

# Marketing Theory

<http://mtq.sagepub.com/>

---

## **Relational, interactive service innovation: building branding competence**

Sue Vaux Halliday and Paul Trott  
*Marketing Theory* 2010 10: 144  
DOI: 10.1177/1470593110366901

The online version of this article can be found at:  
<http://mtq.sagepub.com/content/10/2/144>

---

Published by:



<http://www.sagepublications.com>

**Additional services and information for *Marketing Theory* can be found at:**

**Email Alerts:** <http://mtq.sagepub.com/cgi/alerts>

**Subscriptions:** <http://mtq.sagepub.com/subscriptions>

**Reprints:** <http://www.sagepub.com/journalsReprints.nav>

**Permissions:** <http://www.sagepub.com/journalsPermissions.nav>

**Citations:** <http://mtq.sagepub.com/content/10/2/144.refs.html>

# Relational, interactive service innovation: building branding competence

Sue Vaux Halliday  
University of Surrey, UK

Paul Trott  
University of Portsmouth, UK

**Abstract.** *In this paper we discuss how to develop service innovation through building branding competence. We demonstrate that using relationships in a process of sharing adds value to the service innovation process. We draw upon two distinct perspectives in the literature. We agree that value in new service development comes from incorporating the consumer. Yet we also deduce that it is the firm's core competencies that provide optimal resources for innovation. We then conceptualize how these two perspectives on service innovation can be integrated around relationships incorporating the 'customer resource'. This process is relational, interactive service innovation. The conceptual framework we have developed offers a different approach for companies to view the new service development process in general and the building of branding competence in particular. We suggest that organizations may be able to improve their new service development process by emphasizing the internal and external linkages within the management of innovation.* **Key Words** ● branding ● new service development ● resource-based view of the firm ● relationships ● service innovation

## Introduction

It is timely to draw together work on service innovation and to propose a relational perspective that will in turn feed into a dynamic process of brand management. Johnes and Storey (1998) and Alam and Perry (2002) both emphasize the need for new conceptual thinking in our approach to new service development. This article links service innovation and relationship marketing theory around the customer. We indicate how service innovation gains from incorporating customers

into its processes and programmes; we look at branding as a means of sharing values in new service development (NSD). For branding does not only belong to the world of marketing communications. We also connect NSD with new product development (NPD). This is because NPD has become multi-faceted and now genuinely has more in common with NSD. Schilling and Hill (1998) and Brown and Eisenhardt (1995) suggest that the context for effective NPD is coordinated management of organizational context, leadership, tools, teams and customers. Johnson et al. (1999) then note that managing these enablers in a coordinated manner is also essential to building a competence in service innovation.

Historically, developing new services has been seen to be quite different from developing new products (cf. Langeard and Carman, 1980). Now, however, three aspects of marketing theory have brought general marketing theory closer to services. The first has just been mentioned: that collaborative management is necessary for successful NPD, which is reminiscent of the integrally related nature of services marketing, operations and human resource management. Second, competence in relationships is now seen to contribute to NPD success: 'The acknowledgement that superior relationships with customers contribute to financial performance has been one of the major developments in marketing theory and practice' (Matear et al., 2004: 286). Third, the argument of service dominance in marketing has emphasized that all goods provide service and all exchanges can be framed as knowledge exchanges (Vargo and Lusch, 2004a).

Both relationship marketing and the IMP school of thought have emphasized process. We suggest that organizations may be able to improve their NSD process by emphasizing the internal and external linkages within the management of innovation. We therefore argue that it is best to view innovation as a series of linked activities, or as a process. We further develop an understanding of branding as one means for strengthening the linkage with customers, both actual and potential. They become workers for the organization by being co-opted into the NSD process as the 'customer resource'.

## What is service innovation?

Services are a mixture of 'products' and processes. Boone (1999) defines service product innovation as a new offering to the market either for the market or for the firm. Service process innovation is a new service delivery system (cf. Gadrey et al., 1995). 'Services development is an ongoing endeavour, driven by the increasing heterogeneity in service demands and the diminishing NSD returns' (Johnson et al., 1999: 17). Is customer critique the driver? Or is it technological advance? (Christensen, 1997; Cooper, 1999; Tidd et al., 2001). The answer now is: 'both'. Indeed, it is the explanation of the interaction of these activities that forms the basis of models of innovation today (Table 1 offers an overview of the key studies of innovation over the past 50 years).

The comprehensive review of the literature on NSD by Johnes and Storey (1998) offers an excellent overview of the subject. The review focuses on organic development and emphasizes that NSD relies on the expertise and cooperation of individ-

Table 1

**Key studies of innovation management**

Study	Date	Focus
1 Carter and Williams	1957	Industry & technical progress
2 Project Hindsight – TRACES (Isensen)	1968	Historical reviews of US government funded defence industry
3 Wealth from knowledge (Langrish et al.)	1972	Queen's Awards for technical innovation
4 Project Sappho (Rothwell et al.)	1974	Success & failure factors in chemical industry
5 Stanford study (Maidique & Zirger)	1984	Success factors in US electronics industry
6 Minnesota studies (Van de Ven )	1989	14 case studies of innovations
7 Rothwell	1992	25 yr review of studies
8 Sources of innovation (Wheelwright and Clark )	1992	Different levels of user involvement
9 MIT studies (Utterback)	1994	5 major industry-level cases
10 Project NEWPROD (Cooper)	1999	Longitudinal survey of success & failure in new products
11 Radical innovation (Leifer et al.)	2000	Review of mature businesses
12 T.U.Delft study (Van der Panne et al.)	2003	A major literature review of success and failure factors.

Sources: van der Panne et al. (2003);Trott (2008)

uals working in teams during and after development. They identify intangibility, heterogeneity and simultaneity as the three key characteristics that distinguish services from products, with interaction with the consumer the key distinguishing characteristic in service development. More recently, Vargo and Lusch (2004a, 2004b; Lusch and Vargo, 2006) have put forward the notion of a service-dominant logic, and argue that marketing is evolving to a new dominant logic in which service provision, as distinct from services, is the basis of economic exchange. Their approach is not just a services versus goods debate. They are suggesting that goods can be seen as service, as distinct from services. Yet the development of a service 'offer' requires far more attributes to be brought into consideration than for a tangible product. Nowhere is this more clearly visible than in the cell-phone market, where extensive varieties of offers are put together that involve more than performance criteria. The offer attributes involve: pricing tariffs, games, ring tones, etc. The customer benefits are connectivity, belonging to a communicating community and hence ongoing creation of personal identity.

## The relevance of processes of interaction and dialogue

Innovation and technological development in particular depend increasingly on the ability to utilize new knowledge produced elsewhere and to combine this with knowledge already available in the economy and its actors. The capacity to absorb new knowledge, to transfer and diffuse knowledge and the ability to learn through interaction are crucial success factors in innovation (e.g. Cohen and Levinthal, 1989; Chesbrough, 2003). New and commercially useful knowledge is not only the result of the conscious action of creative individuals; it is also the outcome of the interaction and learning processes among various actors in innovation systems, i.e. producers, users, suppliers, public authorities and scientific institutions, which David and Foray (1995) have coined the 'knowledge distribution power' of the innovation system. The need for connectivity and the complexity of the interactions this entails therefore emerges as a major factor influencing the management of innovation. The development of network theory and network models of innovation have helped to illustrate further the prominence now given to internal and external interactions (networks) within the innovation process (Dhanaraj and Parkhe, 2006; Parkhe et al., 2006). All these knowledge flows contribute to the wealth of knowledge held by the organization (Woolgar et al., 1998; Tidd et al., 2001; Major and Cordey-Hayes, 2003).

However, knowledge or technology in itself does not lead to success. Firms must be able to convert intellect, knowledge and technology into offerings that customers want. What is important is the ability to use assets to perform value-creating activities. Again, this is the recent emphasis of the service-dominant logic to marketing. This frequently means integrating several assets such as: product technology and distribution; product technology and marketing effort; distribution and marketing. Indeed, it is the investment in intangible assets that seem to be determinants of core competencies (Oyeiwu, 2003).

Traditionally, buyer–seller interaction has been found to be one of the most important characteristics of services (Johns and Storey, 1998; Sanghera et al., 2002; Narver et al., 2004). This is partly due to the opportunities presented at these 'moments of truth' (Carlzon, 1980) for differentiation and therefore competitive advantage. This is such a dynamic process that a customer role can be provided for in the service innovation process. In effect, the customer is to be co-opted as a resource of the company, not seen as a player external to the firm whose views could usefully be sought. So the boundaries of the firm are broadened. Dynamic organizational routines are very often those activities that are not easily identifiable and may be dominated by tacit knowledge. 'These findings indicate the importance of process innovation as a vehicle for integrating process and customer information' (Boone, 1999: 106). In fact, innovation has been seen as a learning capacity: 'Market-oriented product development is conceptualized as a combination of specific capabilities and market information processing activities. As such it is argued that market-oriented product development may be regarded as an organization learning capability' (Kok et al., 2003: 137).

Michael and Palandjian's (2004) recent study of how organizations learn from

their experiences in new product introductions affirms this emphasis. This means that cross-functional dialogues and dialogues with customers are required for optimal innovation. The word 'dialogue' is worth stressing here. It is two-way and therefore 'dialogue is no longer being controlled by corporations. Individual consumers can address and learn about businesses either on their own or through the collective knowledge of other customers. Consumers can now initiate dialogue' (Prahalad and Ramaswamy, 2002: 2).

More recently, Flint (2006) used a service-dominant logic to illustrate how such a relational approach can lead to the development of further opportunities to deliver customer value. Information is not something pre-existent that only requires a database for it to be conveyed from one head (the customer's in this case) to another (the organization developing the new service idea). Rather, dialogue invites the inclusion of a co-creation of meaning in time and space, during the conversation. Varey insists that dialogue requires 'messages to be active in producing meaning, identity and knowledge' (2003: 282). So we see the key understanding relevant from the use of information in this context to be better framed by using the word 'knowledge'. It is also worth noting, somewhat in passing, that knowledge has to be captured by the organization. 'To complete a continuous process of learning, the organization has to have a way to capture and retain the information and knowledge it has collected, and needs to be able to access this knowledge quickly and efficiently' (Day, 2002: 251).

From this we derive the first of four concepts for our conceptual framework for successful relational service innovation.

### (1) A process of integrating customer knowledge into the organization

*The relevance of customer relationships* All in marketing agree that the customer is central to a business. However, Low et al. (2007), in their study of interrelationships between innovation and market orientation in SMEs, found that innovation was positively correlated to market orientation. Market research often simply affirms customers' reluctance to embrace change. Despite this, companies continue to seek the views of consumers on their new product ideas. The debate about the use of market research in the development of new products is long standing and controversial (Dahl and Hoeffler, 2004). We conclude that a balance of interests is needed:

Interactions must bring together a knowledge of what process is capable of doing and what customers want. If only the former is available, then the service product innovation is likely to fail in the marketplace. If the firm relies too heavily on what customers want, then it risks a mismatch between the service product and the firm's processes. (Boone, 1999: 106-7)

Christensen (1997) argues that there are times when it is right not to listen to customers. Research by Ovans (1998) supports this. James Dyson has good reason to be suspicious of the role of market research in NPD. Not only did he struggle for many years to get anyone in the UK to believe it was worth manufacturing his bagless vacuum cleaner, he faced the same scepticism when he launched in the US

(Thrift, 1997). Indeed, critics of the market-orientated approach to new product development argue that the traditional marketing activities of branding, advertising, positioning, market research and consumer research act as an expensive obstacle course to product development, rather than facilitating the development of new product ideas (Cooper, 2003).

On the other hand, there has been much written in the NPD literature about the need to involve customers at an early stage in the process and to integrate them into the process in order to fully capture ideas (von Hippel, 1986; Brown and Eisenhardt, 1995, 1998; Cooper, 1999; Thomke, 2003). Franke and Piller's (2004) study analysed the value created by so-called 'toolkits for user innovation and design'. This was a method of integrating customers into new product development and design. These 'toolkits' allow customers to create their own product, which in turn is produced by the manufacturer. The internet is becoming significant as it enables manufacturers to communicate directly with their customers without the need for intermediaries such as retailers and wholesalers. In some product category areas, most notably software related, the internet provides the opportunity for firms to interact with customers, and for customers to interact with customers. Powerful user networks can be established around product ideas or technology ideas or most significantly company capabilities. Opportunities for deploying and utilizing emerging technology may lead to genuine new products being developed. So much so that Prahalad and Ramaswamy write: 'the market has become a forum in which consumers play an active role in creating and competing for value. The distinguishing feature of this new marketplace is that consumers become a new source of *competence* for the corporation (2002: 2).

Somehow, customer communications need to foster closeness – as Drucker writes: 'for communications to be effective there has to be both information and meaning. And meaning requires communion' (2001: 341). Varey (2003) notes that much marketing communication is still one way in order to sell a message; he makes clear that dialogue is not merely two way (serial monologues, quite often), but is interaction and involves community. 'In a dialogical community members speak and act with each other, not at or to each other' (Varey, 2003: 277). Varey writes from the relationship marketing perspective, arguing that this, rather than mainstream marketing, has the theoretical underpinning for genuine dialogue with customers. Duncan and Moriarty underline that 'companies interested in being more customer focused and in building relationships focus on communication rather than persuasion, because communication – not persuasion – is the platform on which relationships are built' (1998: 2). Flint (2006) adopts a service-dominant logic to illustrate how such a relational approach can lead to the development of further opportunities to deliver customer value. The challenge is to give to customers and potential customers a dialogical role. Then this would enable a firm to develop a capability in relational communications. This would in turn allow it to incorporate changing, emerging consumer desires and aspirations into products and services.

From this review of the literature we derive our second concept.

## (2) Communications need to leverage the firm's relationship competence to foster opportunities for customers to express, specify and configure their requirements

*Relevance of the branding experience* The service concept has to include the overall picture: value, form and function, experience and outcomes. For example 'a day at Disney's Magic Kingdom is more likely to be defined by its designers and its visitors as a magical experience rather than as six rides and a hamburger in a clean park' (Clark et al., 1999: 72). Service 'characteristics point to the value of harnessing and managing interactivity through inter-personal and inter-organizational relationships throughout the service development process' (Syson and Perks, 2004: 265). We have already noted that these characteristics have to do with the real-time connection of buyer and seller at the point of production and sale, and with the inherent intangibility of the service (Sanghera et al., 2002). These make branding an obvious process for connecting organization with customer, as so much of branding has to do with the intangible. Hankinson and Cowling (1998) note that in branding, not only functional attributes and physical needs are exchanged, but of increasing relevance in a post-industrial world, symbolic values and psychological needs are exchanged. Branding is moving on from being what Varey derides as part of the persuasive paraphernalia of traditional marketing (2003). De Chernatony's textbook on branding comments that brand management 'nowadays needs to involve careful manipulation of the interaction between the people on the brand owner's side responsible for the brand and the customers of the brands, both actual and potential' (2001: 14). Duncan and Moriarty write that 'communication is the integrative element that helps tear down functional silos internally, while closing the distance between the company, its customers and other stakeholders' (1998: 3). And so branding competence needs to embrace both internal and external relationships. Building a coherent brand enables management to tackle the challenge of the variability of services from the inside (Vallaster and de Chernatony, 2005). Consistency for the customer can be provided by services staff overtly embodying the brand values and total experience in the service encounter (de Chernatony and Segal-Horn, 2001). So we have again made the connections; relationships with the customer come to the fore.

From this we derive our third concept.

## (3) Managing branding interactively includes customer relationships

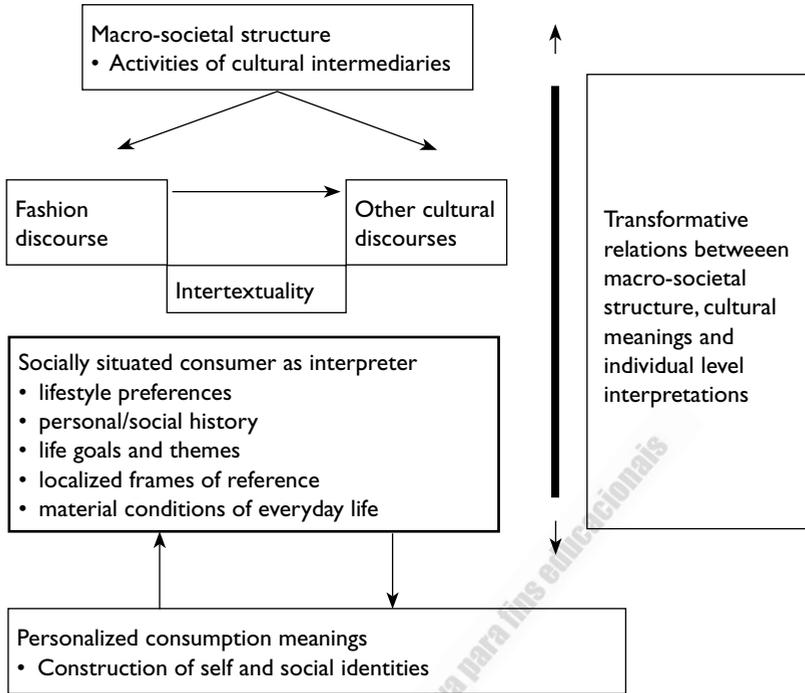
*The relevance of co-creating meaning in branding* Meanwhile, consumers are looking for personalized meaning. Prahalad and Ramaswamy emphasize that what is now required is to allow 'individual customers to actively co-construct their own consumption experiences through personalized interaction, thereby co-creating unique value for themselves' (2003: 12). They have not seen firms practising this: rather, they predict this will have to happen. Interestingly for our own emphasis on interactively sharing values with customers, they see this process as going beyond the current thinking, such that 'an active role for the individual consumer in value creation is different from allowing customers access to a company's technology,

or seeking their help in product development' (2003: 13). They do not address branding as such, but when they write that 'a new technology is important to consumers only when it increases their personal freedom, makes life more convenient, or facilitates desired experiences' (2003: 17), then we are close to the intangible, psychological benefits promised by brands.

We see here a role for an antecedent of relationships identified by Morgan and Hunt (1994), but not researched a great deal since – that of shared values. Valuing, or giving worth, is also community endeavour, based on prior assumptions largely shared in groups. Foxall et al. (1998) define values: 'consensual views about the kind of life individuals should follow, formal and informal rules specifying the goals they should pursue and how they should pursue them' (p. 228). We conceptualize that values are not found in things, but rather in consumers' heads (cf. Holt, 1997) and readily find that sharing values in a relational context sits more easily with a postmodern perspective on branding, focusing on consumers' articulation of personal creation of meaning (Thompson and Haytko, 1997; Fournier, 1998). And so this relational competence links to branding competence. The service offering exchange is then an opportunity to create a relationship based on shared values. Individuals are seeking meaning and affirmation of their personal values, by sharing them with the organizations from which they purchase.

But how fixed or univocal and passive is this meaning? There was a time when identity was seen as fairly static rather than a process of construction. However, it is now seen as an ongoing process. We accept the recent postmodern understanding of the empirical world as culturally constituted, as 'the world of everyday experiences in which the phenomenal world presents itself to the individual's senses fully shaped and constituted by the beliefs and assumptions of his/her culture' (McCracken, 1986: 72). And meanings are therefore never fixed – rather, they are fluid, contained within the cultural context. McCracken described a somewhat impersonal process of change of location of meaning focused on how a fixed meaning was transferred from the producer (via the consumer's contribution to the dialogue) to goods. This process might be termed serial monologues (cf. Varey, 2003). However, 20 years after McCracken, the challenge for the present research agenda is to accept that meaning is not created from serial monologues, but rather from developing dialogue. At the personal level the question is asked: can persons create personal identity which 'does not reflect a stable set of essential features, but is negotiated in a dynamic field of social relations' (Thompson and Haytko, 1997: 21)? They see the dynamic as dialogical and conclude that social context is the setting for meaning creation. Their model (see Figure 1) includes the co-creative aspect that gives the actor agency, as expressed in words in Holt's paper: 'Individuals are creative and industrious enough to individualize their consumption . . . but when they do so, they are always working with the existing frameworks of tastes in which they have been socialized' (Holt, 1997: 344).

This model captures the various contexts in which individual consumers create their identity as they buy fashion items. The outcome (personalized consumption meanings) is a result of interaction with their social situation (lifestyle preferences, personal/social history, etc. on the model) and their participation in the



(Thompson and Haytko, 1997: 37)

Figure 1

**A dialogical model of consumers' appropriations of countervailing cultural meanings**

overarching discourses of their culture. This level is in turn set in the context of and interactively connected to the overall macro-societal structures in their culture. Thompson and Haytko (Figure 1) summarize in their right-hand box relational processes as transformative relations. Meaning is being created, but also constrained by various contexts and texts in the culture. Similarly, the value of interaction is explored by Ballantyne and Varey (2006) using a service-dominant logic. Meaning making in our Western, consumer-oriented culture is inexorably connected to branding. This is what is required for 21st-century branding competence. 'Communication is the human activity . . . at the heart of meaning-making activities [and] . . . because of its meaning-making and organizing functions, plays a unique role in building brand relationships' (Duncan and Moriarty, 1998: 2). Co-creation of meaning is happening between firms and consumers, via brands. Significantly, Grönroos (2006) has recently argued the continuing relevance of the Nordic School's emphasis on context. Meaning is always going to be context-dependent.

This leads us to our fourth and final concept, shown as outcomes in the conceptual frame:

#### **(4) Co-creation of meaning is a context for the affirmation and renegotiation of personal and organizational identity**

This is the final outcome of the process we are working out in this paper. This is the outcome of the relational, interactive service innovation process. This is how firms can successfully innovate. This is the value co-created by the consumer.

### **Development of conceptual framework**

We have discussed the process of sharing values between the firm and the customer; we have explored how meaning is created for customers and have developed these concepts by linking an area sometimes treated separately from relationship marketing in academia (and, arguably, in practice too): branding. The process of branding is overtly connected to the heads of individual consumers who perceive and create value to them in brands (Fournier, 1998). Clearly there is a link here from personal identity construction to brand identity. There is, perhaps, a deep vein of meaning in seeing the individual as in a process of self-creation and affirmation. This is mirrored by the organization's culture being constantly recreated and reaffirmed in Mary-Jo Hatch's model (1993). We see branding as having embraced this role as a means of creating meaning for consumers.

Branding is a sharing process and the values expressed in the brand and made their own by customers is something at the heart of the firm (Vallaster and de Chernatony, 2005). Therefore, we suggest branding as the means for squaring the circle of both customer knowledge and firm-based capabilities being needed for successful NSD.

We have demonstrated that the literatures, once combined, show that there has to be an internal brand-building process to match the external. This connects back to the central dilemma of the internal and external requirements for successful service innovation. We are brought back to the tension created when taking a resource-based view of the firm and linking it to the necessity to involve customers in NSD. Vargo and Lusch (2004a) might appear to be creating a false dichotomy by arguing that the service-centered logic is the only alternative to a goods centered logic. However, their focus is on the service rendered by both goods and services. We endorse Vargo and Lusch's (2004a) focus on service-centred logic and conclude that this

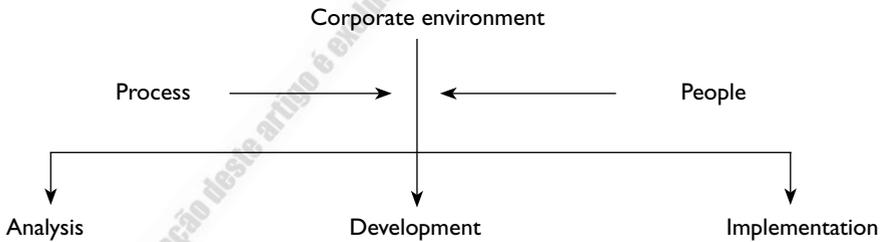
implies that value is defined by and co-created with the consumer and determined by the customer on the basis of value-in-use, rather than being embedded and predefined output . . . This implies the need to create trusting relationships to increase customer perceived value. (Matthing et al., 2004: 479–80)

Table 2 captures the four key concepts that we have derived from the literature

Table 2

**Summary of the literature and key concepts**

Concept	Key studies
1 A process of integrating customer knowledge into the organization	Varey, 2003; Boone, 1999; Cooper, 1993; Day, 2002; Von Hippel, 1978; Brown and Eisenhardt, 1995, 1998; Thomke, 2003.
2 Communications need to leverage the firm's relationship competence to foster opportunities for customers to express, specify and configure their requirements	Cooper and Kleinschmidt, 1993; Von Hippel, 1978; Brown and Eisenhardt, 1995, 1998; Prahalad and Ramaswamy, 2002; Thomke, 2003; Duncan and Moriarty, 1998; Drucker, 2001; Varey, 2003
3 Managing branding interactively includes customer relationships	Clark et al., 1999; Gadrey et al., 1995; Sanghera et al., 2002; Syson and Perks, 2004; Varey, 2003
4 Co-creation of meaning is a context for the affirmation and renegotiation of personal and organizational identity.	Duncan and Moriarty, 1999; Thompson and Haytko, 1997; Holt, 1997; McAlexander et al., 2002



(Johne and Storey, 1998)

Figure 2

**New service development themes**

and which form the theoretical foundation for the development of our conceptual framework.

Johne and Storey reviewed the NSD literature in 1998 and emphasized that the interaction process is typically an integral part of the service and conceptually is far more complex. Yet their model (see Figure 2) is very simple. It is precisely here that we feel our conceptual framework makes a valuable contribution to the debates on NSD. It offers a different perspective from which to view the development of new services. It illustrates the dynamic nature of the process with both consumers and

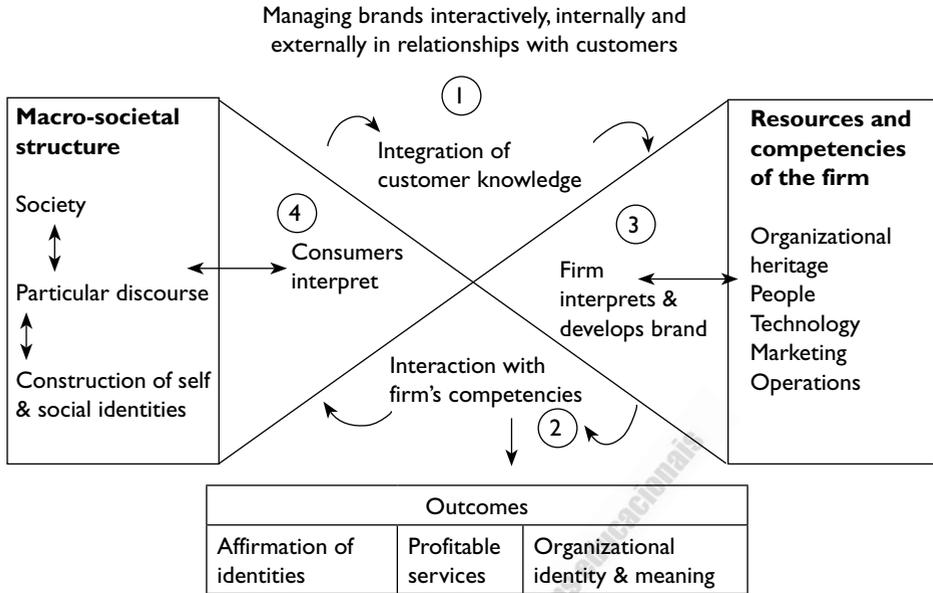


Figure 3

**Relational and interactive service innovation process**

the firm interacting with one another and interpreting and utilizing their experiences. For while their NSD process delineated six key issues that are integral to the service development process, they are static. It does not capture the dynamic nature of the process.

We have demonstrated throughout this paper that service development today demands a much more relational and integrated process. Figure 3 captures this process. In particular, it shows how the resources of the firm need to be made available to consumers in order that they may interact, utilize and consume them. This will enable the firm to interpret these outcomes and develop further opportunities. It is this interactive process which provides opportunities to the firm for service development. This framework captures the process utilized by firms who have already integrated customers into new product development and design. User networks have helped firms develop their technology capabilities into new product opportunities.

We integrate the key concepts we developed from the literature. The starting point for this is the dilemma firms face when attempting to incorporate the consumer in new service development. For, equally, we recognize the resource-based view of the firm. So we see the customer as a resource for innovation alongside the

firm's core competencies. This then leads to the need for a relational competence as one of the optimal resources for innovation. These two schools of thought are represented by the two blocks on the right and left of the figure. From here we incorporate the four concepts developed in our analysis of the literature and summarized in Table 2. These are labelled accordingly on Figure 3. The framework is not intended to be used as an instrument for analysis. It does, however, offer a different way of conceptualizing service development based on managing brands interactively, internally and externally in relationships with customers. And it offers a vantage point from which to view the process and from which new insights might be derived.

## Conclusions, managerial implications and areas for future research

Johne and Storey (1998) and Alam and Perry (2002) both emphasize the need for new conceptual thinking in our approach to new service development. Our starting point was to conceptualize the two perspectives on new service development as presenting a dilemma. Given the challenges inherent in innovation, gaining an understanding of the factors that are likely to influence customer evaluations of a new service and how customers are likely to relate to it is necessary for ensuring a successful market outcome. Yet, equally, we acknowledge the practical importance of the resource-based view of the firm that argues that it is the firm's core competencies that provide the optimal resources for innovation. The conceptual framework we have developed offers a different conceptual approach for how companies can view the new service development process in general and the building of branding competence in particular.

To conclude, we have demonstrated that new service developments stand to benefit from involving customers; indeed it is a necessary avenue for future development of customer-focused services. NSD processes also need to be based on the firm's capabilities for initiating and developing dialogical relationships. We deduce that a dialogical, dynamic, branding process, used as an expression of sharing values, can be a practical means of drawing the energy created in the tension. Therefore, successful NSD will use brands and relationships to involve customers in the firm's processes.

One outcome of this conceptual paper is identification of the need and the steps for further empirical research to validate the conceptual framework proposed here. The concepts we distilled from the literature will be explored with services and businesses to produce a measurable framework, or metric, for successful NSD. Branding will be explored as a means of strengthening customer relationships and driving successful innovation.

## References

- Alam, I. and Perry, C. (2002) 'A Customer-oriented New Service Development Process', *Journal of Services Marketing* 16(6): 515–34.

- Ballantyne, D. and Varey, R. (2006) 'Creating Value-in-use through Marketing Interaction: The Exchange Logic of Relating Communicating and Knowing', *Marketing Theory* 6(3): 335–48.
- Boone, T. (1999) 'Exploring the Link between Product and Process Innovation in Services', in J. A. Fitzsimmons and M. J. Fitzsimmons (eds) *New Service Development*, pp. 92–110. Thousand Oaks, CA: Sage.
- Brown, S.L. and Eisenhardt, K.M. (1995) 'Product Development: Past Research, Current Findings and Future Directions', *Academy of Management Review* 20: 343–78.
- Brown, S.L. and Eisenhardt, K. (1998) *Competing on the Edge: Strategy as Structured Chaos*. Boston, MA: Harvard Business School Press.
- Carlzon, J. (1980) 'Foreword', in C. Grönroos *Service Management and Marketing: Managing the Moments of Truth*, p. xv. Lexington, MA: Lexington Books.
- Carter, C.F. and Williams, B.R. (1957) 'The Characteristics of Technically Progressive Firms', *Journal of Industrial Economics* (March): 87–104.
- Chesbrough, H. (2003) 'Open Innovation: How Companies Actually Do It', *Harvard Business Review* 81(7): 12–14.
- Christensen, C.M. (1997) *The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail*. Cambridge, MA: Harvard Business School Press.
- Clark, G., Johnston, R. and Shulver, M. (1999) 'Exploiting the Service Concept for Service Design and Development', in J. A. Fitzsimmons and M. J. Fitzsimmons (eds) *New Service Development*, pp. 71–91. Thousand Oaks, CA: Sage.
- Cohen, W. and Levinthal, D. (1989) 'Innovation and Learning: The Two Faces of R&D', *The Economic Journal* 99: 569–96.
- Cooper, R. (2003) 'Profitable Product Innovation', in L. Shavinina (ed.) *International Handbook on Innovation*. Oxford: Elsevier.
- Cooper, R.G. (1999) 'The Invisible Success Factors in Product Innovation', *Journal of Product Innovation Management* 16(2): 115–33.
- Cooper, R.G. and Kleinschmidt, E.J. (1993) 'Major New Products: What Distinguishes the Winners in the Chemical Industry?' *Journal of Product Innovation Management* 10(1): 90–111.
- Dahl, D.W. and Hoefler, S. (2004) 'Visualizing the Self: Exploring the Potential Benefits and Drawbacks for New Product Evaluation', *Journal of Product Innovation Management* 21(4): 259–68.
- David, P.A. and Foray, D. (1995) 'Accessing and Expanding the Science and Technology Knowledge Base', *Science, Technology Industry Review* 16: 13–68.
- Day, G.S. (2002) 'Managing the Market Learning Process', *Journal of Business and Industrial Marketing* 17(4): 240–52.
- de Chernatony, L. (2001) *From Brand Vision to Brand Evaluation*. Oxford: Butterworth-Heinemann.
- de Chernatony, L. and Segal-Horn, S. (2001) 'Building on Services' Characteristics to Develop Successful Services Brands', *Journal of Marketing Management* 17: 645–69.
- Dhanaraj, C. and Parkhe, A. (2006) 'Orchestrating Innovation Networks', *Academy of Management Review* 31(3): 659–69.
- Drucker, P. (2001) *The Essential Drucker*. New York: Harper.
- Duncan, T. Moriarty, S.E. (1998) 'A Communication-based Marketing Model for Managing Relationships', *Journal of Marketing* 56(2): 1–13.
- Duncan, T., Moriarty, S. (1999) 'Commentary on Relationship-based Marketing Communications', *Australasian Marketing Journal* 7(1): 118–20.
- Flint, D. (2006) 'Innovation, Symbolic Interaction and Customer Valuing: Thoughts

- Stemming from a Service-dominant Logic of Marketing', *Marketing Theory* 6(3): 349–62.
- Fournier, S. (1998) 'Consumers and their Brands: Developing Relationship Theory in Consumer Research', *Journal of Consumer Research* 24(March): 343–73.
- Foxall, G.R., Goldsmith, R.E. and Brown, S. (1998) *Consumer Psychology for Marketing* (2nd ed.). London: International Thomson Business Press.
- Franke, N. and Piller, F. (2004) 'Value Creation by Toolkits for User Innovation and Design: The Case of the Watch Market', *Journal of Product Innovation Management* 21(6): 401–16.
- Gadrey, J., Gallouj, F. and Weinstein, O. (1995) 'New Modes of Innovation: How Services Benefit Industry', *International Journal of Service Industry Management* 6(3): 4–16.
- Grönroos, C. (2006) 'Adopting a Service Logic for Marketing', *Marketing Theory* 6(3): 317–33.
- Hankinson, G. and Cowking, P. (1998) *International Brands*. London: McGraw-Hill.
- Hatch, M.J. (1993) 'The Dynamics of Organisational Culture', *Academy of Management Review* 18(4): 657–93.
- Holt, D.B. (1997) 'Poststructuralist Lifestyle Analysis: Conceptualizing the Social Pattern of Consumption in Postmodernity', *Journal of Consumer Research* 23(March): 326–50.
- Ienson, R. (1968) *Technology in Retrospect and Critical Events in Science (Project Traces)*. Chicago, IL: Illinois Institute of Technology/National Science Foundation.
- Johne, A. and Storey, C. (1998) 'New Service Development: A Review of the Literature and Annotated Biography', *European Journal of Marketing* 32(3/ 4): 184–251.
- Johnson, S.P., Menor, L.J., Roth, A.V. and Chase, R.B. (1989) 'A Critical Evaluation of the New Service Development Process: Integrating Service Innovation and Service Design', Chp 1, 1-32, in J. A. Fitzsimmons and M. J. Fitzsimmons (eds) *New Service Development: Creating Memorable Experiences*, pp. 1–32. London: Sage.
- Kok, R.A.W., Hillebrand, B. and Biemans, W.G. (2003) 'What Makes Product Development Market Oriented? Towards A Conceptual Framework', *International Journal of Innovation Management* 7(2): 137–62.
- Langeard, E. and Carman, J. (1980) 'Growth Strategies for Service Firms', *Strategic Management Journal* 1(1): 7–22.
- Langrish, J., Gibbons, M., Evans, W.G. and Jevons, F.R. (1972) *Wealth from Knowledge*. London: Macmillan.
- Leifer, R., McDermott, C.M., O'Connor, G.C., Peters, L.S., Rice, M. and Veryzer, R.W. (2000) *Radical Innovation*. Boston, MA: Harvard Business School Press.
- Low, D.R., Chapman, R.L. and Sloan, T.R. (2007) 'Inter-relationships between Innovation and Market Orientation in SMEs', *Management Research News* 30(12): 878–91.
- Lusch, R.F. and Vargo, S.L. (2006) 'Service-dominant Logic: Reactions, Reflections and Refinements', *Marketing Theory* 6(3): 281–8.
- McAlexander, J.H., Schouten, J.W. and Koenig, H.F. (2002) 'Building a Brand Community', *Journal of Consumer Research* 29(1): 38–54.
- McCracken, G. (1986) 'Culture and Consumption: A Theoretical Account of the Structure and Movement of the Cultural Meaning of Goods', *Journal of Consumer Research* 13(June): 71–84.
- Maidique, M.A. and Zirger, B.J. (1984) 'A Study of Success and Failure in Product Innovation: The Case of the US Electronic Industry', *IEEE Transactions in Engineering Management* 4: 192–203.
- Major, E. and Cordey-Hayes, M. (2003) 'Encouraging Innovation in Small Firms through

- Externally Generated Knowledge', in L. Shavinina (ed.). *International Handbook on Innovation*. Oxford: Elsevier.
- Matear, S., Gray, B.J. and Garrett, T. (2004) 'Market Orientation, Brand Investment, NSD, Market Position and Performance for Service Organisations', *International Journal of Service Industry Management* 15(3): 284–301.
- Matthing, J., Sanden, B. and Edvardsson, B. (2004) NSD: 'Learning from and with Customers', *International Journal of Service Industry Management* 15(5): 479–98.
- Michael, S.C. and Palandjian, T.P. (2004) 'Organizational Learning and New Product Introductions', *Journal of Product Innovation Management* 21(4): 268–77.
- Morgan, R.M. and Hunt, S.D. (1994) 'The Commitment-trust Theory of Relationship Marketing', *Journal of Marketing* 58(July): 20–38.
- Narver, J.C., Slater, S.F. and MacLachlan, D.L. (2004) 'Responsive and Proactive Market Orientation and New-product Success', *Journal of Product Innovation Management* 21(5): 334–48.
- Ovans, A. (1998) 'The Customer Doesn't always Know Best', *Market Research* 7(3): 12–14.
- Onyeiwu, S. (2003) 'Some Determinants of Core Competencies: Evidence from a Binary-Logit Analysis', *Technology Analysis and Strategic Management* 15(1): 43–63.
- Parkhe, A., Wasserman, S. and Ralstan, D. (2006) 'New Frontiers in Network Theory Development', *Academy of Management Review* 31(3): 560–8.
- Pavitt, K. (1990) 'What We Know about the Strategic Management of Technology', *California Management Review* 32(3): 17–26.
- Prahalad, C.K. and Ramaswamy, V. (2002) 'Co-opting Customer Competence', *Harvard Business Review* 78(1): 34–9.
- Prahalad, C.K. and Ramaswamy, V. (2003) 'The New Frontier of Experience Innovation', *MIT Sloan Management Review* 44(3): 12–18.
- Rothwell, R. (1992) 'Successful Industrial Innovation: Critical Success Factors for the 1990s', *R&D Management* 22(2): 221–39.
- Rothwell, R., Freeman, C., Horlsey, A., Jervis, V.T.P., Robertson, A.B. and Townsend, J. (1974) 'SAPPHO Updated: Project SAPPHO phase II', *Research Policy* 3: 258–91.
- Sanghera, J., de Chernatony, L. and Brown, A. (2002) 'Testing Grönroos' Model in the Financial Services Sector', *Service Industries Journal* 22(3): 1–14.
- Schilling, M.A. and Hill C.W.L. (1998) 'Managing the New Product Development Process: Strategic Imperatives', *Academy of Management Executive* 12(3): 67–81.
- Syson, F. and Perks, H. (2004) 'NSD: A Network Perspective', *Journal of Services Marketing* 18(3): 255–66.
- Thomke, S.H. (2003) *Experimentation Matters: Unlocking the Potential of New Technologies for Innovation*. Boston, MA: Harvard Business School Press.
- Thompson, C.J. and Haytko, D.L. (1997) 'Speaking of Fashion: Consumers' Uses of Fashion Discourses and the Appropriation of Countervailing Cultural Meanings', *Journal of Consumer Research* 24(June): 15–42.
- Thrift, J. (1997) 'Too Much Good Advice', *Marketing* 3(3): 18.
- Tidd, J., Bessant, J. and Pavitt, K. (2001) *Managing Innovation*. Chichester: Wiley.
- Trott, P. (2008) *Innovation Management and New Product Development* (4th ed.). London: Prentice Hall.
- Utterback, J. (1994) *Mastering the Dynamics of Innovation*. Boston, MA: Harvard Business School Press.
- Vallaster, C. and de Chernatony, L. (2005) 'Internationalisation of Services Brands: The Role of Leadership during the Internal Brand Building Process', *Journal of Marketing*

- Management* 21(3): 181–203.
- Van de Ven, A.H. (1989) 'Central Problems in the Management of Innovation', in M. L. Tushman and W. L. Moore (eds) *Readings in the Management of Innovation* (2nd ed.), pp. 103–22. New York: Harper Business.
- van der Panne, G., van Beers, C. and Kleinknecht, A. (2003) 'Success and Failure of Innovation: A Literature Review', *International Journal of Innovation Management* 7(3): 309–38.
- Varey, R. (2003) 'A Dialogical Foundation for Marketing', *Marketing Review* 3: 273–88.
- Vargo, S.L. and Lusch, R.F. (2004a) 'Evolving a New Dominant Logic for Marketing', *Journal of Marketing* 68(1): 1–17.
- Vargo, S.L. and Lusch, R.F. (2004b) 'The Four Service Marketing Myths', *Journal of Service Research* 6(4): 324–35.
- von Hippel, E. (1978) 'Cooperation between Rivals: Information Know-how Trading', *Research Policy* 16: 291–302.
- von Hippel, E. (1986) 'Lead Users: A Source of Novel Product Concepts', *Management Science* 32(7): 791–805.
- Wheelwright, S. and Clark, K. (1992) *Revolutionising Product Development*. New York: Free Press.
- Woolgar, S, Vaux, J., Gomes, P., Ezingear, J-N. and Grieve, R. (1998) 'Knowledge and the Speed of Transfer and Imitation of Organisational Capabilities: An Empirical Test', *Organisation Science* 6(1): 76–92.

**Sue Halliday** is a Senior Lecturer at the University of Surrey. Her empirical research is currently in the area of service innovation, shared values and identification in marketing services to consumers. She has published in a variety of journals, including *Journal of Marketing Management*, *Journal of Management Enquiry* and *Journal of Services Marketing*. Address: School of Management, University of Surrey, Guildford, GU2 7XH, UK. [email: s.halliday@surrey.ac.uk]

**Paul Trott** is Reader in Innovation Management at the Business School, University of Portsmouth. He received his PhD from Cranfield University. He has published over 30 articles on innovation management and new product development. He has published in *R&D Management*, *Technology Analysis & Strategic Management*, *Journal of Marketing Theory*, and *International Journal of Innovation Management*.