

Developing a Growth Strategy For Situational Markets

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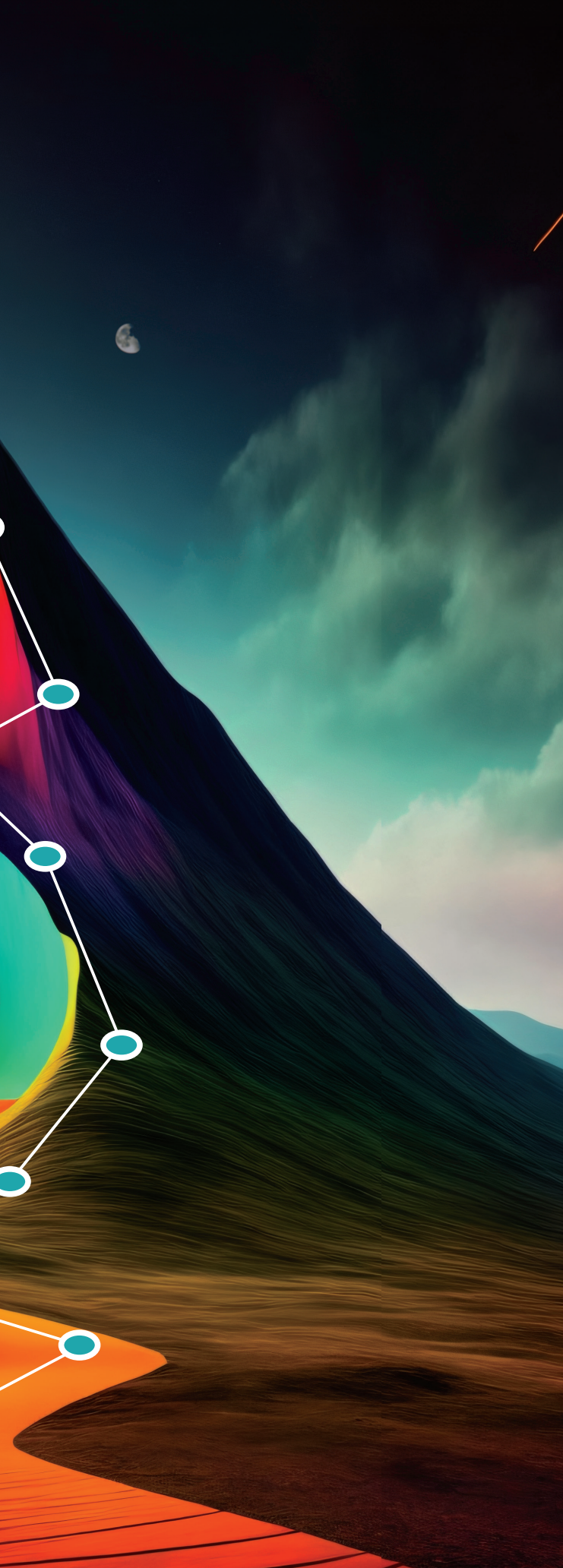
Article abstract

The way that strategists think about their customer markets is based on the outdated idea that each person represents a unit within a market. Today, many companies still use terms like 'mass market,' or strategies like the 'all the people are customers' strategy, or 'only certain types of people' are our customers ('segmentation' strategies). When companies define a 'market' as a certain number or type of customer, they put artificial constraints on their solutions, with the most glaring being that certain solutions are only for certain people. These constraints hinder innovation and limit growth. As intelligent experiences begin to dominate business models and dramatically increase customer expectations, it is a strategic imperative that we create a 'new' definition of what constitutes a "market." Ironically, the answer may lie with what seems to be the common definition of the word "market;" a situation in which a customer has a need and a company has a solution. Therefore, anyone who finds themselves in a situation where they need a solution can and will find that solution immediately. The objective of this article is to explain the concept of a situational market, distinct from the traditional concept of a market, and to propose an approach for sizing situational markets. This approach enables companies to build new market strategies that create far more revenue.

The background is a vibrant, abstract illustration. It features stylized mountains in shades of brown, orange, and yellow. A series of teal-colored vertical bars of varying heights, resembling a bar chart, are positioned in the middle ground. On the right side, there are network-like lines with circular nodes in white and teal. A single yellow line streaks across the top left corner of the image.

DEVELOPING A GROWTH STRATEGY

FOR SITUATIONAL
MARKETS



BY DAVID W. NORTON

The way that strategists think about their customer markets is based on the outdated idea that each person represents a unit within a market. Today, many companies still use terms like ‘mass market,’ or strategies like the ‘all the people are customers’ strategy, or ‘only certain types of people’ are our customers (‘segmentation’ strategies). When companies define a ‘market’ as a certain number or type of customer, they put artificial constraints on their solutions, with the most glaring being that certain solutions are *only* for certain people. These constraints hinder innovation and limit growth.

As intelligent experiences begin to dominate business models and dramatically increase customer expectations, it is a strategic imperative that we create a ‘new’ definition of what constitutes a “market.” Ironically, the answer may lie with what seems to be the common definition of the word “market,” a *situation* in which a customer has a need and a company has a solution. Therefore, anyone who finds themselves in a situation where they need a solution can and will find that solution immediately.

The objective of this article is to explain the concept of a situational market, distinct from the traditional concept of a market, and to propose an approach for sizing situational markets. This approach enables companies to build new market strategies that create far more revenue.

WHAT SITUATIONAL MARKETS SHOULD LOOK LIKE TODAY

Which picture-taking business would you rather be in? Canon’s or Apple’s? Picture-taking is a situational need. You find yourself with people you love in a place you want to remember, and you want to take a picture. It’s the situation that drives the market for photos today, not a segment of people who care about photo quality and professional lenses. Sure, there is a market for Canon’s products. It’s just so much smaller than Apple’s.

One of the most important, and some say influential, articles ever written about strategy is Christensen et al’s (2001) “Skate to Where the Money Will Be.” The authors’ theory is that integrated markets, where a few vertical companies make all the profit, are almost always replaced by disintegrated, flexible markets, where new entrants profit from a shift in customer expectations. That is, markets are not fixed. They are flexible. Customer expectations change because new needs arise.

In a follow-up article, entitled “Marketing Malpractice”, Christensen et al’s (2005) show why companies cannot shift to new opportunities; they focus on segmentation rather than

	SEEING MARKETS AS CUSTOMERS	SEEING MARKETS AS SITUATIONS
Definition	The number of people who have similar needs	The number of times situations arise where needs can be met
Market Attributes	Rigid, based on stated attitudes, unable to adapt	Flexible, based on jobs to be done, expansive
Sizing	Limited by number of people	Potentially unlimited, or limited only by the number of times the situation can arise
Descriptive Example	Market descriptions use a 'who' statement. For example, 'women who have recently bought a home' or, 'people who love cats'	A situation often starts with a 'when' statement. For example, 'when you are alone on a Saturday afternoon' or 'when you cannot find your car keys'
Type of Innovation Produced	Solutions targeted to the stated preferences of a limited group of people	Solutions designed to get jobs done for whomever has a similar situation

TABLE 1: KEY DISTINCTIONS BETWEEN CUSTOMER AND SITUATION MARKETS

'the job to get done.' The authors write, "the job, not the customer, should be the unit of analysis." They argue that the reason so many products fail is that companies fail to consider the job to get done, thinking that if they do customer segmentation, they will be successful. They rarely are.

What most people fail to grasp but was clearly inferred by the authors is that depending on the situation, jobs to be done change too. Joe Pine (2019) furthers Christensen et al's (2005) insight and argues that there are no 'customer markets,' at least not as marketers tend to think of them. Instead, there are 'markets within.' He means that as a need arises for a person, a market is created. The company that can meet that person's very specific need creates the exchange of value. And each time that happens, a market is established. These 'markets within' are actually the materialization of situational markets.

A situation is a set of circumstances, or a moment in time in which an individual, has a need. Needs that arise in particular situations are always the same, and they can be anticipated and designed for. The most lucrative situational needs to solve are common, frequently occurring situations that many people experience.

Artificial intelligence and smart technologies have enabled companies to customize experiences to the specific situation customers find themselves in. So, if strategists want to formulate growth plans that capture more customer value, they need to start seeing markets as situations rather than types of people.

Table 1 summarizes the differences between seeing markets as customer segments and seeing markets as situations.

Cannon is in the photo-taking business. Their strategy is built around the traditional idea of a market: the number of like-minded photo-taking customers. Apple is also in the photo-taking business. Their strategy, like many smart solution companies, is based on the number of situations in which people want to take photos.

In an increasingly competitive marketplace of solutions, common situations that people find themselves in are the source of real growth and value because there are vastly more situations to service than people. This is especially true today when people have so many choices to select from in their immediate situation. A focus on situations helps the company to be constantly evolving. They understand the circumstances of their customers and they know their circumstances change.

Some companies might argue that they understand their customers' needs by merely analyzing the past activities and preferences of their customers. While these insights are helpful, they fail to predict situational needs. For instance, enjoying a movie on a Friday night doesn't necessarily imply a desire to repeat the experience on Saturday evening. However, if faced with the task of finding a restaurant on Saturday night, the need for food becomes apparent. As tools become more intelligent, situational shifts will be more discernible. Therefore, focusing on situations represents the best way to tailor solutions for customers.

DEVELOPING A STRATEGY FOR SITUATIONAL MARKETS

Developing a situational market strategy involves three steps. The first step, Assess, entails fully evaluating your data and insights by asking questions such as "Do you have the tools to evaluate and prioritize different situations that people

find themselves in?" Understanding the landscape is crucial before starting the next step. The second step, *Discover*, involves embarking on a journey to discover new ways to address the situations that are important to your customers. This journey involves engaging directly with customers to gain valuable perspectives. Finally, *Define*, necessitates articulating a clear strategy that bridges the gap between your capabilities and your customer's situational needs as well as defining actionable steps and demonstrating how your offerings meet their needs. This step ensures that your market strategy is tailored to meet the specific demands of situational markets. The following paragraphs describe these three steps in detail.

Step One: Assess

There are two activities to assessing your company's abilities to understand situational markets. First, compile all available data and insights that may explain common customer situations. Second, evaluate your capacity to gather situational or contextual data.

At the end of the assessment, you should have a list of common situations that customers are likely to experience and potential data sources to pull from. For example, a situation of 'I'm in a hurry and need to eat' could occur as often as 1.5 billion times per month.

When I'm
in a hurry and
I need to eat

1.5 Billion+





ARTIFICIAL INTELLIGENCE AND SMART TECHNOLOGIES HAVE ENABLED COMPANIES TO CUSTOMIZE EXPERIENCES TO THE SPECIFIC SITUATION CUSTOMERS FINDS THEMSELVES IN.

Step Two: Discover

Once you've assessed your ability to understand situational markets, the next step is to find the opportunities that matter most. This requires executing the following three activities:

1. Through a combination of observation, as well as quantitative and qualitative data gathering, identify common situations that arise.
2. Determine the frequency of these situations. Employ techniques such as direct inquiry or seek to identify situations that resonate with a larger audience than you currently serve.
3. Identify a multitude of "jobs-to-be-done" across various situations. Recognize that when a job-to-be-done transcends individual situations, these situations are often interconnected. Such interrelated scenarios are more easily addressed by your solutions.

Through the discovery activities, you should have a map of the situations that offer the most opportunity (see Table 2 for an example of situations map).

Step Three: Define

Step three has one primary activity: turning discovered insights and data into a strategy. To accomplish this, the strategist will review the data and develop recommendations on where the company should focus its efforts to capitalize on the identified opportunities.

To illustrate the three-step approach to crafting a market strategy for situational markets, let's look at a renowned anecdote involving Clayton Christensen and a certain restaurant chain. For years, Christensen told the story of a restaurant chain seeking his counsel on growth. Through firsthand observations, he gained valuable insight by asking an unconventional question: "What did you hire this product to do?"

Focusing solely on milkshakes, he learned that the motivation for buying a milkshake varied between morning and afternoon, constituting two distinct "jobs to be done" based on the situational context.

While never disclosed as the restaurant, let's imagine that McDonald's applied Clayton's insight to adopt a situation-based approach to strategic growth. During step one, *Assess*, McDonald's reviews its own market research for clues about common situations it should focus on. The company also reviews contextual data like daily volume numbers, menu item sales, and use of drive-throughs to help it understand can be learned about the situations people find themselves in.

During step two, *Discover*, McDonald's then conducts primary research with customers to identify new situations that provide opportunities for new revenue. Using both field research and quantitative, the company studies the potential types of situations and jobs to be done that each opportunity presents. It discovers that people's needs change based on their situation. As mentioned, what people hire a milkshake to do in the morning is different than what they hire a milkshake to do in the afternoon. As a consequence, McDonald's realizes that it can grow purchases of its fast food by focusing on common situations that most people experience.

During the third step, *Define*, McDonald's devises a growth strategy that can be summarized as follows. McDonald's helps families and individuals enjoy fast food that is designed to meet their needs when common food situations arise. Every day of the week, whether it's morning, noon, or night, we provide consistent, quality food items that our customers can enjoy. We will build on our success

by focusing on the following food-need situations:

- When people are rushed for breakfast, lunch, or dinner.
- When people are traveling as families.
- When people are traveling as individuals.
- When people are training for high performance races.
- When people are celebrating an accomplishment.

From here, the organization is able to create a roadmap to success by matching their offerings to the situational needs.

CONCLUSION

Companies need to fully embrace the moment their customers find themselves in. That, in part, means formulating growth strategies based on the situational needs of their customers and their job-to-be-done. The new formula to growth and success is thus a focus on common situations and the jobs-to-be-done.

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SITUATION	FREQUENCY	THEY WILL HIRE US TO PROVIDE
When people are rushed for breakfast	1.5 billion times	Hot, ready-made food
When people are traveling as families	800 million times	A place to relax and talk
When people are traveling as individuals	700 million times	A quiet place to relax and work

TABLE 2: SITUATIONS AND FREQUENCY