

Chapter 12

Branding Innovation: The Case Study of Turkey

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ABSTRACT

The impact of innovation on the competitive ability of firms is obvious. R&D activities are expensive, time consuming, and risky. Hence, protecting the rights to any innovative output is extremely important. Given this context, the author delves into understanding how branding works to help companies to benefit from the fruits of their innovation. Patent rights are important; however, as it is discussed in the literature, owning patent rights might not suffice. Business and process improvement without branding could face problems in the 21st knowledge economy. Companies should see brand as a “patent” through which customers emotionally connect and choose their products and services over competitors. Just as patents are designed to provide exclusivity in a market, brand offers that, tacitly, if properly executed. Branding can establish a self-sustaining relationship between customers and the producers thereby helping companies to be protected from patent infringement. In this study, the author shows evidence to the lack of any viable branding strategy on innovation by the few Turkish firms that have filed patents. This explains the lagging of the Turkish companies in internationalizing their brands.

INTRODUCTION

As it is mentioned by Gary Lundquist, in his writing at the Colorado Innovation Newsletter (2009), when one asks which comes first the product or its brand, the obvious response to it

would be its brand. This answer is not a result of a simple observation, but the re-occurring market phenomena that describes consumer behavior. Regardless of millions of dollars investments in R&D or equally the hard work of placing a new product in the market place, the traces of information that stays in the mind of consumer lie in the product's brand name.

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Hence, in the act of protecting any investment the best strategy might be to establish a brand name to protect these investments. This is not to say, of course, that benefiting from legally protected property rights, trademarks and copyrights are futile in this effort. This is just to emphasize that unless there is no possible short run substitute for a product, such as for example a cancer drug, a company's best bet to protect its innovative efforts would be to receive brand recognition. In fact, as we will show below, patents and trademarks are investigated to be complementary in such effort. This issue as we discuss in a subsequent section is rather tricky for small firms, in particular, as they do not have sufficient fund to apply for patents and for subsequent litigation issues in response to patent infringement by their competitors.

In this chapter, our aim is to first mention the importance of protecting innovative efforts in the market place and exemplifying as to how fragile these efforts can be. Subsequently, we give examples from Turkish companies describing the apparent lack of marketing and innovation strategies in comparison to companies in other countries. Our objective in this chapter is to alert the investors in their possible failure of classical methods to protect their investments and guide them towards the importance of marketing strategies to get a more solid anchor in the new product and process markets. This, we do, by examining the relatively few Turkish companies in the innovation game. However, having said that, Turkish companies have no choice but to develop effective technology innovation strategies even as they improve their marketing strategies. Any further lapse in these two ends is likely to force Turkish companies to become extinct in international markets.

BACKGROUND

Branding has been defined in a variety of ways by marketers; some describe it as a symbol while some authors describe it as that knowledge that

stays in the mind of the consumer. The latter describes a relationship rather than information. This latter definition helps examine brand equity and innovation. In fact a more accurate terminology would be to call brand a mental patent since once a company develops it, the consumer is not legally but emotionally attached to its products or services.

In the innovation literature scholars have long tried to understand how companies can effectively solve the issue of property rights to their investments. Some of this knowledge is protected naturally as it involves ways of doing things aka what is described as tacit knowledge by Polanyi (1958). The transfer of such knowledge requires face to face contacts as in espionage activities in Silicon Valley where spatial proximity might allow for theft. In most cases as it is described by Arora (1996), any patentable knowledge requires tacit type of knowledge for the owner to benefit from it. In other words, these two types of knowledge, patentable knowledge and tacit knowledge are complementary.

Regardless, however, patents can in most cases be reverse engineered and although tacit knowledge presents a challenge for the rivals to access it, in many cases they do not stand as airtight to protect innovative investments. When one attempts to discuss these issues, one has to consider that after all, in most cases, it is to claim territory in the market place that motivates the patent applicants. Hence, the claim is such that consumers would not be able to have a substitute to switch if they find the product as attractive and useful to pay a premium. It is at this point that one has to be cognizant of how powerful brands are. Brand defines a relationship that involves trust. It builds identify for the owners and elicits followership from consumers. Hence, brand equity can cushion a firm and protect investments in R&D for new products and services when the brand brings higher demand influence. One has to realize that having brand equity would help a company to successfully innovate as well. This is

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