

Customer first thinking.

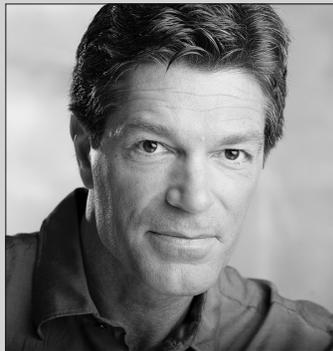


Why New Products Fail:

An Interview with Tony Ulwick, Founder and CEO, Strategyn

Tony Ulwick:

Tony Ulwick is a pioneer in job-to-be done theory and practice and the author of the book "Jobs To Be Done".



The legendary Harvard Marketing Professor Theodore Levitt is widely credited with saying, "People don't want a quarter inch drill, they want a quarter inch hole".

Except he never came up with that saying himself. In his 1969 book "The Marketing Mode" he was actually quoting an obscure New York ad executive by the name of Leo McGivena. Even McGivena may not have come up with it. It's possible he may have cribbed it from a 1942 newspaper insurance ad that appeared in a Pennsylvania newspaper. The ad copy read in part: "Hardware stores report that over one million men bought one-quarter inch drills in one year. Not one of those million men wanted the drills. They wanted quarter inch holes in metal or wood." However, Levitt did add this pithy adage of his own: "People don't buy products; they buy the expectation of benefits."

Whoever deserves full credit, the saying is as true now as it was then: when people buy a product, they are looking to solve a problem and satisfy a need. But here's the mystery: if most

marketers acknowledge the wisdom of that saying, why is innovation still largely a hit-or-miss proposition for most companies (mostly miss)? Depending on the industry, the product failure rate is something like 75-90%. And that record of futility has barely budged in the decades since Levitt immortalized that saying.

Think how many thousands of new products hit the market every year and the huge amount of R&D money behind it. Think of the time and effort to nurse those product concepts through every phase of the stage-gate process: the money spent on market research – on engineering design – on prototyping and testing – on business case development – on product launches. Companies plow stubbornly ahead relying on the flimsiest signals, thinking they know what the customer wants, when really they don't. The high-level "needs statements" they extract from segmentation models and personas are often vague, generalized, and subject to misinterpretation. When those new products eventually make their way off the factory floor, they are usually met with a collective yawn or outright rejection by the marketplace.

A solution to this game of chance began to take shape in the early 1990s when Tony Ulwick, who had founded an innovation consulting firm after a decade of observing product flops at IBM, invented a patentable process he called "Outcome-Driven Innovation" (ODI). His idea, in short, was that customers "hire" products to perform specific jobs in their lives. What marketers needed, he believed, was a failsafe way of matching those jobs to the right solution. Taking his cue from Six Sigma principles, he came up with a systematic process for identifying and prioritizing desired job outcomes based on a rigorous analysis of customer needs (read "jobs"). In 2003 he codified his process in a book titled "What Customers Want",

arguing that marketers can take the guesswork out of innovation by adopting his method of filtering and ranking potential opportunities through the eyes of the customer.

Around that same time the famed Harvard Business School professor Clayton Christensen, renowned for his theory of “disruptive innovation”, published a book called “The Innovator’s Solution” in which he introduces his own “jobs-to-be done” theory as a companion to his “disruption thesis”, recommending that businesses focus their innovation efforts on identifying jobs customers can’t get done due to a lack of available solutions.

By that point Tony Ulwick had already spent a decade or so helping businesses transform their innovation processes and dramatically reducing their new product failure rates. Today his starting point is to convince companies that they can achieve a sustainable competitive edge by segmenting their market around unmet or underserved customer needs. The trick is to define a need as a job that needs to be done with multiple desired outcomes that can be measured, scored and ranked. Doing so makes the innovation process far less risky and much more predictable.

I started by asking Tony about his awakening at IBM following the disastrous launch of PCjr and the lessons he learned from that historic dud.

TU **Tony Ulwick (TU):** Like you said, PC Junior was supposed to take over home computing and put IBM on the map in the consumer space. Instead, the day after it was introduced, the headlines in the Wall Street Journal read, “The PC Junior is a flop”. And of course we didn’t believe it. We thought, they don’t get it. Unfortunately, we didn’t get it. They had it right. And about a year later, we closed down the plant and it was about a billion dollar failure. I asked the same question you asked: Why did it fail? What happened? Manufacturing engineer at the time working on the manufacturing line, setting it up, getting production ready. But I was very interested in why it failed. And I started looking around IBM to figure out, you know, what research went into this, how’s the process work, that kind of thing. And I quickly realized there wasn’t really a process. It was a pure technology push. It’s like, if we have technology that can do this stuff, let’s do it, right? And that still happens today all the time as well. So it’s not just IBM’s problem back then, it’s many companies problem even still today. But in essence, and you read this all the time, you know,

why do products fail? They fail to meet a customer need. That’s it, the top reason. And it repeats itself over and over again. And, you know, from that point on I just said there’s got to be a better way. And I got very interested in innovation as a process and working in the space, trying to create a process that mitigates the risk and it’s more predictable ever since. So that’s it in a nutshell.

SS

Stephen Shaw (SS): So you stayed on at IBM for I think another 10 years after the PC Junior flop.

TU

Yeah, about five more years. That’s right.

SS

And so I think it’s 1990. Correct me if I’ve got that time incorrect, but you had a eureka moment, I guess I’ll call it, that inspired you to come up with a more fail safe way to innovate. What triggered that aha moment?

TU

Well, you know, as I started studying the innovation process because it seems like it’s simple, right? Like, if you think of what innovation is, you’re just trying to come up with a solution that addresses unmet need. There’s only two inputs in the process, solutions and needs. This shouldn’t be that hard, but it’s obviously more complicated than that. But what I learned pretty quickly is a lot of companies take what I call, “the ideas first” approach to innovation, where they don’t know all the needs, but they have an idea and they start pursuing it, they start building it, prototyping it, put it out in front of customers, get feedback and go through an iterative process.

Now what they’re doing is they’re intertwining the front end of innovation with the development process. In other words, they’re designing what the product’s supposed to be while they’re designing the product, right? As opposed to coming up with what the product should be upfront and then designing the product that is going to win in the market. So that’s very iterative. It’s still very popular even today. They put names on it like “pivoting” and “failing fast” and all that kind of thing, as if that makes any difference, but it still leads to high failure rates.

So a lot of people know that and they say, well, we’re going to take a needs first approach to innovation. Let’s get out in front of customers, understand what their needs are, understand what you’re unmet, and then we’ll solve those unmet needs. Makes a lot of sense, but that doesn’t work that well either. This is what I was trying to get at. Why is it so hard? What I discovered is that in nearly every product

team there's disagreement on what a need even is.

So if you go to the sales team, they talk about needs as features and benefits. Marketing talks about them as excitors and delighters, development talks about them as specs and requirements. And then you have a whole bunch of other names, value drivers, wants, must haves. You know, I could go on. There's 40 different terms I routinely hear from people describing what a need is. That's really where the problem lies, right? It occurred to me that we can't even agree on what a need is, never mind which are unmet and what the best solution is.

So, then another piece of information crossed my mind back in that time frame too. And that goes back to Levitt's quote, you know, "people don't want the quarter inch drill – they want the quarter inch hole". That makes sense. He wrote that in 1962. I had known that for years, but it finally clicked in my head. As a process engineer guy, I thought, you know what, instead of studying the product, the drill, let's go study the process. What are people trying to accomplish? Let's go study the process and define needs around what they're trying to do. Well, that made good sense and I tested it out and sure enough that, that really works very well. So this became known as jobs to be done theory. You know, people buy products to get a job done and let's go study the job, make the job unit analysis and figure out how they measure success along each step of the way. And those metrics are the customer's needs. That's what a need is. (10.44)

SS

So did you take a bit of inspiration from Six Sigma analysis and think, oh, this could be very well applied to understanding what customers' jobs are?

TU

Yeah, it's a great question. Absolutely. I did. You know, being a manufacturing guy, you know, we focus on getting the job done better. It was through automation, it was through statistical process control to reduce variability, it was through Six Sigma to reduce defects. And I thought, well, people executing processes, it's not the manufacturing process, but it's a process. They're probably trying to do the same thing, get the job done faster, more predictably, no defects. And I just took that same thinking and applied it to customer facing discovery and came up with outcome driven innovation.

SS

So you took that concept, that kernel concept, and started a consultancy, which I think you initially called the Total Quality Group and named your innovation process at that point "CD Map", I believe at that point, what was your vision? How far had your thinking evolved around the need to focus on outcomes and not products?

TU

Well, I knew we needed to focus on outcomes, not products. That was clear right from the start because I knew the metrics that we were going to use were tied to what people are measuring and controlling while they're trying to execute a job. So that part was quite clear. What was less clear is, you know, how to get them prioritized, how to run segmentation analyses around them and that type of thing. All that had to be developed. But it was clear in my head that we needed to follow a process where we could identify the customer, we could identify what their needs are, their outcomes, we could figure out which are unmet. We could see if there's segments of people with different unmet needs and then decide what we want to do. We want to go after that segment with the product that has this feature set and it'll get the job done a lot better.

So all that was pretty clear. But making it happen and filling in all the gaps and all those steps, it's taken years, I mean, we still make modifications to this day to execute on that. But the key to it is the different mindset, right? People buy products to get a job done. Let's study the job to be done, not the product. And for a lot of people it's hard to stay out of solution space. It's just a natural place for people to be. So it requires a different mindset and discipline. That's why people still to this day, you know, following an ideas first approach to innovation, struggle to define needs and still struggle with innovation. It's not as if the problem's been widely solved.

SS

No, and I'm going to ask you about that a little later on in this conversation about the adoption rate and obviously why still a lot of products fail. But I am intrigued. I mean, one of the things you did, as you say, it took a while, is to create a systematic way of approaching this, not just a philosophical approach. I mean, clearly what's in the way is a lot of companies aren't customer centric yet, so they're not thinking about the customer, they are thinking about the product. But the breakthrough for you was coming up with a framework. Which takes me to a question here around

your relationship with Clayton Christensen, who I think you said, you met in 1999, if I'm correct about that. This is after developing your ODI framework. I'm curious how much your interactions with him influenced his landmark book in 2003, "The Innovator's Solution", which is the same year you came out with your book "What Customers Want". My understanding is that you actually coined the term "Jobs To Be Done" - he popularized it, is that correct?

TU He actually came up with the name "Jobs To Be Done", not by himself, but through the help of Rick Peaty as the gentleman's name. I think he quotes that in this book. When I talked to Clay about it, I met him in 1999, like you said. I felt like I had a solution for the innovator's dilemma. And I called him up and he said, sure, come in, we'll chat about it. Very kind, gracious gentleman. So we sat down and talked about it, and I think it did have some influence on his thinking. He talked about it in his book. He footnoted some of the conversation that we had and referencing Outcome Driven Innovation.

At that point, Outcome Driven Innovation was well baked. You know, it was working very effectively in many companies. Indeed it was, you know, "The Innovator's Solution". So, I was thrilled that he picked that up and, and talked about it in this book. "Jobs To Be Done", even at that point when he introduced it, that wasn't supposed to be the name of a theory. It was just simply saying, "Hey, people buy products to get a job done". Later on, like a few years later, it became known as Jobs To Be Done theory. So in essence, it's the theory behind Outcome Driven Innovation, what powered it. So now we, in my book, you know, we talk about Jobs To Be Done more or less as the theory, and Outcome Driven Innovation is the process that helps you execute on that theory. (15.53)

SS Well, and I think that that was the key to it all. I mean, it's great to have the theory for sure, but coming up with a process to actually act upon is another thing. And then that's where you get all the credit and deservedly. So one of the things, and I've read both your books, one of the things you say in the first book is, and I love this phrase, "Companies may not have the time to get innovation right, but they have the time to do it over". Do they not have the time or it's simply they don't take the time?

TU

Well, they don't take the time. They may not have the time either, or they perceive they don't have the time, but they're making up for it in the back end, right? They're wasting time going through iteration after iteration. You know, we see that when people adopt ODI, they cut their development time by up to 75%. It's because they're not redesigning the product every time they go get some more customer inputs, right. So it saves a tremendous amount of time.

But I think the real problem though, is companies generally just, they don't budget for the type of market research that's needed to make this effective. Like it's, they may go do a few customer interviews and that kind of thing and think they heard a few things and they discovered a few needs and they're ready to go and go take action. They're anxious to go take action.

And you see this embedded in an industry today. If you look at the venture space, that's exactly what they do. They're betting on ideas and management teams, not on well vetted out product concepts. They're just assuming that with the right team and the right idea, there's a market there, they're smart enough, they'll figure it out, 10% of them will win, we'll make a lot of money. It's good enough. But it could be a lot better, right? It doesn't have to be that way, but the model works even in the inefficient state that it's executed. And so it doesn't give a lot of people a reason to change.

SS

Well, and they play the numbers game. They think that we'll invest in a lot of different ideas. At least one of them may succeed. It may be 100 ideas before they hit the one that does. But the one that does is a jackpot, I think is basically the approach that's taken by a lot of companies today, which kind of takes me to a key question and a marketer's role in all of this versus say product development, which is that companies really struggle actually - and you make this point very clear - they even struggle to define what their target market is, never mind figuring out what the underserved needs of customers are. That suggests to me that's the starting point is, "What market are we serving?"

TU

Yeah, you're absolutely right. And, you know, it's, it's obvious that you have to know the market you're serving to get the needs. And, you know, I was more focused on getting the needs and you know, we would get the market right as part of that needs discovery. Now over time, I spent

more and more time thinking about and saying, you know what, we should define what a market is first. Because what I learned is, not only do people not agree on what a need is they don't agree on what a market is. Should we define a market around a technology, a product, a vertical, a use case, a persona, a geography, a vertical, you know I could go on. And companies define markets in all these different ways as if it doesn't matter which way you pick, but it does, right?

And so this is why in the second book, you know, I really emphasize key step of defining the market first. Who's the group of people that you want to target and create value for and what job are they trying to get done? So defining a market as a group of people and a job to be done is very different. Just like defining a need is a metric people use to measure success when getting a job done. And so it became apparent to me that it's really critically important to have the entire system and language that can describe the entire system.

And that's why in the books I put together the glossary of terms. Because if you define a market the way we define a market, then it makes sense why you define a need the way we define a need, right, and so on. And the other point you mentioned was picking your markets. And you talked about segmentation earlier. A lot of companies prematurely segment their market. When we define a market as a group of people in the job to be done, we try to make the group of people as large as possible. Let's include everyone who's trying to get the job done, right? Not just some of the people who are trying to get the job done. That would be a segment.

So what we do is after we've defined the large market, know the needs, know which are unmet, then we segment around the unmet needs, and then we can find segments of that group of people that may be underserved, overserved in different ways. And we could design products for each of those segments if they're indeed different. So we save the segmentation for much further downstream. And to this day I still see companies do the same thing. They're defining the market segment they're going after upfront, not the market, right? And it's, it's just premature to do it that way. (21.04)

Well, they define the market by product category often. And that's a preconceived concept. And then the other thing that strikes me is that they're not open minded

to the fact that customers may have solutions that are outside the current product set that they're perfectly happy with, which should be part of the market and part of the consideration, I would imagine.

TU

Yeah, that's exactly right. And that's why I often say when you go to customers, you're not trying to figure out what job your product does. Your product may only get part of their job done. What you're trying to do is figure out what job are they trying to get done.

SS

Yeah, and the other thing I like about your approach is you're not just thinking about what the product is doing when it's in use, you're thinking about it even before that. When it's purchased, after use, maintenance, even discarding it should become part of the equation. Which comes right back to my point earlier about the customer centricity approach, because there's a life cycle here that needs to be taken into account. And there may be real opportunities for companies to explore the post sale, post usage experience as much as the product itself.

TU

Yeah, you're absolutely right. You know, people buy a product to get a job done, but you still have to satisfy as a manufacturer all the consumption chain jobs. Like you say, it's going to be purchased and received and set up and interfaced with and cleaned and maintained and stored and upgraded. And now people aren't buying products so you can upgrade them and store them, right? They're buying them to get the core job done. But to your point, you know, we need to understand all the needs associated with the product lifecycle. If you get them wrong, then you're going to be in trouble there as well. But I view those inputs as being critical in the design phase of the product.

Before that though, you have to conceptualize the product, conceptualize what it is, what's it going to do. Then you hand it off to development. Development has to go create it in such a way that it's easy to interface with and store and maintain and upgrade and all those types of things. And while we're at that, there's a third customer too, which is often different, which is the buyer. The buyer and the job executor, as we call them, are often two different people, especially in B2B. And it makes it even more complicated. And what we've learned over the years is the buyer uses a set of financial outcomes to get their job done, which is generally to drive profitability within the organization. And

SS

so, understanding that is important because the go to market strategy for the buyer is different than the go to market strategy for the end user.

SS

Well, I would argue in the consumer market, the two stakeholders you have to consider are the husband and the wife because they often have different perspectives. I want to ask you a loaded question, I apologize for this in advance, but we'll go back to our conversation, like 25% of all new products succeed meaning 75% don't, which is still a number that hasn't budged a whole lot over the years. If you had to wave a wand and say the biggest mistake companies make today, with respect, and you've alluded to some of the very large mistakes that companies make, but what would be the biggest one that you think they need to solve? Is it in fact just stepping back and understanding what value customers are actually trying to extract when they're faced with a specific job to be done?

TU

What has to be done, you have to align a team around a winning strategy. And what I mean by that is, we have to be able to discover what the unmet needs are and all agree to it. That's what's broken. Because as it stands right now, people don't agree on what a need is, they don't agree on what the needs are, they don't agree on what needs are unmet, they don't agree on what segments exist. So they use proxies like, demographics and psychographics. And that's the problem. It's just that simple.

This is, I know this is. It almost sounds hard to believe because companies get so many inputs from customers day in and day out from so many sources, there's thousands of pieces of data coming in every day. But despite that, product teams don't agree on what a need even is. So what information are you going to take to make your decision on what product you're going to build? If you can't get your entire team to agree on that, and be right, then you run the risk of failure. And that's the root cause of failure in the innovation space. (25.25)

SS

You also referenced and you're quite disparaging - and having again been involved in many need segmentation projects over the years - you're quite disparaging of need segmentation as a foundational tool for starting down the path of identifying needs. Can you explain what your issues are with current need segmentation methodologies?

TU

Yeah, well, they're not based on needs. That's the problem. It goes back to the question of, well, what is a need? And I learned this at IBM back in the 80s because we were working with McKinsey at the time and they did a needs based segmentation study, which I thought was brilliant, except for the fact that it wasn't based on customer needs and it failed miserably. But I really loved the concept. But the problem once again was, and I look back at this work and I realize, you know, they had solutions in there, they had consumption jobs, they had, they had a mix of a whole bunch of things as if they were the right inputs, and they were just the wrong inputs. So it's not that I'm against needs based segmentation, I'm just, I'm for needs based segmentation that's using outcomes as need statements. So you're segmenting around where people struggle to get the job done and you can figure out quite simply where they're underserved, overserved, and that forms a basis for very effective needs based segmentation, or we call it "outcome based segmentation", just to differentiate.

SS

Yeah, well I think that's certainly important. I'm going to swing back to this subject a little later on because I do want to do a deep dive on, because we're talking a fairly high level about your ODI process. I would certainly encourage everybody to read your two books because you brilliantly explain it from end to end. Can you just give people an overview of your outcome based process?

TU

Yeah. So it begins, and we've covered a bunch of it already. It begins with defining the market. And the market is a group of people and a job to be done. So it could be parents, there's a group of people trying to pass on life lessons to children. There's a job to be done. It could be interventional cardiologists, a group of people trying to restore blood flow in an artery, a job to be done. They're all defined in the same way. A group of people inclusive of everybody, plus the job to be done. We're defining the job as a process they're trying to execute.

So what we're doing here is where we know that products come and go, but markets defined in this manner are stable over time. Parents have been trying to pass on life lessons to children forever and it's still undeserved, speaking as a parent, so defining it in that manner is critical. Now we can break it down into job steps. I have an article in HBR back in 2008 called, The Customer Centered Innovation Map that

talks about job mapping. So it's the first thing we do after we define what the job is. We sit with customers and have them take us through the key steps in the job. What are you trying to do. Now, this is not a process map. So we're not laying out what people are doing in solution space. We're laying out what are they trying to do in problem space, because in solution space there could be 20 solutions and people executing it 20 different ways. But we don't want 20 process maps, right? They're all trying to do the same job. We just want one job map that reflects what everyone's trying to accomplish, alright?

So a distinct difference. And then once we create the job map, we look at each step in the job and collect the outcomes. So we sit with customers and we ask them to take us on a very slow motion journey through the execution of the job. Just step by step, just all the little pieces and how they measure success along each step of the way. So as you know, the interventional cardiologist is trying to restore blood flow in an artery. They want to minimize the likelihood of breaking into a side vessel, or minimize the time it takes to maneuver through a tortuous vessel, or minimize the time it takes to reach the lesion, right? There's very specific measures that they're using to judge success in restoring blood flow to the artery. So you spend hours with customers learning what they're measuring, right? These are their metrics. People are buying products to get a job done. It's how they measure success when getting a job done. You can't be more customer centric than this. These are the metrics they're using to judge what value is. So we want to collect these statements from their perspective. Then we go prioritize them. (30.0)

SS

And you can come up with somewhere between 50 and 150 different outcomes as a result of those interviews.

TU

That's right. That's pretty common to break 100 and many processes are very complicated. We've gotten some up in the 150 range, but others are less complicated. We find that consumer products are usually a little less complicated than B2B based products. But your point's correct. It's not as if there's 5, or 10, or 20 needs. There's 100 or more needs. And you have to understand what all those needs are before you can take the next step, which is to figure out which of those are unmet.

So we rely on quantitative research here. And we put a survey together that goes out to hundreds of interventional cardiologists or whoever the target customer is. And we ask them to tell us the importance of each outcome and its current level of satisfaction using the products they're using today. And we ask them what their product is so we know what product that is. So we can walk away from that exercise with a couple of data points for each outcome that we plot out on what we call the opportunity landscape. And it helps us figure out which of the outcomes are most important and least satisfied. And we put them through an algorithm called the opportunity algorithm. The importance plus the importance minus satisfaction, that says, hey, the outcome has to be very important and the gap between importance and satisfaction has to be great before we call it unmet. Simple formula works well. With that information, we now know where the market's underserved, overserved in total.

But we don't rely on that view, or that set of insights to take action. We take one more step first, which is to segment the market. Because we ask the question, do people agree on which needs are unmet? No, people don't agree on which needs are unmet. We've run thousands of studies, and it's true in nearly every case. So what we do is we segment around the unmet needs, as we talked about earlier, quite literally run factor analysis, cluster analysis around the unmet needs. And what that creates are groups of people, segments, that have different unmet needs. It's like magic, right? It's not the proxy, right? It's not demographics, psychographics, attitudes, behaviours, which companies often use as proxies for unmet needs. And they segment around that and they assume the result is a group of people with different unmet needs. Bad assumption, right? That's usually not the case. And the way to get it right consistently is to segment directly around the unmet needs. So that's what we do. It works extremely well. And from there you can find segments that are underserved, where people might be willing to pay more to get the job done better. You may find a segment that's pretty well satisfied but has maybe one or two unmet needs, where you could run a sustaining strategy. You may find a segment that's highly overserved, which could be a target for a disruptive strategy. Same market, same group of people.

Give you a quick example. You know, we have surgeons who are trying to remove an anatomical structure, and we did all the work we just talked about, and three segments emerged, much like I just described. The segment that was overserved was related to patients that were younger, had no comorbidities, were not obese, they didn't have adhesions from previous surgeries. So trying to remove the anatomical structure was not hard. They're over serving the market with today's solutions. On the other extreme, you have patients that are older, have multiple comorbidities. They might be obese, they have adhesions from previous surgeries, makes it much harder to get the job done, highly underserved, willing to pay more to get the job done better in that situation. Same job, same set of outcomes, different circumstances cause them to have different unmet needs resulting in those segments.

And all this can be figured out using the approach. And that's why, you know, I rely so heavily on the segmentation because getting it right will guide the action you're going to take. In other words, the opportunity and the type of opportunity dictates what strategy you should follow. If there's an overserved segment, you should pursue a disruptive strategy. If there isn't one, you should not pursue a disruptive strategy, right, and think it's going to work. We see that all the time. Companies say we want to disrupt the market. Okay, is there an overserved segment? Nope, you can't do that. That would not work. But what you could do is go after that highly underserved segment and pursue a differentiated strategy and charge more. Or maybe you just get the job done better and charge less and pursue a dominant strategy or blue ocean strategy. (34.50)

SS

Well, you're able to size the market. You're able to quantify exactly what the potential value of that market is, which in turn can obviously help drive the prioritization of the various strategies that you outline in the book as well, which, which if we have time we'll come back to because I thought that was very informative. In this whole process, is it entirely replicable by anybody or is there a secret sauce here? And I asked that question because getting it right at the very front end, which is the one-to-one interviews with customers asking the right questions, winnowing it down to the outcomes as you, as you describe it. It seems to me that's a bit of an art.

TU

You could say it started as an art. We kind of had to figure out what the rules were and document them. And we've done that. We've built an online training portal called "ODI Pro" that incorporates three certification courses that lays out everything. It lays out the frameworks, the rule set, the rationale behind it. Why do it this way versus something else? What happens if you do it wrong? So, it's very predictable. And this has been our goal, right, is to take the variability out of the equation so anyone following the process could be successful using the approach. And it's not easy. It's not for everyone. It's complicated. You know, I talked about all the steps you have to be good at qualitative research, quantitative research, data analytics, analyzing the segments, be a strategic thinker, you know, do ideation. There's a lot of pieces, but companies are doing them all the time, right? So we're just saying, just do it this way.

SS

They may be doing it all the time, but they're not doing it very well in my own experience. Mainly because marketing's been hollowed out. And the types of people you're describing with an analytical and strategic [?], fewer and far between these days. Another conversation. You make, so one clarification I do want to ask you about is you described the concept of a core functional job, an emotional job. And then there's all the other jobs around the life cycle that you were talking about. Just explain to me the difference between core and emotional. Are they mutually exclusive? Can they interrelate? How do you approach that?

TU

You know, getting the emotional component built in here is often critical, especially in B2C. You know, the core functional job is the reason people are buying the product. You know, I want to pass on life lessons to children, right? That's the function behind it. But at the same time, there may be some emotional jobs that you'd like to have satisfied. Like, maybe you want to be perceived as a great parent by your peers. Maybe you want to feel that you're contributing to your child's growth and success. You know, we would consider those emotional jobs. They go hand in hand with passing on life lessons to children. But they're not great design inputs on their own.

Like, if you didn't know the core job was pass on life lessons to children, and someone said, you know, I want to be perceived as a good parent, well, what product are you going to build then? You don't know. It could be better

clothing. It could be, you know, get them a car when they're 16. I don't know what it is, right? But because it's, you know, it's devoid of function. So it's important that we separate them out and use them for the right purposes. And we generally use the emotional jobs as a way to position the product. So you appeal to customers functionally and emotionally. So that's why we capture that.

There's one other type of job that we typically put in the studies as well, but that we call, related jobs. Now, these are jobs that people try to get done in conjunction with, or maybe before, or after getting the core job done. And we like looking at that because, if you can create a product that gets multiple jobs done, that product's generally more valuable to people than the product that only gets one job done. And of course, look at the iPhone, you know, there we go. It gets hundreds of thousands of jobs done. That's why, you know, it's a multi-trillion dollar company.

SS

Hmm. So, that's one distinction. I want to ask you about the other distinction because you do describe it as well, which is the concept of outcome based segmentation, which I think you've been describing, and job based segmentation. What's the distinction between those two? (39.27)

TU

Oh, okay. Well, now you're really getting into one of the good areas here. So, you know, everything we've talked about so far is assuming you're in a market. It assumes you're already in the market and you're just trying to figure out, well, what market am I in? What group of people, what job to be done? And going forward there. There are situations where a company may not be in a market, they may be trying to figure out what markets do we want to be in. So this becomes more of a market selection exercise. It's not defining the market I'm already in, it's picking a market to go in.

So, when we do that, we'll do what we call a job study. I think that's what you're referring to. And it's a list of jobs, right? So you could be talking to parents and go interview parents and say, what are all the jobs you're trying to get done with your children? And we've done this from P&G, for example. We have this list and you know, we talk to customers and there's, you know, 40, 50, 80 jobs. I forget the exact number that they're trying to get done. And so the question is, well which one should they go create products for? So we take all those jobs, run it through the same

algorithm, we talk to customers, what's important, what's poorly satisfied, and we try to find jobs that are underserved. But in the job based segmentation, we look for clusters of jobs that are underserved.

So for example, you know, we worked with Chiquita Brand International on snacks and they were saying, well, what other kind of snacks can we make besides bananas? And we looked at all the jobs people are trying to get done with snacks and there were, I think 100 plus, there were a lot. And we did our segmentation technique like I described, and we found a segment of the population, maybe 10% of the market that were very underserved, that what they were trying to do is to find a snack that they could eat at night that would help them get to sleep and stay asleep all night. So there were like five or six jobs related to that. And that became a great target, right? So that's a target for market selection. So now you can say, hey, I'm going to go target people who are trying to get to sleep and stay asleep at night.

SS

What product did they come up with? I'm curious.

TU

You know, an interesting story there. You know, there's over 10,000 varieties of bananas. One of the interesting debates was, should they come up with a nighttime banana? They can make it red, smaller, and bananas, you may not know this naturally have tryptophan in them, which is the same chemical that kind of puts you to sleep after you've had a big turkey dinner. And they could have went down that path, but they chose not to because they didn't want to confuse people with their brand. Because bananas are morning food, they're energy food. They're, you know, it's just the opposite. So they were very hesitant to go in that direction. But I think that's a great example of, you know, what you're talking about here. You know, are there groups of people who are struggling with a set of jobs that they could go uniquely target? And that would have been a brand new market for them.

SS

That's a fascinating story. Here's the other bit of confusion I had about this. Is ODI only used for new products and services, new markets, new opportunities as you express it, or can you apply it to existing products? And the reason I ask that question is because you also make the point that - I love it, the expression, value migrates. I guess new needs will emerge over time. And if your product isn't obviously aware, somebody else might come along and grab that

market from you simply because they have that additional or new functionality. So what's your perspective on that - new versus existing product portfolio?

TU

Yeah, it works exactly the same for both because we're not focused on the product, we're focused on the job, right? So if it's a new job or an existing job, the market you're currently serving, doesn't matter. It's the same exact process. There's really no difference.

SS

Well, the goal would be, I presume, instead of engineers at their drawing boards dreaming up new features, those ideas would come directly from customers to say, well, we should, take your iPhone example, you know, add a camera, add this, add this, add this to the product to satisfy these priority needs we've observed. I presume that would be the deliverable here.

TU

Well, when we're talking to customers, we make sure they're not talking about features. We would not accept a idea or feature from a customer and say here's a need, because that's not a need, that's a solution. What we'd say to them is, why do you want that feature? What are you trying to achieve? What would it help you get done faster or more predictably with a better result? And we would turn it into an outcome statement. So even on existing products, like, this happens quite a bit. You know, companies have an existing product, they're about to release, release a new feature set and they come to us and say, can you just make sure this is the right feature set?

So the way we do that is we take the features, we reverse engineer them back into outcome statements. You know, what outcomes did the features help you address? There might be, you know, five features, each one addressing three outcomes. So there might be 15 outcomes that we'll quickly put in the survey, figure out if any of them are important, unsatisfied, and then we can look at it and say, you know, four of these five features are addressing them at needs. This fifth one really doesn't, right? So when you're doing your marketing, make sure you emphasize the four that really matter. And maybe you shouldn't have invested your money in that fifth one. (45.22)

SS

Well, and I was also interested in the fact that ODI can be applied to fine tuning your positioning and market messaging. That, you know, where companies go wrong

with their advertising is they're not focused on the right need, the right outcome. And your point is, well, the way to fix that is to actually understand what the, what the value in the value proposition is.

TU

Yeah. Oh, that's exactly right. You know, we had a great case with Coloplast, uh, their wound care company. And we did the study - wound nurses were trying to treat a wound patients that are, you know, being hospitalized. We found that 10 of the top 15 unmet needs had nothing to do with make the wound heal faster, which is the way everyone was positioning their products. It had to do and make sure the wound didn't get worse. The nurses were very afraid of it going downhill, right? Which you might imagine. And I'm sure the patients were too. So they changed their positioning from, you know, fastest to, we prevent complications. And that's what they highlighted about their product and how they prevented complications. And they got a double digit growth within six months by repositioning a product they already had.

SS

Yeah, no, and I think you talk about that in the book, and your point in the book becomes quite clear is that the chances of success are significantly greater following your method than the 25% success rate that I referenced earlier. I think you talk about 75% to 80% success rate.

TU

Yeah. And the reason it's so simple, I love asking this question. What are the chances that a product team is going to randomly come up with a solution that addresses the top 15 unmet needs in the market if they don't know what they are? And the answer is pretty slim, right? But what if you sat with your product team and said, these are the top 15 unmet needs in the market, you know, what are the chances that someone's going to be able to come up with a clever idea on how to address those needs? And the answer is pretty good. They probably already have ideas to address those needs, right? Like when we helped Bosch into the North American circular saw market, we pointed them to this segment that had 14 unmet needs. It took them three hours to come up with this new CS20 circular saw concept. And as they said, Tony, it's not as if we hadn't thought about these ideas before. The problem is we thought about thousands of ideas and we didn't know these were the 14 that need to come together to create the most value for the customer.

SS

Let's talk about that a little bit because that's one of the points you, again, you bring out very well in the book. And you, you're quite disparaging as well of traditional brainstorming, I think you call it, your preference is to do "focused brainstorming". Can you just describe the two different approaches?

TU

Yeah, the one I disparage is without purpose. That's why I disparage it, right? So you get into a room and say, hey, we're here to brainstorm. There's no such thing as a bad idea. Just come up with all your ideas and let's write them all down and maybe we'll vote on it, maybe we won't, but let's just collect all the ideas. So, what you're asking people to do is to come up with an idea that they think is going to address an unmet need in the market. And the chances of them guessing correctly that the idea is going to address them in the market is really slim. So they're wasting their time. And what you end up with is a list of ideas that some poor person has to filter through and come up with a process for evaluating them and saying, I think this idea is good.

And what that person's doing, they're saying, is that idea in a market that we want to serve, yes or no? If yes, then does that idea satisfy an unmet need, the market we want to serve, yes or no. And then they could make a decision. That would take forever to figure out those answers. It's just so much easier saying, hey, these are the top 14 unmet needs in the market. Let's work down the list. Here's number one. How do we solve this, right? How do you keep the dust from blowing up into the user's eyes? Okay, well, maybe we look at the way the airflow comes out of the circular saw and we blow it back and down instead of front and up. Yeah. Can you do that? Yeah, we could do that. All right. It's not that hard, right? Once you know what the problem is, that's really what it comes down to. (49:57)

SS

There's a few other questions I want to get back to about the process, but I want to go back up to the way businesses plan around new product development. And it seems to me that there's almost two types of innovation processes that companies need to be thinking about. And one is obviously for the core business, like the recurring revenue, the stuff that has certainty attached to it. And all you're looking to do there is to improve, improve, improve, where it seems to me a lot of companies spend most of their time

today because it's the safe thing to do. The other direction, though, is to explore new markets and new opportunities. I recognize that what you said earlier, ODI can apply to both, but do they actually need two different development processes in order for that to work?

TU

No, you can still use the same development process. And we have a graphic that I'd love to show. It's got four boxes. And what we're saying is a market that you're already in, we call it, the core market, right? It's a group of people in a job to be done. Now, you could, if you want to go in a new market or another market, what we say is go after your adjacencies first. Now, what's adjacent to executor and core? Well, you could say same executor, but what other jobs is that executor trying to get done and figure out what markets you may want to go in? This is why we put related jobs in our questionnaires and things like that, is to help figure this out.

Or you may say, hey, we can get this job done. Who else is trying to get this job done? And maybe we could sell the same product to them. Now the advantage of going down one of those two paths is you already have your foot in the market, right? Either you have a technical capability to deliver on what the executor is trying to get done, or you have a relationship with the customer and you're trying to evolve it. So those are lower risk new markets versus what I consider a new market. It's a new executor and a new job. And you would have to go get brand new capabilities in order to go do that. So that's a much higher risk.

So the order in which we suggest companies grow from the core is to look at the core, make sure you're getting the entire job done, then look to see what other jobs those people are trying to get done, or to see are there other groups of people trying to get the same job done? Do all that first, then go look at new new. Because new new is starting from scratch and very expensive and very risky. And, you know, most CEOs are trying to make a difference in their organization. They've got a three year period. So investing in new new is not going to move the needle for them in their tenure.

SS

But what you're saying though, can guide acquisition, merger and acquisition strategy: which companies make the most sense if we really want to get into this market and want to fast track it?

TU Yeah, that's exactly right.

SS So, one other question about process. I'm just wondering where AI fits into this going down the run. I'm not sure if you're using AI at all today. Sounds to me like there's opportunities here to use AI to accelerate parts of your process. Have you thought through this at all? What's your perspective on the use of AI?

TU Yeah, we've been thinking through it and applying it, almost - what it's going to be - three years in November, right? So yeah, it's been an interesting tool. We use it to help execute the ODI process. So we've got modules that we've created to help identify what the job is. We have modules to help create a job map. They work pretty well. I'd say defining the job, probably 90% accuracy. Defining job map, probably 75% accuracy. And defining the outcomes, we're at maybe 40 or 50% accuracy. It's a little bit harder, but we keep reprogramming and trying different things to teach it how to create better outcomes. What we find is the closer we can mimic what we actually do in practice, the better result we're getting.

So we continue to invest in that and then other parts of the processes too. Like once we have the unmet needs, we use it to help seed ideation activities, right? Because we can feed it the outcome. One other thing we do, once we know which outcomes are unmet, we generally go back to customers and talk to them about just that one outcome and ask them, why is it underserved? What's the workaround, what's the root cause issues? So we have a lot of information about the unmet need. And we find that plugging that into AI and asking it for possible solutions chosen from other industries or whatever produces answers. Are they good? Who knows? You know, sometimes. But they do get the conversation started, right? So if nothing else, they're a good conversation starter to get people to start thinking out of the box. (54.52)

SS Yeah, it helps build momentum for sure.

TU Yeah. And then the last piece that we're investing in is AI that helps us mine the data. So, you know, we have all the data that comes back from that survey. You can answer so many questions from that data set. And so we've been working on a tool for the last year plus that really helps us dive deep into that and answer those key questions as well. And we're piloting that with a few of our clients right now.

SS So we have a few minutes remaining. There's two more questions I really want to ask you, and one is, having read the two books and sort of immersed myself in your various articles, read, went back and read some of Clayton Christensen's stuff. I'm totally bought in. I can't quite understand why most companies - most companies - haven't just fully adopted your approach to innovation. What's the pushback you get? I mean, it's so logical. And, you know, it's not as though the alternatives are better. What's the pushback that you hear? Why aren't more companies adopting ODI as their innovation process?

TU Yeah, well, you know, we talked about some of this earlier. You know, companies, they often have their ideas, they've already talked to customers, they think they know what the best solutions are and they're from successful companies. It's not as if they haven't been successful, right? They have been. So they go, well, what got us here before? We didn't have ODI before, why do we need it now? And so they still like to rely on their intuition and their knowledge. And of course, bringing this into a company can challenge the authority of other people in the company. I'm trying to think of the most polite way to say this, but there's a political, um, side to this too, right? There's people in every company that are experts and very highly valued employees inside that organization, you know, to go in with a different approach that may challenge that or, you know, even from a process standpoint, challenge what they've been doing for years. I've had a number of situations I can recall, with market research teams inside companies that worked very hard to derail the projects that we worked on. Yeah, and that was after we're working on them, not, hey, we didn't even get to work on them to begin with.

SS I have experienced that, yeah, absolutely.

TU Yeah, so you get that kind of thing too. But I think most companies are just impatient. They don't want to take the 2, 3, 4 sometimes months that it's required to have a fully flushed out concept. And the funny thing is, even if they're going to not follow it this time, they'll have all that information for the next version of the product. There's no bad time to get started and get all the information. And then we generally see that product teams don't have budget for big research. Our projects aren't inexpensive, but they're

not ridiculous. We're not charging McKinsey prices by any means, but they don't have the budget to go do that.

SS

When you're pitching a client, are you pitching against somebody else or are you pitching simply against the existing processes?

TU

When you say someone else, you mean.

SS

Another consultancy, another process, another methodology? The bookshelves behind me are filled with innovation experts writing about their specific process.

TU

Yeah, we often come up with, you know, against other practitioners who have different processes. But we usually win on the process discussion. You know, once we have a chance to explain how our process works, people get it. I mean, like you said, it's very logical. Makes perfect sense why it would work. And if we can show them pretty quickly how it would work in the industry, or if we've already done a project in their industry, that's great. A great way to get them more comfortable with moving forward as well.

SS

Well, Tony, we're out of time. I just want to say you're an absolute true pioneer. Through immersing myself in your works, I've learned so much. And going forward, the next time I'm involved in a needs segmentation project, I'm certainly going to be thinking twice about methodology. So it's been a delight. So thank you so much for being a guest today.

TU

Steve, thanks so much for the invite. I certainly appreciate it and I wish you great success. Thank you.

That concludes my interview with Tony Ulwick. As we learned, innovation does not have to be a high-stakes game of chance. Not if companies take the time to actually figure out how customers define value. But that means abandoning old school methods of research like needs based segmentation, which yields abstract conclusions subject to misinterpretation, in favour of a more systematic methodology based on the jobs that customers need done and the ideal outcomes they're seeking. A need should be defined as precise set of job statements for which customers lack an available solution. In other words, a solution that works according to what they hope to gain by using it. The ODI framework that Tony Ulwick has developed is a proven process for identifying and prioritizing those unmet or underserved needs. Most companies today still flounder in their innovation efforts, designing products or solutions that are greeted in the marketplace with a "shrug of the shoulders". Until they learn how to be more disciplined in their approach to needs definition, ideally by deploying a customer centric methodology like ODI, there will continue to be many more misses than hits.



Stephen Shaw is the chief strategy officer of Kenna, a marketing solutions provider specializing in customer experience management. He is also the host of a regular podcast called Customer First Thinking. Stephen can be reached via e-mail at sshaw@kenna.ca.