Chapter 1
Adding Value to Service Brands through Innovation: A Framework for Emerging Economies

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ABSTRACT
Innovation is rapidly becoming a central driver in the marketing strategy of many service companies, while its effects on the perceived value of a service brand have yet to be determined. The purpose of this chapter is to explore how introducing an innovation affects the perceived brand equity of services in an emerging economy. The authors propose a conceptual framework that will aid academics in developing detailed causal models in the future, while helping practitioners effectively capitalize on innovation in their branding strategies. Four major factors are identified to have an impact on how innovation affects the perceived value of a service brand in the eyes of customers in emerging economies: (1) innovation characteristics, (2) service industry characteristics, (3) cultural characteristics, and (4) customer characteristics. The qualitative research results support that if utilized correctly marketing activities capitalizing on innovation indeed can make service brands stronger.

INTRODUCTION
A company operating in a service industry has two assets that are of most value: Its people, and its brands (Davis, 2002; King & Grace, 2009). In recent years, we have been observing more and more service companies capitalizing on innovation as a primary branding strategy in their marketing mix. One example may be a magazine advertisement in which a hospital announces a new genetic testing methodology they have just acquired. A bank may launch a TV commercial that promotes a new mobile banking application for smartphones by promising to award a prize to one of its first 1000 users. A telecommunications company may attempt to change its image by launching an online music streaming and download portal in order to appeal to a younger customer segment. Innovation is rapidly becoming a central driver in the marketing strategy of many companies that specialize in services, yet its effects on the perceived value of a service...
brand have yet to be determined and analyzed. Do these marketing activities revolving around innovation really make the brands stronger, and are the impacts different in emerging economies compared to developed economies?

When attempting to model the mechanism through which an innovation may affect service brand equity (Aaker, 1991; Keller, 1993) in an emerging economy, numerous questions arise: Does the industry of the service company play a role in the effect of innovation on brand value? Is there a certain type of service innovation that creates a more significant change in service brand equity when compared to others? Does innovation in services affect all brand equity dimensions equally, or are some dimensions affected more significantly than others? What roles do socioeconomic conditions and culture play on how innovation affects service brands in a market? We aim to begin by exploring the topic through a qualitative approach, and providing a conceptual framework that fundamentally outlines how innovation may add value to service brands in emerging economies. We use Turkey as a setting for our investigation, which is defined by the International Monetary Fund (IMF) as an emerging market economy (IMF, 2011), and is classified among the world’s leading economies with the 17th largest nominal gross domestic product (IMF, 2012).

We identify the different forces that play a role in the effect of innovation on brand equity, and discuss how innovation affects different service brand equity dimensions in the eyes of Turkish consumers. These forces can be classified under four headings, namely innovation characteristics, service industry, cultural characteristics, and customer characteristics. Brand strategists in emerging economies should assess these characteristics before proceeding with the implementation of a service innovation since these factors determine how the innovation may affect different dimensions of customer-based service brand equity in an emerging economy. Our framework is based on the findings of two consecutive qualitative studies, one utilizing the critical incident technique (CIT) (Flanagan, 1954) and the other using focus groups for triangulation and in-depth analysis. Our findings and conceptual model will provide a useful foundation for those who would like to understand how to maximize the effects of innovation on perceived service brand equity, while also underlining special characteristics of emerging markets that should be considered during this process. Our goal is to assist practitioners, who work for local and multinational service companies operating in emerging markets, in effectively incorporating innovation into their brand strategy. For academics and students of marketing, we aim to provide a thorough review of relevant literature, in addition to a conceptual model that will serve as a starting point in empirical studies investigating how innovation may add value to service brands in the eyes of customers.

The remainder of this chapter has been organized as follows: We begin by defining innovation, and specifying the innovation process specific to companies in the services industry. We continue by providing a definition of service brand equity based on classical customer-based brand equity conceptualizations, as well as more recent definitions which focus on the special characteristics of services that differentiate them from products. Brand building advantages and challenges specific to companies operating in emerging economies are also discussed within the Background section. The next section provides a detailed disclosure of the execution, analysis and findings of our exploratory qualitative field study. This section also encompasses the theoretical contribution of this chapter within the provided conceptual framework based on our findings. The model outlines how innovation may add value to a service brand within an emerging economy, while the corresponding subsection also discusses which aspects of customer-based service brand equity may be impacted by innovation. Directions for