Four Ways Traditional Market Research Can Kill Innovation

In almost all companies, market research is a critical part of the innovation process. Market research helps companies identify attractive opportunity areas, compare innovation initiatives, and fine-tune their strategic approach. It's a pity then that companies frequently stumble when using market research to guide innovation decisions.

It's not that market researchers are bad people. Almost all the market researchers I have met are good, thoughtful people. The tools of market research are—when used properly—good, useful tools. But something comes off the rails when innovation-seeking companies organize, execute, and use market research.

The four biggest flaws I see with traditional market research approaches are:

1. Talking to the wrong customers. It's been more than a decade since Clayton Christensen described how the root of the innovator's dilemma is a myopic focus on the most demanding customers in the market. Yet, many companies still spend a disproportionate amount of their time trying to understand the wants and needs of existing, demanding customers. Innovation opportunities almost always come from understanding a company's worst customers or customers it doesn't serve.

2. Asking the wrong questions. Many companies will ask customers, in essence, "What do you want?" Academics and practitioners more eloquent than I have described how customers can't reliably answer that question. The focus has to be on the problem the customer is facing—and even that can be tricky because customers can't always articulate problems that aren't directly targeted by existing solutions.

3. Having the wrong people interpret the data. Often, senior leaders will make decisions based on summary market research reports. They rely on crucial filtering decisions by line managers and market research firms who might miss (or intentionally screen out) important signals. Decision-makers need to experience the raw data to make sure signals don't get lost in translation.

4. Making the wrong decisions based on market research data. I've written before about the dangers of making decisions based on what are sure to be faulty projections. Using early-stage market research as an input into innovation decisions is good. Treating market research into non-existent markets as gospel almost always guarantees struggles.

Of course, market research done in the right way can be incredibly actionable and useful for innovation. It's a matter of using the right approaches in the right contexts.

Part of the problem, I suspect, is that the market research process at many companies has been honed to help support the core business. Companies seeking to create new growth businesses need to radically re-think the way they approach and use market research, or suffer the consequences.

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