



**RESEARCH  
INTERNATIONAL**

**RESEARCH INTERNATIONAL SUBMISSION TO  
PRODUCTIVITY COMMISSION  
INQUIRY INTO PUBLIC SUPPORT FOR SCIENCE AND  
INNOVATION  
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Research International Submission to Productivity Commission  
Inquiry Into Public Support for Science and Innovation.

## **Executive Summary**

Research International welcomes the opportunity to provide a submission to the Productivity Commission's study into Public Support for Science and Innovation.

Research International (RI) is a leading provider of professional services to a wide range of businesses which work across a diverse mix of sectors. Established in the 1930's in Australia, it has been involved in product and service innovation for the past 40 years, working with its clients from the ideation stage right through to the launch of products and services.

In responding to the Productivity Commission's study, RI will focus on impediments to the effective functioning of Australia's innovation system. Research International believes that there are two critical issues which require examination:

1. *Access to consumers for commercial research purposes:* Access to consumers is a vital element in new product development. Legislation, including the National Privacy Policy and the Do Not Call Register is hampering access by actively discouraging consumers to provide their views.
2. *The government's perspective of innovation:* The Government needs to recognise the contribution that commercial innovation plays in the product and service sector.

To ensure the continued development and prosperity of this industry, the Government needs to ensure that access to consumers is maintained or improved. As well, it needs to establish means to lend its support to the commercial innovation sector.

## Recommendations:

1. Demonstrate government support for consumer research by ensuring that access to consumers is maintained or improved in future public policy developments and amendments.
2. Demonstrate government support for the innovation sector as a whole (not just the technology arm of innovation and R&D). This can be achieved by aligning tax credit, grants and subsidies with a whole-of-industry approach to innovation.
3. Continue to engage with industry as a means to ensure the long-term viability of innovation and R&D in Australia. This can be achieved through the establishment of a forum which allows industry and government to engage on a regular basis. An annual conference, or similar event, would be a valuable tool provided that all sectors of the research and development industry are able to provide input.
4. Develop a broader understanding of commercial sector innovation and R&D. This can be achieved by surveying a cross section of manufacturers to examine:
  - Annual budget allocation for innovation (as a dollar value and a percentage of expenditure)
  - Budget allocation for blue sky research and / or extension research
  - Processes used to ensure the market success of a new product or service
5. Develop a broader understanding of consumer attitudes to new products. In particular, attitudes towards Australian and imported products. This can be achieved through detailed consumer research.

*RI would be willing to support the Government in undertaking research projects that are designed to develop a greater understanding of the innovation sector.*

## **Response to Inquiry's Terms of Reference – current impediments to Australia's innovation system:**

Currently in Australia, the commercial innovation sector is hampered by two significant impediments:

1. The ability of organisations to access consumers for commercial research purposes
2. The government's perspective of innovation which focuses largely on technological and scientific innovation to the detriment of commercial innovation

In responding to the Inquiry, Research International will examine these issues in the context of the Productivity Commission's focus on current impediments to Australia's innovation system.

### The ability of organisations to access consumers for commercial research purposes:

Bringing viable, new products and services to market is a complex process which begins with detailed consideration of a product's ability to meet six critical success elements:

- Basic appeal to the consumer
- A place within the consumer repertoire
- Value
- Differentiation
- Synergy
- Consumer understanding of the products benefits

Once a product satisfies these elements a business must connect with consumers. Research International's experience, both locally and globally, has demonstrated that innovation is heavily influenced by an awareness of what people want and need, therefore, consumer input is critical to the screening and refinement of new products and services.

To date, the research industry has had to invest significant resources to ensure that social and commercial market research continues to have access to consumers. Regardless of this investment, response rates for market research are declining. This is a serious problem for the industry and is exacerbated by legislation (National Privacy Policy, Do Not Call Register) which is actively discouraging consumers from providing their views.

To ensure that a viable industry is maintained, access to consumers is critical. As such, the Government needs to steer future public policies and amendments in a direction which acknowledges the importance of market research in the innovation space. RI strongly recommends that market research organisations

are exempt from any legislation designed to discourage or prevent organisations from seeking consumer views. Further to this point, policies should encourage community involvement and highlight the benefits that research provides to the commercial and social evolution of Australian society.

#### The Government's perspective on innovation:

Currently, the Government's focus on innovation is heavily geared towards technology and science. The Government does not recognise the contribution that commercial innovation plays in the product and service sector and as such, commercial innovation is largely ignored and undervalued.

To this point, the Government conducted an inquiry into technological innovations for which it tabled its report in June 2006. The technology focus of this Inquiry demonstrates that the Government's R&D focus, to the detriment of the innovation sector as a whole, is heavily skewed towards technology.

The Government's perspective of the industry is significantly impeding the commercial innovation sector. Increasing the viability of this sector, and the innovation industry as a whole, is dependent on the Government developing a deeper understanding of the innovation industry (in particular, the commercial innovation sector) and the issues it faces.

Research International acknowledges that this inquiry is the first step in developing this understanding however, RI strongly recommends that further action is taken.

Two key initiatives which would benefit the industry and broaden the Government's perspective of innovation are:

- Regular engagement with industry
- Research into the sector

Regular engagement with industry: In line with recommendations set out in the report which resulted from the Government's inquiry into technological innovations, Research International recommends the Government establish a forum for regular engagement with industry. The report notes that Government needs to find out what spending and infrastructure are required to develop the R&D industry in Australia. To this point, an annual conference, or similar event, would provide an opportunity for industry experts, key opinion leaders and government to discuss industry issues, address concerns and establish opportunities for sector growth.

Research into the sector: Conducting research into the commercial innovation sector would allow the Government to develop an understanding of issues facing commercial innovators. Awareness of these issues will assist the Government to

ensure that the needs of the commercial sector are met and that policies designed to assist the industry are equal across all sectors (technology, science and commercial).

RI believes that two key areas of commercial innovation need to be examined:

- Consumer views on new products
  - Attitudes towards Australian and imported products
- Budget allocation and processes of commercial innovators
  - Annual budget allocation for innovation and breakdown of that into blue sky and / or extension research
  - Processes used to ensure the market success of a new product or service

### Conclusions:

Compared to other countries, such as China and India, Australia's investment in R&D is dwindling. Australia spends just 1.62 % of GDP on research and development, well below the 2.2% average for OECD countries and is in danger of losing its status as a knowledge-based economy.

The competitive and dynamic global marketplace in which Australian businesses exist, demands continuous innovation – organisations that are stagnant lose their strategic advantage and do not survive.

From a commercial perspective, innovation must be focused on what the consumer wants. To understand these wants, businesses require access to consumers for market research purposes as without access, businesses face insurmountable challenges as they strive to bring innovative products and services to market.

The commercial innovation sector is also impeded by the Government's narrow understanding of the sector. A clear focus on science and technological innovation leaves the commercial sector with a lack of Government funding and support.

The industry needs the Government's support in three key areas:

- policy development
- public promotion
- funding

The Government must ensure it takes a whole-of-industry approach which will ensure that innovation, and research and development remains a viable industry in Australia.