

Understanding Consumers Through Ethnography: Evaluating Its Role in Product and Service Innovation

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ABSTRACT

Innovation increasingly depends on organizations' ability to understand consumer needs beyond their explicitly stated preferences. This paper evaluates the extent to which ethnographic research is an effective tool for informing innovation in product and service development. Drawing on innovation theory, design thinking and consumer research, it examines how ethnography enables organizations to observe consumers within real-world contexts and uncover behavioral patterns, contextual influences and latent needs that conventional research methods may overlook. Industry examples from Samsung, Miele and Airbnb demonstrate how ethnographic insights can identify unmet consumer needs and inform meaningful product and service improvements. However, the paper also critically evaluates limitations including high costs, time requirements, participant selection bias, limited generalizability and the potential influence of researchers on participant behavior. It concludes that ethnography is a highly valuable tool for consumer-centered innovation, but is most effective when complemented by quantitative research methods that provide broader statistical validation.

Keywords: Ethnographic Research, Innovation, Product Development, Design Thinking, Consumer Behavior

Introduction

In increasingly dynamic and competitive markets, organizations are under constant pressure to innovate, i.e., develop new products and services that respond to changing consumer preferences while simultaneously differentiating themselves from competitors. However, innovation itself does not guarantee commercial success. In practice, a significant proportion of new product development (NPD) initiatives fail to reach the market or fail shortly after launch (Schneider and Hall, 2011), highlighting the challenges of translating innovative ideas into products that deliver value for both organizations and consumers.

Traditional innovation theories, including Schumpeter's concept of creative destruction and Christensen's theory of disruptive innovation, explain the importance of innovation in driving competitive advantage and market transformation. More recent approaches, such as Tidd and Bessant's Innovation Funnel and design thinking, have further recognized the importance of identifying opportunities and placing consumers at the center of product and service development. Despite these advances, organizations continue to face a fundamental challenge: understanding what consumers genuinely need rather than simply responding to what they say they want. Conventional market research techniques, including surveys, interviews and focus groups, frequently rely on consumers' ability to accurately articulate their needs and behaviors, despite evidence suggesting that many important purchasing motivations and everyday behaviors remain subconscious or context dependent.

Against this backdrop, ethnographic research has increasingly emerged as a valuable approach to consumer research. Rooted in anthropology, ethnography seeks to understand human behavior through observation and participation within natural settings, allowing researchers to generate rich contextual insights into how consumers interact with products and services in their everyday lives (Denzin and Lincoln, 2011; Reeves, Kuper and Hodges, 2008). This paper therefore investigates the following research question: **To what extent is ethnographic research an effective tool for informing innovation in product and service development?**

This research paper argues that ethnographic research is one of the most effective approaches to generating deep consumer insights that inform innovation. However, its greatest value is realized when used alongside complementary quantitative research methods, allowing organizations to combine contextual understanding with broader statistical evidence throughout the innovation process.

Innovation, Design Thinking and Consumer-Centered Product Development

2.1 Innovation

Innovation has long been recognized as a fundamental driver of competitive advantage, organizational growth and long-term business sustainability. Over the years, there have been many different interpretations and definitions of innovation. Joseph Schumpeter's (1942) theory is one of the oldest theories of innovation. Schumpeter coined the term 'creative destruction', which refers to the process by which new innovations replace existing ones that are rendered obsolete over time (Pfarrer and Smith, 2015). This theory relates to economic dynamism, as it challenges the perspectives of economists who view the world in a static sense rather than considering the future (Adler, 2019). Taking this to the next level, Clayton Christensen introduced the concept of disruptive innovation in the late 1990s. He explained that "Disruptive

Innovation describes a process by which a product or service takes root in simple applications at the bottom of the market-typically by being less expensive and more accessible - and then relentlessly moves upmarket, eventually displacing established competitors” (Christensen Institute, 2025). These theories both highlight that innovation improves market functioning.

Tidd and Bessant’s (2018) Innovation Funnel model, pictured in Figure 1, is a newer approach to innovations. The model has four different stages. The first stage is to identify opportunities for innovation. The second stage is concerned with selection - essentially finding an ideal product or service to create. The third stage is implementation, which involves developing strategies to put the idea into practice and bring it to life. The fourth and final stage of the funnel is to capture, i.e., consider the different ways in which the business would be able to benefit from the innovation.

Figure 1: The Innovation Process as per Tidd and Bessant



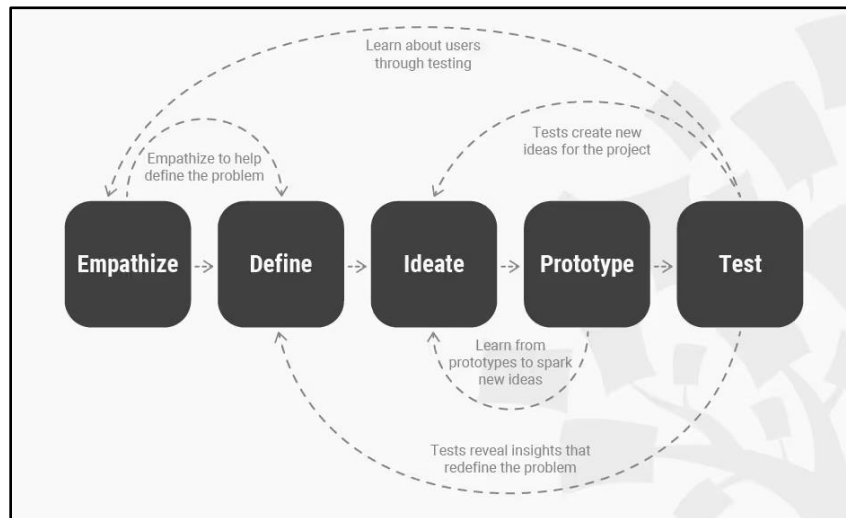
Interestingly, while these theories explain how innovation emerges and creates competitive advantage, they predominantly focus on organizational capabilities rather than on how firms identify consumer needs. Even Tidd and Bessant’s framework, which represents a more systematic approach to innovation by recognizing the importance of searching for opportunities before selecting and implementing ideas, still primarily remains a framework for managing innovation rather than for identifying unmet consumer needs. Consequently, innovation scholars have increasingly turned towards human-centered approaches that place the consumer at the center of product and service development.

2.2 Design Thinking and Human-Centered Innovation

Design thinking was a theory developed and mainstreamed in the 1990s by the company IDEO, a design and consulting firm (Friis Dam and Teo, 2016). By definition, “design thinking is a systemic, intuitive, customer-focused problem-solving approach that organizations can use to

respond to rapidly changing environments and to create maximum impact” (McKinsey & Company, 2023). By integrating insights from psychology, sociology and anthropology, design thinking enables organizations to develop products and services around users' needs, behaviors and experiences rather than technological capabilities alone (Tuttle, 2021).

Figure 2: The Five Stages of Design Thinking



The design thinking theory, as shown in Figure 2, has been broken down into 5 stages: empathize, define, ideate, prototype and test. The first stage, i.e., empathize, focuses on developing a deep understanding of users before solutions are generated (Friis Dam, 2025). In order to achieve this, organizations employ a range of market research techniques, including surveys, customer feedback, focus groups and increasingly ethnographic research. While each method seeks to understand consumer needs, they differ considerably in the depth and nature of the insights generated. During the define stage, the company synthesizes information gathered in the first stage, such as the different problems customers face, to identify the core problem (Murtell, 2021). Essentially, at this point, the company focuses on defining the main problem it is solving through its products and presents it in a human-centric way. The ideation stage then encourages the company to brainstorm solutions to the problem presented. All the ideas derived from the methods practiced at this stage are then mixed and matched to develop feasible solutions (Friis Dam, 2023), after which the company chooses the best possible solution to move forward with. Once ideas have been generated, the prototype stage focuses on developing real solutions. The firm produces scaled-down versions of the product, creating multiple prototypes for each selected idea during the ideation process. The final stage of the design thinking process is testing. During this stage, users evaluate the prototype and provide feedback on its functionality, usability and overall effectiveness (Tuttle, 2021). This enables organizations to

validate whether the proposed solution successfully addresses the identified consumer need and to identify any refinements required before implementation (Friss Dam, 2023). As design thinking is an iterative process, testing frequently leads organizations back to earlier stages to further improve the product or service.

Overall, design thinking represents a significant shift from technology-driven innovation towards human-centered innovation by placing consumer understanding at the center of the product and service development process. While all five stages contribute to successful innovation, the empathy stage provides the foundation upon which the remaining stages are built (Plattner , 2010). Consequently, the quality of consumer insights gathered at this stage directly influences the effectiveness of the entire process. As organizations increasingly seek to understand consumers beyond their stated preferences, ethnographic research has emerged as one of the most influential methods for uncovering contextual and behavioral insights that can drive innovation. The following section therefore examines the extent to which ethnography fulfills this role and evaluates its effectiveness as a research tool for product and service development.

Ethnography as a Driver of Innovation

3.1 Understanding Consumers Beyond Traditional Research

Understanding consumers, what they want, how they behave and how they interact with products or services in their everyday lives is critical to successful product development. Though there are many quantitative and qualitative research methods, including big data and focus groups, most have weaknesses. Ethnography is a research method rooted in anthropology that seeks to overcome some of the weaknesses of the aforementioned methods by observing customers or end users directly in their task-relevant environment to better understand users' needs and develop greater empathy. This method is deemed neither quantitative nor qualitative in its procedure and assumptions (Anderson, 1986). Instead, ethnography draws upon a combination of data collection techniques ranging from surveys and structured observations to unstructured interviews and participant observation, enabling researchers to construct rich interpretive representations of consumer behavior. This firsthand observation of consumers makes ethnography highly useful for developing new products and services.

One of the main reasons ethnography is useful for developing new products and services is that it provides researchers with a deeper understanding of consumers. While several researchers, including Gobble (2013), have pointed out that big data can enhance firms' NPD in many respects, the one hurdle with this data is that it is oftentimes decontextualized. For organizations and businesses to survive today, they must contextualize their data to transform senseless data into real information that can be used as actionable insights to enable intelligent corporate

decision-making (Augify, 2013). Because of its nature, consumer ethnography is not only analytical but also provides access to customer information through immersion in customers' circumstances, thus yielding a specific context (Arnould & Cayla, 2015). In doing so, ethnography moves beyond identifying what consumers do to explaining why they behave in particular ways, allowing organizations to uncover latent needs that may otherwise remain hidden through conventional market research methods.

3.2 Discovering Latent Needs Through Observation

The other factor that makes ethnography useful is that it overcomes consumers' inability to serve as good self-reporters in market research. To expand on this point, many different fields, including psychology, have concluded that humans are bad at accurate recall and at using speech to represent things as they were (Davis, 2023; Diamond, Armson and Levine, 2020). The reliance on conversations with a consumer target group in a specific setting, using researcher-posed questions, is the primary reason focus groups and interviews sometimes fail to yield accurate consumer insights. Additionally, focus groups suffer from the problems of 'groupthink' and social acceptability bias, in which members are likely to shift their arguments toward what other participants are saying (Alimoradi, N. C. Patrick and Dickerson, 2025). In ethnographic research, on the other hand, the end result is 'thick descriptions' (Geertz, 1973) that provide data detailing minute aspects of people's lives and clarifying how culture simultaneously structures and is formulated within people's behaviors and experiences.

This twofold analysis enables researchers to better understand consumer behavior and to record habits and/or behaviors that may go unnoticed or be acted on subconsciously by participants. Consequently, organizations are better positioned to develop products and services that address underlying consumer needs rather than merely responding to articulated preferences.

3.3 Evidence from Industry

The theoretical advantages of ethnographic research are also reflected in its practical application across a range of industries. In 2003, Samsung, the tech giant, ventured into customers' homes to learn about how people interacted with their large-screen TVs, only to find that the company's efforts to build TVs with superior resolution were not the need of the hour and instead customers were more interested in how the TV looked in their living rooms. On the basis of this, Samsung returned to the drawing board and found ways to improve the look and feel of their TVs while paying special attention to how they fit into a variety of living spaces, not just how they functioned on the technical spec sheets. Although this was initially met with some criticism, it proved to be a huge success (Yoo & Kim, 2015).

German household appliance manufacturer Miele is another example of a company that successfully applied ethnographic research in their product development process. Instead of relying entirely on consumer surveys and feedback, the company observed customers within their homes to understand their everyday cleaning habits and interactions with household appliances. Through these observations, Miele discovered that households with allergy sufferers spent significantly more time cleaning and repeatedly vacuumed surfaces to ensure allergens were removed. This insight led the company to develop a vacuum cleaner equipped with a hygiene sensor using a traffic light indicator to inform users when a surface was completely dust-free, thereby reducing unnecessary cleaning time (Kaluza, 2023). Ethnographic observations also revealed that allergy sufferers were particularly cautious when washing bedding and pillows, prompting Miele to introduce a specialized pillow-washing program and an additional rinse cycle to more effectively remove detergent residue (Burrows, 2014). Reflecting on this approach, Miele's director, Olaf Dietrich, described the firm's philosophy as one of "listen and watch," arguing that engineers and marketers must experience consumer problems firsthand because "only if you are present do you really understand the issues" (Burrows, 2014).

The application of ethnographic principles is also evident in Airbnb's early development. In 2009, despite offering an innovative accommodation platform, the company was experiencing stagnant growth and generating only about \$200 in weekly revenue (First Round, 2015). Instead of relying only on performance metrics and internal discussions, the founders visited hosts in New York, observed how listings were presented and spoke directly with users within their own environments (Aydin, 2019). Through these first-hand observations, they identified that poor-quality photographs, rather than flaws in the business model itself, were discouraging potential guests from making bookings. These insights prompted Airbnb to professionally photograph listings before testing the revised approach on its platforms, resulting in weekly revenue reportedly doubling to \$400 within a week (First Round, 2015). Although less formal than traditional ethnographic studies, Airbnb's approach reflected the core principles of ethnographic research by immersing decision-makers within users' real-world contexts to uncover behavioral insights that quantitative performance data alone failed to reveal.

Collectively, these examples demonstrate that ethnography is valuable not because it replaces technological expertise, but because it enables firms to ensure they are solving the correct consumer problem before investing in innovation. By grounding innovation in observed consumer behavior rather than assumed consumer preferences, organizations are more likely to develop products and services that successfully address genuine market needs.

Critical Evaluation of Ethnographic Research

However, as with almost all research methods, ethnographic research has drawbacks. Some of the more obvious and commonly discussed challenges concern cost and time intensity. This is because it requires organizations to conduct numerous in-depth field interviews, observe consumers within the natural environment, analyze extensive qualitative data and employ researchers with specialized observational skills. For instance, Ulwick (2019) notes that traditional ethnographic studies commonly involve 30 or more ethnographic interviews, hundreds of pages of transcripts and videos, approximately 180 employee hours of fieldwork and a cost of \$150,000 or more, particularly when travel and employee training are required. Consequently, ethnographic studies are often less feasible for organizations operating under strict financial constraints or tight product development timelines, particularly compared with surveys or online consumer analytics, which can generate large volumes of data relatively quickly.

Beyond the aforementioned, ethnographic research may also be susceptible to participant selection bias. Because participants are often selected purposively rather than randomly, researchers may unintentionally focus on individuals or groups perceived as particularly information-rich or accessible (Dahal et al., 2024). This may lead to misrepresentation and, in some cases, according to Cayla and Arnould (2015), client organizations pursuing customer ethnography may become fixated on particular consumer segments at the expense of understanding the broader market and other potentially valuable consumer groups. Furthermore, because ethnographic research typically relies on relatively small, context-specific samples, its findings may not always be representative of the wider population (Lim, 2024). While this allows researchers to generate rich and nuanced insights into consumer behavior, it can limit the extent to which those findings generalize across consumer groups or markets.

Other criticisms include researchers' tendency to influence customers by revealing too much information rather than simply observing and listening to participants. This increases the risk that researchers confirm their own assumptions rather than uncover genuinely latent consumer needs. Similarly, the presence of an observer may influence participant behavior, a phenomenon commonly referred to as the Hawthorne or observer effect, whereby individuals consciously or subconsciously modify their behavior because they know they are being observed (Spencer and Mahtani, 2017). Research suggests that participants become more self-monitoring, cautious and attentive under observation, while more intrusive forms of observation may increase anxiety and hesitation, further altering natural behavior (Zhang, 2024). Such behavioral changes may reduce the authenticity of the findings and ultimately affect the validity of the research.

More broadly, these limitations suggest that ethnography is unlikely to function as a complete replacement for traditional market research methods. Rather, its greatest value lies in

complementing quantitative techniques such as surveys, experiments and consumer analytics, allowing organizations to combine rich contextual insights with broader statistical evidence when making innovation decisions.

Conclusion

This paper evaluated the extent to which ethnographic research effectively informs innovation in product and service development. The analysis demonstrates that ethnography can play a particularly valuable role in consumer-centered innovation because it enables organizations to move beyond what consumers explicitly say they want and examine how they actually behave within real-world contexts. This closely complements the principles of design thinking, particularly the empathy stage, where developing a meaningful understanding of users provides the foundation for identifying problems and subsequently developing appropriate solutions.

The evidence examined throughout the paper suggests that ethnography's principal advantage lies in its ability to uncover contextual information and latent consumer needs that may remain invisible through conventional methods such as surveys, interviews or focus groups. The cases of Samsung, Miele and Airbnb illustrate how observing consumers within their everyday environments can challenge organizational assumptions and reveal problems that firms may otherwise overlook. In this sense, ethnography can improve innovation not simply by generating more consumer information, but by helping organizations identify the correct consumer problem before investing resources in developing a solution.

Nevertheless, ethnography should not be viewed as a complete replacement for traditional market research. Its time and financial demands can make large-scale implementation difficult, while small, purposively selected samples limit generalizability. Researcher influence and the observer effect may also reduce the authenticity of observed behavior. Therefore, the effectiveness of ethnographic research is ultimately greatest when it forms part of a mixed-method approach. Ethnography can provide the depth and contextual understanding necessary to discover meaningful consumer needs, while quantitative techniques can assess whether these insights apply across larger populations. This combination provides organizations with a stronger evidence base for developing products and services that are both genuinely consumer-centered and commercially relevant.

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