

*decode Science Update 3\_2012*

*Jobs-to-be-done* marketing –  
Systematically developing successful innovations

Dezember 2012

# Welcome to the decode Science Update

**Why do 70 - 90 per cent of innovations still fail?** A multitude of models, approaches and tools have shown that there is no easy answer to this question. Millions of Euros are still invested in R&D to discover consumer needs and to optimise products: Intensive research is carried out into what customers want and need from products, innovations are analysed in minute detail and customer groups are segmented even more precisely.

This Science Update covers some of the work of the innovation expert, Professor Clayton Christensen (Harvard Business School). His analysis of innovations – he calls it “*jobs-to-be-done*” marketing – investigates **what makes innovations successful, how potential flops can be better identified, and which obstacles stand in the way of success and how they can be systematically overcome**. Indeed, according to former CEO Alan Lafley, Procter & Gamble has increased its success rate of product innovations from 15 per cent to 50 per cent since Christensen’s approach has been adopted there.

In this Science Update you will discover what Christensen’s approach is all about, the scientific learnings on which it is based and, above all, how it can be used for successful innovation.

We hope you enjoy reading it.

Your decode team



Dr Christian Scheier

Dirk Held

PD Dr Martin Scarabis

Johannes Schneider

Dr Dirk Bayas-Linke

Dr Björn Held

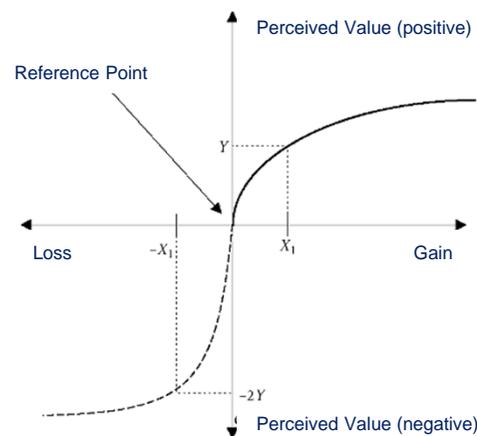
Tobias Eckert

Juliane Matussek

## Why are innovations such a big challenge? (1/2)

Whether a re-launch, a line extension or a new product, everyone involved in innovation experiences how challenging it is to develop successful new products. A lot of ideas fail as early as the design phase, and of those ideas that make it onto the market, only a very few survive. What makes it so difficult? Let's have a look at what scientific research has to offer.

Lesson 1: It is not enough for an innovation to be a little better than the existing solution. **The innovation must be significantly better.** Why? Because purchasing an innovation always has an element of risk: You have to give up your existing solution and embark on something new and unknown. But people don't like doing that - **very often we prefer the status quo** (due to the so-called status quo cognitive bias). In other words, our brains are risk-averse. Therefore we are often more interested in avoiding risk than in perhaps achieving the best possible result.



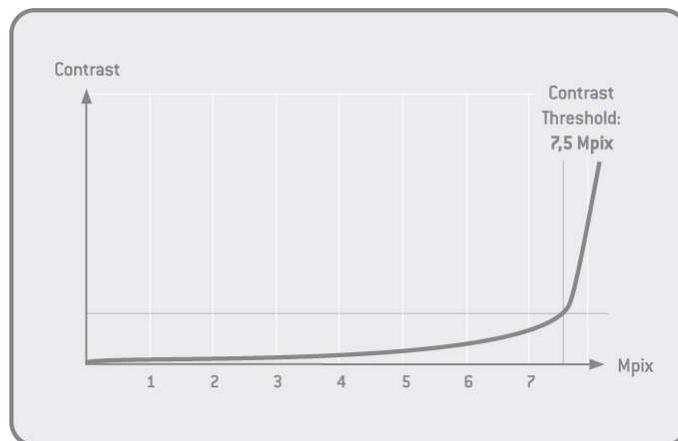
This is also connected to the **endowment effect**: People place twice as much value on what they already own relative to an equivalent product that they do not own. The mere fact of already possessing a product more or less doubles the subjective value of this product.

In other words: **An innovation must be seen to be twice as relevant as the existing solution in order to bring about a change in behaviour.**

## Why are innovations such a big challenge? (2/2)

An innovation must offer twice the added value of the existing solution. But how is this added value detected and how can we determine whether an innovation really offers significant added value?

The most important lesson: **Value is detected not linearly but incrementally.** Research uses the term *just noticeable difference (JND)*. Let's look at an example: the number of megapixels in a camera phone. Even if the data is no longer completely up-to-date, this example helps us to understand the basic principle.



The graph shows that a real improvement is only perceptible when a camera phone has more than 7.5 megapixels (Mpix) resolution. All technical improvements that fall below this threshold made no difference from the customers' point of view.

We can see that a significant difference (contrast) is only achieved with a resolution above 7.5 megapixels (Mpix). For customers it makes no noticeable difference whether the camera phone has four or five megapixels – only if it has more than 7.5 Mpix do they notice a difference. Only beyond this threshold does the distinction really make a difference. Every optimisation below this threshold is insufficient.

Most innovations are optimisations of existing product properties. But if an optimisation falls short of the JND, the added value that's detected is not high enough to offset habits, the status quo bias and the endowment effect.

**For incremental innovations in particular there is therefore a high risk that they will not achieve anything, because the added value detected and experienced is not high enough and hence no difference from the status quo is experienced.**

## Jobs-to-be-done marketing – A case history (1/2)

Status quo bias, endowment effect and the *just noticeable difference* principle are examples of **obstacles on the part of consumers** – we cannot change them. **But what we can change is the way in which we look at our market, customers and their behaviour.** And this is precisely what the *jobs-to-be-done* approach is all about. Let's look at an example.



An American fast-food restaurant wanted to increase sales by optimising its milkshake range. Initially the company went for the usual option: It conducted a survey into the wishes and requirements of milkshake drinkers, established segments based on socio-psychographic attributes and then developed a milkshake, which best fitted the customer segments identified. But the introduction of the new product had no impact on sales figures. The innovation flopped.

This failure resulted in the company opting for an alternative approach: **It asked itself what *job* the customers "hired" milkshakes to do.** To this end it observed the behaviour of its customers very closely: When is the milkshake purchased? Is the person on their own? How much is bought, what else is bought, where is it consumed? This produced different behaviour groups. Some buy milkshakes in the mornings, they buy nothing else and take the milkshake with them to the car and drive to work. Others come with their families, for them the milkshake is part of a complete meal and is consumed by their children in the restaurant.

The second step was to analyse customer behaviour more closely. This showed that the first (*job*) group consumes the milkshake on the – often long – journey to work even though they are not at all hungry. **The main goal that this product achieves for this target group is "diversion"**. It takes about as long to drink it as it takes to drive to work, and it gives them something to do on the monotonous journey. In the same situation these people would sometimes consume doughnuts, a banana or a bagel. But these alternatives have drawbacks: they are more difficult to consume whilst driving and they do not take as long to eat. Also the alternative products are more often consumed when the consumer is hungry.

## Jobs-to-be-done marketing – A case study (2/2)

The **second target group is made up of families who buy the milkshake as a dessert for their children**. Through observation, it was noted that the parents mostly waited impatiently until the children had finished their milkshake. Because of its high viscosity it took a very long time to consume. But a lengthy wait is not conducive to a quick restaurant, representing a barrier for parents to buy milkshake.

The different *jobs* done by milkshakes reveal different requirements with regard to optimisation and ideas for innovation. For the children's dessert *job*, for example, wider straws and a thinner consistency provide added value, whereas they would be counterproductive for the diversion *job* for drivers. For this job the milkshake needs to be thick, so that it lasts until the end of a long journey. **Also the *job perspective provides a springboard for ideas***: For example, putting bits (particulates) into the shake adds an element of surprise for the diversion *job*. Or introducing a service whereby commuters pay with a loyalty card and don't have to stand in the queue. That way they don't waste time on the way to work.



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Product developments that are spread across different *jobs* are often not able to deliver sufficient added value for one of the target groups. They leave innovation potential untapped ("*one size fits none*").

## *Jobs-to-be-done* marketing – What is really new about it?

The key question that *jobs-to-be-done* marketing asks is: "What is the job for which the product is hired?". As early as 1962 the famous Harvard professor Theodore Levitt said: "People don't want to buy a quarter-inch drill. They want a quarter-inch hole!" That the wishes of customers should be at the heart of the matter is nothing new. **What is new is the frame of reference: The focus is not on which product properties are important, but on the goal for which a product is used – the job for which the product is "hired".** Clayton Christensen puts it this way:



*“Job-defined markets are generally much larger than product category-defined markets. Marketers who are stuck in the mental trap that equates market size with product categories don’t understand whom they are competing against from the customer’s point of view.”*

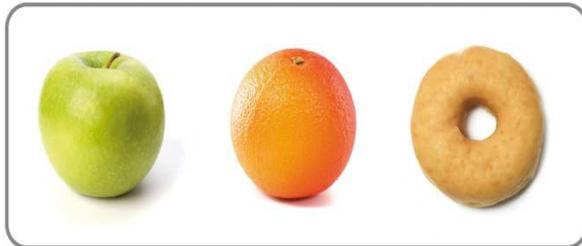
If you ask consumers what they need and want from a milkshake, you get different answers than if you ask them what a milkshake needs to be like to do the job of whiling the time away on a car journey. The focus on the product (instead of the *job*) results in a very narrow perspective on innovations, and the potential for growth and innovation remains undiscovered. Walkmans for instance have now disappeared from the market, but the *job* – listening to music while on the move - has remained and is now done by iPods, iPhones, etc. It helps enormously to shift the focus away from the product onto the *job* that the product really does from the customer’s point of view. But this sounds easier than it is in reality.

The biggest obstacles here are established, internal processes. It is very easy to get hold of data about the product category or customers. It is much more difficult to depart from the traditional datasets and established approaches and, instead, to consider the *jobs* that people want to do with products.

## It is not the products that define the market, but the goal of the customer

Marketing is based on penetration, market share, turnover and their development. But what is the market? **In the majority of companies the market is defined by the product.** But what the milkshake example shows is that the market, and hence the competition, changes depending on the *job* or the goal that is pursued. For families, other desserts are the competition, for commuters it is the likes of doughnuts, bananas and bagels. **So the composition of the market changes depending on the goal of the customer.**

In psychology, this is referred to as *goal-based categorisation*. For example:



Which products come to mind, if our goal is to eat healthily? The apple and the orange, of course. Which ones come to mind if we have to eat something quickly? The apple and the bagel. We are very flexible in terms of categorising products differently depending on the goal or *job*. We learn which products to consider in order to achieve a certain goal and have learnt which specific product properties are important for this.

**Defining the market by the *job* can expose great growth potential. It provides clear guidelines for which product properties are really central and is a springboard for innovations that provide significant added value.**

## The *jobs* define the segments

Segmentation is an important tool for reliable targeting of customers. To define the segments, socio-demographic data as well as psychographic data and attitudinal measures are used. **But the reason why we buy a product is the goal that we want to achieve with it – the *job* that we want to do.** Commuters buy a milkshake because they want to while away the time on a long car journey – not because they are all 35 years old or all have a particular attitude to life.

The purpose of segmentation is often to assess potential. For this reason consumers are each assigned to a segment. But consumer behaviour is not as static as that. A man can buy a milkshake one day, to while away the time on his commute, and on another day the same man can order a milkshake as a dessert for his child. **The *job* perspective results in a more realistic assessment of potential and avoids false assumptions.**

In addition, segmentation is only as valuable as the outcomes to which it leads. What do 35 year-olds want from a milkshake compared to 45 year-olds? Traditional segmentation into groups of people (instead of *jobs*) often fails to generate any clear guidelines for usage in product development or for communication. The milkshake example shows that the *job* perspective results in a clearly different segmentation, which applies directly to the behaviour of the customer and allows clear differentiation for product development and positioning.

## Occasion-based marketing – Every *job* is a process

The milkshake example also illustrates a **central driver of buying behaviour: the situational context**. The basic formula of psychology states that all behaviour is defined by an interaction between personal characteristics and the situation. In marketing we have long ignored one part of the formula: **We focus on the consumer, but invariably neglect the situation, in which the (buying) behaviour occurs**. We measure attitudes, knowledge or social demography and ask about what people want and need from a product and in doing so often forget the situational context. However, the integration of situation into our thinking exposes new opportunities for innovations with real added value. For example:



Fromage frais is generally considered to be healthy. This immediately suggests that children be given fromage frais in their lunch box. But, as with yoghurt, the traditional pot packaging is fragile and so often causes a mess. Also you need a spoon to eat it with. So although parental attitude to the product is positive, the situational context presents a barrier. The Frubes brand employed this learning to develop and launch a very successful innovation. They developed packaging that is robust, small enough for a lunch box, and from which you can eat the fromage frais directly – without a spoon. With 18 million units sold per year, Frubes has become the most successful product in this segment.

In the milkshake example the journey to work is the situational context. Compared to its competition – the bagel or the doughnut – the milkshake has particular advantages in this context. It lasts for the whole journey, it can be consumed more easily, it doesn't make a mess and you're drinking something rather than eating (as, let's face it, you're not even hungry!). Without the situational context and the *job*, such added value would remain undiscovered. Depending on the situational context the importance of product properties can change.

## Key questions from a *jobs-to-be-done* perspective

The *jobs-to-be-done* approach enables us to look again at our own innovations. The following questions can help to integrate this approach into our everyday work so that our thinking about both the market and consumers is not focussed solely on the product but on what drives consumers to buy, i.e. what *job* they want to do with a product:

### Stress test for innovation ideas

- Is the innovation based on *jobs* and goals that are relevant for the customer / consumer?
- Does the innovation offer a sufficiently noticeable, and thus appreciable, added value with regard to the *job* that the product is supposed to achieve?
- What are the behaviour-related costs and barriers (e.g. adjustment of habits) that are linked to using the innovation?

### Springboard for innovation development

- Is the segmentation based on *jobs* and goals?
- What is the *job* process? Which process steps, *jobs* and products are complementary, which are upstream and which downstream?
- What do customers currently do, i.e. into which actions and action contexts is the product integrated? Which *jobs* are contained therein and which requirements result from this?
- What or who are the real competitors in the specific *job* situation and how can competitive advantage be increased?

# decode Academy



## Using knowledge to give competitive edge

- ✓ The decode Academy makes practical use of the **insights from current scientific research**, applying it to how **buying behaviour** can be **influenced**.
- ✓ These **practical training courses** help to convert this **knowledge advantage** into **more effective marketing practice**.
- ✓ By **applying** the lessons learnt from the company's **own experience**, and through subsequent feedback sessions, the knowledge advantage becomes a **sustainable competitive advantage**.

### Training modules

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- Brand Management
- POS & Shopper marketing
- Product, Packaging & Innovation
- Web & Social Media

If you would like further information about the decode Academy, please send an email to [info@decode-online.de](mailto:info@decode-online.de)

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# Welcome to the dialogue

## decode Marketingberatung GmbH

Graumannsweg 19  
D – 22087 Hamburg  
Telefon: 040 / 227 59 208

[info@decode-online.de](mailto:info@decode-online.de)

[www.decode-online.de](http://www.decode-online.de)



Dr Christian Scheier  
Managing Director



Dirk Held  
Managing Director



Cornelia Bruns  
Customer relationship management