INNOVATION IN THE FUNCTION OF BRAND STRENGTHENING

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Abstract: In an ever-changing world, the importance of innovation and the imperative to improve innovation at all levels of the organization of the economy and society are becoming more and more evident every day. This is also the reason why innovation is increasingly being discussed as a way of adapting society and the economy to extremely rapid scientific, technological and industrial changes. Innovation involves the application of a new idea of how to advance some existing knowledge and how to place it on the market. Its content and understanding depends to a great extent on the context in which it is used. Economists are primarily interested in the contribution of innovation to improving the performance of businesses and countries. Researchers in other social sciences are generally interested in answering questions about how individuals decide whether or not to accept a particular innovation. Managers focus on the innovation potentials of organizations to commercialize knowledge into innovations that are important for the production and placement of products on the market, or the ability to accept and adapt innovations created elsewhere. Innovation is a process within an enterprise that contributes to the advancement of what it creates and offers to the market. It means that innovation is a generic activity on which the survival and growth of a business is based. By enhancing innovation, among other things, the company can empower the brand and improve product quality as key drivers of competitiveness in the knowledge economy.

Today, it is considered, more than ever, that understanding, needs and desires are the key to success, so the final choice of consumers about the purchase and the price that they are willing to pay will be largely influenced by the way a brand revives and establishes a deeper and more lasting connection with people. That is the essence of branding. The impact of brand on the success of the business is reflected in the achievement of long-term competitive advantage, as well as leadership in the market. The essence of product branding is directed towards specific and predefined activities. The innovation of modern companies is increasingly reflected in brand empowerment and branding activities.

Innovation and brands are interdependent phenomena. This is confirmed by the fact that many companies that own the biggest brands are at the same time world leaders in innovation. The brand can be used as a basis for launching innovation, but conversely, innovation can be seen as an important means of strengthening the brand. Innovation managers must be focused on continuous brand empowerment.

Keywords: innovations, innovation, brand, enterprise

1. INTRODUCTION

The words innovation and brand are very frequent terms in the literature dedicated to the explication of various dimensions of modern life in all its spheres, including economics (Cvetanović, & Nedić, 2018). Among other things, these are content-related categories. In economics, there are a number of approaches to research on innovation, i.e., innovation and brand at different levels, from companies to countries and groups of countries. However, it can be concluded that despite the huge interest of researchers in theoretical and empirical research of the phenomenon of innovation, on the one hand, and the brand, on the other hand, there are still numerous controversies regarding the definition of their essence and nature. There are the opposing opinions of researchers which are particularly noticeable on the issue of explaining the nature and direction of the interrelationships between innovation and the brand. The form and nature of their cause-and-effect relationship occupies the attention of modern researchers. In order to come to precise answers to them, besides certain theoretical values, can understandably have great practical significance in the conception of business strategies of modern companies.

Intense competition in the market and changing business conditions lead companies to continuously search for new sources of competitive advantage. The globalization of the market has united consumers in the demands they place on companies and has contributed to the development of new marketing strategies that enable the growth of consumer satisfaction and brand loyalty, directly implying the improvement of financial performance in business. It is safe to say that creating and developing a brand is a long-term investment of the company.

Starting from the previously mentioned remarks, we define the goal of the paper as an attempt to find an answer to the question of how innovations and brands are interdependent. It is no coincidence that many companies that own the biggest brands are at the same time world leaders in innovation. The brand can be used as a basis for launching innovation, but conversely, innovation can be seen as an important means of strengthening the brand. Innovation managers must be focused on continuous brand improvement.

2. MATERIALS AND METHODS

The two basic approaches in economic analysis are descriptive (emphasizes the description of the structure and functioning of the observed phenomenon) and analytical (emphasizes the importance of researching the causes of economic phenomena and processes and determining their interdependence, usually using static analytical tools). Therefore, depending on the way in which economic analysis performs its task and answers the above questions, as well as according to the techniques used and the level at which it provides answers to questions, it is possible to distinguish between qualitative and quantitative economic analysis.
In the case when an attempt is made to determine legality in the economic world with the help of various descriptive methods (historical method, method of induction and deduction, etc.), it is a question of qualitative economic analysis. This paper uses a qualitative approach to researching the concepts of innovation and brand in economics.
The Organization for Economic Co-operation and Development (OECD) defines innovation as the implementation of a new or significantly improved product, process, marketing method, or new form of organization in business practice, workplace organization, or external relations. Such a broad definition of innovation encompasses a large number of different forms of innovation, so it is not surprising that many narrower and more precise definitions are available in the literature (Krstić, Stanojević, & Stanišić, 2016).
Starting from the position that change is a general term that means deviation (positive or negative, advanced or regressive) from an existing state, it follows that innovation means a special and specific type of change that involves the application of a new idea to improve existing knowledge. In a word, innovation means change, but, understandably, every change does not have to be an innovation. An innovation is an idea, practice, or object that is considered new by the individuals who create and adopt it. It is of little importance whether the idea is "objectively" new, measured by the time that has elapsed since it was created or first used. Understanding how and why the target group of people or organization decides on an innovation can be key to its commercial success or failure.

3. RESULTS

Innovation represents the success of an organization to approach various changes, as well as the skill of managing them (Hudec, & Prochadzkova, 2015). Organizations must continuously learn, use what they have learned and respond in the best way using the available knowledge. The innovation of a company implies its focus on customers and the market. Innovation is most encouraged by the competitive environment, as well as the need for profit and survival of economic entities in the market (Filipović, & Nikolić, 2017).
Innovative organizations are characterized by the absence of fear of change and the general atmosphere of learning and improvement. The success of a company in the domestic and foreign markets increasingly depends on its innovation (Cvetanović, & Turanjanin, 2020). When it comes to company innovation, there is a paradox, because although they are motivated to develop new products due to customer needs, competitive factors and corporate goals, companies often raise barriers and create difficulties that threaten the innovation process.
The four basic types of innovation are:
1) Product innovation - a product or service that is new or has been significantly improved. This is probably what is most often considered an innovation. Recent examples of product innovation would be smartphones and tablets.
2) Process innovation - a new or significantly improved method of production or delivery. A recent and widespread example could be the transition of many retail sectors to online sales and related distribution.
3) Innovations in marketing - new marketing methods that include significant changes in product and packaging design, placement, promotion and pricing policy. The English Football Premier League is an effective example of innovation in marketing. The former First League has been replaced by a new organization that sells broadcasting rights through a new television provider, making it arguably the richest football league in the world. In essence, the same product was repackaged and made available via satellite TV.
4) Innovations in the organization - new ways of organization in business practice, jobs or external relations. Open-source software is organized in a fundamentally different way than conventional software and has become a significant source of programs such as Linux and Android operating systems and a wide range of applications (including Firefox browser and Zotero reference management system).
The focus of the OECD definition is on what is innovated - product, process, marketing or organization - rather than how and why people and organizations choose to use innovation, or how innovation can be produced.
The terms used to describe different types or degrees of innovation are not completely precise. A distinction between radical and incremental (gradual) innovations is widespread in the literature. There are few radical innovations.

Over the last few decades, intangible assets have composed a greater part of the market value structure of an organization. Considering its dominant participation in the value structure, it is evident that intangible assets represent the image of organizational efficiency and effectivenss (Grujić, & Minić, 2020). Brand is one of the best known intangible assets that are used for designating a successful concept, most frequently a successful trade mark. Brand is an added, intangible asset that a product or a service may possess and it results from attributing the characteristics of a living person to a product or a service: emotions, associations, experiences or information that make people become ready to set aside a certain amount of money so as to obtain the product or the service. The brand concept has been present for a long time in the marketing theory and practice, but still there is no adopted brand definition. There are a number of authors that have been using the definition given by American Marketing Association, according to which brand is defined as: "a name, term, design, symbol or any other feature that identifies one seller's goods or service as distinct from those of other sellers."

- Cicvarić, Kostić, & Štavljanin (2020) define brand as: „a set of recognizable elements (name, logo, symbol, design, person, message…) that identify and differentiate: products, services, organizations, persons, places and ideas and create unique associations, beliefs and expectations with customers/consumers/users." Brands are regarded as the direct consequence of the market segmentation strategy and product differentiation. A successful brand is a recoganizable product, service, person or place, that are relevant for a customer, that posess a unique added value which satisfies consumers' needs. The success of a brand results from the ability of a company to maintain these values as compared to its competition Kotler, & Keller, 2017) state that the brand role implies the identification of a manufacturer, as well as the possibility of a consumer to assign the responsibility for a brand to a manufacturer or distributer. Brands possess many roles both for consumers and for companies:
- The role of a brand for consumers – implies that a brand is actually a promise a company gives to a consumer. A company promises that it will reliably deliver its products and services and provide positive experience, in order to return the loyalty to its customer. Additionally, consumers observe differently the same products depending on the way they have been branded. They compare different experiences and discover which brands satisfy their needs and which do not. Likewise, brands can adopt personal significance for consumers, i.e., they can state who the consumers are or who they want to become;
- The role of a brand for companies – implies product handling simplification by helping organize the stock and bookkeeping data. Likewise, through its brand, a company can legally protect unique brand features. The brands that possess credibility are a synonym for quality, therefore the satisfied customers will again opt for the same product. Loyalty stimulates customers to pay even a higher price. Branding is a means for achieving a competitive advantage, since although competitors can imitate the production processes and product design, they will not be able to rival the permanent positive impressions in the minds of customers that have been created due to the long-lasting positive experiences and marketing activities.

The potential benefits a company can gain from creating a strong brand (Keller & Brexendorf, 2019):

- improved product performance perception,
- increased customer loyalty,
- decreased sensitivity to competitors' marketing activities and marketing crises,
- more elastic customers' responses to price reduction and inelastic customers' response to price increase;
- increased marketing communication effectiveness,
- additional possibility of licensing and brand expansion,
- increased trade or intermediate cooperation and support.

There are three basic brand components – brand personality, its positioning and strategy. Brand personality implies attributing human characteristics to a brand as a means for achieving differentiation, which is usually done through advertising (television, radio, printed media…) or through the appropriate choice of packaging and graphic. The stated characteristics inform the consumers on the brand behavior through the individuals that represent the brand, i.e., through the employees. Brand personality is, essentially, the consumers' perception of a brand. There are three feature types that help the process of shaping the brand personality – sensual, rational and emotional. The sensual feature arises from the product appearance, sound and feeling, whereas the rational feature is related to the functional product characteristics. The emotional feature arises from the psychological benefits that a product can create in the minds of consumers. Every brand possesses its physical and abstract component. The physical component of a brand includes name, sign, symbol, design or the combination of all four of them that provide certain goods or service with their identity, thus differentiating them from their competitors. The abstract brand component creates a much subtler difference between the brand and its competitors, since it implies all the information and associations that appear in the minds of people at the thought of a certain brand. Positioning is the process of preparing an offer and company image with the goal of taking a particular, distinct position in the mind of the target market. The goal is to build the brand position in the mind of its consumers which results in potential financial benefits for the company. Brand positioning helps shape the marketing strategy since it explains the brand essence, identifies the goals the customers can achieve and demonstrates the way it is being achieved in a unique manner through the brand. All employees within a company need to understand the brand positioning and to make decisions with respect to it Kotler, & Keller (2017). The possible brand positioning strategies include positioning:

- according to specific product features,
- according to advantages, problem solving or needs,
- for special occasions,
- for a certain customer category,
- in relation to a competitive product,
- as a product group division.

Positioning requires marketeers to define and introduce the similarities and differences between their brand and the competative brands, which implies that deciding on positioning requires the choice of reference framework by identifying the target market and the competition, defining optimal elements of equality and diversiry in brand associations (in accordance with the reference framework) and defining the brand "mantra" that outlines the brand positioning and its essence. Brand represents the relation between the created product and its customers, and its success depends on them – what they know, think or feel about the brand. Therefore, brand managers in companies today must direct their efforts towards the development of efficient brand positioning strategies. The starting point for these activities is the recognition of customers' wishes, needs and expectations and particularly the estimation of perceptions, attitudes and emotions and their determination for the needs to be satisfied in the best manner possible. A number of authors emphasize that the brand strategy is significant for earning profit as well as earning the company competitive advantage. In order to achieve the competitive advantage, the brand ought to possess the following attributes: to have the ability to utilize the external opportunities and neutralize the threats, to be the rare one among its competition so that it cannot be imitated or replaced (Neuvonen, 2016). The brand strategy is the process that initiates and directs the activities so as to achieve the brand goals and it is developed from the brand position, its thoughts, promises and architecture. The most significant step in defining the brand strategy is understanding the customers' needs, i.e., what exactly the customers expect from a product or a service, and it is the company task to provide it. Upon selecting the brand strategy, a number of authors focus on:

1. The development of a strong brand – when the same brand is being applied for all products and services of a company.
2. Independent brands – companies develop different brands for different market segments.
3. Brand family – a company uses numerous brand names, but it reduces a certain group of products to the common brand name.
4. Brand expansion – this strategy implies thet a product or a service are introduced under the same brand for a certain new market segment.

The process of creating a strong brand image is lasting and it implies the existance of a clear brand strategy to which the brand owner will faithfully adhere.

4. DISCUSSION

Innovation can be driven by a brand. The brand creation process is undoubtedly a very convenient way to successfully place a product or service in a local, regional or global market. Owning a strong, recognized and recognizable brand is a unique and effective opportunity to permanently achieve a competitive advantage in the market. The strength of the brand directly affects the company's business. Theoretically, the destination of innovation lies in the idea and innovation from which the new value develops. In essence, innovation as a phenomenon reflects the eternal human struggle and the need for something new, better, more meaningful. Historically, with the growth of human needs, the scope of innovation has expanded. In modern business conditions, companies are turning to an increasing degree of meeting the needs of their customers, anticipating but also in some way creating their needs.

Innovation provides an increase in brand value through the construction of a unique product or service. However, branding strategy can also be a critical factor in enhancing a company's innovation. In order for innovation to be accepted, controlled and used, it is necessary to build a brand. Without a successful brand strategy, innovation has a short lifespan. Branded innovations improve business and can differentiate and make a company's offering much more attractive. An innovation can be represented by a brand or sub-brand, a branded characteristic, an ingredient or a service. The challenge of branding is to manage consumer perception and influence the choice of relevant brands. The aim is to search for greater consumer respect for the company or corporate brand, due to the innovation that makes the offer of a new product attractive to a large number of consumers. Innovation management monitors and applies the latest technology, seeks to create consumer needs for new products and services, and is continuously looking for new sources of competitiveness.

Branding strategy is an integral component of business strategy. In the long run, owning a brand provides the company with better financial results and a sustainable competitive advantage. The development of innovations in business with the application of information and communication technology contributes to increasing the competitiveness of the company and affects more intensive international activity. Globalization, as the highest phase of business internationalization, has influenced changes in the approach to brand management and large investments in brand development. Innovation and marketing are the key to a company's success. Neglecting one of the factors leads to business failure, it fully finds its justification through the concept of brand management.

In the future, due to the growing importance of the Internet, global brands will have an even greater advantage. There are easier ways for a company to enter into and maintain contact with consumers and faster and more numerous ways to share experiences between consumers. Companies that ignore the advantages of using the Internet and the possibilities of global branding on this electronic network will almost certainly lose the advantages over their competitors. The Internet enables even companies that do not belong to the ranks of large companies to internationalize their business and be competitive with large business systems.

The introduction of e-business and the adoption of a new global medium - the Internet, have adapted the branding strategy to new standards in business. The Internet has provided great opportunities for communication and ensured the global availability of brands. The application of modern technology has become a business imperative in today's economic and political globalization and directly affects the marketing decision-making process. Only companies that have satisfactory new innovation potential are able to design a product that will achieve the desired results in the market at a competitive price.

5. CONCLUSIONS

There is a high degree of dependence between innovation and brand. Innovation provides an increase in brand value through the construction of a unique product or service. However, branding strategy can also be a critical factor in innovation. In order for innovation to be appropriated, controlled and used, it is necessary to build a brand. Without a successful brand strategy, innovation has a short lifespan. Branded innovations improve business and they can create the company's offer, differentiate it and make it much more attractive. An innovation can be represented by a brand or sub-brand, a branded characteristic, an ingredient or a service. The challenge of branding is to manage consumer perception and influence the choice of relevant brands. Also, branding means Influencing greater consumer respect for the company or corporate brand, due to innovation that makes the offer of a new product more credible. Innovative management monitors and applies the latest technology, seeks to create consumer needs for new products and services, and it is continuously looking for new sources of competitiveness.

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