



Arm & Hammer Animal Nutrition Achieves Double Digit Revenue Growth Using ODI

by Anthony W. Ulwick

Arm & Hammer’s Animal Nutrition business (Church & Dwight) was determined to grow. Scott Druker, director of the business, chose to employ Strategyn and its Outcome-Driven Innovation methodology to formulate and drive its growth strategy. A mere year after adopting Strategyn’s “jobs-to-be-done” thinking, the business had experienced double digit growth, far outpacing its competitors. Scott sat down with Strategyn’s founder, Tony Ulwick, to talk about the remarkable journey.

A conversation with Scott Druker

The following conversation took place on May 20, 2015.

Ulwick: Scott, how would you describe the problem that Church & Dwight was trying to solve?

Druker: We had gone through several product development efforts and launches in recent years that were disappointing despite the technical success of the products. The commercial response was lackluster. So, not wanting to repeat history and recognizing that innovation was an important aspect of our growth strategy, we asked ourselves, “Okay, how can we do things differently?” I was familiar with your work, and I thought it would be an interesting approach to take given the challenges we were facing with our animal nutrition products in the dairy market.



Scott Druker
Director of Animal Nutrition
Arm & Hammer Animal Nutrition

Ulwick: How would you describe Arm & Hammer Animal Nutrition’s traditional approach to innovation?

Druker: We relied largely on discussions that we’d had with customers, with people in the industry that we worked in, the dairy industry in particular. We’d talk to nutritionists and to dairy producers, asking, “What are some of your biggest issues?” We mainly focused on the nutritionists, who are the people the dairy producer hires to help put together the ration to feed the cows. Our products go into those rations, so even though the dairy producers are buying the products, most of our efforts were focused on the nutritionists.

Ulwick: Would it be fair to say that before using ODI, part of the issue was not knowing which customer to target to obtain the needed insights?

Druker: We’ve always known the end customer is the dairy producer, and ultimately the dairy cow, but yeah, we were basically getting our innovation information from a consultant that was being hired by the dairy producer. So yeah, I think absolutely part of our issue was we weren’t identifying the right people to speak to.

Ulwick: Why did you choose to go with Strategyn and ODI over other options?

Druker: Prior to joining Church & Dwight and taking lead of the Arm & Hammer nutrition business, I led a business that sold anti-microbial actives and formulated products, and I was responsible for developing markets and new products. I first came across the ODI concept while reading *The Innovator's Solution*, by Clayton Christensen. That book makes reference to your work and the concept of jobs-to-be done, and that led me to read your book, *What Customers Want*. It was natural for me to decide that if I was going to do something to improve innovation, I might as well go to the people who wrote the book on it.

Ulwick: We're happy that you did. Let's talk about the results. What surprising insights came out of the Strategyn/ODI research?

Druker: The research helped on many fronts. First, it helped clarify in our minds that the customer is the dairy producer, not the nutritionist. Next, understanding that the "job" they were trying to get done had little to do with nutrition and was focused squarely on optimizing herd productivity. Then it was certainly eye opening to see how many desired outcomes the dairy producer is trying to satisfy in a given day, in a given month, in a given year. I think we identified over 165 different desired outcomes (well-constructed need statements). We homed in on optimizing dairy herd productivity, and when we started prioritizing the outcomes through quantitative research, the most surprising thing was how many opportunities there were, and how few of those opportunities were directly related to nutritional ingredients for the dairy producer. Our whole business is focused on supplying nutritional ingredients and supplements, so that was probably the most surprising thing.

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Ulwick: Scott, how would you describe the market strategy that Strategyn recommended based on the customer insights?

Druker: Clearly the market strategy started with our collective recognition of whom we needed to target for value creation. Even though we don't sell directly to the dairy producer, we need to make sure that we keep our eye on the dairy producer and the job they are trying to get done. We have relationships with various other components in the supply chain, but at the end of the day, we need to create value for the dairy producer.

The second major focus was changing our messaging and how we speak about things—moving away from talking about product benefits and features and toward talking about outcomes, and linking our products to the outcomes they satisfied. The third focus was taking a look at the job map, which had 15 steps in it, and saying, “Let’s take a step back and look at where we can position ourselves in the marketplace that impacts the majority of these steps.”

The other part of the market strategy is segmentation: recognizing that the normal demographic methods for segmenting customers, while helpful for sales resource prioritization, are not helpful for opportunity identification, and hence solution identification. One of the things I go back to, one of the surprising things that came out of the research, was that a large dairy or mega dairy can share many of the same unmet needs and outcomes as a small dairy. And geography wasn’t necessarily the determinant either: ultimately there were some key outcomes that decided what kind of segmentation there was. Thinking about that—the segments and how we position the business—has become an important part of our marketing strategy.

Ulwick: How did the outcome-based segmentation solution impact your market strategy?

Druker: It gave us a more realistic way to look at the market. Over time we had confused sales prioritization with real customer market segmentation. At the end of the day, we only have a certain number of salespeople, so we tend to want to call on the larger dairies, because if you get one of them, they have a measurable impact on your business. We just assumed that all those large dairies share certain needs, and that small dairies have completely different needs. The data showed that was not the case, so that absolutely was surprising.

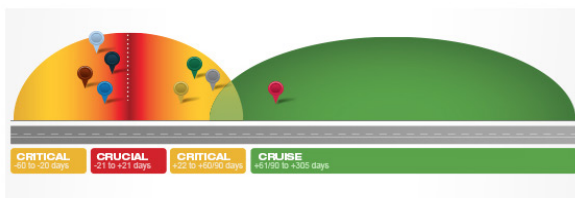
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Ulwick: What other market strategy recommendations provided your team with immediate value?

Druker: One of the key recommendations that we initially focused on was to go after the low-hanging fruit, to find out if and where our existing products addressed some of the most underserved outcomes that were identified. We basically got into a room, listed 165 of the outcomes on the wall, color coded the segmentation, and identified the 10 or 11 outcomes that all segments shared and identified as high priorities. We literally went through each one of our products and tried to see which outcomes those products could potentially help address.

We then focused a lot on the redesign of our whole messaging. We took all our product literature and our website and redesigned and focused them on outcomes. Our whole marketing talk and speak turned to outcome based, and that is very prevalent now in our whole business. People talk about outcomes. Now you hear salespeople saying, “We need to position this in terms of an outcome a person is trying to satisfy.” So that is rewarding, to hear people starting to think that way. I think some of the basic elements of the recommendations we followed pretty quickly.

There were several recommendations made around becoming a total solution provider to the dairy. We probably have been a little slower to respond on that, but it’s not ignored; it’s probably something I am spending more time on now, thinking about.



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Ulwick: Scott, what internal challenges did you face in gaining agreement from everyone to head down this new path.

Druker: I'm kind of fortunate that I was able to unilaterally make the decision to go down this path. But having said that, it was important to me to get consensus. I needed to make sure everybody bought into this. I think the biggest resistance we had early on came from the fact that I came at this with a greater degree of knowledge of what outcome-based marketing was about. So early on, it was just getting people to appreciate what this was about. Also, the senior people are used to seeing and thinking about markets and market research studies in very traditional ways. They want to see a pie chart with size and your market share, but I was talking about job maps, outcomes and multivariate dimensional scores—not something that necessarily resonates quickly. But again, I have to say there was very minimal resistance, to be honest with you.

Ulwick: Was there a reason the organization was ready for change?

Druker: Yes. We had a product—a protective license product—that we had developed and launched. We spent seven years developing it based on hearing in the market that there was a need for it. I would argue and defend it as the best in the market, and we launched it to much fanfare. Then it kind of just did a ho-hum. So that example was fresh in our teams' minds, and we could say, "What went wrong here?" It's not the product development, and certainly not our marketing. It's certainly not our company's reputation, and it's not our overall knowledge of who to call on, or our ability to access any of the particular decision makers. It's just that we didn't ask the right people the right questions. That was probably one of the easiest ways to start convincing people: we had just had a fresh example of a product innovation that was just lackluster.

So we didn't necessarily have to go change our pricing or products or redesign or reformulate the products. The biggest impact was changing the messaging so people understood, "Oh that's what that product can help me get done."

Ulwick: Scott, of all the actions taken to date, which had the most impact on revenue?

Druker: Clearly, changing our messaging helped us differentiate our products versus competitors'. Whenever you pick up a trade journal in our industry, you see a cow in an ad and virtually the same story: "We can help improve milk production, protein production, fat production, dry matter intake." It doesn't matter which ad you are looking at; it is virtually the same thing. So what we have been able to do is say, that's not really what the people are focused

on. It's actually surprising when you think about it. Of the 165 outcomes that the dairy producer mentioned, not one of them identified any of those key points that you see in almost every one of the ads. So we didn't necessarily have to go change our pricing or products or redesign or reformulate the products. The biggest impact was changing the messaging so people understood, "Oh that's what that product can help me get done."

Ulwick: Scott, we completed the project work in late 2013. Can you describe how the market strategy implementation rolled out?

Druker: By the end of 2013 we got all the results, and we spent the end of 2013 really going through the first stage of looking at our products, digesting the information, and asking ourselves, "Okay, how do we act on this data?" Second, we tried to understand how our products could address some of the underserved outcomes, and we started thinking about the segments and how we should change some of our sales conversations, based on what segments a customer might fall into. By the time 2014 rolled around, we had really started the wholesale change to be forward facing to the market—changing our positioning and our Web design and promotional literature. By the first quarter of 2014 and certainly by the second quarter of 2014, we were full on into repositioning how we go into the marketplace.

Ulwick: How long did it take for you to start seeing results?

Druker: I would say we started to see results almost immediately. You start seeing the results in terms of the conversations you are having, and then you start seeing incorporation of products. We had a phenomenal 2014. Off the charts. The dairy economy helped—it was a factor in it. I think our execution, our messaging, and our positioning all contributed to an outstanding year.

Our business, from 2013 to 2014, grew greater than 30% and the ODI process played a significant role in that growth. Every one of our products had double digit growth.

Ulwick: Can you share how the ODI-based market strategy impacted your revenue growth?

Druker: I'll say we grew greater than 30% and the ODI process played a significant role in that growth. Every one of our products had double-digit growth. A lot of people in the dairy business did great last year because factors aligned, but we far outpaced many competitors.

In addition, in January 2015, we made an acquisition of a business, Vi-COR, that got us into more species than just dairy. It brought a very nice complimentary product for us to use in dairy, but it also got us into the poultry and swine markets, which is exciting for the growth of our business. When we made this acquisition, the template I used to explain to our executive team why it made sense was generated from the ODI work. I was able to show them that here is a job map, and here are outcomes the dairy producer is trying to satisfy, and here is why Vi-COR's products are going to help us with some of these key outcomes. Vi-COR also brings in a service component that helps address some areas that we identified as some of the top opportunities in dairies. I found that this small business was operating in a very important niche, providing a very important solution to dairy producers. I used the work from ODI to screen for acquisitions, and that work assisted in the acquisition.

Ulwick: How did these successes impact the organization and you personally?

Druker: Probably the biggest personal gratification I have is looking at my team and seeing that they are embracing the methodology. I think it helped them think more broadly about who we are as a business and what we do, and what opportunities are out there.

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EXCITING NEWS
ABOUT OUR EXPANDED FAMILY OF BRANDS

On January 2 Arm & Hammer Animal Nutrition acquired Vi-COR™, a world-class manufacturer of fermented yeast-based feed ingredients and Refined Functional Carbohydrates™ (RFC™) for dairy, beef, poultry and swine.

That means the all-natural Vi-COR products are now part of the Arm & Hammer Animal Nutrition family, further strengthening our position as the brand that stands for "Animals First. Productivity Always."

 **ANIMALS FIRST.
PRODUCTIVITY ALWAYS.**

Ulwick: How would you describe your experience working with Strategyn?

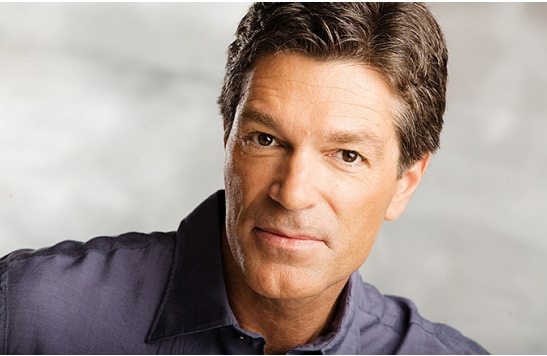
Druker: It was terrific. I believe the agriculture nutrition industry was a little bit outside of where Strategyn normally works. All the same, you guys are great, professional, intelligent, right on time. Great communications—it was definitely really enjoyable to work with the group. And I speak for my whole team.

Ulwick: That is always good to hear. Thank you. And just as a final question, is there anything else you would like us to share with the readers of this case study?

Druker: That no one else in agriculture should try this! But more seriously, the thing that I would share is, once you get involved and you start to think about a market through this lens, the notion of defining your customer as a job executor, and then asking customers what job they are trying to get done instead of asking them what solutions they want is such a basic, simple, and obvious way to approach product development. It's remarkable that companies just don't do it more often. But I do understand why. It's not trivial to do. I've come to appreciate that it's not an easy exercise, but once you have gone through it, it's so obvious – and powerful. It is obviously the right way to approach marketing and innovation.

Ulwick: Scott, thank you so much for sharing your thoughts. It's been a pleasure working with you.

Contacts



About the Author

Anthony W. Ulwick is the founder and CEO of Strategyn, an innovation consulting firm based in San Francisco, California. He is the author of *What Customers Want* (McGraw-Hill, 2005), "Turn Customer Input into Innovation" (Harvard Business Review, January 2002), "The Customer-Centered Innovation Map" (Harvard Business Review, May 2008), and "Giving Customers a Fair Hearing" (MIT Sloan Management Review, Spring 2008). He can be contacted at ulwick@strategyn.com.

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