- **Assume that you want to understand the food inventory of consumers.** Instead of asking about a respondent's refrigerator contents, ask him or her to take you on a photo tour of the fridge.
- **Assume you want to get into deep emotions surrounding a brand.** Ask respondents to deprive themselves of it for a day and record the resulting emotions over the course of the day. Or ask the respondent to create or find images that reflect the feelings associated with a brand and post them. Encourage a discussion around the most interesting.
- **Assume you want some insight into a brand.** Post six pictures and ask respondents which jumps out at them in a certain brand context.
- **Assume you need to develop a new product to revitalize a frozen dinner brand.** First, ask respondents to use an online diary recording their experiences and activities related to frozen dinners complete with videos and descriptions for a week. A moderator interjects questions. Second, expose another respondent set to ten concepts presented with a video showing the package and use experience. An online discussion with moderator interaction is part of the process. Finally, three finished concepts are put to an in-home test during which respondents film their test experience.

Ethnographic Research

A powerful qualitative research approach is ethnographic or anthropological research, which involves directly observing customers in as many contexts as possible. By accurately observing not only what is done involving the target or service, but also *why* it is being done, companies can achieve a deeper level of understanding of the customer's needs and motivations and generate actionable insights. It is often done by having researchers spend real time with customers in their homes or offices. P&G has its executives regularly engaged in such research. However, it can also be aided by a video camera or by the Internet-based research in which customers monitor themselves in a structured way.

For example, the financial data company Thomson Corporation regularly studies from 25 to 50 customers, examining their behavior from three minutes prior to using their data as well as three minutes afterward.[9] One such study, which found that analysts were inputting the data into a spreadsheet, led to a new service. Although this research approach has been around for nearly a century, it has taken on new life in the last few years in packaged goods firms such as Unilever and also in business-to-business firms such as Intel and GE.

Ethnographic research is particularly good at identifying breakthrough innovations. Customers usually cannot verbalize such innovations because they are used to the current offerings. Henry Ford famously observed that had he asked customers what they wanted, they would have said faster horses. By watching people buy and use in the context of their lives or their businesses, however, experienced and talented anthropologists (or executives, in the case of P&G) can generate insights that go beyond what customers could talk about.

Ethnographic research works.[10] After one study observed the difficulty people had in cleaning the bathroom, P&G developed Magic Reach, a device with a long handle and swivel head. Visits to contactors and home renovators resulted in the development of the OXO hammer with a fiberglass core to cut vibration and a rubber bumper on top to avoid leaving marks when

removing nails) as part of a line of professional-grade tools. Sirius followed 45 people for a week, studying music listened to, magazines read, and TV shows watched, and then developed a portable satellite-radio player that can load up to 50 hours of music for later playback. Black & Decker's observation that electric drill users ran out of power led to the detachable battery pack. Intel's research in developing countries led it to develop a cheap PC that could run on truck batteries in 100-degree temperatures. GE found through ethnographic research that buyers of plastic fiber for fire-retardant jackets were more concerned with performance than price. That led to a completely different business model in GE's efforts to enter the field.

Ethnographic research can also be used to improve existing products or services. Marriott had a multifunctional team of seven people (including a designer and an architect) spend six weeks visiting twelve cities, hanging out with guests at hotel lobbies, cafés, and bars.[11] They learned that hotels were not doing well at service for small groups of business travelers. As a result, lobbies and adjacent areas were redesigned to be more suitable for transacting business, with brighter lights and "social zones" with a mix of small tables, larger tables, and semiprivate spaces.

The Ideal Experience

The conceptualization of an ideal experience can also help identify unmet needs. A major publisher of directories polled its customers, asking each to describe its ideal experience with the firm. The publisher found that its very large customers (the top 4 percent who were generating 45 percent of its business) wanted a single contact point to resolve problems, customized products, consultation on using the service, and help in tracking results. In contrast, smaller customers wanted a simple ordering process and to be left alone. These responses provided insights into improving service while cutting costs.[12]

KEY LEARNINGS

- External analysis should influence strategy by identifying opportunities, threats, trends, and strategic uncertainties. The ultimate goal is to improve strategic choices—decisions as to where and how to compete.
- Segmentation (identifying customer groups that can support different competitive strategies) can be based on a variety of customer characteristics, such as benefits sought, customer loyalty, and applications.
- Customer motivation analysis can provide insights into what assets and competencies are needed to compete, as well as indicate possible SCAs.
- Unmet needs that represent opportunities (or threats) can be identified by asking customers, by accessing lead users, by ethnographic research, and by interacting with customers.

FOR DISCUSSION

1. Why do a strategic analysis? What are the objectives? What, in your view, are the three keys to making a strategic analysis helpful and important? Is there a downside to conducting a full-blown strategic analysis?