



## New or improved: What consumers really want

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For many companies, scoring a competitive advantage entails pouring millions of dollars into research and development to come up with revolutionary new products and technologies.

But new research by INSEAD Assistant Professor of Marketing Myungwoo Nam and associates Jing Wang of the University of Iowa and Angela Lee of Northwestern University shows that companies don't always need to focus on developing new tools and products when in some instances, consumers might simply prefer improved or updated features. When does it matter? One way to make that distinction is by doing some research on the consumer: especially his or her levels of knowledge and experience.

Consider the market for digital cameras. In the point and shoot category, consumers tend to be recreational users with an elementary knowledge of photography. They evaluate brands on features such as the number of pixels, weight of camera, zoom lens—attributes that are basic, familiar and common across most brands. But, in the digital single lens reflex (DSLR) category, consumers are typically experienced photographers with deeper knowledge and awareness of complex attributes such as ISO levels, shutter speed and other

advanced features.

Companies can benefit from first considering the expertise levels of consumers and then creating product development and marketing strategies, Nam's research suggests. Prior studies have generally found consumers evaluate products based on comparable features, not on new and unique ones. But, on filtering consumers by expertise, Nam finds that while novices continue to deliberate common attributes, experienced consumers pay greater attention to new and unique features not offered by other brands.

The Nikon D90, for example, was the first DSLR to feature high-definition video recording capabilities. Nikon emphasised this attribute as its point of differentiation. Both the development and advertising strategies worked, Nam explained to INSEAD Knowledge, as it allowed Nikon to successfully compete with its competitor Canon's 50D which boasted higher pixel counts but lacked high-definition video capabilities.

### Separating experts and novices

The authors carried out a series of experiments in which participants were presented with two brands of MP3 players, cell phones, laptops and smartphones. Each pair of products carried both similar and distinguishing features. Participants

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were asked to select attributes of greatest importance. They were additionally tested on their understanding of the various features and experience with the brands.

The results were unanimous. Savvy consumers gave greater importance to unique features. With MP3 players, a new feature for one brand was its Bluetooth capability, which was picked by experienced users. Novices, on the other hand, preferred regular attributes—battery life, storage space and design.

“The results suggest there might be a disconnect between consumer preferences and companies’ expectations of consumer preferences,” says Nam. It is therefore important for product developers and marketers to distinguish between expert and novice consumers. “When companies are targeting experts, their strategy should focus more on developing products with attractive unique attributes and on positioning their competitive advantage on these attributes. On the other hand for consumers with little product knowledge, companies should instead allocate resources on improving existing attributes and on highlighting their superior performance in promotional campaigns.”

The authors also found that rookie consumers’ choices changed and became more aligned with their expert counterparts, when presented with additional information that helped them understand new and complex features. The finding carries implications for marketers that may be able to provide inexperienced consumers with information to improve awareness and understanding of new, unfamiliar features.

### When new becomes familiar

But as can be expected, particularly with high technology products, consumers grow familiar with unique attributes to the point where they become conventional. The first generation of iPhone users had no experience with smartphones that seamlessly integrated with personal computers. Today, Apple has lost that competitive advantage, Nam points out, and instead competes with aggressive rivals on its extensive offerings of mobile applications.

“It’s very difficult for companies,” says Nam. “As a product category evolves and matures, the importance of alignable versus non-alignable changes over time and most attributes become basic and expected features.” Product developers and marketers have to be alert all the time because what’s important this year might not be in two or three years. It explains why a telecommunications giant like Nokia that was very good in the past is

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struggling today, he adds.

The real challenge arises when it’s difficult to identify who’s an expert and who’s a novice,” says Nam. It’s an issue that’s likely to challenge a company such as Apple going forward, he says, given the company’s strategy of developing a limited variety of products for broad consumer segments. Last year, Apple launched Siri—a voice-enabled application—as a tool of differentiation from its competitors. “I wonder whether the majority of consumers would care about this attribute,” asks Nam, suggesting that Apple might have overestimated the level of knowledge of its target consumers. Now that the iPhone and its systems have become familiar, improving its existing capabilities might work better for Apple to stay ahead.

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