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Whitepaper

The Jobs-to-be-Done Growth Strategy Matrix

by Anthony W. Ulwick and Perrin Hamilton

A jobs-to-be-done lens brings into focus a growth strategy framework that explains when and why new products and services win or fail in the marketplace.

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Predicting which products and services will win in the marketplace has long been a challenge. While the ideas of failing fast and pivoting are popular, they have not led to improvements in the success rate of new product launches. Traditional innovation practices, while attempting to be customer-centric, are clearly product-centric and fail to reveal the customer insights a company needs to mitigate risk when enhancing existing products and creating new ones. Indeed, many believe predicting the success of a new offering with any degree of precision is next to impossible. We think differently.

Over the past 24 years, we have studied the dynamics of product and service innovation while producing successful innovation strategies in hundreds of markets for dozens of Fortune 500 companies[1]. Over the course of these engagements, we have developed a framework that explains what causes new product and service offerings to win or fail in the marketplace and that can be used proactively to formulate and pursue a winning growth strategy.

Our framework is built upon "jobs-to-be-done" theory, the fundamental notion that people buy products and services to help them get a job done. When we use a jobs-to-be-done lens to examine product successes and failures, we observe the same phenomenon time and time again: *new products and services win in the marketplace if they help customers get a job done better and/or more cheaply.*

This simple observation led to the discovery and classification of five unique growth strategies companies can adopt in the quest to win in a market. It also resulted in the creation of the jobs-to-be-done growth strategy matrix, a framework that illustrates when and how these strategies should be used. With this framework, companies can understand their past successes and failures and can adopt a strategy to create winning products and services in the future.

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[1] In 2010, Strategyn engaged an independent researcher to compare the success rates of traditional innovation methods with Strategyn's own innovation process, Outcome-Driven Innovation (ODI). The results show that 86% of the products and services launched by Strategyn clients using ODI were a success.

Establishing the theory

Having recognized that new products and services win when they get a job done better (see sidebar) and/or more cheaply, we set out to transform this insight into a predictive framework for growth. We began by categorizing the possibilities using the matrix shown in Figure 1. The matrix suggests that companies can create products and services that are (1) better and more expensive, (2) better and less expensive, (3) worse and less expensive, and (4) worse and more expensive.

Figure 1. Categorizing the possibilities

Get the job done **BETTER**	Better and more expensive	Better and less expensive
Get the job done **WORSE**	Worse and more expensive	Worse and less expensive
	Charge **MORE**	Charge **LESS**

The matrix prompted us to ask what types of customers might be targeted with a product or service offering in each quadrant. Our experience and the work of others in this field led us to the following five conclusions regarding the four quadrants:

1. A better-performing, more expensive product will only appeal to *underserved customers*. These are customers who have unmet needs and are willing to pay more to get a job done better.
2. A better-performing, less expensive product will appeal to *all customers.*
3. A worse-performing, less expensive product will appeal to *overserved customers* (those with no unmet needs). It will also appeal to *nonconsumers*. These are people whose current solutions don't involve the market at all, or who are not even attempting to get the job done as they cannot afford any of the existing solutions.

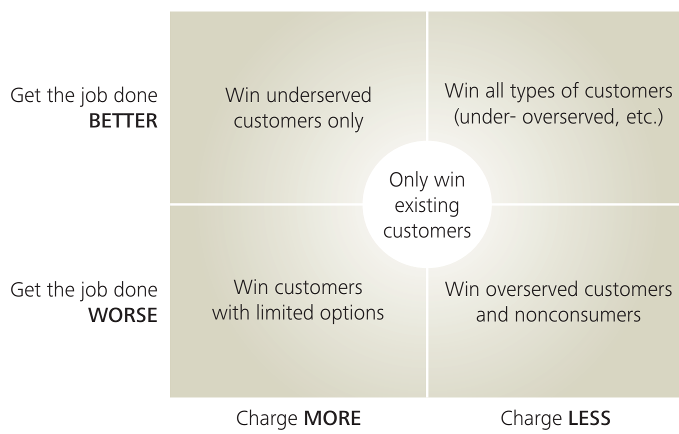
Sidebar: Getting a job done better

Getting a job done "better" means getting it done: (i) faster, (ii) more predictably (without variation), and (iii) with higher output, throughput or efficiency (without waste). Desired outcome statements, a special form of need statement, reveal how customers measure value along these three dimensions. With these metrics in hand, a company can evaluate a product concept against them to determine if (and by how much) it will get a job done better.

4. A worse-performing, more expensive product will only appeal to *customers for whom limited (or no) alternatives are available.* This happens in unique or atypical situations.
5. Some products are "stuck in the middle" (to borrow a term from Michael Porter): they only get a job done slightly better or slightly cheaper. Such a product will likely fail to attract any new customers. This is clearly a poor strategy for a new market entrant, but it may help an incumbent company retain existing customers.

Figure 2 places the customers in their quadrants.

Figure 2. Differences in target customer type



The Jobs-To-Be-Done Growth Strategy Matrix

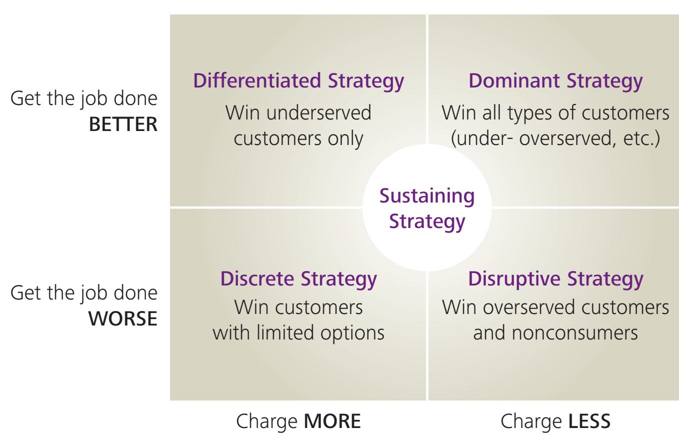
We concluded that each of the five situations warranted its own distinct strategy. With the goal of creating a framework for proactive strategy formulation, we asked, *What unique strategy can be employed in each of these five situations?* We set out to define and name a type of strategy that would work for each unique situation. We chose a naming convention that built upon well-established strategy and innovation terminology and accurately described the uniqueness of the situation.

The five strategies we identified address all the situations a company can face as it contemplates a product or service strategy. The strategies are introduced in the jobs-to-be-done growth strategy matrix shown in Figure 3.

The product/service strategies introduced in this framework are defined as follows:

1. **Differentiated strategy.** A company pursues a differentiated strategy when it discovers and targets a population of underserved consumers with a new product or service offering that gets a job (or multiple jobs) done significantly better, but at a significantly higher price. Examples of offerings that successfully employed a differentiated strategy include Nest's thermostat, Nespresso's coffee and espresso machines, Apple's iPhone 2G (first generation), the Herman Miller Aeron chair, Whole Foods' organic food products, Emirates airlines' international flights, Bang & Olufsen's personal audio products, BMW sports cars, Sony's PlayStation (original model), and the Dyson vacuum cleaner and Airblade hand dryer.

Figure 3. The Jobs-To-Be-Done Growth Strategy Matrix

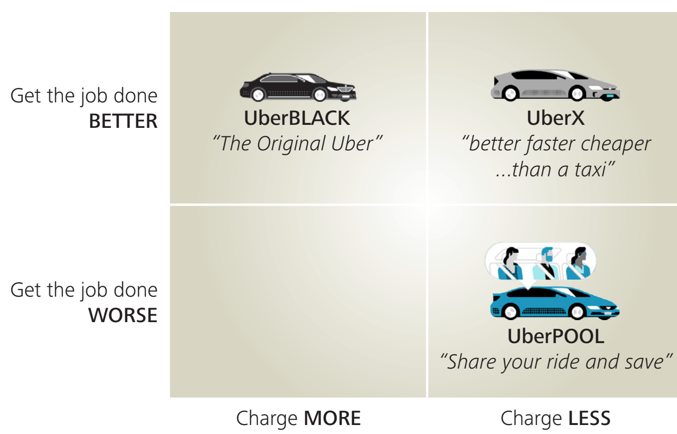


2. **Dominant strategy.** A company pursues a dominant strategy when it targets all consumers in a market with a new product or service offering that gets a job done significantly better *and* for significantly less money. Examples of offerings that successfully employed a dominant strategy include Google Search, Google AdWords, UberX, Netflix's streaming video, Progressive Insurance's nonstandard automobile insurance, and Vanguard Group's personal investment services.

3. **Disruptive strategy.** A company pursues a disruptive strategy when it discovers and targets a population of overserved customers or nonconsumers with a new product or service offering that enables them to get a job done more cheaply, but not as well as competing solutions. Examples of offerings that successfully employed a disruptive strategy include Google Docs (relative to Microsoft Office), TurboTax (relative to traditional tax services), Dollar Shave Club's razor offering (relative to Gillette), eTrade's online trading platform (relative to traditional financial brokerages) and Coursera's online educational services (relative to traditional universities).
4. **Discrete strategy.** A company pursues a discrete strategy when it targets a population of "restricted" customers with a product that gets the job done worse, yet costs more. This strategy can work in situations where customers are legally, physically, emotionally, or otherwise restricted in how they can get a job done. Examples of offerings that successfully employ a discrete strategy include drinks sold in airports past security checkpoints, stadium concessions at sporting events, check-cashing and payday-lending services, and ATMs in remote locations.
5. **Sustaining strategy.** A company pursues a sustaining strategy when it introduces a new product or service offering that gets the job done only slightly better and/or slightly cheaper. Examples of offerings that successfully employ a sustaining strategy are plentiful.

A company may have many products and services in one market, each employing different strategies, as defined above. For that reason, it is important to source examples at the product level, not at the company level. Uber, for example, has offerings that make use of three of the strategies: UberBLACK employs a differentiated strategy, while UberPOOL employs a disruptive strategy (see Figure 4). The importance of this distinction becomes obvious when we begin to apply the model to predict the success or failure of a new product or service.

Figure 4. Uber's offerings employ different strategies



Employing the Five Growth Strategies

The jobs-to-be-done growth strategy matrix can be used to prescribe proactive short- and long-term strategies for success, but to use it, a company must know whether or not there are underserved and/or overserved segments of customers in the target market. Without this knowledge, there is no way to know which strategy to adopt, and the chances of picking the wrong one are high. For example, in an overserved market, a differentiated strategy would likely fail, as no segment is seeking a more expensive product or service that will get the job done better. Conversely, in an underserved market, a disruptive strategy would likely fail, as no segment is seeking a cheaper product or service and is willing to make a sacrifice to get it.

The most effective way to discover whether or not there is an under- or overserved population is to segment a market around a complete set of prioritized customer desired outcome statements. Our outcome-based segmentation methodology, which for years has been part of our ODI process, was specifically designed for this purpose[2] .

Once a company knows where in the matrix its target customers can be found, it can adopt the appropriate strategies for each segment. Let us examine each strategy more closely.

Employing a Differentiated Strategy

A differentiated strategy works when a highly underserved segment of customers is targeted with a premium-priced offering that gets the job done significantly better. This strategy results in a disproportionate share of profits and is the strategy pursued by many of the world's fastest-growing and most profitable companies.

Nest, for example, a recent entrant into the home thermostat market, beat Honeywell, White-Rodgers, and other well-established incumbent firms with a product that was targeted at a highly underserved segment of the market, superior in performance, and offered at seven times the price of competing solutions ($250 versus $35). While capturing less than 10% market share, Nest is estimated to have captured over 25% profit share while shaking up the industry and putting its competitors on the defensive.

A differentiated strategy is attractive because it enables a company to enter a market at the high end, capture significant profit share, and work its way down market over time to gain additional market share. This is a way to move from employing a differentiated strategy with an initial product entry to employing a dominant strategy with other products over time. A company can successfully move down market by lowering the price of its older products as it introduces newer and better products into its portfolio, as Apple did with the series of iPhone product offerings, and/or by using operational innovation as a means to lower production costs, as Uber did when it employed freelance drivers to supply rides in its UberX offering.

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[2] Ulwick, Anthony W. What Customers Want: Using Outcome-driven Innovation to Create Breakthrough Products and Services. New York: McGraw-Hill, 2005. Print.

Incumbents have much to gain by pursuing a differentiated strategy as they can afford to target their existing products at well-served or even overserved customers once their new, high-profit products are introduced. This puts the incumbent in a position of both profit and market share growth.

Employing a Dominant Strategy

A dominant strategy is always the most appealing approach for a new market entrant to take because incumbents cannot defend against it. Our experience suggests that companies can win with a dominant strategy if they introduce a product or service that gets the job done (addresses the customer's desired outcomes) at least 20% better *and* at least 20% more cheaply. This can be measured with high precision and probability when evaluating a proposed concept against a complete set of desired outcome statements.

Netflix's streaming services, for example, offered greater convenience than traditional rental stores such as Blockbuster by making it easier to find, obtain, and consume movies. In addition, they reduced the cost of watching a movie by eliminating the annoying late-return fees and enabling customers to watch more content for a low monthly subscription rate.

We helped Kroll Ontrack enter the electronic evidence discovery market with a dominant strategy. While traditional competitors in this field gathered evidence manually, Kroll Ontrack created a solution that enabled legal teams to get the job done significantly better and more cheaply through the use of digital technology. This strategy led them to immediate success and market leadership that they have sustained for over a decade.

In any market, an incumbent or a new market entrant can win with a product or service that gets the job done significantly better and more cheaply. Incumbents are less likely to create such a product or service because it could dramatically cut their margins and may require an investment in a new product platform, capabilities, and resources.

Employing a Disruptive Strategy

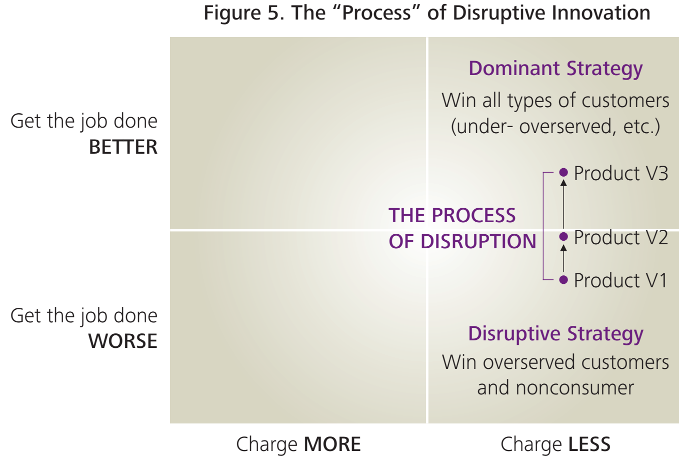
The jobs-to-be-done growth strategy matrix confirms that Clayton Christensen, who coined the term *disruptive innovation*, was correct: companies can win in overserved segments with products that enable customers to get a job done more cheaply, but less well than competing solutions. Based on our model, we also agree with Christensen that a disruptive strategy successfully serves two customer segments: highly overserved customers (like users of Microsoft Word who switched to Google Docs) and nonconsumers—people who do not buy currently available products.

A disruptive strategy works in both situations, but for different reasons. It works for current consumers who are overserved, as Christensen's theory suggests, and are willing to make some sacrifices to get the job done more cheaply. Nonconsumers, on the other hand, are underserved: they simply can't afford any of the solutions that are currently available. If a product comes along that they can afford, it will allow them to get the job done better than they can currently.

Christensen also correctly identified another phenomenon that occurs in the marketplace when he described disruptive innovation as "a process by which a product or service takes root initially in simple applications at the bottom of a market and then relentlessly moves up market, eventually displacing established competitors." Seen through the jobs-to-be-done lens, the "process of disruption" is best described as the introduction of a series of products, the first of which employs a disruptive strategy that gets the job done worse and more cheaply, followed by a series of products that build on that technology platform, with more and more features, until the newest offerings get the job done *better* and more cheaply. (See Figure 5.)

Although a new market entrant is more likely to pursue a disruptive strategy, incumbents have a better or equal chance at winning with a disruptive offering if they pursue it. The problem for many companies is that it often is a less profitable strategy. Proponents have to convince management that it is the right strategy to adopt to defend against competitors and new market entrants. Since a company is not limited to one product, it can choose, as Uber did, to create separate products to address over- and underserved customer segments.

Figure 5. The "Process" of Disruptive Innovation



Employing a Discrete Strategy

A discrete strategy is employed as a separate (discrete) part of an existing product strategy: with a discrete strategy, a company takes an existing product and sells it in a unique situation that justifies a higher price. A discrete strategy is best suited for situations in which a higher-priced version of the existing product would be very welcome—or where a captive clientele cannot object. Pursuing a discrete strategy can be very profitable.

The key to a successful discrete strategy is the ability to identify situations in which the customer, in need of the company's product, has restricted or no access to it. In such a situation, the company can justify charging a higher price for its purchase. For example, people who are unable to cash a check at a bank because they do not have a bank account have no choice but to pay high fees to cash their checks at an independent check-cashing center.

As another example, consider airline travelers who are legally prohibited from taking bottles of drinking water through security. This restriction enables concessions at the gates to employ a discrete strategy, as they are now justified in charging significantly more for water (and many other food and beverage items) to travelers. Similarly, movie theaters, sporting arenas, and theme parks restrict what visitors can bring in and consequently are able to employ a similar strategy.

Restrictions resulting from high demand can also justify higher prices. Airlines, for example, typically charge more for seats when supply is tight. It should be noted that although employing a discrete strategy may hold the potential for high profits, it can also be viewed as exploitative by customers and result in public backlash and/or reputational damage as it has with pharmaceutical giant Mylan over the high cost of EpiPens.

Employing a Sustaining Strategy

A sustaining strategy is good for products or services that get the job done just slightly better and/or more cheaply. We define "slightly" as less than 5% better or cheaper. New market entrants should avoid a sustaining strategy, as they will not be offering anything enticing enough to lure customers away en masse from a favorite brand or product. Customers generally will only switch to a new product if it gets the job done upwards of 20% better—which is characteristic of a differentiated or dominant strategy. Here again, using desired outcome statements as the basis for evaluating whether or not a product will get the job done better (and how much better) is a critical step in bringing data-driven decision making to the innovation process.

Sustaining innovation is a good strategy for an incumbent to follow to maintain market position, market share, and margins. In established markets, getting the job done slightly better and slightly more cheaply lets a company take share from a competitor.

Conclusion

Both new market entrants and incumbents can win in any market, but their success is dependent on the selection and successful execution of the right innovation strategy. The jobs-to-be-done growth strategy matrix can show companies which product strategies are best for them once they know the dynamics of their market. The framework is as useful for Fortune 500 companies as for start-ups, and vice versa, and makes it possible for any company to ensure the products and services they introduce into the marketplace will be a success.

About

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