



Connecting ethnography to the business of innovation

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Abstract This article presents methods to help companies build processes that emphasize consumer ethnography, customer ethnography, and commercialization planning as components for innovation within mature, well-established consumer or industrial markets. It is written for multifunctional innovation teams and senior management toward increasing the success rates of new product innovations.

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1. Duncan Hines: Quest for a competitive advantage

Several years ago, an innovation team from Duncan Hines—a division of Pinnacle Foods—set off from company headquarters in Piscataway, New Jersey, headed for an offsite location. The team's purpose was to innovate a new baking product for the mainstream market. The destination city had been selected because it was a leading indexing city of value-focused shoppers—a place deemed highly advantageous for the consumer research Duncan Hines was committed to performing as part of its innovation process.

The innovation team was stuck in a difficult market situation: Duncan Hines's baking products

were hard to distinguish from those of its main competitors, Pillsbury and Betty Crocker. Duncan Hines was close to a billion-dollar brand, but the market itself was slow growing and the Big Three faced American consumers who increasingly wished to eat healthier foods. At the time, consumers who shopped the baking aisle were surrounded by similarly-sized boxes of cake mix in comparable packaging colors. Duncan Hines claimed its red velvet the moistest and best-tasting of cakes; Pillsbury sought leadership in the frosting and decorations segment with its Funfetti; and Betty Crocker claimed superiority in the brownie, cookie, and cupcake segments. Nipping at all their heels was Ghirardelli, with a reputation for excellent-tasting chocolate in its cake mixes and frosting. For the most part, customer item choice was discount-based and brand loyalty was not heavily practiced. All in all, the baking aisle was a sea of noise, with little differentiation among the leading brands.

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The Duncan Hines innovation team needed to break through this clutter to create new products that would drive revenue in the crowded, price-competitive market. How could it generate the running room needed for innovation? This question was no different than that faced by many innovation teams working in mature markets.

Innovation teams in consumer packaged goods (CPG) aspire to achieve at least \$50 million in annual revenue from a new product, or even perhaps attain blockbuster status with over \$100 million. Yet, a study (Watson, 2014) found that 85% of all new products fail to stay on shelves two short years—a huge failure rate for any industry.

As experienced food developers and brand managers, the Duncan Hines innovation team knew it had a tough task at hand. It had to think of new ways to work in order to create differentiated concepts. Its use of traditional market research methods—via which dozens of potential concepts are brainstormed in the office and thrown into large sample screening tests, then refined through further large-scale tests to validate revenue potential—had yielded only incremental product line improvements and no major wins.

Like most other innovation teams in the consumer products space, members of the Duncan Hines team had experimented with ethnography to acquire deeper insights into consumer needs and frustrations. It knew that immersions with consumers would not be sufficient; collectively, the team had created a number of promising new food concepts that had failed to gain acceptance from large retailers—the actual customers for these types of products. In the pages that follow, we describe how

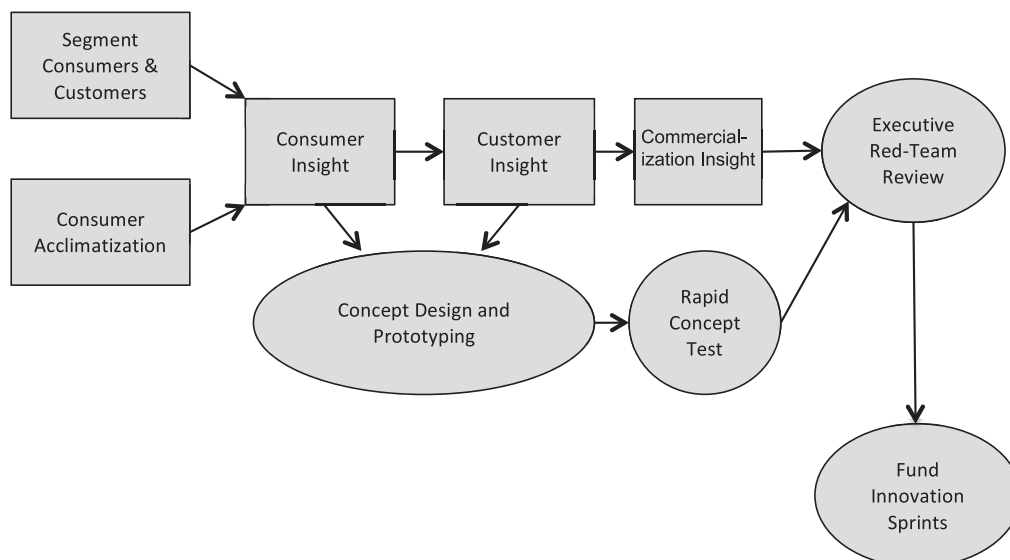
the Duncan Hines team innovated to create new, differentiated offerings within the sea of noise.

2. The 3 Cs of innovation: Consumer, customer, and commercialization

Figure 1 reveals the ten-step, 3C innovation process. The basic overview of this process is:

1. *Consumer and customer segmentation*: Develop a consumer (end user) and customer (channel buyer) segmentation strategy, with a careful eye toward segmenting markets to identify current or new customer groups that are not well served by current products or services.
2. *Consumer acclimatization*: Have participating members in an innovation immerse themselves in a day-in-the-life of different potential target consumers/users. Innovation team members must have true empathy for target consumers—who are not necessarily like them—before embarking on any ethnography.
3. *Consumer/User insight*: This is one-on-one immersion by innovation team members with a handful of highly representative consumers, digging deeply into preferences, needs, and frustrations with current products and services. The ‘who’ for the consumers is driven by the segmentation strategy; the ‘number’ ranges between 10 and 30 individuals—which, for the type of immersions needed here, takes real effort and dedication to the task; and the

Figure 1. The 3C innovation process



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