Consumers' Views of R&D Initiatives Taken by Organisations: Reactions Towards 'R&D' Shown in Advertisements

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Abstract

Value is the summation of perceived tangible and intangible benefits and costs for customers. High product value is based on perceptions of product attributes; this perception of product attributes is built gradually. For instance, a brand's features could be perceived as being better than others.

Combining R&D and Marketing would help strengthen the favourable perceptions of customers towards a brand, and mitigate the unfavourable perceptions for the same, by way of telling marketers the pulse of the 'market' for their product.

Also, there exists a Value Deviation between the brand image that the company wants to project (core positioning) and the value that the customer wants. This is simply because of the inability of the marketer to influence various core business processes, like Operations, HR, R&D etc., wherein R&D helps in key processes like market sensing and new offer realizations, which are crucial for value creation.

Just as the marketing concept developed on the premise of 'buyer's market', as Theodore Lewitt stated (one has to make products that suit the buyers, and not find buyers to suit one's product), R&D too has now evolved as being the primary tool to be used by marketers to first collect information about their target audience, and then accordingly create value for them, and not vice-versa. After all, competitive advantage can be sustained only when value is delivered as promised to the customer, and R&D is THE tool for doing just that.

Keywords: Research and Development, Marketing, Advertisements, Customer Perception

1. Introduction

Linking R&D to Marketing has always been a much contemplated issue by even the best of organizations, more so because of the not-so-compatible marriage of the two in most businesses. But the fact remains, that "When marketing and R&D together are truly focused on understanding and acting on customer needs, it makes both of their jobs easier and their results more productive". 1 Just as the marketing concept developed on the premise of 'buyer's market', as Theodore Lewitt stated, R&D too has now evolved as being the primary tool to be used by marketers to first collect information about their target audience, and then accordingly create value for them, and not vice-versa. After all, competitive advantage can be sustained only when value is delivered as promised to the customer.

Combining R&D and Marketing helps strengthen the favourable perceptions of customers towards a brand, and mitigate the unfavourable perceptions of the same, by telling marketers the pulse of the 'market' for their product (as a preemptive measure) and also by telling consumers the value that the organization as a brand wants to give them; this is where advertising comes in. These days, many ads are showing the various advanced features/technology that their product is offering as a value to

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the consumer. In many cases, these are even supported by some researches. Do these initiatives of R&D (actual or not) being depicted in the advertisements really affect consumers' purchases in any way? More importantly, do these initiatives succeed in creating a favourable image of the brand in consumers' minds, and tell them that this is creating value for the customer?

This paper attempts to explore, at a micro level, the answers to these questions. Before any empirical findings are discussed, a brief review of the relevant e-literature is presented.

Literature Review

Encyclopedia Britannica states that Research and Development in industry are two intimately related processes by which new products and new forms of old products are brought into being through technological innovation.

Huston and Sakkab (2006) have discussed in their paper how investments in both marketing and R&D are necessary for superior organizational performance. They go on to explain how "Procter & Gamble has a unique approach to innovation and has based its competitive advantage on understanding customers, acquiring, developing, and applying technology across its broad array of product categories and making connections between consumer wants and what technology can deliver. Recently, to increase productivity in the R&D and marketing interface, the company developed a new model for innovation entitled, 'connect and develop'."

Another interesting insight was obtained from the automobile giant Honda's practice.

From market and technology research to styling, engineering design, fabrication and testing to local parts procurement, Honda R&D Americas is helping create new value for Honda customers through innovation in the development of new Honda and Acura products. 2

Again, one finds another supporting argument in Nokia's foray in India. "By listening to customers in poorer countries, Nokia learned that phones had to be more durable, since they're often the most expensive item these customers will buy. To function in a tropical climate, it made the phones more moisture-resistant. It even used special screens that are more legible in bright sunlight." 3

A similar attempt to understand customer value requirements is evident in the following example:

"….Micromax through its thorough understanding of the Indian market is already coming up with innovative handsets to compete in the market. Company is flooding the Indian market with multiple options aimed at different consumer segments and not only rural segment….. To build sustainable competitive advantage successful companies globally have focused on R&D to support the product(s) vision. Product vision was in-turn developed based on understanding of customer preferences, competitive products and domestic/international market developments. Only then can you cater to the dynamic industry that telecom is and also country specific needs. Micromax now aims to touch a turnover of Rs.30 billion by next year according to its COO Rahul Sharma……" 4

Deeper involvement with customers can help marketing in many areas. At Baxter International Inc. Inc., the Deerfield, Ill., medical-supply company, marketing staff performed an in-depth study of kidney-dialysis care in the field, with patients, doctors, nurses and technicians, examining all aspects of the process. Over the course of the study, marketers identified some 30 possible new product and service opportunities. In collaboration with R&D, some of those ideas have been brought to market already. Other ideas generated by the project are still in development, including pilot projects in various markets around the world. 1

Research Methodology

Randomly selected respondents were emailed a questionnaire.

The sample size was 50.

The findings are tabulated below along with the corresponding questions:

1. For the following products, name the brand that you purchase the most frequently:

(Brands with the same percentage of users have been highlighted in pink to avoid confusion of 100% summation)

Bathing Soap	% of Respondents
DOVE	26%
LUX	16%
CINTHOL	14%
DETTOL/PEARS	12%
OTHERS	20%

Mobile Handset	% of Respondents
NOKIA	72%
BLACKBERRY	8%
SAMSUNG/SONY	6%
OTHERS	8%

Shampoo	% of Respondents
DOVE/H&S	24%
SUNSILK	14%
L'OREAL	8%
GARNIER	6%
OTHERS	24%

Noodles	% of Respondents
MAGGI	92%
TOP RAMEN	8%

Detergent	% of Respondents
SURF EXCEL	48%
TIDE	28%
RIN/ARIEL	10%
OTHERS	4%

2. Do you feel that the brands mentioned above by you have an edge over their competitors in any way?

Chosen Brand of …	% of respondents who believe that their brand has an edge over competitors	% of respondents who believe that their brand does not have an edge over competitors	Don't Know
Bathing Soap	80%	20%	0%
Mobile Handset	84%	12%	4%
Shampoo	66%	30%	4%
Noodles	80%	16%	4%
Detergent	66%	32%	2%

3. Do you believe that for the brands listed by you, 'Research and Development' efforts have been made by the company in some way for your benefit? *

Chosen Brand of…	% of respondents who believe that their brand takes R&D initiatives for consumer benefit	% of respondents who believe that their brand does not take R&D initiatives for consumer benefit	Don't Know
Bathing Soaps	70%	26%	4%
Mobile Handsets	74%	16%	10%
Shampoo	50%	36%	14%
Noodles	50%	38%	12%
Detergent	50%	36%	14%

*Respondents also made subjective comments on the above question. Some of them are listed below (on efforts been made by the company for customer benefit):

1. "Trying to understand what the other soaps lack (inability to stop drying of skin), and capitalizing on that" (Dove)
2. "Dove keeps the attention on skin of the face that attracts me."
3. "Global hand washing campaign and continuous product development with introducing new variant" (Dettol)
4. "When Dove was launched, it was the only product which was having less Ph value and more moisture content as compared to other market competitors."
5. "They were the market movers and still they are the best. They had given time and money to bring handset into the reach of common man and with best features"(Nokia)
6. "Lots of investment in R&D by Nokia widely reported in press"
7. "The High Tech advertisements and excellent coverage on the internet too" (Nokia)
8. "Can recollect significant R & D initiatives taken by Sunsilk R & D centre in collaboration with world's leading hair care experts."
9. "Introduction of new ingredients that sound exotic yet natural, which makes the consumer feel that the product is safe."(Himalaya)
10. "Ads + sampled/Doc recommended" (Head and Shoulders)
11. "They've experimented with a variety of flavors to suit the Indian palette."(Maggi)
12. "To some extent yes, as the brand advertisement shows it contains dirt magnets, which remove dirt & dust easily without much effort."(Tide)
13. "Very middle class but elaborate commercials and I am sure they have put in research work, it is very obvious."(Surf Excel)

4. Which of the following have you heard about?

Advanced Features in a Brand	% of respondents who have heard of the same	% of respondents who have not heard of the same
'ZPTO' in a shampoo	60%	40%
'Anti-drowsiness formula' in a cold-&-flu tablet	20%	80%
'K series' engines in cars	62%	38%
'Dirt Magnets' in a washing powder	64%	36%
'Kumkum-adi-tailam' in a fairness cream	44%	56%
'24 hour germ protection' in toothpastes	94%	6%
'Extra MMR' in a mosquito repellant	80%	20%
'10 times oxygen' in a stain remover	50%	50%
'Turbo-sensitive aloe-lubricants' in a shaving razor	36%	64%
'Shortest turning radius' in a car	50%	50%

5. Have you ever been attracted to any of the brands hinted below because of the advancement in their features/ technology versus other brands?

Brands with advanced features	% of respondents who are attracted to the brands because of advancement in their features/technology	% of respondents who are not attracted to the brands because of advancement in their features/technology	Can't Say
i) A brand with 'ZPTO' in a shampoo	28%	60%	12%
ii) A brand with 'Anti-drowsiness formula' in a cold-&-flu tablet	20%	68%	12%
iii) A brand with 'K series' engines in cars	42%	46%	12%
iv) A brand with 'Dirt Magnets' in a washing powder	46%	48%	6%
v) A brand with 'Kumkum-adi-tailam' in a fairness cream	10%	78%	12%
vi) A brand with '24 hour germ protection' in toothpastes	64%	28%	8%
vii) A brand with 'Extra MMR' in a mosquito repellant	44%	48%	8%
viii) A brand with '10 times oxygen' in a stain remover	22%	68%	10%
ix) A brand with 'Turbo-sensitive aloe-lubricants' in a shaving razor	24%	66%	10%
x) A brand with 'Shortest turning radius' in a car	26%	64%	10%

6. Have you ever thought of purchasing any of the brands hinted below because of the advancement in their features/technology versus other brands?

Brands with advanced features	% of respondents who thought of purchasing the brands because of advancement in their features/technology	% of respondents who did not think of purchasing the brands because of advancement in their features/technology	Can't Say
i) A brand with 'ZPTO' in a shampoo	20%	64%	16%
ii) A brand with 'Anti-drowsiness formula' in a cold-&-flu tablet	18%	68%	14%
iii) A brand with 'K series' engines in cars	36%	52%	12%
iv) A brand with 'Dirt Magnets' in a washing powder	34%	56%	10%
v) A brand with 'Kumkum-adi-tailam' in a fairness cream	6%	74%	20%
vi) A brand with '24 hour germ protection' in toothpastes	56%	36%	8%
vii) A brand with 'Extra MMR' in a mosquito repellant	36%	48%	16%
viii) A brand with '10 times oxygen' in a stain remover	22%	64%	14%
ix) A brand with 'Turbo-sensitive aloe-lubricants' in a shaving razor	14%	72%	14%
x) A brand with 'Shortest turning radius' in a car	20%	66%	14%

7. Have you ever bought any product because you were influenced by the 'Research and Development' initiatives taken by its owner company?

% of respondents who have made a purchase influenced by R&D	% of respondents who have never made a purchase influenced by R&D	Don't Know
38%	52%	10%

8. If your answer is affirmative to the above question, please specify such an instance.

Quite a lot of respondents had comments on the above question. Some of them are listed below (on having made a purchase being influenced by the 'R&D' shown in ads):

1. "Nokia, (ads) in papers"
2. "BOUGHT ALTO-K10 (with a K-SERIES ENGINE)"
3. "Nokia... heard a lot about their 'dropping from a 3 storey building story' to test the sturdiness of the mobile."
4. "KELLOGS Corn flakes(weight loss challenge)."
5. "Nokia 3G phone"
6. "Colgate .... certified by IDA"
7. "Mostly personal care products like Dove."
8. "Maggi when it launched the Atta noodles..."
9. Research & Development initiatives depicted in the advertisements affect the performance of products.

Strongly Agree	Agree	Can't Say	Disagree	Strongly Disagree	Did not answer
10%	38%	26%	12%	10%	4%

10. In your perception, do the R&D initiatives like 'knowing the customer-needs first' and 'developing newer products' really add value to your purchase?*

% of respondents agreeing to above	% of respondents disagreeing to above	Can't Say
62%	0%	38%

*Some of the subjective comments given by respondents on the above are as

Follows (on R&D adding value to their purchase):

1. "Yes, they do, provided they really have done value additions, and are not merely promises made by the organizations with absolutely nothing to substantiate"
2. "Yes, I agree that R & D plays an important role in "Knowing the customer needs first' and developing newer products. Take an example of K series engines by Maruti; day by day petrol is becoming costly, customer wants mileage and K series provide better mileage as compared to previous one. Moreover to remain in market, technology has to be changed and to compete with other companies (like Hyundai advertised its Kappa engine)."
3. "They can add, but the R&D initiatives shown in the advertisements look like superfluous. R&D initiatives must have some connect to Consumer."
4. "To some extent yes, as sometimes some meaningful improvements take place in products, and the customer is in a position to correlate the enhanced product attributes to his unmet requirements. But R & D initiatives bring about greater value to our purchase in technology driven products."
5. "Not much initially - but after trying and seeing the result - it does."
6. "Yes but the fact is, when you see an ad film about a new technology in dirt cleaning, you try it, and then you find it be just mediocre. And not really as effective as depicted in ad film, then you start believing that they just lying."
7. "Yes they truly do, these efforts result in bringing out better and contemporary options"

Conclusion

75% of respondents believe, on an average across different product categories, that their brand has a definite edge over its competitor. Moreover, around 60% respondents believe that the R&D initiatives have been taken by the company for the benefit of the customer.

56% of the respondents have atleast heard about the advanced features/technology in a particular brand(ref. question 4). 33% have been attracted to the brand because of the above mentioned advanced features/technology depicted in ads. An average of 26% respondents intend to purchase the brands because of their advanced features/technology depicted in ads. This interestingly supports the AIDA model in the sense of Awareness, Interest and Desire to purchase being manifested in the consumer at each step.

Independent of the findings in point (2) above, 38% of the respondents made a purchase (any product) because they were influenced by the 'Research and Development' initiatives taken by its owner company (as depicted in advertisements).

48% of the respondents agreed that the Research & Development initiatives depicted in the advertisements affect the performance of products.

62% of the respondents agreed that the R&D initiatives like 'knowing the customer-needs first' and 'developing newer products' really adds value to their purchase.

The above findings clearly indicate, though at a very small level, that R&D and Marketing when linked in the face of marketing through advertisements do have an impact on consumers' perception of the brand, as well as on their value creation while making purchase of such products. All that the organizations need to remember is that whatever is claimed in the advertisements under the pretext of Research and Development should be actually experienced by the consumer when he himself/herself uses the product (from the horse's mouth). The heartening news, however, is that most of the consumers do believe in the R&D initiatives of organizations, and are making purchases based on the same shown in advertisements. To quote Philip Kotler "Companies most capable of bringing R&D and marketing together around what really matters to customers will build a powerful competitive weapon. It's not easy. But if it were, there'd be no money in it."

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