportunities. Defining the job too broadly will result in non-actionable insights.

Strategyn has learned that most products only get part of a job done. The goal is to discover the entire job the customer is trying to accomplish. This is why it is incorrect to ask a customer, "What job did you hire my product to do?" or to ask yourself, "What is the job-to-be-done of my product?" as these questions may not reveal the entire job. Questioning should not start with the product.

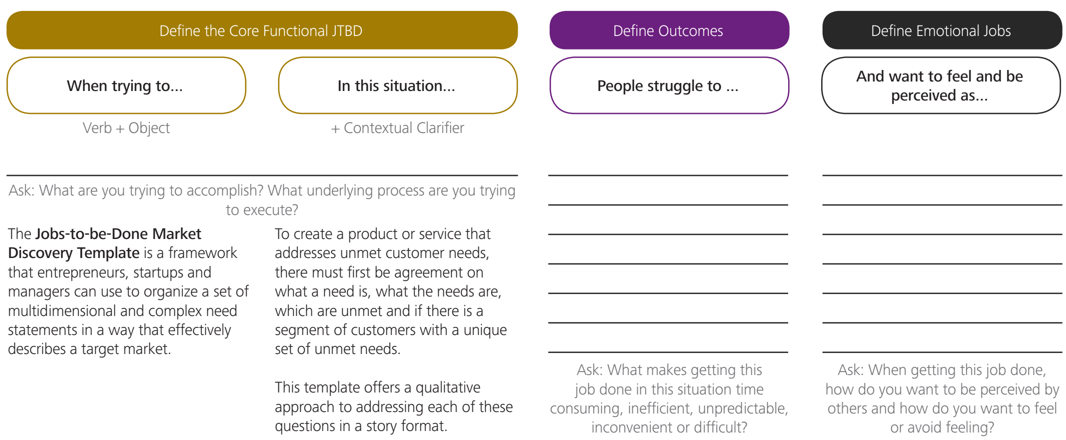
For example, if a stovetop kettle maker were to ask its users "what job did you hire that product to do?", it is likely they would tell you they hired it to "boil water." That may be correct, but boiling water is just a step in the job the customer is ultimately trying to get done—which, in our example, is "to prepare a hot beverage for consumption." If the stovetop kettle maker defines the job too narrowly, then it is at risk of a competitor coming along (like Keurig) with a solution that gets the entire job done on a single platform.

To avoid defining the job too narrowly, a company must understand how its product fits into what the customer is trying to accomplish. The question to ask is, "When you find yourself in the situation that you are using my product; what job are you ultimately trying to get done—what is the underlying task at hand?" Or, "what is the overall goal you are trying to achieve?"

On the other side of the spectrum, defining the job too broadly can make it difficult, if not impossible, for a company to tackle a job in its entirety. To avoid this from happening, think about the company, its products and its capabilities and ask, "can and will the company address this job from beginning to end over time?" If the company does not have or is not willing to acquire the capabilities, resources, funding, technology, and talent to tackle the broader job then the job is defined too broadly from a practical standpoint.

To define the core functional job-to-be-done at the right level of abstraction, guidelines are outlined in the most recent book on ODI, [JOBS TO BE DONE: Theory to Practice](). When engaged in market discovery (trying to define altogether new markets to pursue through a jobs-to-be-done lens) we recommend using the template in Figure 1.

Figure 1: The Jobs-to-be-Done Market Discovery Template™

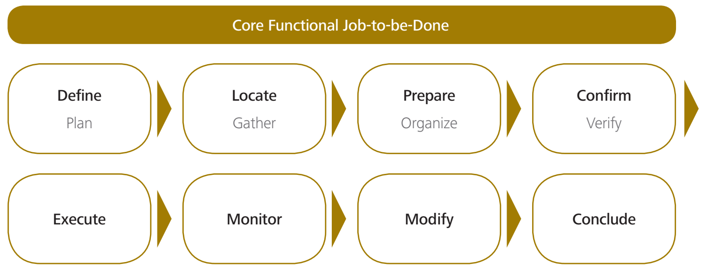


The Job Map

With the core functional job defined, **the next step in the ODI process is to create a "job map"** for that job. A job map is a visual depiction of the core functional job, deconstructed into its discrete process or job steps, which explains step-by-step exactly what the customer is trying to get done. A job map does not show what the customer is doing (a solution view); rather, it describes what the customer is trying to get done (a needs view).

Analysis of hundreds of jobs has revealed that all jobs consist of some or all of the eight fundamental process steps: define, locate, prepare, confirm, execute, monitor, modify and conclude (see the universal job map in Figure 2.)

Figure 2: The Universal Job Map



A job map is not a customer journey or customer experience map: it does not describe the journey the customer goes through to buy, receive, set-up, use, upgrade, clean and maintain a product. These activities are consumption chain jobs that are captured and treated separately. If you are focusing on the purchase process or the customer experience, you are not focused on the core functional job.

A good job map will describe what the customer is trying to get done independent of the solution they are using. So whether customers are in the USA, China or Germany, or whether they are using one of ten competing products, a single job map will describe what each and every customer is trying to get done. A completed job map represents the "ideal process flow" for that job: all the steps in the ideal order for efficient execution.

The job map is created in order to:

- **Define vision and direction.** The completed job map lays out the long-term strategy and vision for the organization—which is to devise a solution that gets the entire job done on a single platform or with a single offering (which may include hardware, software and services).
- **Discover opportunities.** It is often the case that competitive insights and innovative ideas can come from analyzing the job map, as it points out holes and deficiencies in existing solutions.
- **Guide customer needs gathering.** From a tactical standpoint, the job map serves as a framework and a guide for capturing the customer's desired outcomes. For this reason, the job map is created before attempting to capture desired outcome statements.

To learn more about job-mapping, see "The Customer-Centered Innovation Map" (Ulwick and Bettencourt) included by the Harvard Business Review in its book on the top 10 innovation articles.

2. Uncover The Customer's "Needs"

Many companies believe that it is impossible to know all its customer's needs and that this knowledge is simply unattainable. ODI proves that this is not the case, but there is a common myth that feeds the misconception. **The myth is the notion that "customers don't know what they want,"** implying that customers do not know their "needs" and therefore are incapable of articulating the information that a company needs to win at innovation.

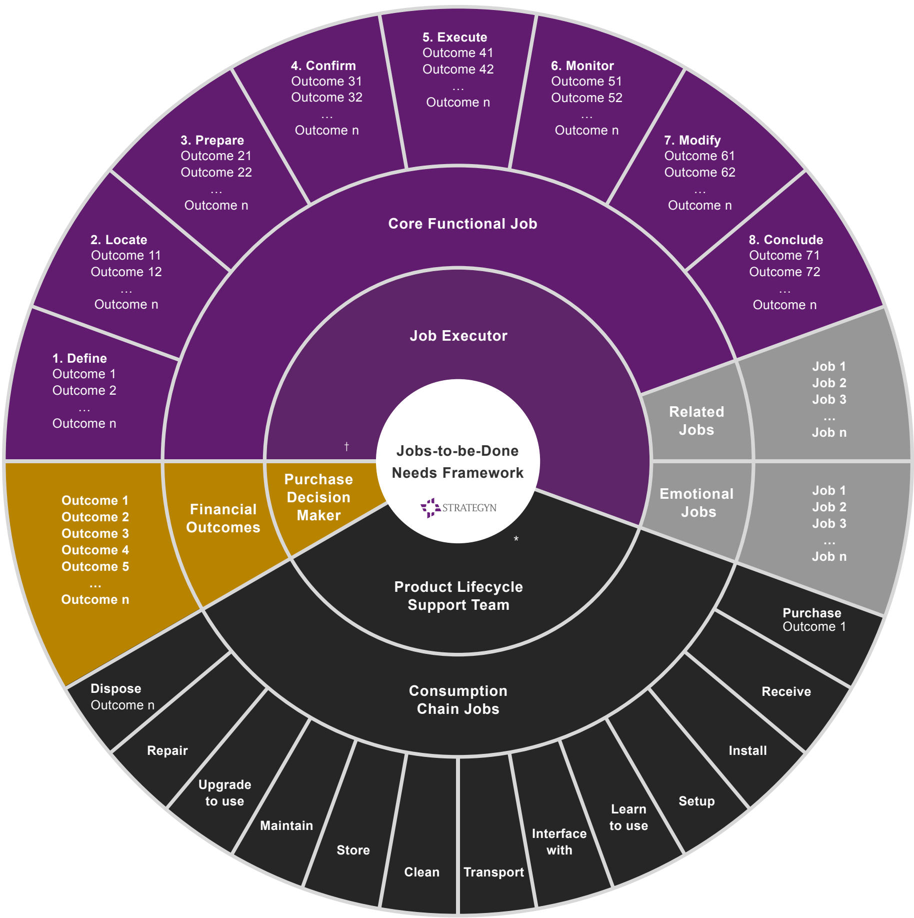
It is often argued, for example, that, "A customer would have never asked for the microwave oven." That is true, but the microwave oven is not a need—it is a solution. While customers may not know what solutions they want, they most certainly know their needs related to getting a job done. In this case, they know they want to prepare a meal (the job-to-be-done) that is not overcooked or undercooked, and they want to do it more quickly without having to clean up. The problem isn't that customers don't know their needs. **The problem is that there is confusion and lack of agreement as to what a "need" even is.**

Companies now have endless amounts of customer data at their disposal. What must they do to extract the customer inputs that are needed to make innovation more predictable? Strategyn's Outcome-Driven Innovation process offers a solution. **The Jobs-to-be-Done Needs Framework (see Figure 3) provides a model for (i) categorizing, defining, capturing, and organizing all your customers' needs.**

This framework introduces the types of customer needs that must be considered to gain a deep understanding of what a customer is trying to accomplish. They include (i) the core functional job-to-be-done, (ii) consumption chain jobs, (iii) the desired outcomes tied to the core functional and consumption chain jobs, (iv) related jobs, (v) emotional and social jobs, and (vi) the buyer's financial desired outcomes. For a given market, all needs are defined and centered around the customer's core functional job-to-be-done.

The **Jobs-to-be-Done Needs Framework** provides companies with a common language around which to define customer needs. It takes a multilayered and complex set of inputs and shows how they should be categorized and organized, why they are captured, and how they should be used. The framework brings order to a historically chaotic practice. Knowing exactly what is meant by "need" and knowing what "needs" exist in a market changes everything.

Figure 3: The Jobs-to-be-Done Needs Framework



*Includes the Job Executor, a third-party completing any of the consumption chain jobs, and the company selling the product/service.

†Can be the Job Executor or another individual.

The Desired Outcome Statement

Strategyn has spent over two decades working to "invent" the perfect customer need statement. We have concluded that a perfect need statement will clearly describe a customer's measure of success associated with getting the job done. For any given job, customers have many measures of success, often 100 or more. Each one of these specially constructed statements, or "desired outcomes," describe how it is possible to get the job done better along a specific dimension: such as speed, predictability, efficiency, output, throughput or waste. **We define desired outcomes as customer-defined performance metrics that are tied to the job-to-be-done making value creation measurable, controllable and predictable.**

Desired outcome statements are powerful and valuable because they are designed to have a very unique set of characteristics. In a single statement, a desired outcome defines how a customer is measuring value and what a company must control in the design of the solution to satisfy it. The same exact statement that comes from the customer can be used by the entire organization as a focal point around which to create and communicate customer value along that dimension. In addition to being measureable, controllable and actionable, desired outcome statements are purposely designed and structured to be devoid of solutions and stable over time, thus making them useful customer inputs for years to come. Lastly, they can be quantified for importance and satisfaction, making it possible to determine which outcomes are under- and overserved.

We have defined desired outcome statements to possess these characteristics for one very important reason: **defined in this manner, we are able to determine which customer needs (outcomes) are unmet and predict—in advance of product development—just what solutions/ideas are most likely to get the job done better and win in the marketplace.** This is why we often refer to prioritized desired outcome statements as "predictive data".

Desired-outcome statements (shown in their hierarchy in Figure 4) also have a specific structure and syntax, which is necessary because differences in structure, terminology, and syntax from statement to statement can introduce unwanted sources of variability that alter the importance and satisfaction ratings customers give the statements. This in turn affects the way customers end up prioritizing which outcomes are most underserved.

A desired outcome statement includes a direction of improvement, a performance metric (usually time or likelihood), an object of control (the outcome), and a contextual clarifier (describing the context in which the outcome is desired).

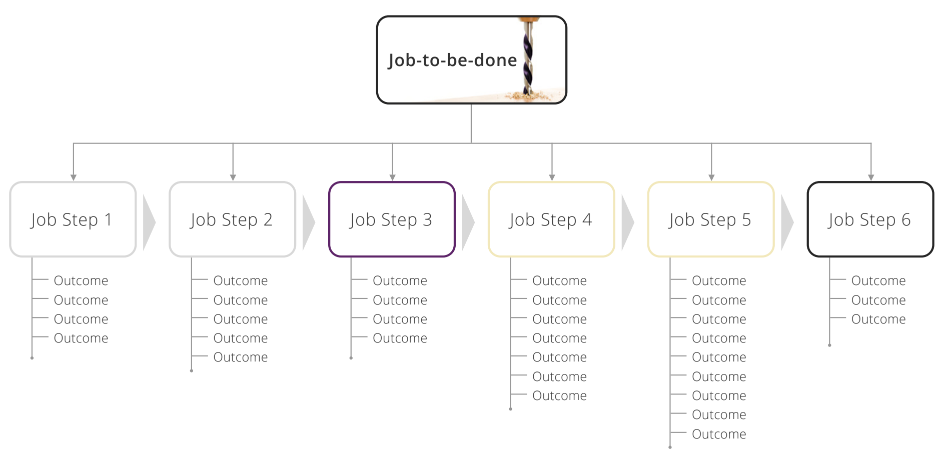
When creating a desired outcome statement, we use the following structure:

Direction of improvement + Performance metric + Object of control + Contextual clarifier

For example, when trying to listen to music, a listener may want to "minimize the time it takes to get the songs in the desired order for listening", or "minimize the likelihood that the music sounds distorted at high volume". **This level of granularity in defining a need is critical to establishing a valuable input into the innovation process.**

Desired outcome statements are uncovered through literature searches and through interviewing methods such as personal and group interviews, and observational and ethnographic research. While most qualitative research has a short shelf life, a complete set of desired outcome statements is an important company asset for years to come as **desired outcomes don't change over time—the solutions that address them do.** Learn more about desired outcomes and job statements in the article Giving Customers a Fair Hearing (Ulwick) published in the Spring 2008 *MIT Sloan Management Review*.

Figure 4: The Desired Outcome Statement - Needs Hierarchy



3. Quantify The Degree To Which Each Need Is Over/Underserved

While understanding all the customers' desired outcomes ensures the ODI process is customer-centric, quantifying them ensures the process is data-driven. With a complete set of desired outcome and job statements in hand, a company is able to obtain quantitative insights into its market that were never before possible.

The quantitative research methods we have created as part of the ODI process are unique, challenge conventional wisdom, and are designed to achieve the following goals:

- **Discover opportunities to get the job done better (underserved outcomes).** Once there is agreement in a company as to what a "need" is and what all the customer needs are, the next step is to gain agreement on which needs are unmet. A need is unmet if it is important to the target population, but not satisfied by the solutions customers are using today. Once these underserved outcomes are revealed, a company knows along what dimensions is has to get the job done better.
- **Discover opportunities to get the job done more cheaply (overserved outcomes).** A need is overserved if it is unimportant to the customer, yet very satisfied by the solutions customers are using today. Once these overserved outcomes are revealed, a company knows along what dimensions to focus to get the job done more cheaply.
- **Quantify the degree to which each outcome in over/underserved.** The biggest opportunities for getting the job done better and/or more cheaply are prioritized once the degree to which each outcome is over- or underserved is known. Using the importance and satisfaction data obtained for each outcome, our opportunity algorithm is used to calculate an opportunity score for each outcome, revealing their priority order.
- **Determine the strengths and weaknesses of competing solutions.** Customers that use different solutions rate the outcomes for satisfaction, revealing how well competing solutions address each of the outcomes. This approach results in a detailed competitive analysis that shows where each competing solution fails to help the customer get the job done effectively.

Strategyn's outcome-based research methods are unique along two key fronts. First, desired outcome statements are devoid of solutions and references to technology and consequently the quantitative research methods do not force customers to make solution trade-off decisions when prioritizing their needs—a problem incurred by the research methods employed by many companies. This happens when a company confuses **needs** with **solutions.** We assert that all unmet needs should be discovered and that the tradeoffs, if required, should occur when idea generation begins.

Second, outcome-based research methods have been designed to enable customers to evaluate the importance and satisfaction of up to 150 outcome statements, rather than just a small subset. Thinking that this is impossible (another common mistake made by researchers) companies often rely on outdated research methods to prioritize small numbers of needs or ask them to make solution tradeoff decisions. These outdated practices do not yield predictable data. Over 25 years, we've refined our research practices to obtain the data that is needed to make innovation predictable.

To obtain the data needed to discover opportunities, we create a survey instrument that is administered to a statistically valid representative sample of customers (usually between 180 and 3,000 customers). They are asked what solution (product/service) they are using today to get the job done, and then asked the importance of each outcome and the degree to which each outcome is satisfied given the solution they are using to get the job done. An example of the survey structure can be seen in Figure 5.

Figure 5: Quantitative Survey Structure

	When [job step], how important is it to you that you are able to:					When using [solution] for [job step], how satisfied are you with your ability to:				
	1	2	3	4	5	1	2	3	4	5
Desired outcome 1	○	○	○	○	●	○	●	○	○	○
Desired outcome 2	○	●	○	○	○	○	○	○	●	○

Why go through all this trouble?

The use of quantitative research is essential to effectively inform innovation. Guessing at which needs are over- and under-served is certain to add significant risk to the innovation process, making it far less predictable. Many companies do not invest in quantitative market research to help them discover and prioritize opportunities for growth. They often use qualitative research as a proxy, which leads to speculative answers at best. Companies often cite lack of time or budget as reasons for not quantitatively unearthing unmet needs. The irony, however, lies in the fact that these are often the same companies who are forced to make the time to pivot and fail fast—both of which could be avoided with systematic gathering of data.

Predictive data enables companies to predict the winning solution. The winning products of the future are those that satisfy the unmet needs of today's customers. If a company can determine today just what those unmet needs are and can accurately assess how well the new solutions under consideration address those needs, then it can invest in the solution that will get the job done best, and create the winning products of the future. ODI makes this possible and was designed with this end in mind.

4. Discover Hidden Segments Of Opportunity

Strategyn will rarely suggest a company pursue a one-size-fits-all market strategy. Why? Data shows in nearly every market that **customers do not agree on what needs are important and unsatisfied.** In other words, most markets are not homogeneous: segments of customers exist with unique sets of unmet needs. And, therefore, it holds that in nearly every market certain customers struggle more than others to get the job done. The implication of this fact cannot go understated: **to make innovation predictable, a company must be able to discover segments of customers with unique sets of unmet needs.** While this assertion may sound like Marketing 101 a key reason innovation remains an unpredictable process is because companies lack the ability to discover these segments. Outcome-Driven Innovation fixes this problem.

The best way to discover segments of customers with different unmet needs is to segment the market according to unmet needs. This is difficult to do if there is no agreement on what a "need" is, what the needs are and which needs are unmet. But Outcome-Driven Innovation solves these problems as well. Consequently, the unmet outcomes discovered through outcome-based research are the perfect input into Strategyn's outcome-based segmentation process.

Using outcome-based segmentation, companies are able to discover hidden segments of opportunity. They are "hidden" in the sense that they cannot be discovered by segmenting a market using demographic, psychographic, and behavioral or attitudinal customer data. Nor can they be accurately described through the creation of personas or "compelling job stories" built around qualitative data and observation. All these methods, while widely used, produce phantom targets. **Discovering hidden segments of opportunity with confidence requires statistically valid market research.**

We have learned that in nearly every market, certain people struggle more than others to get the job done because they encounter certain complexities that others do not encounter. Knowing what those complexities are and which outcomes are underserved as a result is the key to formulating an effective market and product strategy. We've designed our outcome-based segmentation methodology to reveal these essential market insights.

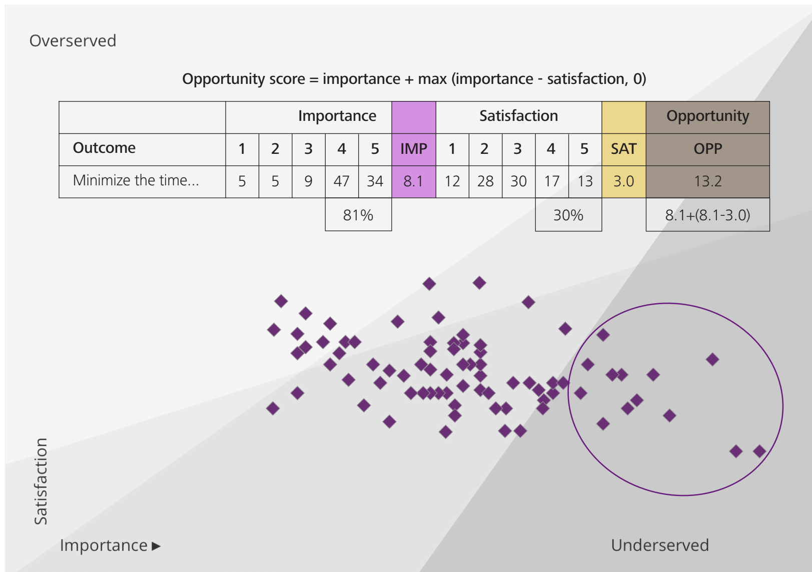
Using outcome-based segmentation, for example, we were able to discovery that about 30% of tradesmen who use circular saws to "cut wood in a straight line" had 14 unmet outcomes, while the remaining population of users didn't have any unmet outcomes. This hidden segment struggled more than others to get the job done because they encountered complexities that others did not. For example, they had to make more finish cuts (angle cuts to fit crown molding in a corner) and cut through long pieces of wood. This means they had to make more blade height and angle adjustments. Because they encountered these additional complexities, they had unmet needs that other tradesmen did not have. Our outcome-based research methodology revealed the segment, the size of the segment, which needs were underserved, and the degree to which each need was underserved—the key inputs needed to make innovation more predictable. Strategyn's client created a winning circular saw using this set of inputs (see Bosch case study).

The outcome-based segmentation process is executed in three steps:

1. **Discover key variables.** First, factor analysis is conducted on the statistically valid data set to discover which outcomes best explain variability in the responses, e.g., which outcomes some people think are important and unsatisfied while others think they are satisfied and unimportant.
2. **Create clusters (segments).** Next, cluster analysis is used to segment the market into groups of customers with unique sets of unmet desired outcomes. Usually, 2, 3, 4, and 5 segment solutions are considered. The unmet outcomes are used as the bases for segmentation.
3. **Profile the segments.** Lastly, the profiling questions (included in the survey to understand what variables cause complexity) are used to discover why certain customers struggle more than others to get the job done. The survey also collects information that reveals the size of the segment and if customers are willing to pay more to get the job done better.

The results of the segmentation and data analysis are plotted in the Opportunity Landscape (see Figure 6). It points out what segments exists, whether they are under- or overserved and precisely where they are under- or overserved. The landscape gives a visual representation of the market opportunities.

Figure 6: The Opportunity Landscape



	Importance						Satisfaction						Opportunity
Outcome	1	2	3	4	5	IMP	1	2	3	4	5	SAT	OPP
Minimize the time...	5	5	9	47	34	8.1	12	28	30	17	13	3.0	13.2
				81%						30%			8.1+(8.1-3.0)

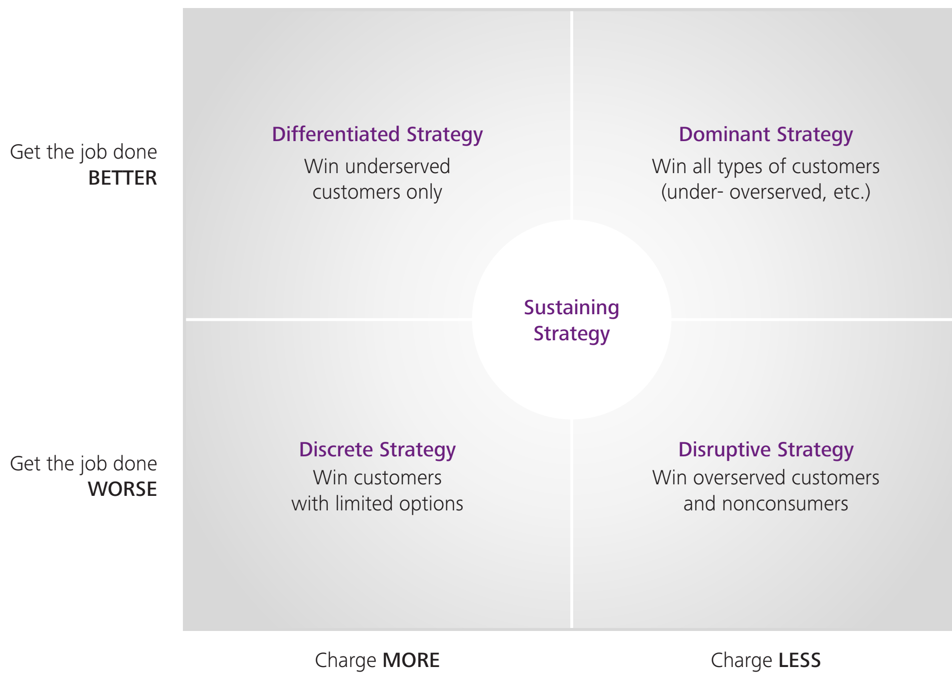
Why is all this data collection and analysis so important?

Segmentation drives strategy. Knowing whether or not underserved and overserved segments exist in a market of interest informs a company as to which growth strategy (or strategies) to pursue. One market may be comprised of several underserved segments, while another market may be comprised of several overserved segments. A disruptive strategy in the former case would fail, as no segment of the market is overserved. A differentiated strategy in the latter case would fail as no segment of the market is underserved. Deciding which segments to target and how is a critical strategic decision.

The five possible growth strategies a company should consider and when and how they should be employed, are described in a new [whitepaper]() called Jobs-to-be-Done Growth Strategy Matrix. The new thinking revealed in this paper advances disruptive innovation theory and other growth strategy theories. It turns out that disruptive innovation theory is better explained through a jobs-to-be-done lens (see figure 7). A webinar on the subject is also available. Both are highly recommended.

Outcome-based segmentation makes innovation a predictable process. Once a company can agree on (i) what a need is, (ii) what the customer's needs are, (iii) what segments of customers exist with unique sets of unmet needs, and (iv) which needs are unmet, **a company is five-times more likely to create a product or service that wins in the marketplace.** The power of ODI is that it defines the target with precision.

Figure 7. The Jobs-To-Be-Done Growth Strategy Matrix



5. Align Existing Products With Market Opportunities

Many of Strategyn's clients are already major players in the markets we investigate on their behalf. Consequently, our first goal is often to use the customer insights revealed through the qualitative and quantitative research and the outcome-based segmentation analyses to help them sell more of their existing products and services.

It is not uncommon to see significant increases in market share result from solidly aligning the strengths of a company's offerings with the opportunities that are discovered.

Recommended techniques for aligning and leveraging an existing market to enhance product sales are as follows:

Align current offerings with the outcome-based segments. This alignment should be decided based on which offerings best satisfy the unmet outcomes or best satisfy the most important outcomes of customers in each of the outcome-based segments. Certain products in the portfolio will most likely be more naturally suited for a certain segment. For example, we helped a manufacturer of industrial pumps discover a segment of customers that were underserved because they frequently encountered a unique set of conditions that led to problems. The company had a product that addressed this problem, but it never targeted that product or brand at the underserved segment with the right messaging. Knowing where to target each offering is the first step to success.

Communicate the strengths of those products to customers in the target segment. One of Strategyn's first engagements involved helping Cordis discover that one of its existing products satisfied a number of outcomes that were not well satisfied by competing offerings. The "un-messaged strengths" of this product were subsequently communicated to customers. The result was a significant increase in market share: from 1.5% to 5% over the next six months. Knowing that a product has features that are a competitive strength in a segment of the market is an important insight when it comes to aligning a product portfolio with customer needs.

Include an outcome-based value proposition in those communications. Using ODI, Coloplast's wound care division discovered a segment of wound care nurses that had 15 underserved outcomes, 10 of which were associated with making sure a wound did not get worse. While Coloplast's competitors focused on how their products helped wounds heal faster, Coloplast decided to go with an outcome-based value proposition. It promoted the fact that its products would "prevent complications" and highlighted the product features that addressed the associated outcomes. With this new value proposition, the company achieved double-digit growth in less than six months.

Build an AdWords campaign around unmet needs. When potential customers use Google to find and evaluate product alternatives, they rarely start by entering the product name and model because they have yet to discover it. Rather, they enter keywords or phrases that are associated with the "job-to-be-done," such as a job step or a specific desired outcome they are trying to achieve. With ODI-based research, these keywords and phrases are known to the company, which can use them as the foundation for an AdWords campaign, dramatically improving buyer awareness of its product. Any time a potential customer uses Google to find out how to address an unmet outcome they will see the company's ad and find its product. A similar strategy can be used to improve SEO results for those same keywords.

Assign leads to ODI-based segments. Many companies process all leads in the same way even though customers have different unmet outcomes. However, using a short 5–10 question survey (on a website or lead-generation tool), a company can accurately determine which outcome-based segment a specific prospect belongs to. With this insight, the prospect can be guided toward the solution that will best address their underserved outcomes.

Arm the sales team with effective sales tools. Lastly, the sales team can be taught how to identify what outcome-based segment a customer or prospect belongs to and guide the conversation accordingly. Approaching a customer with the right value proposition and a clear understanding of their situation and unmet needs goes a long way to building credibility. In 2014, Arm & Hammer's Animal Nutrition Division used ODI to align its offerings, messaging, and sales efforts around certain underserved segments and outcomes it had discovered. The result was impressive: **the Animal Nutrition Division achieved 30% year-to-year revenue growth from 2013 to 2014 without changing its product or pricing**—a clear demonstration of the power of aligning marketing and sales efforts around the customer's job-to-be-done (see A&H case study).

Strategyn has developed dozens of tactics for implementing an effective outcome-driven market strategy and the set included here represent the tip of the iceberg.

6. Conceptualize New Products To Address Unmet Needs

An effective product portfolio strategy will inform a company (i) how to improve its existing products to satisfy the unmet needs of customers in each targeted outcome-based segment, (ii) what altogether new offerings are needed to address remaining opportunities in the market, and (iii) what path it should take to create a solution that will eventually get the entire job done on a single platform. ODI provides the insights that are needed to effectively make these decisions.

Some of the techniques we recommend our clients use to formulate their product portfolio strategy are as follows:

Borrow features from other company offerings. Why reinvent the wheel? Innovation does not necessarily require invention. Innovation is the ability to use technology (existing or new) to address an unmet customer need. By knowing exactly what outcomes are underserved in a target segment, a company can analyze its product portfolio to see if any of its current products or services possesses a feature that addresses one or more of those outcomes. This tactic can save significant development time and effort.

Take Microsoft, who was looking to discover opportunities to improve its software assurance offering. ODI identified opportunities that could be addressed with tools the company used internally to get the job done. Instead of starting from scratch, the assurance teams were able to package internal products for commercial use. This strategy resulted in significant revenue gains (see Microsoft case study).

Strategyn recommends that companies create a “solution inventory worksheet” where they associate existing product features with the customer desired outcomes that they address. This can be a valuable asset for any company, but especially for big company with hundreds or even thousands of offerings. Such a tool makes it possible for product teams across a company to leverage what the company has already invented.

Accelerate offerings in the product pipeline and R&D. When we helped Cordis discover opportunities in the angioplasty balloon market, one underserved outcome rose to the top of the list: “minimize the likelihood of restenosis”—that is, the recurrence of the blockage. Upon receiving this insight, my contacts at the company told me that the R&D team was working on a device, called a stent, which had the potential to address this unmet outcome. Recognizing the size of the opportunity and the importance of being first to market, the R&D team put additional resources on the project and was the first to market with a product that generated $1 billion dollars in revenue over the next few years.

The stent had already been in the works, but it was just one of about 40 initiatives in total. It was only when the company gathered and prioritized its customers' underserved desired outcomes that it realized that the stent deserved more funds and attention. Other initiatives were less lucky: those that did not speak to customers' needs were defunded altogether. Leveraging efforts that are all ready under way can save time and effort when creating products and services that will get the job done better.

Partner with or license from other firms. We have often worked with hardware manufacturers that discover many of the underserved outcomes remaining in the market cannot be addressed with a hardware solution: a software or service offering is required. At that point, it makes sense to partner with or license from a firm that has expertise in that area.

Knowing precisely what needs are underserved makes choosing a partner easier. One such example is the case of an automobile manufacturer that discovered it did not have the capabilities it needed to address the underserved outcomes in a market of interest. With the list of prioritized underserved outcomes in hand, Strategyn evaluated over 100 possible partners. The goal was to look at the potential partners and determine how well they could address each of the underserved outcomes. Through this analysis, we found the three firms that held the most promise. The company interviewed management from the three firms and eventually picked a partner.

A prioritized list of underserved outcomes makes the perfect scorecard against which to evaluate firms that will help you get more of a job done and/or get the job done better.

Acquire another firm to fill a gap. Arm & Hammer's Animal Nutrition Group acquired a business, Vi-COR, that provided it with a complimentary product to use in its dairy business. The framework they used to help justify the acquisition was grounded in ODI-based research: the group was able to demonstrate that its current offering failed to get the entire job done and showed that Vi-COR's products were going to help address some high-priority underserved outcomes.

Vi-COR also provided a service component that helped address other top opportunities identified in dairies. Company management determined that Vi-COR was operating in a very important niche, providing a critical solution to dairy producers. Without the ODI prioritized list of underserved outcomes, the company might have overlooked this important potential acquisition.

Devise a new feature set. Knowing what features to add to a product to help customers get more of the job done and/or get the job done better is the key to success in product innovation. Adding the right features is dependent on knowing what needs are underserved. Knowing, for example, which 15 of the customer's 100 desired outcomes are underserved lets a company focus its efforts on those 15, thereby ending wasted effort and increasing the chances of success by a factor of 5.

Companies do not lack ideas. They often have thousands of ideas. What they need is insight into the customer's underserved outcomes. This is what the ODI process provides. Once everybody in the organization knows precisely what the customer's unmet outcomes are, all company resources can be aligned to address them—resulting in the systematic and predictable creation of customer value.

Devise new subsystems and/or ancillary services. Hardware and technology-based companies often stunt their growth potential because they resist adding a necessary service component. When the entire job-to-be-done is defined and the underserved outcomes are revealed, however, a company comes face to face with the fact that the only way to satisfy the remaining underserved outcomes is by adding an ancillary service offering. With a list of underserved outcomes in hand, a company can define exactly what value the service offering must deliver.

Advanced Medical Optics followed this approach when it added a service offering to complement its sale of lenses, insertion systems, laser vision correction systems, and other devices for cataract and refractive surgical procedures. Offering this service had immediate positive results on its Net Promoter score, the perception of its overall business practices, and its customer loyalty index. Two years later, AMO was awarded the prestigious Omega Management NorthFace Award, which recognizes world-class customer satisfaction.

Conceptualize the ultimate solution. A company's ultimate goal should be to provide an offering that gets the entire job done on a single platform. Such a platform often requires hardware, software, and service subsystems or components. Conceptualizing this ultimate solution provides a company with a long-term vision of where it needs to go and what will be necessary to secure or maintain a position of market leadership.

With the ultimate solution in mind, a company is in a position to make the decisions that will allow it to stay on track, stay focused, and block a competitor from owning the ultimate platform-level solution.

For example, the ultimate solution we presented to an agricultural company we were working with required skills and capabilities that went far beyond the company's capabilities at that time. As the years went by, the company watched a competitor make the acquisitions that were required to create, build, and own this platform-level solution. Management perked up. With no time to waste and clarity in where the market was heading, the company worked to make its own acquisitions so it could remain relevant in the market.

Conclusion

The goal of innovation is to devise solutions that address unmet customer needs. For a company to be successful at innovation, it must not only know all its customers' needs, but it must be able to determine which needs are unmet and if there are segments of customers with different unmet needs. Without these insights, innovation remains a game of chance. With Outcome-Driven Innovation and these insights, innovation becomes a highly strategic, predictable practice.

The benefits of the ODI methodology are wide-ranging. The process helps a company:

- Adopt a common language to define, capture and communicate customer needs.
- Mitigate the risk of failure by defining the target with precision.
- Set a long-term vision for the organization (to get the entire job done on a single platform).
- Align cross-functional actions with a common set of customer-defined performance metrics.
- Reduce time to market by sidestepping the need to fail and pivot.
- Conceptualize and predict which ideas and products will win in the marketplace.
- Make the right design trade-off decisions in the development process.

To learn how Outcome-Driven Innovation can be used to help your organization address its most complex innovation challenges, please call or contact Strategyn, or visit the Strategyn website to learn more: strategyn.com.

About

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