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Whitepaper

The Role of Ethnographic Research in the Innovation Process

by Anthony W. Ulwick

Many consumer packaged goods (CPG) companies have embraced ethnographic research as a means for gathering customer insights. Unfortunately, some are unintentionally misusing it in ways that are subverting and derailing their innovation process. Like any tool, ethnographic research has its limitations. Strategyn understands how to use ethnographic research effectively and has incorporated it into its Outcome-Driven Innovation (ODI) process. Used with quantitative research, ethnographic research leads to the insights needed to be successful at innovation.

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How Should Ethnographic Research Be Used?

Sophisticated CPG companies know that innovation isn't merely about generating and managing ideas. They realize that effective innovation begins with understanding the customer's unmet needs. Consequently, they employ an innovation process that is comprised of the following four steps:

1. Gather a complete set of customer needs
2. Determine which customer needs are unmet
3. Brainstorm ideas that address the unmet needs
4. Decide which ideas to pursue

Ethnographic research produces all sorts of insights related to customer behaviors, attitudes, functional and emotional needs, preferences, and ideas for product improvement, so CPG companies enthusiastically employ it at each step. They will typically conduct 30 or more ethnographic interviews with customers to gather a set of insights. With videos and hundreds of pages of transcripts in hand, they think they have all the information they need to brainstorm new product and service concepts.

But there are problems. First, managers, employees, and others are going into the field without a clear understanding of what they're looking for and what questions to ask to get the inputs they need. We have seen CPG companies complete their ethnographic research and move on to the rest of the innovation process without having learned all the customer's needs or which needs are unmet. These companies almost always fail to uncover all the insights necessary to successfully inform idea generation.

Equally disturbing, many of these companies are trying to use ethnographic interviews—a qualitative research method—to glean quantitative information. Not only is this an expensive mistake (interviews and documentation aren't cheap), but ethnographic research can't give you the statistically valid quantitative data that is needed to mitigate risk, and by itself, it's not an effective or complete innovation method. To gain the benefits of ethnographic research, you must understand how it is best used as a qualitative research tool.

Strategyn Uses Ethnographic Research Appropriately

For any CPG company to be effective at product innovation, it must know (i) what types of customer insights are required, (ii) how to capture those needed inputs, and (iii) when and how to use them. Our ODI process addresses all three challenges successfully and uses ethnographic research as a qualitative research tool, but not for any other purpose.

These desired outcomes are the metrics customers use to measure success when getting a job done.

That last statement shouldn't be taken as a put-down: Strategyn is a proponent of ethnographic research, and we use it regularly to gather customer needs. We like the approach because it allows us to observe customers executing the "job-to-be-done" and because it brings context and richness to customer insight gathering. In nearly all cases, we also use non-observational methods in which we interview one or more person at a time, sometimes over the phone and other times face-to-face. To supplement the interviewing process, we also review past research and conduct literature searches on the Web.

The goal of all our qualitative research efforts is to uncover a very specific type of customer need statement, which we call a desired outcome. These desired outcomes are the metrics customers use to measure success when getting a job done. Suppose your job-to-be-done is "keeping your shower clean". One desired outcome for that job might be minimize the likelihood that water spots form on shower surfaces. As this example shows, desired outcomes are measures of customer value, actionable in product design, solution free, and stable over time. Our ability to seek out and capture these inputs from customers (which often total 100 outcomes or more for a given job) is what makes the ODI process so effective.

With a complete set of outcomes in hand, we administer a survey to hundreds of additional customers (usually 270 or more) to quantify with statistical validity which outcomes are important and unsatisfied and to what degree. This is accomplished in two weeks or less in many consumer markets. We also use this quantitative data to segment the market, that is, to discover segments of customers with different unmet needs. This couldn't be done if we were relying solely on qualitative data or ethnographic research. Knowing what customer segments and unsatisfied outcomes to target is the key to success, and our mix of research methods delivers this knowledge to companies faster and cheaper than other methods.

The chances of coming up with ideas that addresses a dozen or more unsatisfied outcomes goes up dramatically when those doing the brainstorming know exactly what unsatisfied outcomes to address.

With these insights available to the organization, the idea generation sessions we facilitate are highly likely to result in breakthrough ideas. Why? Because the chances of coming up with ideas that address a dozen or more unsatisfied outcomes goes up dramatically when those doing the brainstorming know exactly what unsatisfied outcomes to address. This is the power of the ODI process.

In the following sections we compare an ethnography-only approach with our ODI process, highlighting the issues and risks associated with using ethnographic research inappropriately. We compare the methods used for gathering and prioritizing needs and for informing idea generation and concept evaluation. We recommend that CPG companies exchange their ethnography-only approach for our ODI process, with its proven track record of success.

The ODI Approach Produces More Robust Set Of Insights

Ethnography

ODI Process

Results in a broad range of customer inputs. Does not define what a need is and therefore fails to deliver a usable set of customer needs..

1.
Gather a Complete set of customer needs

Produces a job map and a complete set of customer desired outcomes, i.e., the metrics that customers use to measure success when getting a job done.

Does not use quantitative research methods. Fails to quantify which needs are unmet and to what degree.

2.
Determine which customer needs are unmet

Uses statistically valid quantitative research to discover underserved segments and customer outcomes.

Ideas are brainstormed around unstructured data and unfocused targets. It is uncertain as to how much value the ideas will create.

3.
Brainstorm ideas that address unmet needs

Product and service concepts are constructed to satisfy a targeted set of customer unmet outcomes. The resulting solutions are certain to create customer value.

Ideas are selected using qualitative insights, intuition and gut feel. This adds significant risk to the process.

4.
Decide which ideas to pursue

Ideas are selected based on which satisfy the greatest set of unmet needs for the least cost, effort, and risk. This approach mitigates risk and leads to success.

Hit or miss success

Winning product portfolio

Step 1:
Gather a Complete Set of Customer Needs

The goal of Strategyn's qualitative research efforts is to gather a complete set of perfectly defined desired-outcome (customer need) statements[1]. The ODI process is superior to traditional ethnographic research at this task because ODI defines exactly what a customer need is and explains the form (structure, format, and syntax) a need statement should take. Ethnographic methods, on the other hand, are silent on what a need is, what information is to be collected, and what form the information should take. The advantages of ODI are highlighted in Table 1.

Table 1. Gather a Complete Set of Customer Needs

	Ethnography	ODI Process
Primary goal	Gather a broad range of customer insights.	Create a job map and capture a complete set of desired outcomes.
Secondary goal	Get employees into the field to see how customers use their products.	Gather the information needed to conduct statistically valid research.
Tertiary goal	Have employees learn how to capture customer insights.	Have employees learn how to use the customer insights.
Number of interviews	Thirty or more ethnographic interviews.	Five or fewer ethnographic interviews, 10 or fewer phone interviews.
Percent of needs captured	10 percent or less of the customers' desired outcomes are captured.	90 percent or more of the customers' desired outcomes are captured.
Cost	$150,000 or more.	For the same cost, ODI delivers a complete set of needs, statistically valid quantification, and ideation.
Employee time required in field	If two employees attend each interview and the interviews last three hours, 30 interviews will take 180 man-hours.	Employees listen in on phone interviews, totaling 10 hours maximum per interested employee.
Geography	If overseas ethnographic research is required, in-person interviews add significant time and cost.	International interviews are always conducted by phone, limiting costs.
Logistics	Multiple employee schedules must be coordinated with multiple interviewee schedules, adding complexity.	Fewer interviews and less travel make logistics far less complex.
Employee training	Employees must spend time and effort learning the skills required to gather customer insights.	Employees are not responsible for conducting the interviews and therefore do not need to learn new skills.
Time to consolidate	Video and transcripts require significant time for consolidation.	Little time is required to consolidate outcomes after each interview.
Interpretation	Results are open to subjective and potentially distracting interpretations.	A job map and well-defined data requirements guide interpretation, assuring its accuracy.
Output	Hundreds of pages of transcripts, videos, and a Power Point deck that summarizes the findings.	A 10-page document that contains the job map and all the customers' desired outcomes by job step.

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1 See Anthony Ulwick and Lance Bettencourt, "Giving Customers a Fair Hearing," MIT Sloan Management Review, March 2008.

Step 2:
Determine Which Customer Needs Are Unmet

For appropriately targeted innovation, product and marketing teams must know if different segments of customers have unique and special unmet needs, what needs are unmet in each segment, and to what degree they are unmet. That knowledge will drive the market strategy, informing the company (1) how to better position existing products and services, (2) how to improve existing products and services, and (3) what new products and services are needed. The quantitative research methods embodied in the ODI process are designed for this purpose. The advantages of ODI for identifying customers' unmet needs are highlighted in Table 2[1].

Table 2. Determine Which Customer Needs Are Unmet

	Ethnography	**ODI Process**
Primary goal	Determine which insights to consider when brainstorming ideas.	Determine what unmet customer needs to target for ideation.
Secondary goal	Qualitatively determine what customer personas exist.	Quantitatively determine what outcome-based market segments exist.
Number of interviews	No statistically valid interviews are conducted at this stage. Conclusions are drawn from qualitative insights, adding risk to the process.	180 to 560 statistically valid customer interviews are conducted to determine which customer needs (outcomes) are under- and overserved.
Percent of identified opportunities	10 percent or less of the customers' unmet needs are uncovered. The real opportunities for value creation are unclear.	90 percent or more of the customers' unmet needs are identified using statistically valid quantitative market research methods.
Interpretation	Without statistically valid market data, results are open to interpretation.	Using statistically valid market data, results are quantified and objective.
Geography	There is speculation on geographically based differences in unmet customer needs.	Differences in geographically based unmet customer needs are quantified using statistical methods.
Output	Hundreds of pages of transcripts, videos and a Power Point deck with low-value demographic-based personas and summarized findings.	A document that describes the high-value outcome-based segmentation model and the unmet needs (underserved outcomes) in each segment.
Cost	The cost of the quantitative research is $0, as it is not conducted. The cost of reviewing the qualitative research to draw conclusions is substantial.	The overall cost of collecting ODI-based, statistically valid quantitative research and data analyses rarely exceeds that of doing traditional ethnographic research alone.
Value	Delivers a broad range of customer insights, but nothing that can be acted upon with high confidence as needs are poorly defined and not prioritized using statistically valid methods.	In less time and often for less money, ODI delivers the insights needed to formulate a market strategy that can be acted upon with high confidence as it is based on quantitative data.

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1 See also Lance Bettencourt and Anthony Ulwick, "The Customer-Centered Innovation Map," Harvard Business Review, May 2008, and Anthony Ulwick, "Turn Customer Input into Innovation," Harvard Business Review, January 2002.

Step 3:
Brainstorm Ideas That Address Unmet Needs

The first two steps in the innovation process are to uncover the customer's needs and to determine which needs are unmet. Knowing what unsatisfied outcomes to address makes idea generation much simpler and more effective. Traditional ethnographic research doesn't bother defining "need" and does not incorporate quantitative research methods to help determine which needs are unmet. Consequently, it is unable to provide optimal inputs for idea generation. The goal of ideation is not hundreds of ideas: a hundred dud ideas are worthless. Rather, the goal is to generate the handful of ideas that represent a significant value proposition for the company. ODI's advantages over traditional ethnographic research in guiding ideation sessions are highlighted in Table 3.

Table 3. Brainstorm Ideas That Address Unmet Needs

	Ethnography	ODI Process
Primary goal	Brainstorm improvements to existing products and altogether new products and services.	Brainstorm improvements to existing products and altogether new products and services.
Secondary goal	Make improvements to the way existing products and services are positioned.	Make improvements to the way existing products and services are positioned.
Turn insights into action	There is no consistent and effective framework for taking customer insights and turning them into actionable targets for ideation.	ODI provides a consistent and effective framework for discovering unmet needs (desired outcomes) and turning them into actionable targets for ideation.
Creativity triggers	Traditional brainstorming methods are used to trigger lots of ideas.	A focus on specific desired outcomes and the use of ODI-based creativity triggers leads to high-value ideas.
Discipline	Ideation is unconstrained and unfocused. There is no way to know what type of idea is needed.	Ideation is focused first on positioning, next on adding features to current products, and lastly on creating new platform-level solutions.
Geography	Product and market decisions are made for different geographies using qualitative insights.	Product and market decisions are made for different geographies using statistically valid quantitative insights.
Output	Hundreds of ideas are generated for additional consideration. They may or may not satisfy the customer's unmet needs.	A small number of ideas are generated that are focused on satisfying the customer's unmet needs. These ideas are high-value ideas.
Cost	Ideation sessions often cost $75,000 or more.	Ideation sessions cost significantly less and are far more effective.

Step 4:
Decide Which Ideas to Pursue

The final step in the innovation process is choosing which ideas to pursue. The best choices are ideas that satisfy customers' unmet needs to the greatest degree and for the least cost, development effort, and technical risk. ODI's advantages over ethnographic research in the area of idea evaluation are highlighted in Table 4.
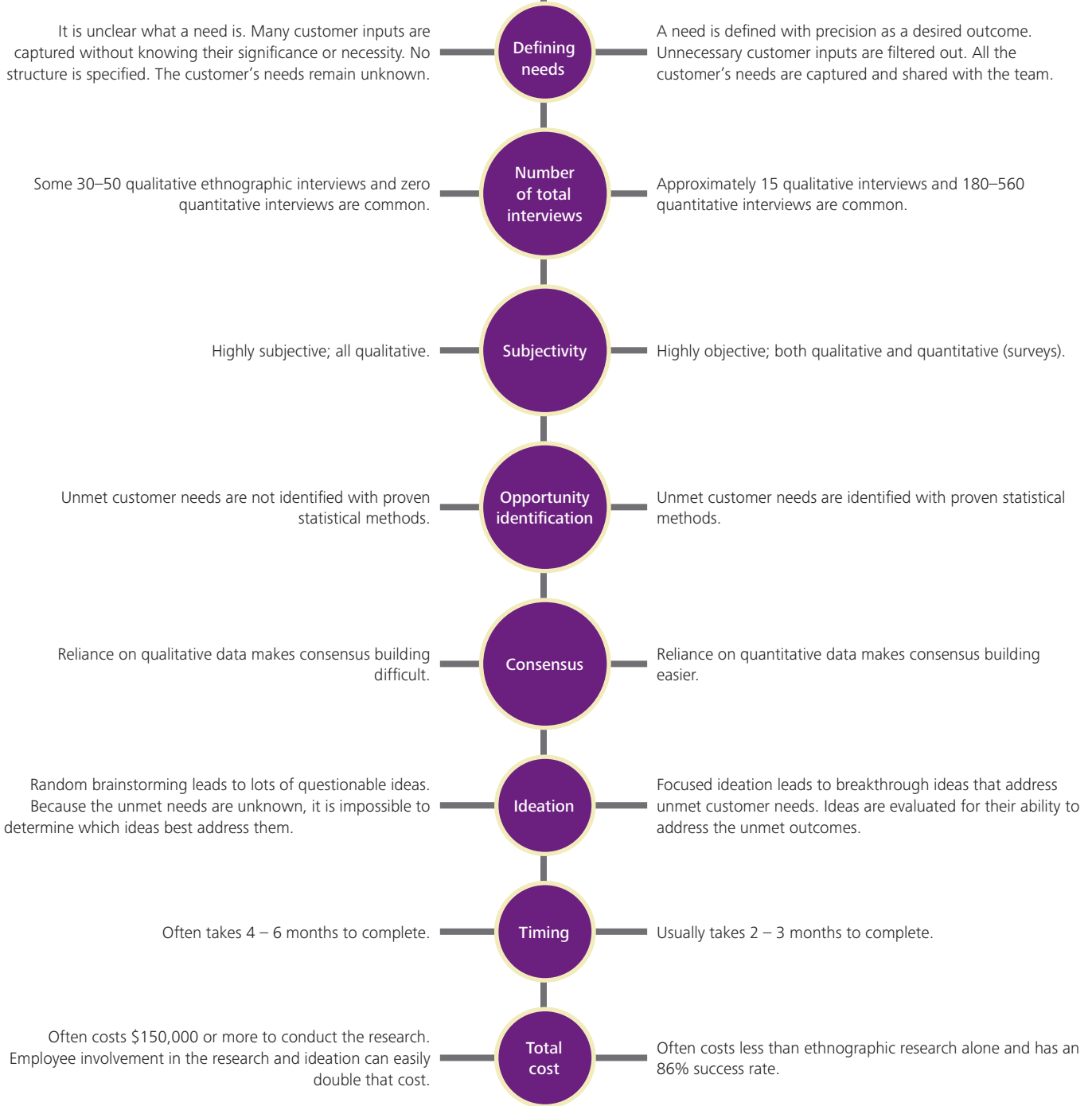
Table 4. Decide Which Ideas to Pursue

	Ethnography	ODI Process
Primary goal	Determine which ideas will most likely succeed in the marketplace.	Determine which ideas satisfy the greatest number of unmet needs (for the least cost, effort, and risk).
Secondary goal	Refine the ideas that were previously generated.	Determine what capabilities are required for continued market growth.
Decide which ideas to evaluate (concept test)	Qualitative evaluations and intuition are used to decide which ideas should be placed into concept testing.	The ideas that best address the unmet needs of the target customer should be placed into concept testing.
Criteria for evaluation	An established set of evaluation criteria does not exist. Evaluating the ideas against unmet customer needs is impossible because the needs are unknown.	An established set of evaluation criteria exists. Evaluating the ideas against unmet customer needs is possible: the needs are both known and prioritized.
Method for evaluation	Concept testing happens in the form of focus groups or in-person interviews. It is qualitative in nature.	Concept testing is done online using quantitative research methods. Alternatively, employees take the ideas to the field for evaluation.
Model for evaluating future ideas	No model exists for evaluating future ideas.	The metrics that customers use to measure success when getting a "job" done provide a model for evaluating ideas well into the future.
Output	It is impossible to know the value of a concept under consideration.	The degree to which a concept under consideration gets the job done better is known. This translates directly to value.
Assessment	Expensive, qualitative, and inconclusive.	Inexpensive, quantitative, and conclusive.

Conclusions

ODI is a faster, better, and cheaper tool for innovation than ethnographic research only. In place of ethnographic research's numerous qualitative interviews that have no statistical validity, ODI relies on fewer qualitative interviews, but includes hundreds of quantitative surveys. ODI also knows—and uses—the true input into innovation: customers' unmet desired outcomes. ODI's overall advantages over ethnographic research methods are highlighted below.

Ethnography | | ## ODI Process

Ethnography		ODI Process
It is unclear what a need is. Many customer inputs are captured without knowing their significance or necessity. No structure is specified. The customer's needs remain unknown.	**Defining needs**	A need is defined with precision as a desired outcome. Unnecessary customer inputs are filtered out. All the customer's needs are captured and shared with the team.
Some 30–50 qualitative ethnographic interviews and zero quantitative interviews are common.	**Number of total interviews**	Approximately 15 qualitative interviews and 180–560 quantitative interviews are common.
Highly subjective; all qualitative.	**Subjectivity**	Highly objective; both qualitative and quantitative (surveys).
Unmet customer needs are not identified with proven statistical methods.	**Opportunity identification**	Unmet customer needs are identified with proven statistical methods.
Reliance on qualitative data makes consensus building difficult.	**Consensus**	Reliance on quantitative data makes consensus building easier.
Random brainstorming leads to lots of questionable ideas. Because the unmet needs are unknown, it is impossible to determine which ideas best address them.	**Ideation**	Focused ideation leads to breakthrough ideas that address unmet customer needs. Ideas are evaluated for their ability to address the unmet outcomes.
Often takes 4 – 6 months to complete.	**Timing**	Usually takes 2 – 3 months to complete.
Often costs $150,000 or more to conduct the research. Employee involvement in the research and ideation can easily double that cost.	**Total cost**	Often costs less than ethnographic research alone and has an 86% success rate.

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