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RESEARCH AND DEVELOPMENT: BENEFITS AND LIMITATIONS OF R&D SPENDING

Benefits	Limitations
<ul style="list-style-type: none"> Competitive advantage over competitors Dyson has become one of the world's leading vacuum-cleaner manufacturers in 20 years as a result of its 'dual cyclone' technology. 	<ul style="list-style-type: none"> R&D does not always lead to innovation Billions of dollars have been spent by pharmaceutical companies to develop a cure for the common cold; so far they have all failed.
<ul style="list-style-type: none"> Customer loyalty Microsoft's continuous development and improvement programme for its computer operating system helps to keep customers loyal to the brand even though competitors are becoming more numerous. 	<ul style="list-style-type: none"> R&D is expensive and has an opportunity cost Would the money spent on R&D be more wisely invested in marketing existing products more intensively?
<ul style="list-style-type: none"> High, premium prices Being first into a market with an innovative product can allow high prices to be charged; e.g., the tiny but expensive Smart Car was marketed not as a low cost form of transport but an eco-friendly vehicle, worth paying 'extra' for. 	<ul style="list-style-type: none"> Inventions do not always lead to successful innovative products Examples of product failures after extensive R&D spending include the smokeless cigarette, disposable paper clothing and New Coke (see video embedded here).
<ul style="list-style-type: none"> Publicity 	<ul style="list-style-type: none"> Competing R&D spending may result in even more successful products

5.6 Research and Development – Innovation

<p>Apple receives free worldwide publicity for each new innovative product it launches.</p>	<p>Toshiba lost millions of dollars that it had invested in HD-DVD technology when it was knocked out of the market by Sony's Blu-ray system.</p>
<ul style="list-style-type: none">▪ Lower costs Pilkington, the glass maker, revolutionised float-glass making and slashed the cost of making glass to give it substantial cost advantages.	<ul style="list-style-type: none">▪ Ethical issues can sometime outweigh the potential commercial benefits Consumers still reject genetically modified (GM) food crops and there is no certainty that big GM R&D spenders such as Monsanto will receive a return on their investments.