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**Author(s):** Vuorinen, Maarit; Uusitalo, Outi; Vos, Marita

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## Mapping Critical Factors in Brand Management Contributing to Innovation

Maarit Vuorinen, University of Jyväskylä, Finland, Department of Communication  
Outi Uusitalo, Jyväskylä University School of Business and Economics  
Marita Vos, University of Jyväskylä, Finland, Department of Communication

### Abstract

*The purpose of this paper is to analyse how branding contributes to innovation, by identifying different ways of connecting with changing markets and emerging consumer needs. This is clarified by strategic approaches found in the marketing management literature. While orientation to customer needs has always been crucial in marketing communication more attention is paid nowadays to customer and market intelligence in detecting relevant trends. A focus on the company's own distinctive vision is advocated, as the choices to be made need to fit the strengths and capabilities of the company. Co-creation of value needs an intensive dialogue with customers about the brand as community property. In brand management coherence and finding a balance between inner vision and dialogue with all those involved, such as employees and partners in the value chain, are emphasised. Expert interviews were conducted to see if the approaches distinguished in the literature are recognised in practice and suitable as a framework for constructing performance indicators. Next, the critical factors found in the marketing literature were phrased as measurable statements that can serve as performance indicators. The outcomes need to be further tested.*

**Keywords:** Innovation, Brand Management, Customer Orientation, Capabilities, Co-creation of value.

### 1. Introduction

In the dynamic environment that companies face nowadays, innovation is not a choice but a necessity to stay ahead of the competition and to survive. Innovation can be defined as a 'multi-stage process whereby organisations transform ideas into new/improved products, service or processes, in order to advance, compete and differentiate themselves successfully in their marketplace' (Baregheg, Rowley & Sambrook, 2009, p. 1334). Innovation will only lead to success in the market if the company is able to connect novel ideas to changing markets and emerging consumer needs. Branding is said to increase the innovation potential of companies, leading to more variety and facilitating consumer choice (De Pelsmacker, Geuens & Van den Berg, 201).

The purpose of this paper is to analyse how branding contributes to innovation by developing a strong brand identity and new ways of connecting with changing markets and emerging customer needs, and what performance indicators could maximise its added value for innovation. This study is part of a multi-disciplinary project 'Added Value of Intangibles for Innovation' in which an instrument is constructed (inspired by Kaplan & Norton, 2001, 2004) to measure and improve the added value of intangibles for innovation. It investigates the contribution to innovation from the perspective of marketing management literature.

Strong brands are an essential part of the business strategy of today's companies and brand management faces the challenge of achieving a status of strength for the brand. The common element in definitions of brand is intangibility, which means that a brand is built on intangible associations and values, making brand performance difficult to define and measure. Despite the fact that brands are considered a strategic asset, a specific theory that defines brand management tasks and processes has not been proposed (Kay, 2006). Brand management faces the challenge that in our increasingly complex world consumers face many more products and services. And as Keller (2008) suggests a strong brand, in particular, carries various associations and has the ability to simplify consumer decision making, reduce risk, and set expectations. Keller (2008) proposes that the power of a brand lies in what customers have learned, felt, seen, and heard about the brand as a result of their experiences over time. Thus the power of a brand could be seen to reside in the minds of customers. Successful brand management requires an understanding of how the brand strategy is implemented and communicated to consumers and how consumers respond to it (McEnally & de Chernatony, 1999). Innovative companies need to go beyond R&D to understand and connect with customers.

This paper begins with the results of a literature search for critical factors in brand management that contribute to innovation. The results are categorised into four approaches, that have a different emphasis and add to one another. These are discussed and summarised in an overview. The approaches also provide a foundation for the performance indicators subsequently developed. To test the framework, four interviews with experts were conducted. Next, a set of performance indicators is proposed that may strengthen the added value of branding for innovation. Finally, the results and directions for future research are discussed.

## **2. Strategic approaches in the literature**

For the search of the literature on strategic approaches to brand management, two key journals were initially selected: the Journal of Marketing and Journal of Marketing Management. After retrieving articles by key words more literature was found via the snowball method. The aim of the search was to identify various approaches to how branding contributes to innovation by finding new ways of connecting with changing markets and emerging consumer needs. Four different approaches were found: orientation to customer needs, orientation to own distinctive vision, co-creation of value with customers, and management of brand meaning.

Stress is placed in much of the literature on the importance of having a customer orientation. Brand management faces many challenges in a highly competitive environment. In the currently volatile markets it is extremely important to monitor changing consumer needs and involve the customer. Innovation potential is derived from analysing changing customer needs. The brand is seen as an intangible asset that creates value by its strong link to the associations, values and drives of customers. This approach will be further discussed in the section Orientation on customer needs.

However, another approach, proposing that creative products and service offerings should attempt to shape rather than respond to customer preferences was also found (Gatignon & Xuereb, 1997). The strategic orientation reflects the firm's philosophy of how to conduct business and manage brands through the deeply rooted set of values and beliefs that guides the company's attempt to achieve superior performance (Gatignon & Xuereb, 1997). These values and beliefs are used to define the resources to be used, to transcend individual capabilities, and to unify the resources and capabilities into a cohesive whole (Day, 1994). Such capabilities are intangible and interaction-based (Day, 1994; Hunt & Morgan, 1995). Thus, innovation potential is derived from the company's own distinctive vision, driven in turn by its own interpretation of developments. This also calls for a strong brand identity. This approach is discussed further in the section Orientation on own distinctive vision.

The literature search yielded yet another approach based on a recently introduced marketing paradigm, called service dominant logic, which stresses the active role of consumers in creating meanings and value. The company can offer value propositions, but the consumer determines the brand value and participates in creating it through a process of coproduction (Vargo & Lusch, 2004). Brands are associated with intangible elements from which customers co-create value. In this approach branding is developed by collaborating with and learning from customers and being adaptive to the consumer's individual and dynamic needs. This approach is discussed in the section Co-creation of meaning.

Finally, much literature was found on the relationship between the management of brand meaning and innovation. According to Keller (2008), strategic brand management requires taking a long-term view of marketing decisions, recognising that any changes in the marketing programmes supporting brands may affect the success of future marketing programmes. Taking a long-term view also dictates proactive strategies designed to maintain and enhance customer-based brand equity over time in the face of external changes in the marketing environment and internal changes in a firm's marketing goals and programmes. The brand strategy should clearly articulate the aims and objectives of the organisation and how it will be perceived when each of these activities is aligned (Davies, 2010). This also points at the bigger picture of managing brand portfolios in an integrated way, well embedded in a company's policies and culture. This approach is discussed further in the section Management of the brand meaning.

To sum up, the connection between branding strategies and innovation can be considered from four different perspectives. In the following, these perspectives are further analysed to clarify the critical success factors in brand management that contribute to innovation and highlight current insights into how branding can support innovation by connecting with changing markets and emerging consumer needs.

## **2.1 A strong orientation on customer needs**

An external analysis can provide a clear view on changes in the market and identify what is important. Customer analysis should show the major segments and their motivations and unmet needs, while competitor analysis helps to understand the short-term strengths and weaknesses as well as long-term capabilities and strategies of current and potential key competitors (Aaker, 2008). Many authors stress this dual focus on both customers and competitors (e.g. Jaworski & Kohli, 1993; Kohli & Jaworski, 1990; Narver & Slater, 1990; Slater & Narver, 1994; Von Hippel, Thomke & Sonnack, 1999).

Kay (2006) suggests that although "difference" and "consistency" are often identified as the primary means of bringing about strong brands, it is not the difference as such that is the

priority but rather the creation of something which is conceptualised as “brand meaning” as consumers see it. This is why understanding the consumer is so important. Strong brands blend product performance and imagery to create a rich, varied, but complementary set of consumer responses to the brand (Keller, 2008). They rise above others by better understanding the needs, wants, and desires of consumers and creating marketing programmes that fulfil and exceed consumer expectations. To stand out from competitors, strong brands have developed reputations for understanding their customers and delivering a differentiation that is relevant to customers (Davis, 2010). Thus, linking meaningful associations to the brand is the central task.

Market orientation is considered a kind of organising framework that, if adopted and implemented, through time becomes culturally embedded in an organisation (Hunt & Morgan, 1995). Day (1994) labels this ‘market-sensing capability’, and it determines how well the organisation is equipped to continuously sense changes in its market, and anticipate consumer responses to marketing actions. Employees learn how to be market-oriented, not solely from reading policy manuals or textbooks, but rather from associating with other employees who are already market-oriented (Hunt & Morgan, 1995). Hence various studies have provided empirical support for a positive link between market orientation and firm performance (e.g. Jaworski & Kohli, 1993; Narver & Slater, 1990; Slater & Narver, 1994). Market knowledge by itself has no positive effects on innovation effort or performance. It is only when market knowledge is updated (individual interpretation) and shared among decision makers that common understanding of the relevant market knowledge is accomplished. Shared understanding probably leads to higher returns of innovation (Marinova, 2004). Understanding the market should also include noting which branding strategies appeal to customers.

A customer-oriented firm can be defined as a firm with the ability and the will to identify, analyse, understand, and answer user needs (Gatignon & Xuereb, 1997). This orientation implies superior skills in understanding and satisfying customers, in order to create superior value for them continuously (Narver & Slater, 1990), puts the customer’s interest first (Deshpandé, Farley, & Webster, 1993), and offers the organisation the ability to generate, disseminate, and use superior information about customers and competitors based on market intelligence, not on verbalised customer opinions alone (Kohli & Jaworski, 1990). Meaningfulness is considered more important than novelty in helping a firm achieve its desired financial and market goals when considering the value for customers (Im & Workman, 2004). Consequently, value-based branding could also provide a broad basis for the brand and more continuity than profiling on changing product characteristics. Zheng, Yim and Tse (2005) conclude that market orientation is more than just a customer-led concept; rather, it can help identify and fulfil mainstream customers’ latent or unmet needs and enable a firm to achieve a competitive advantage and superior performance. Achrol and Kotler (1999) even suggest that the marketing function becomes a customer consulting function. The marketer may become a buying agent on a long-term, relational basis to source, evaluate, and purchase the skills (either as intangibles or embedded in tangible matter) that the customer needs, wants, or desires.

Some authors have highlighted the importance of market orientation as a value itself. The perspective shouldn’t just be on technical product innovations, but rather on what these may add to the brand values and mean to customers. Market orientation appears to provide a unifying focus for the efforts and projects of individuals and departments within the organisation, thereby leading to superior performance (Kohli & Jaworski, 1990). With its external focus and commitment to innovation, a market-oriented business should be prepared to achieve and sustain competitive advantage in any environmental situation, as market opportunities and threats are fluid (Slater & Narver, 1994).



Market orientation has also been considered an aspect of the company culture, including values, beliefs, and symbols that demonstrate a concern for markets (Hult, Hurley & Knight, 2004). Market orientation can be a manifest element of an innovative culture of a business (Hurley & Hult, 1998). Because market orientation essentially involves being responsive to changing customer needs and doing something new or different in response to market conditions, it can be viewed as a form of continuous innovative behaviour (Kohli & Jaworski, 1990). Recent research has emphasised the role of innovation in facilitating the market orientation-performance relationship (e.g. Han, Kim, & Srivastava, 1998; Hurley & Hult, 1998). Willingness to adapt and change marketing programmes on the basis of analyses of consumer and market trends is a hallmark of a market-oriented firm (Kohli & Jaworski, 1990). This underlines the importance of marketing orientation as an aspect of the company's innovation culture.

In a changing environment, organisations need to adopt continuous learning and development of capabilities in order to achieve positions of advantage. Market orientation only enhances performance when it is combined with a learning orientation (Slater & Narver, 1995) and the ability to implement change (Day, 1994). Higher levels of innovativeness are associated with cultures that emphasise learning, development, and participative decision making (Hurley & Hult, 1998). Furthermore, a learning organisation is crucial for enhanced creativity, adaptability and the ability to undertake risky innovations (Tajeddini, Trueman & Larsen, 2006).

In market-based organisational learning, as Sinkula suggests (1994), the observation of others is essential. This "open-minded inquiry...relies on the ability and willingness to learn from the experiences of others, including customers, competitors, and channel partners" (Day, 1990). In this light, organisational learning can also be seen as sense making (Sackmann, 1991), rather than as decision making. Haeckel (1999) observes successful firms moving from practising a 'make-and-sell' strategy to a 'sense-and-respond' strategy. It is suggested, therefore, that brand managers abandon the role of expert and embrace the ability to lead unlearning, breaking through old learning boundaries to encourage new learning (Slater & Narver, 1995). Narver and Slater (1990) also note that in the market orientation approach there also is the interfunctional coordination aspect to be looked at; without interfunctional coordination, a new development process would be ruled by a single preoccupation (customer, competitive, or technological), which might reduce the innovation potential (Gatignon & Xuereb, 1997).

Marketing orientation often goes together with entrepreneurship. This provides a culture in which learning from exploration and experimentation is most likely to take place (Hamel & Prahalad, 1991; Quinn, 1985). This culture often includes high tolerance for risk and proactiveness (Naman & Slevin, 1993), receptivity to innovation (Burgelman, 1985), and active resistance to bureaucracy (Kanter, 1989; Mintzberg, 1987; Quinn, 1985).

According to Hult et al. (2004) the task for the management is to design and implement an organisational culture that embodies market, learning, and entrepreneurial orientations. Jacobson (1992) supports the view that successful innovations occur when entrepreneurs recognise a gap between what the market needs and what is offered, and then successfully direct resources toward fulfilling that need. Although some of these opportunities for innovative products and innovative branding may be uncovered by chance, firms with a history of successful innovation continuously collect and evaluate information that leads to the identification of such opportunities. A fundamental entrepreneurial activity is not only to create products ahead of the competition but also ahead of the recognition of an explicit need by customers, by focusing on customers' latent needs (Brown, 1991; Hamel & Prahalad, 1991). Identifying latent needs is especially relevant for the branding of innovative products and services that customers cannot yet refer to when expressing preferences.

## **2.2 Orientation on own distinctive vision and resources**

Some authors stress the disadvantages of a singular emphasis on customer orientation. Many firms seem to have established an extreme focus on responsiveness to customers which may decrease their attention to competitive moves (Homburg, Grozdanovic & Klarmann, 2007). An overemphasis on customers' views only could lead to trivial innovations, as customers do not necessarily know what they really want, since they may lack insight in the latest market trends or technologies (Von Hippel, 1988; Leonard-Barton, 1996; Workman, 1993). So, customer orientation alone is not enough and other critical factor should be taken into account too.

Companies that attempt to create a basis for innovation are seeking competitive advantage from their inner strengths, capabilities, and vision. Vision lays the foundation upon which the brand will be built. Brand management based on vision could mean less adaptation in response to short-term trends; branding is then based on a more stable distinctiveness. Communicating the brand vision helps stakeholders understand the direction chosen and shows that the firm has a plan for defining its competitive edge (Davis, 2010). For Davis (2010) beliefs also represent the spiritual underpinning of strong brands. According to Wernefelt (1984), the resource-based view helps to explain how firms derive competitive advantages by channelling resources into the development of new products, processes, and so forth. Davis (2010) suggests that the concept of creating value refers to the competencies and skills required to reach the goal. According to Aaker (2008), a strategy is generally seen to be based on organisational competency that, in turn, is based on people.

A motivating vision is grounded in a sound understanding of the market, guides the business' competitive advantage efforts, and sets the broad outlines for strategy development while leaving the specific details to emerge later (Day, 1990; Hamel & Prahalad, 1994; Senge, 1990). Innovation is a means for changing an organisation, whether as a response to developments in its internal or external environment or as a preemptive move taken to influence an environment (Hult et al., 2004). This change, however, needs motivated people and cannot be brought about by planning. The top management planning system is not a source of innovative ideas regarding products, markets, or technologies, but it can guide independent or chaotic activities and help produce a coherent organisational strategy (Quinn, 1985).

Building a successful brand is not always based on the interpretation of market reactions. Brand success can be built upon the organisation's own vision and ability to innovatively develop unique ways of delivering value to customers, and empowering employees to do this (O'Cass & Ngo, 2007). This is the mark of an innovative culture, one which is more likely to be internally-focused and competitive-advantage seeking, since it encourages openness to new ideas and cultivates internally-based capabilities to adopt new ideas, processes, or products successfully (Hurley & Hult, 1998).

This orientation on its own distinctive vision helps understand what drives a firm's willingness to undertake the risky activities needed for innovation. Zheng et al. (2005) refer to the resource-based view (RBV), that reflects an "inside-out" approach and suggest that a firm's and its brands' competitive advantage stem from its unique assets and distinctive capabilities.

## **2.3 Orientation on co-creating value with customers**

Co-creation of value is yet another approach to the analysis of brand management and its connection with innovation. Day (1994) argues that market-driven organisations are superior in customer-linking capabilities, which includes the skills, abilities, and processes needed to

achieve collaborative customer relationships. This means that the core of brand management is communication, involvement, and a deep commitment to working across organisational boundaries (Prahalad & Hamel, 1990). Every brand exists by virtue of a continuous process whereby managers specify core values, and these values are interpreted and redefined by customers (Kay, 2006). Vargo and Lusch (2004) extend this logic by noting that the enterprise can only offer value propositions, while it is the consumer who attributes the actual value of a brand and this way co-creates the brand.

The origin of the co-creation view lies in the service-centred dominant logic which implies that value is defined by and co-created with the consumer rather than embedded in the firm's output (Vargo & Lusch, 2004). From this perspective consumers are increasingly active in the buying process, which also means that consumers need to be assisted in the process of value creation. Understanding co-creation processes, collaboration and interaction is important in brand management because brands are created on the basis of intangible resources that are elaborated in interactive relationships. In this view co-creation requires flexibility as it gives more influence to the consumer and leads to continuous change. It is essential to know, for example, whether a significant and growing segment has developed priorities that are different from the basic business model. Competitive advantage is in many cases built less upon the core product, and increasingly on the added intangible values that the brand represents (Simões & Dibb, 2001). This indicates collaborating with and learning from customers and being adaptive to their individual and dynamic needs. Relationships among marketing actors often have a continuous nature, as consumers develop relationships with organisations that can provide them with an entire host of related services over an extended period (Rifkin, 2000). This service flow can be seen as a 'continuous flow of value defined by the customer' (Hawken, Lovins and Lovins, 1999, p. 125-27), or rather, as Day (1999, p. 70) argues, as a self-reinforcing 'value cycle'. Prahalad and Ramaswamy (2000) also note that the market has become a venue for proactive customer involvement, and they argue for co-opting customer involvement in the value-creation process.

Regarding the relationship between the company and its customers, the goal is not communication to the market but developing ongoing interaction with customers (Vargo & Lusch, 2004). Oliver, Rust and Varki (1999) further extend the idea of coproduction in their suggestion that marketing is headed toward a paradigm of real-time marketing, which integrates mass customisation and relationship marketing by interactively designing evolving offerings that meet customers' unique, changing needs and values. An active dialogue (both online and offline) is needed to create a strong relationship with consumers and involve them in the brand creation process (McEnally and de Chernatony, 1999). Through their commitment, consumers are said to own the brand (McEnally & de Chernatony, 1999). According to this view it is possible to meet new or unserved segments by entering into a dialogue with the customers of emerging markets and moving towards innovative co-production of the brand meaning.

Co-creation can also be enhanced by focusing on certain innovative customers, who are keen to adopt new ideas. For example, Von Hippel et al. (1999) suggest that successful innovators frequently work intensively with lead customers. Lead customers are clients whose needs will ultimately be general in the marketplace, but who experience them months or years earlier than the bulk of the marketplace (Aaker, 2008). They are customers who are positioned to benefit significantly by obtaining a solution to their needs and as such they may be motivated to co-produce such solutions.

Co-creation with customers includes brand meaning and can take various forms, one of these is brand communities. Brands are increasingly regarded as building material for



communities, while communities actively take part in brand building (Kapferer, 2008). Muniz and O'Guinn (1995) acknowledge the social nature of brands and propose to move away from the traditional consumer-brand dyad to the consumer-brand-consumer triad, as brands are socially constructed and consumers actively involved in this process. Thus, brands become cultural symbols or icons, leaving managers with new obligations to their communities (Kay, 2006).

The challenge is to organise and create the context for customer communities so that they become an extension of the brand experience (Aaker, 2008; Zambardino & Goodfellow, 2007). Brand communities represent a form of human association situated within a consumption context (Wells & Tigert, 1971). Novel views on the brand values may arise based on the interaction in the brand community. In this sense brands could even be seen as community property (Kay, 2006).

Holt (2002) envisions a postmodern consumer culture in which brands are useful entities, and the goal is to inspire authenticity. Thus, brands will be more valuable if they are offered not as cultural blueprints but as innovative cultural resources, i.e. useful ingredients to produce the self as one chooses. According to Firat and Venkatesh (1995) consumers are gradually but inevitably eroding marketers' control through micro-emancipatory practices that accelerate fragmentation. Holt adds (2002) that such a heterogeneous and fast changing market signals that firms no longer control consumers through their marketing efforts. This view suggests a need for a more holistic branding in which the various parts of the organisation are intimately connected, creating dynamic associations that are observed, felt, and even directly shaped by the market (Davis, 2010).

## **2.4 Management of brand meaning**

In the management of brand meaning, much attention in the literature is given to achieving a broader understanding of the meaning of the brand in society and the connection of the brand with the company strategies. It is important to understand the brand ecology, taking into account not just the attitudinal, emotional and behavioural aspects of brand consumption but also exploring how brand consumption is integrated in the wider social and cultural experiences of the active consumer and in its media consumption patterns (Percy & Elliot, 2005). This emphasis on the changing context provides opportunities for renewal of brand strategies. Brands can be used as signalling systems to create and sense social meaning, implying that it is the meaning of brands that gives them added value. Percy and Elliot (2007) further discuss a postmodern consumer culture where individuals are engaged in a constant negotiation of meaning based on lived and mediated experience as they endeavour to construct and maintain their identity

A prime issue in marketing is differentiation, which is a key to competitive advantage in any market place; however, while differentiation lays the foundation, consumer preference is needed, and this is created through cultivating brand meaning (Kay, 2006). Managers thus need to consider carefully the customer and other stakeholder meanings associated with their branding efforts to make strategy decisions.

Furthermore, managers need to find a consistent fit with all of the business decisions that could potentially affect consumer-initiated brand meaning. Brands are evolving away from a marketing responsibility towards more of a strategic responsibility, with direct input and leadership from senior management and non marketing departments inside the company.

Moreover, as Davis (2010) suggests, a brand is increasingly recognised as synonymous with the entire organisation.

For today's companies this means that the brand and the company are not separate entities but closely connected. This calls for an integral approach to the management of brand meaning and how this can be connected to changing consumer needs and continuous innovation.

Rubinstein (1996) argues that the management structure and priorities ought to put branding at the heart of an integrated business process; the meaning of the brand should be embedded in all of the company's actions (deChernatony & Segal-Horn, 2003). Internal branding creates commitment by employees and marketing partners to basic branding notions and assists them to a better understanding of how they can affect the equity of brands. Thus, brand management is profiled, not as a separate function within the organisation, but as the responsibility and obligation of all (Keller, 2008). As the brand develops in time, ongoing internal branding is required.

### 3. Critical factors

The literature search provided insights from various approaches in marketing management. It could be suggested that to some extent on some level all the four approaches identified are valuable to support innovation, but that their relative importance is company-specific. While a balance is needed (see figure 1), which approach is dominant will depend on the company's strategic decision making. In branding a balance needs to be found, on the one hand, between the company's inner vision and own resources, and, on the other, an orientation on consumer needs as analysed by the firm. Similarly, a balance should be found between analysing consumer needs and acting together with consumers and co-creating value. In all cases management of the brand meaning provides a basis strengthening of the relation with company policies.

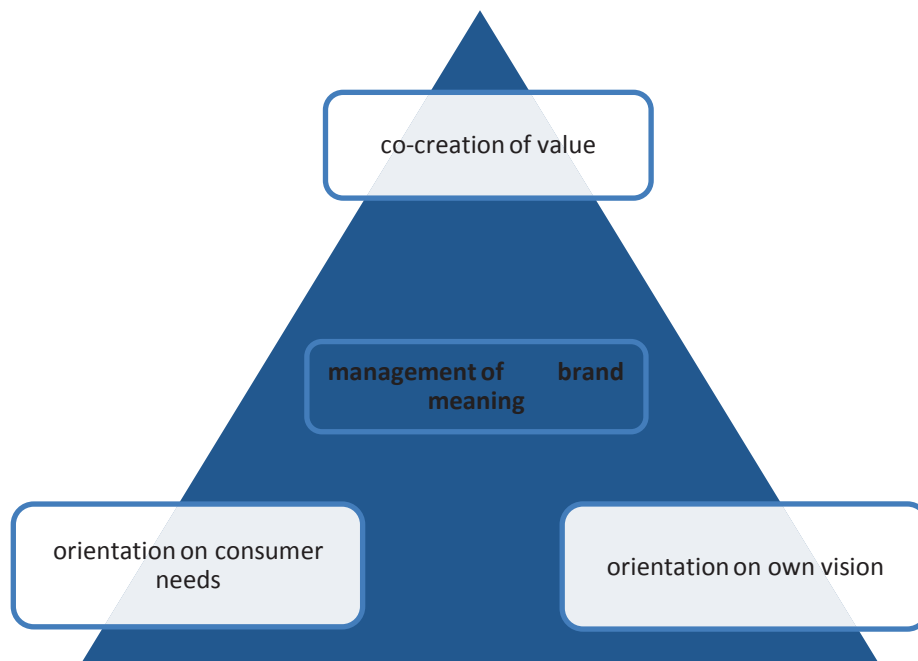


Figure 1. Various approaches outline the added value of branding for innovation

### *Critical factors*

Each approach highlighted critical factors in how branding may contribute to innovation.

Table 1 summarises the critical factors found in the literature.

<b>Approaches:</b>	<b>Critical factors:</b>
<b>I. A strong orientation on customer needs</b>	<ul style="list-style-type: none"> <li>- Being equipped to sense changes in markets and customer needs</li> <li>- Basing strategic decisions on customer demands, also taking latent needs into account</li> <li>- A shared understanding within the company about relevant developments</li> <li>- Marketing as a customer consulting function</li> </ul>
<b>II. Orientation on own distinctive vision</b>	<ul style="list-style-type: none"> <li>- Facilitating a company to form its own vision on emerging markets</li> <li>- Sharing vision to outline the strategic perspective</li> <li>- Focusing on a strong internal foundation for the company's activities</li> </ul>
<b>III. Orientation on co-creating value with customers</b>	<ul style="list-style-type: none"> <li>- Tools available to initiate two-way communication with consumers.</li> <li>- Customer communities becoming an extension of the brand experience.</li> <li>- Collaboration with lead customers to develop the value-creation process</li> </ul>
<b>IV. Brand management</b>	<ul style="list-style-type: none"> <li>- Taking into account the multiplicity of customer views of brand meanings for the portfolio of brands</li> <li>- Promotion of brand spirit in all of the company's activities</li> <li>- Internal branding facilitating employee contributions to the success of the brand</li> <li>- Leadership role to find a balance between orientation on consumer needs, co-producing with consumers and orientation on the firm's own inner vision and capabilities</li> </ul>

Table 1. Overview of the four approaches with the critical factors found in the literature.

The four approaches could be used as a framework for a list of performance indicators derived from literature that could show how companies could reflect on and further develop the

contribution of branding to innovation by connecting with changing markets and emerging consumer needs.

### ***Interview results***

In addition to the literature, 4 preliminary interviews with experts were conducted to see if the approaches described were recognised in practice and could be used as a framework for a list of performance indicators. The purpose of the interviews was not to validate the findings themselves, but to pre-test the framework of indicators and see if it would relate with current views of practitioners, the intended users of the instrument to be developed. The interviewees were company marketing communication experts (two big and two medium-sized companies in Finland). The interviews started with open questions, e.g. how marketing communication and especially branding could contribute to innovativeness. Then a closer look was taken at the four approaches and related experiences of the interviewees in their company. The interviews were taped and, applying a thematic analysis, the answers were ordered according to the four approaches.

The opening questions produced answers related to all four approaches. When asked to clarify their experiences with each of the approaches, the respondents gave examples of how their company worked but also mentioned some related problems. Table 2 summarises the results.

<b>I. A strong orientation on customer needs</b>	<ul style="list-style-type: none"> <li>- Systematic customer satisfaction research helps in mapping different views.</li> <li>- Active business intelligence provides reports on various levels.</li> <li>- Information about customers is also collected by customer correspondents.</li> <li>- Social media enhance insight into customer perceptions, including critical observations; brand and customer communities are monitored.</li> <li>- Problem mentioned: activities in this domain could be done more systematically.</li> </ul>
<b>II. Orientation on own distinctive vision</b>	<ul style="list-style-type: none"> <li>- The company also needs inner focus to provide continuity. It's not always possible to start from the beginning, the core values need to be there.</li> <li>- Requires constant dialogue with all personnel and management, in which the strategic lead agent takes part as a facilitator and modifies the ideas to formulate potential vision statements.</li> <li>- Problem mentioned: the company's vision is too much in the imagination of the managers; more communication is needed about the value for the customer.</li> </ul>
<b>III. Orientation on co-creating value with customers</b>	<ul style="list-style-type: none"> <li>- Customers tell what they appreciate and that will become company's concept.</li> <li>- Maintaining long-term relationship with key customers.</li> <li>- Key customers participate in product and service development.</li> <li>- Participation in social media includes e.g. co-working with Facebook groups.</li> <li>- Problem mentioned: importance of social media is not recognised in management and co-production could happen more systematically.</li> </ul>
<b>IV. Management of brand meaning</b>	<ul style="list-style-type: none"> <li>- Internal communication about branding is supported by information systems and facilities, e.g. calendars, reports, customer feedback, internal blogs and conference calls.</li> <li>- Sale channels provide the company with important information: why the company is being chosen and why not.</li> <li>- The core message is one message for the stakeholders and key messages targeted at specific stakeholders should be coherent with the core message.</li> <li>- Problem mentioned: Cooperative development days should be organised more often, but there is lack of time.</li> </ul>

Table 2. The approaches to brand management: perspective of experts.

The results of the interviews indicate that the approaches were recognised and next to some elements that were used by the companies involved, there also seemed to be room for improvement. This showed that the framework for the performance indicators could produce

recognizable results that may stimulate reflection on current practices related to insights from the literature. As a next step the insights found in the literature were listed and clustered in groups according to the approaches, after which they were summed up to form a preliminary list of performance indicators. The purpose of this is to provide a comprehensive overview of factors from the perspective of marketing management that can be used in a wider instrument to measure the added value of intangibles for innovation. The instrument should be put into practice and validated.

#### **4. Preliminary list of performance indicators**

The critical factors derived from the literature are made concrete in statements that can be used as a basis for the measurement of performance. This is a first outline of the performance indicators, and thus more research is needed. Measurement could be done by means of self-assessment inside the company by internal and external experts, using scale measurement supported by available metrics. The purpose of the tool is to create a quality cycle to further enhance the added value of branding for innovation. The assessment could be customised to fit the company's specific situation. Below a generalised list of performance indicators is suggested for further research. The performance are arranged according to the four approaches found in the literature search. They consist of a statement, accompanied by an explanation and sources. In this way brand managers can in practice strengthen the added value for innovation, and researchers can further develop the measurement instrument, e.g. comparing brand management and its outcomes between companies.

##### **I. A strong orientation on customer needs**

**Indicator 1:** The company is well equipped to sense changes in its markets and to anticipate changing consumer needs.

Explanation: It continuously gathers information that enables it to produce offerings well tailored to the market segment's preferences. This needs data about sales development and trend watching. It includes also information about partners in the value chain.

Sources: *Market orientation is seen as a firm's resource (Hunt & Morgan, 1995). Market-sensing and customer-linking capabilities are emphasised (Day, 1994).*

**Indicator 2:** Positioning and repositioning decisions are based on explicit needs of customers, also taking into account customers' latent needs

Explanation: The principle of ongoing adaptation related to developing consumer needs is supported by top managers. But change is not a goal itself. When interpreting customer-oriented knowledge, meaningfulness is more strongly articulated than novelty.

Sources: *Successful innovations will occur when a gap between what the market needs and what is offered is identified, and resources are directed toward filling that need (Jacobson, 1992). There is need to create products ahead of the recognition of an explicit need by customers, by focusing on customers' latent needs (Brown, 1991; Hamel & Prahalad, 1991). Top managers should be open to new ideas and accepting the view that change is a critical component of organisational success (Kohli & Jaworski, 1990). Meaningfulness is more important than novelty in market orientation (Im & Workman, 2004).*

**Indicator 3:** There are forums within the firm where market knowledge is interpreted, inferred implicated and agreed upon.

Explanation: There is a shared understanding of developments. Employees have the possibility to associate with other already market-oriented employees.



*Sources: Employees learn to be market-oriented by associating with other employees who that are already market-oriented (Hunt & Morgan, 1995). An organisation must reach a consensus on the information it acts upon (Day, 1994).*

**Indicator 4:** Marketers have a customer consulting function within the company.

Explanation: Marketing-consumer relationships deal with multiple supply options rather than marketing one company's products. Marketing consultants will be positioned to design custom products tailored to the customer's need.

*Source: The marketer may even become a buying agent in the long term: to source, evaluate, and purchase the skills that the customer needs, wants, or desires. In addition, marketing will be more a consumer consulting function than the marketing of goods and services. Marketing will operate less in the service of a given function or unit than it does on behalf of the marketplace as a whole and its customers. It is likely we will experience power transfer to a more organised consumer. (Achrol & Kotler, 1999).*

## II. Orientation on own distinctive vision and resources

**Indicator 5:** Marketers facilitate the formation by the company of its own vision on emerging markets.

Explanation: The firm encourages openness to new ideas and cultivates internally-based capabilities to adopt new ideas, processes, or products successfully.

*Sources: An innovative culture is more likely to be internally-focused and competitive-advantage seeking (Hurley & Hult, 1998, O'Cass & Ngo, 2007).*

**Indicator 6:** The company has a shared vision setting the broad outlines for strategy development while leaving the specific details to be added later.

Explanation: The planning system plays a powerful role in guiding a wide variety of seemingly unrelated systems to produce a coherent organisational strategy.

*Sources: Planning is guided by a stable vision and operationalised through a flexible, responsive overlay of task-oriented planning teams. (Day, 1990; Mintzberg, 1987; Prahalad & Hamel, 1990; Senge, 1990).*

**Indicator 7:** The company focuses on laying a strong internal foundation for its activities.

Explanation: The firm utilises internal communication in constructing its inner vision.

*Source: The resource-based view reflects an "inside-out" approach and suggests that a firm's competitive advantage stems from its unique assets and distinctive capabilities (Barney, 1991; Wernerfelt, 1984).*

## III. Orientation on co-creating value with customers

**Indicator 8:** The company has tools and practices to initiate dialogue and facilitate interaction and two way communication with consumers.

Explanation: The firm develops its products and services by means of an interactive design process including consumer involvement and relationship marketing. Information technology can provide tools for maintaining dialogue with customers.

*Sources: Enterprise can only offer value propositions while brand value is defined by and co-created with the consumer, and thus the communication process needs to be characterised by dialogue (Vargo & Lusch, 2004). The goal should be developing ongoing communication processes with micromarkets and ideally markets of one (Duncan & Moriarty, 1998).*

**Indicator 9:** Marketers organise the context for customer communities so that they become an extension of the brand experience.

Explanation: Customer communities are encouraged and valued as a source of customer input into the product and its use. Owing to the social media, the public increasingly controls brands today. This provides an opportunity for brands to integrate themselves more deeply into the fabric of society.

*Sources: More focus must be put on self-expression (McEnally & de Chernatony, 1999) and brand experiences (Zambardino & Goodfellow, 2007) as a volitional site of personal development, achievement, and self-creation*

(Holt, 2002). Brand communities represent an important information resource for consumers (Muniz & O'Guinn, 1995). Consumer subcultures provide a resource for brands to build authenticity (Holt, 2002).

**Indicator 10:** The company collaborates with lead customers to further develop the value-creation process.

Explanation: Customer involvement in the value-creation process is seen as important. The firm can learn from interaction with a lead customer and optimise its "continuous flow of value" as defined by the customer.

Sources: Consumers will develop relationships with organisations over an extended period (Vargo & Lusch, 2004).

Firms benefit themselves, their customers, and society by increasing this service flow (Hawken et al., 1999).

Successful innovators frequently work intensively with lead customers to clarify latent needs (von Hippel, 1986).

#### IV. Management of brand meaning

**Indicator 11:** The brand management of the company is characterised by the holistic approach to brand meaning, taking the multiplicity of customer views for the portfolio of brands into account, including the relation between product brands and the corporate brand.

Explanation: Managers need to develop means to handle the mixed or multiple meanings of brands. Brand appeal is different among different social groups and in a way that may not be consistent, while within the company also an arrangement of more or less related brands exists. This makes decisions about the brand rather complex.

Source: Brands are more discussions than monologues and managers have the task of positioning brand images in a way that is consistent with consumer perceptions and interpretations of their meaning (Kay, 2006).

**Indicator 12:** The company promotes the brand spirit in all its activities.

Explanation: Corporate culture and branding need to be seen as tool for vitality that inspires progress and innovation.

Sources: A brand is increasingly recognised as synonymous with the entire organisation, and thus the brand and company are not separate entities but closely related (Davis, 2010). "Brand spirit" (Rubinstein, 1996), seen as the meaning of the brand, should be embedded in all actions of the company (deChernatony & Segal-Horn, 2003).

**Indicator 13:** Internal branding creates a buzz that builds and reinforces support from employees, making them feel they are contributing to the success of the brand.

Explanation: Staff and employees are important players in conveying the brand message, i.e. they are part of the brand reality.

Sources: The ultimate dream is the ideal description of success for the brand, as it is about anticipating the unknown and imagining ahead (Davis, 2010). Internal brand management supports employee and marketing partners' appreciation and understanding of basic branding notions and how they can affect the equity of brands (Keller, 2008).

**Indicator 14:** Brand management has a leadership role in finding the right balance for the company between orientation on consumer needs, co-producing with consumers and orientation on the firm's own inner vision and capabilities.

Explanation: The management of the brand meaning is, on the one hand, based on openness towards change called for by market and consumer trends and, on the other hand, internally-based capabilities which lead towards new views, processes and products.

Sources: Brand leadership has supplanted brand management in guiding decision making to ensure that the brand stays relevant (Davis, 2010). The brand is viewed no longer as a product but rather as a concept, and, once created, a concept develops and strengthens itself via extensions (Kapferer, 2008).

#### 5. Conclusion

This paper identified highlighted various approaches to marketing management and analysed the critical factors in brand management that contribute to innovation. The literature

showed various ways in which branding can contribute to innovative ways of connecting to changing markets and consumer needs.

In the customer orientation approach, advanced ways of obtaining market intelligence are suggested and the customer consulting function is emphasised. As customers may not always be aware of their preferences and the latest possibilities, the literature on inner vision stresses a proactive approach to emerging markets based on a firm's own distinctive capabilities and strategies. A more recent view is the need for co-creation of brand value, involving brand communities and cooperation with lead customers. Management of brand meaning requires that the various perspectives are acknowledged to find a company-specific balance in what seems to be an increasingly complex environment for branding. Marketers need to establish a new logic of brand management that fits their organisation, as powerful brands need to be managed on a new basis.

This paper provided an overview of the critical factors for brand management that supports innovation in organisations. A first attempt was made to construct performance indicators that enable measurement and further strengthen branding for this purpose. The preliminary tool developed needs more research as it should be thoroughly tested. Case organisations could be compared on the basis of the performance indicators. Future studies could validate the instrument and reduce the number of performance indicators while investigating which existing metrics can best support the instrument. Furthermore, it would be interesting to study how marketers in practice contribute to innovation and how they see the suggested performance indicators. This would need more interviews with brand managers than implemented for the pre-test of the framework in the present study. It is proposed that companies customise the performance indicators to better suit their situation. Also, it could be argued that differences between sectors should be investigated, e.g. between branding of consumer products and business-to-business branding. The preliminary list of performance indicators can further developed to be used as an audit, revealing how branding contributes to innovation.

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