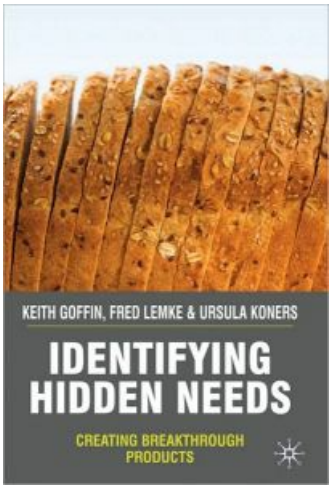

Book Identifying Hidden Needs

Creating Breakthrough Products

Keith Goffin, Fred Lemke and Ursula Koners
Palgrave Macmillan, 2010
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Recommendation

Most experts fail to explore the foundation of innovation: research. Authors Keith Goffin, Fred Lemke and Ursula Koners believe most new products fail because they are not based on research that uncovers consumers' "hidden needs." Developing new offerings based on the data produced by outdated research methods is like trying to cook a gourmet meal with inferior ingredients. The authors try to put a human face on ethnographic research by supplying several case studies per chapter, but that does little to relieve the dry and technical nature of the subject matter. The text is not for the casual reader. For market researchers and product developers, however, *BooksInShort* believes this treatise will offer new, worthy ideas and methods presented in a variety of formats with charts, graphs, grids and more.

Take-Aways

- Surveys, questionnaires and interviews form the backbone of traditional market research.
- Traditional market research fails to uncover consumers' "hidden needs."
- Products based on conventional research are often unsuccessful.
- Focus groups often produce misleading or faulty data.
- "Hidden needs analysis" employs "ethnographic research, repertory grid analysis and involving the user."
- Ethnographic research methods include "systematic observation" and "contextual interviewing."
- Ethnographic marketing researchers immerse themselves within the research subject's environment.
- The repertory grid uses a matrix to present quantitative data gleaned from interviews.
- Innovative companies engage the user in product development and marketing.
- Researchers utilize "conjoint analysis" to measure the market strength of different product attributes.

Summary

Innovative Flops

Why do so many products fall short of company expectations? Often it's because manufacturers create new offerings based on traditional research methods that do not reveal what consumers really want. Because they don't understand these "hidden needs," companies fail to produce products that satisfy an unfulfilled market niche.

> "Companies that can accurately identify the needs of customers in developing markets will be at an advantage."

Conventional market research relies heavily on focus groups and surveys. These methods probe customers' impressions of products and services they already use. This

usually generates ideas for incremental innovations rather than identifying even the possibility of, let alone the potential for, completely new offerings. Many marketing practitioners are reluctant to try enhanced research methods because they're either skeptical of the process or have concerns about the costs or the difficulty.

> "Traditional market research...merely reflects common knowledge."

Hidden needs are "issues and problems that customers face but have not yet realized." Social sciences form the foundation for "hidden needs analysis" (HNA) techniques. By combining HNA methods with traditional market research, companies can gain comprehensive, reliable insights. These insights pose challenges, problems and cultural issues that manufacturers can solve with groundbreaking products and services. However, for innovation to thrive, the company's culture must support enhanced research methods and innovation.

> "Traditional market research keeps customers at arm's length in that they are asked what type of products and services they would like but then they have no further involvement in new product development."

Three state-of-the-art market research techniques make up HNA:

1. "**Ethnographic market research**" – Researchers work in participants' environments to understand their needs.
2. "**Repertory grid interviewing**" – This method graphs subjects' thoughts and emotions in map form.
3. "**Involving the user**" – Companies encourage users to share experiences and innovations via the Internet and various other digital communication systems.

May I Ask You a Question?

Creating and conducting productive surveys requires preparation. Begin by defining the goals of the survey and the knowledge you wish to gather. Decide which method of data collection will work best. Do you want to employ face-to-face interviews, use video or conduct telephone research? Should you distribute a questionnaire by mail or the Internet? Once you choose a data collection method, consider if the data you need are "demographic, attitudinal or behavioral" so you can construct questions that best elicit each kind of information. Decide what type of question will fit the research profile. "Closed-ended" and "semi-structured" questions explore participants' perceptions with multiple-choice questions or with rated responses on a provided scale. "Open-ended" questions allow responses that need not fit any framework. Survey designers should word questions carefully. Avoid jargon, be specific and weed out leading inquiries. Run a "pilot test" to try the survey with a small sample before launch. Beware that researchers using surveys tend to place more emphasis on quantity, so quality may suffer.

Hocus Focus

Focus groups bring several people together to discuss a topic regarding a product or service. The three steps to organizing a focus group are preparation and participant selection, running the sessions with a facilitator, and analyzing the information. As with surveys, the first step in organizing a focus group is to define the objectives. When the marketing research agency Weatherchem organized a female focus group in India, it sought to identify the spices these women used in cooking, what issues influenced their buying decisions, what types of packaging were most common, and what packaging they preferred. Contrary to the researchers' initial assumptions, price was not the determining factor. Surprisingly, packaging proved most important. The focus group revealed that the women would pay a higher price for spices in resealable dispensers.

> "Casual observation and informal discussions with customers are unlikely to lead to breakthrough products."

A focus group moderator works not as an interviewer but as a facilitator of the discussion. He or she manages the group dynamics to ensure that every participant provides input and that the group stays on task. After the group disbands, analysts go through videos and transcripts to code the content and to make notes about nonverbal interactions.

> "Involving users in the early phases of new product development ensures that customers' needs are met and market acceptance is faster."

The efficacy of focus groups is limited because the data may be hard to evaluate, individual participants may not feel comfortable speaking honestly, or people with strong personalities sway the group. The moderator may ask leading questions or lose control of the discussion. Focus groups don't always represent the target market. Surveys and focus groups are also inadequate because customers may not articulate, understand or even recognize their hidden needs. People's true behavior may not correspond to what they say in focus groups. These traditional research methods are much more effective when conducted in combination with ethnographic research.

Ethnographic Analysis

Cultural and social scientists pioneered ethnographic analysis, which uses "systematic observation and contextual interviewing" research techniques. In systematic analysis, analysts watch an interaction, (such as a customer trying a product) record their observations and then code the data to uncover causal meanings and motivations. Contextual interviews are conversations that take place in the respondent's environment, such as interviewing an employee in his or her workplace. Ethnographers employ seven strategic tenets of contextual interviews:

1. Researchers conduct studies on site.
2. Ethnographers immerse themselves in the participants' natural environment.
3. Researchers participate to varying degrees, from observing respondents to interacting with them.
4. Data collected for the "ethnographic record" include "field notes, recordings, photographs and interview transcripts."
5. A more profound understanding of the study group produces a "thick description of social behavior."
6. Ethnographers delve beyond subjects' responses to detect underlying meanings and feelings.
7. Researchers reflect on all the collected data before drawing conclusions.

> "As researchers immerse themselves in the data, they will start to become aware of patterns, such as the way behaviors are linked to activities and, from these reflections, generate hypotheses."

When an Italian company, Lucci Orlandini Design, decided to create kitchens for disabled people, its managers conducted ethnographic research in the field. They observed patients cooking in the Niguarda Hospital in Milan to "get their impressions first hand." After researchers collected data through systematic observation and contextual interviewing, they coded the data and wrote a "thick description." This two- to three-page summary identified patterns and contradictions and interpreted the data in the cultural context of the survey group. The next step is to test the hypothesis or build a prototype. In this case, Lucci Orlandini Design tested its prototype at a different hospital. Its designers retested and made adjustments before launching the final product, which won prestigious design awards and the high praise of disabled users.

The Repertory Grid

The repertory grid is a flexible research method that allows participants to convey their feelings or opinions about products, services or processes. Researchers using this technique cull quantitative information from structured interviews and place it in a matrix – the repertory grid. Market researchers normally use repertory grid interviews for investigative purposes. The interviews identify "constructs or service attributes" that analysts can use to generate ideas for product and service innovations.

> "The most appropriate combination of techniques needs to be chosen for each market research project."

Researchers conducting a study for an information technology (IT) service provider asked participants to name six IT services they used. The researchers showed the participants three services and asked a question such as, "Why is using two of these services similar and different from the third?" The responses provided a construct. After each construct, researchers asked participants to rate all the services on a five-point scale. Later, the researchers placed this data on the repertory grid. They employed tailored software to analyze the elements and constructs, and to produce a "cognitive map" – a visual representation of the participants' feelings and observations. When analyzing several grids in sequence, the researchers could organize the constructs into categories ranked by significance.

The Innovative User

In 1998, Lego introduced Mindstorm, bricks that can be used to build programmable devices, such as robots or machines. Users can program the machines to perform a complex range of activities, such as solving a Rubik's Cube. When Lego wanted to update Mindstorm, its product developers contacted Mindstorm enthusiasts. Lego used the contributions of four top users to formulate new robot-building blocks. After the release of the well-received new version, a hacker "reverse-engineered" the software and published his findings on the Internet. In keeping with its interactive spirit, Lego now allows hacking of its products in order to involve customers further.

> "Adopt the culture of innovation, develop a deep understanding of your customers and their hidden needs, and turn these insights into breakthrough products and service features."

Mindstorm presents a good example of engaging users in product design and marketing. Virtual user communities, blogs, photo and video sharing, and social networks allow consumers to share their thoughts and opinions. They provide a window into the mind of the consumer, a valuable resource for ethnographic researchers. In the late 1990s, the term "user-generated content" (UGC) became part of the marketing vernacular. A popular example is "open source code" such as the Linux operating system, which volunteer programmers developed by collaborating online.

> "When hidden needs are addressed by product design, customers are surprised and delighted."

Consumers provide "ideation" input – that is, ideas for new offerings, "design and development," "modification and novel use," "market launch," and ways to use or change a product. Corporations such as Lego turn to lead users and early adopters for feedback and suggestions. "The Internet has significantly increased the opportunities for companies to forge close links to large numbers of their customers or consumers." The trend toward UGC will continue to grow.

Decisions, Decisions

Marketers and product developers must understand how consumers perceive the importance of one attribute over another (for instance, high-quality versus affordability), and how much this influences their purchasing decision. "Conjoint analysis" is the research method that measures the strength of different attributes. Research participants choose among a range of realistic alternatives, each with different attributes. Analysts study the resulting data using a mathematical model to identify which key attributes influence the purchasing decision. Conjoint analysis enables researchers to pinpoint the trade-offs consumers are willing to make and the value they place on various product characteristics.

> "Involving the user is still in its infancy, but new opportunities will continue to arise."

The Swedish furniture maker IKEA wanted to know whether customers valued the use of sustainable wood in its products. IKEA researchers conducted a conjoint analysis asking participants to rate how important they considered the attributes of "price, type of wood and eco-label." The firm learned that customers in England would pay up to 16% more for products with the eco-label, but that customers in Norway would pay only 2% more.

Hidden Needs Detectives

Creating a culture that uses HNA research to generate successful products and services requires an open attitude and a commitment to training. If you understand what consumers really want, you can create groundbreaking, innovative products.

About the Authors

Keith Goffin teaches innovation at the UK's Cranfield School of Management. **Fred Lemke** teaches marketing at the US's Alliant International University, where **Ursula Koners** is a visiting research fellow.