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The paradox of entrepreneurial marketing and the traditional marketing strategy

By

Dr. Festus Edobor

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Outline

- Introduction
- Marketing and entrepreneurship-Key Questions
- Marketing & Selling
- Marketing strategy (WOM)
- The 4 P's versus the 4 I's of Marketing
- Forms of Entrepreneurial Marketing
- Results
- Summary

Key Concepts and Definitions

- The entrepreneurial SME, may be defined as an enterprise which has unique characteristics and circumstances

Marketing and entrepreneurship-Key Questions

- ▶ Do SMEs just practice a simplified version of “sophisticated” marketing practised in larger firms?
- ▶ Is the marketing practised in entrepreneurial SMEs different, even fundamentally different?

Marketing and entrepreneurship – key questions

- What do the traditional marketers do that Expert entrepreneurs don't do?
- Do they adopt the same strategy?
- What do they have in common?
- In what ways are they dichotomous?

Marketing and entrepreneurship, some observations

- ▶ Marketing and entrepreneurship determine the fate of business owners and SMEs world wide
- ▶ Marketing, in particular, is a core but largely undervalued component of new venture creation
- ▶ The identification and evaluation of market opportunities and their strategic and tactical development are at the heart of the entrepreneurial process- **This points to the fact that Marketing and entrepreneurship have something in common**

Hypothesis

H1 = Expert entrepreneurs do not practice traditional marketing

H2= Experts entrepreneurs have a unique marketing strategy

H3= Both expert entrepreneurs and SME's use the traditional marketing mix

H4 = Effectuation is a major strategy for expert entrepreneurs

Marketing and entrepreneurship, some observations

- ▶ Marketing and entrepreneurship are fundamental business/management philosophies which define ways of viewing and responding to the business world
- ▶ Both subject areas are perceived as distinct areas of study, addressing diverse spectra of research interests

Marketing and entrepreneurship, some further observations

- ▶ The context of the entrepreneurial SME, defined by a unique series of characteristics and circumstances, is often seen as incompatible for the increasingly structured frameworks of conventional marketing theory

Marketing and entrepreneurship, observations continued

- ▶ Marketing is an externally oriented and dynamic management activity
- ▶ Good marketing is inherently entrepreneurial (*it involves, coping with uncertainty, assuming calculated risks, being proactive, being innovative*)
- ▶ Good entrepreneurship is inherently marketing oriented (*it involves a persistent customer/opportunity focus, a commitment to innovation, a comfort with continuous change*)

Marketing and entrepreneurship; some propositions

- ▶ If entrepreneurial SMEs do marketing in a way that is fundamentally different to those approaches presented in conventional marketing theory then we need new theories
- ▶ If not then entrepreneurial SMEs need to embrace conventional approaches, what might be viewed, in a sense, as “best management practice”

The Marketing Concept

Traditional

- ✓ Research and assess market and segment and need, position market
- ✓ Product/ service development to meet need.
- ✓ Launch product
- ✓ Leads to product modification

Entrepreneurial

- ✓ Focus on innovation – Develop product first find market
- ✓ Test product during search for market(s).
- ✓ Little formal market research, but can result in major as well as minor changes.



Entrepreneurial & traditional marketing compared

Marketing Principles

Traditional Marketing

Entrepreneurial Marketing

Concept

*Customer-orientated:
Market-driven, product
development follows*

*Innovation oriented:
Idea-driven, intuitive
assessment of market needs*

Strategy

*Top-down segmentation
targeting, and positioning*

*Bottom-up targeting of
customers and other influence
groups*

Methods

*The marketing mix
Four/Seven Ps*

*Interactive marketing methods
Word-of-mouth marketing*

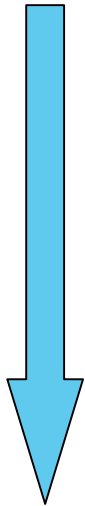
Market Intelligence

*Formalised research and
intelligence systems*

*Informal networking and
information gathering*

Marketing Strategy

Traditional



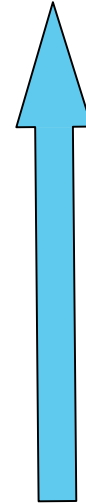
segmentation

targeting

positioning

A top-down approach
via market analysis

Entrepreneurial



target customer groups

initial customers

test in the market

Identification of target
market
via 'bottom-up' approach
of customer contact

The Marketing Mix:

Traditional

Marketing Mix of **4/7 Ps**

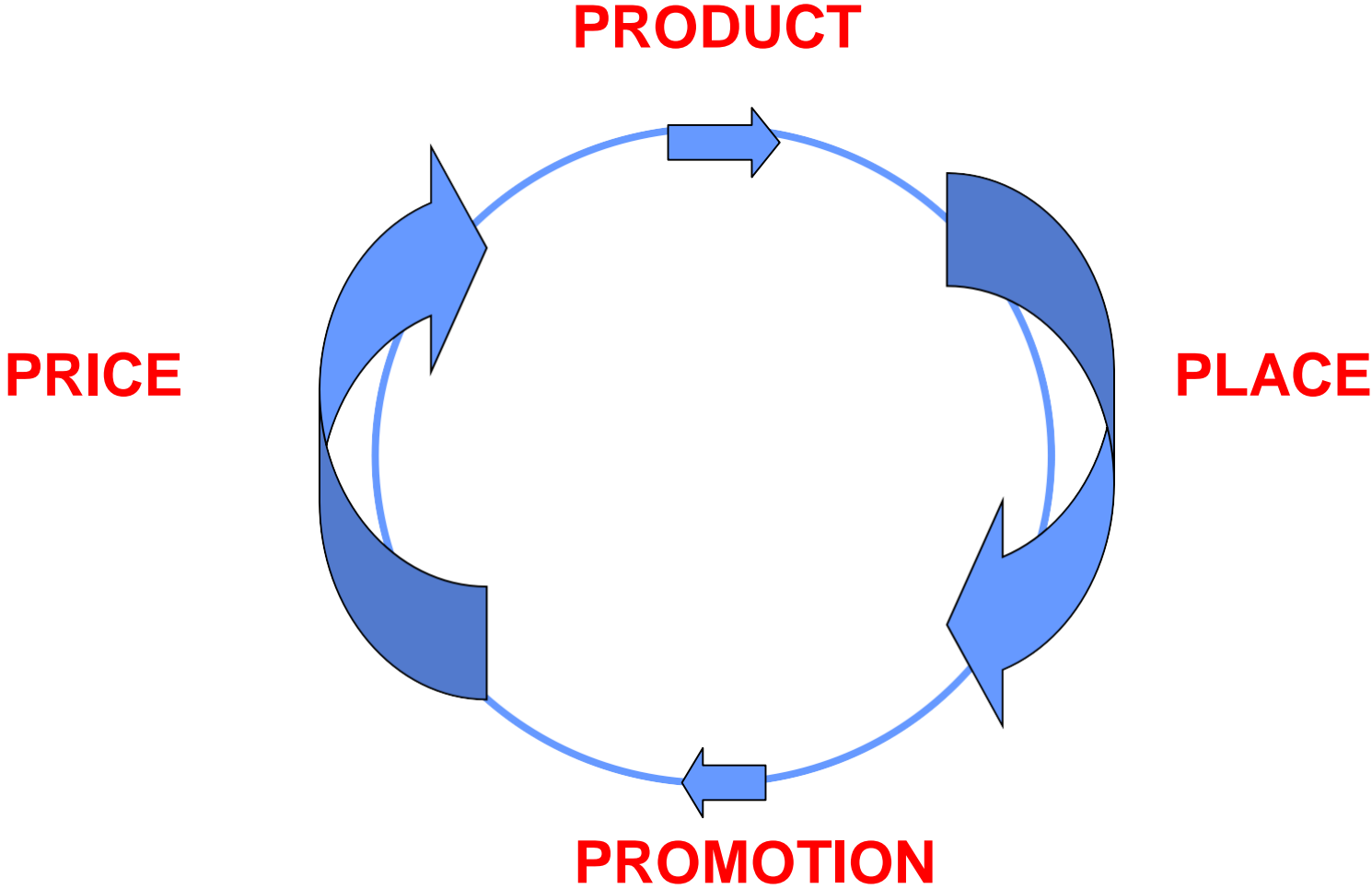
Controllable elements to implement strategy - **positions products** to target consumers

Entrepreneurial

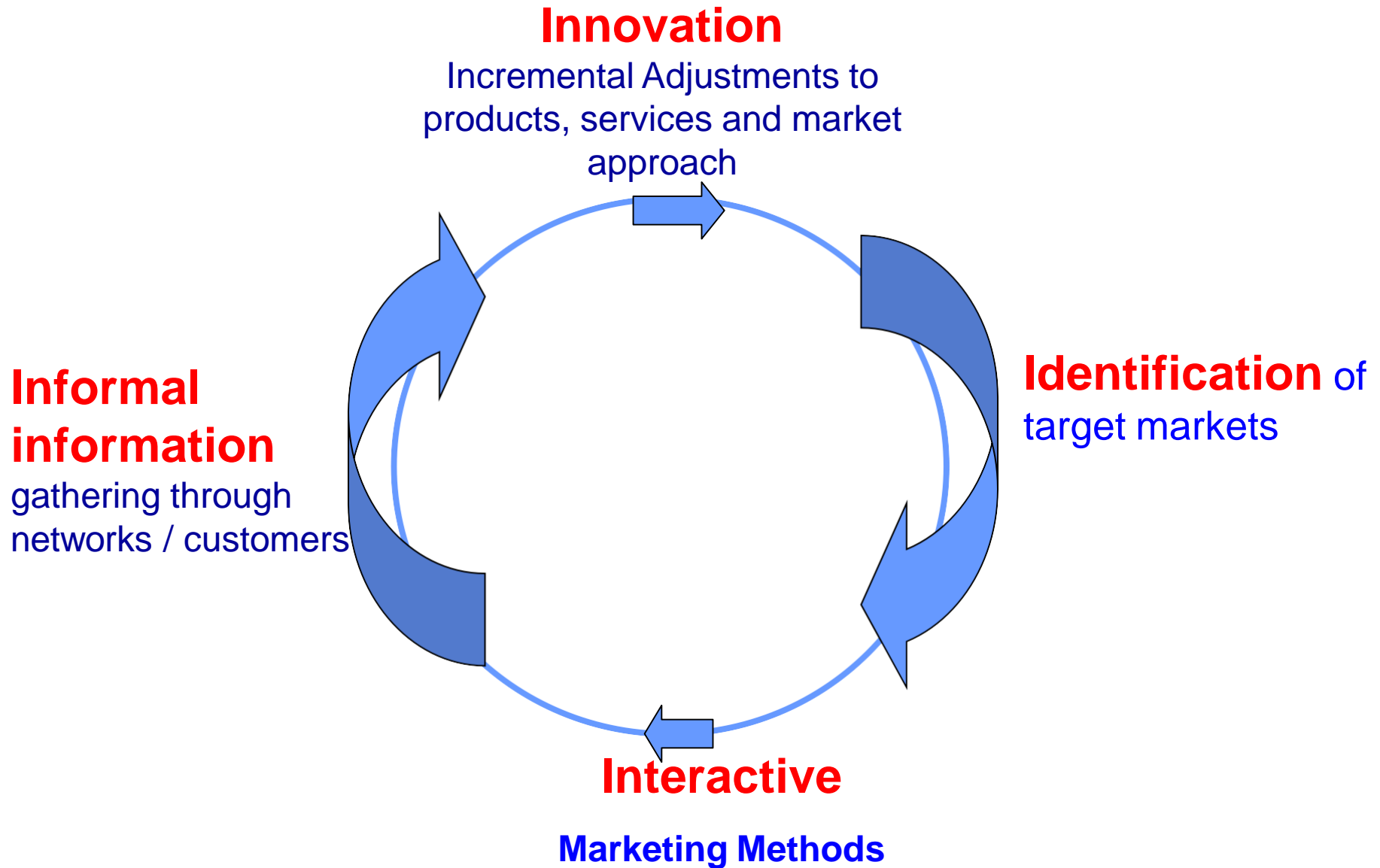
4 I's Range of interactive activities used to build relationships

Predominantly **word-of-mouth** recommendations and personal selling

Method: Four P's



Method: Four I's



Forms of Entrepreneurial Marketing

Form

Main characteristics/Source

**Guerrilla
Marketing**

Bootstrapping, creative/leveraging use of available resources and a highly targeted mix of innovative and effective communication techniques, networking, using energy and imagination; low cost.

Levinson (1984)

**Buzz
Marketing**

Customer-generated information distribution by verbal means, especially recommendations, through personal networks by creating excitement, infatuation and enthusiasm, often connected to events. Rosenbloom (2000)

Forms of Entrepreneurial Marketing

- Form- Viral marketing

Characteristics

- Self-replicating promotion spreading and multiplying like a virus over community webs. Similar to buzz marketing, but more Internet-oriented. Jurvetson & Draper (1998); Godin & Gladwell (2001)

- *Source: Morris et al. (2002), p. 3, adapted.*

- Form- Ambush Marketing

Characteristics

Defined as the unauthorised use of an event without the permission of the event owner, either by *association* or by *intrusion*.

Word-of-Mouth (WOM) Marketing

Recommendations most powerful marketing communication because of assumed impartiality

- Increasing use of emails and Internet - not only face- to-face
- Essentially uncontrollable but can be influenced

WOM Marketing Strategy

- Give customers a reason to talk about you
- Find out about the recommending and complaining behaviour of your customers - *who, what and when*
- Develop a strategy to minimize negative word of mouth
- Develop a strategy to generate more positive recommendations and referrals

Effectuation and effectuation principles

Effectuation is a way of thinking that serves entrepreneurs in the processes of opportunity identification and new venture creation. **Effectuation** includes a set of decision-making principles expert entrepreneurs are observed to employ in situations of uncertainty.

EFFECTUAL REASONING

Does not begin with a specific goal. Instead, it begins with a given set of means and allows goals to emerge contingently over time from the imagination and aspirations of the founders and the people they interact with. Effectual reasoning is inherently creative

How Effectual Entrepreneurs start?

with three categories of means:

(1) Who they are – their traits, tastes and abilities;

(2) What they know – their education, training, expertise, and experience;

(3) Whom they know – their social and professional networks.

5 Principles of Effectuation

- **Bird-in-hand principle** → Start with Who you are, What you know and Whom you know
- **Affordable loss principle** → Invest what you can afford to lose
- **Crazy Quilt principle** → Build a network of self-selected stakeholders
- **Lemonade principle** → Embrace and leverage surprises (every day)

- **Pilot-in-the-plane principle** → The future comes from what people do. Effectuators believe that the future is not something you can or even should attempt to predict. The future is instead something you try to control. With this perspective follows that your focus is on activities that is within your control. With this approach the expert entrepreneurs achieve the outcomes they desire.

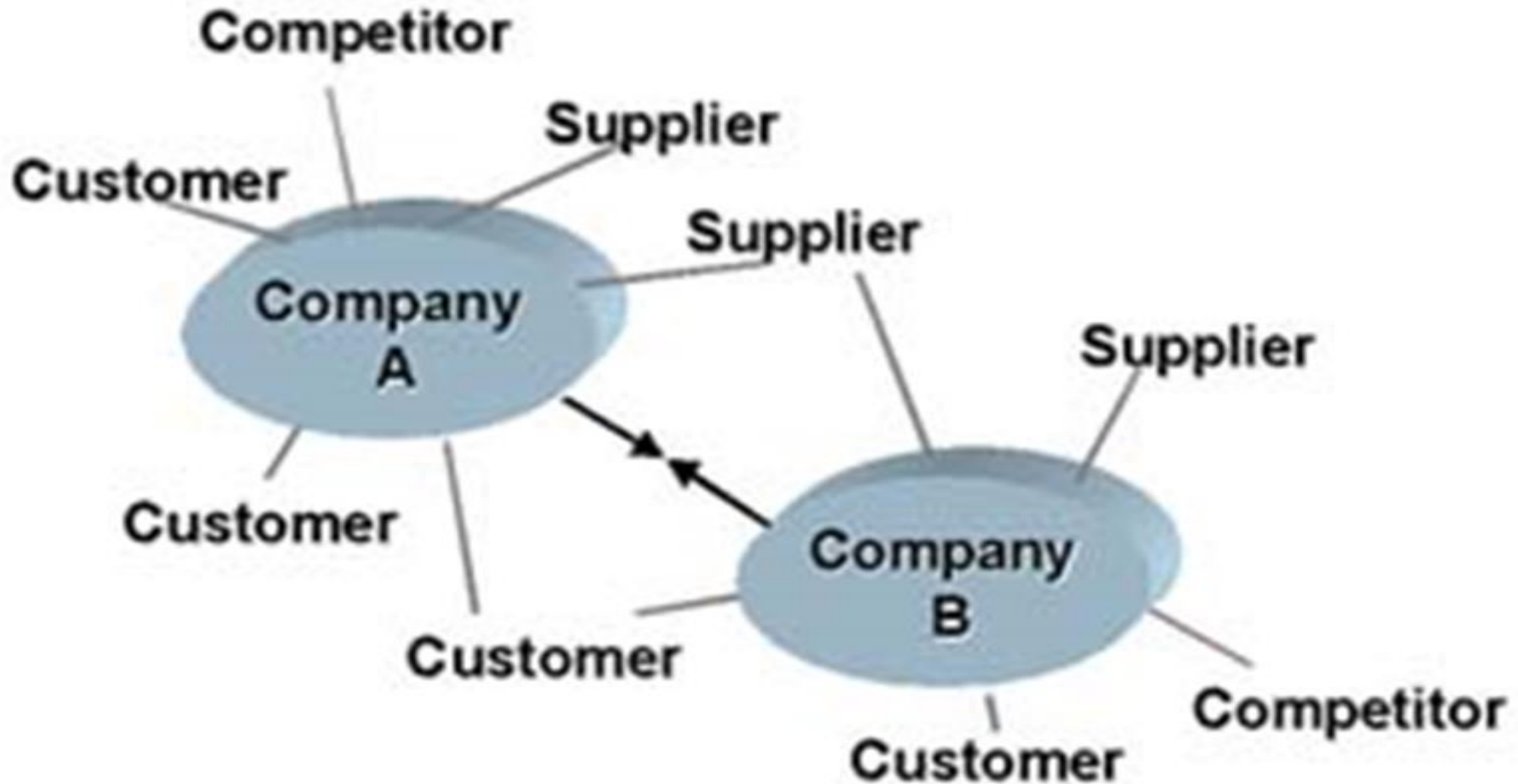
Networking

-defined as the relationships or alliances which individuals develop, or seek to develop, between themselves and others to further his/her enterprise (Amonini et al., 2010)
- Networking involves interacting with others for assistance and support

Your network?



What is a business network?



RESULTS

Test for hypothesis

H1 = Expert entrepreneurs do not practice traditional marketing

Table 1- Expert entrepreneurs

Coefficients ^a					
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Expert Entrepreneurs					
Traditional Marketing	.398	.096	.287	4.153	.000

a. Correlation Coefficient (R) .495 , R-Square .245

- Table 1 shows that traditional marketing have a beta value of .398 and a t- value of 4.153. The results therefore suggest that, traditional marketing is statistically significant at $t = 4.280$ which implies that this forms of marketing positively impact on experts entrepreneurs. Expert entrepreneurs through traditional marketing have a positive Beta value of .398 with a 0.5 t-value. Which therefore implies that the more entrepreneurs engage in traditional marketing activities, the more result they will achieve.

Therefore, this hypothesis is rejected.

H2= Experts entrepreneurs have a unique marketing strategy

Table 2- *unique marketing strategy*

Coefficients^a

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Experts entrepreneurs					
Unique marketing strategy	.398	.096	.287	4.153	.000

a. Correlation Coefficient (R) .495 , R-Square .245

- Table 2 shows that unique marketing strategy has a beta value of .398 and a t- value of 4.153. The results suggests that marketing strategy is statistically significant at t= 4.153 which implies that this forms of strategy will positively impact on experts entrepreneurs. **This study reveals that unique marketing strategy is a significant factor for expert entrepreneurs (Experts Entrepreneurs ($p < .01$)). Therefore, this hypothesis is accepted.**

H3= Both expert entrepreneurs and SME's use the traditional marketing mix

Table 3 - expert entrepreneurs and SME's
Coefficients^a

Expert entrepreneurs and SME's	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Marketing mix	.862	.152	.575	5.663	.000

a. Correlation Coefficient (R) .495 , R-Square .245

- Table 3 shows that unique marketing strategy has a beta value of .862 and a t- value of 5.663. The results suggests that marketing mix is statistically significant at t= 5.663 which implies that the marketing mix will positively impact on experts entrepreneurs and the SME's. **This study reveals that marketing mix is a significant factor for both expert entrepreneurs and SME's (Experts Entrepreneurs and SME's (p < .01).**

Therefore, this hypothesis is accepted.

H4 = Effectuation is a major strategy for expert entrepreneurs

Table 4 - Effectuation Coefficients^a

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Expert entrepreneurs					
Effectuation	.620	.096	.599	6.425	.000

a. Correlation Coefficient (R) .495 , R-Square .245

Table 4 shows that effectuation has a beta value of .620 and a t- value of 6.425. The results suggests that effectuation is statistically significant at t= 6.425 which implies effectuation will positively impact on expert entrepreneurs. This study reveals that effectuation is a significant factor for expert entrepreneurs (Experts Entrepreneurs ($p < .01$)).

Therefore, this hypothesis is accepted.

SUMMARY

- All small enterprises and new ventures require marketing and sales strategies to drive growth over time
- Such strategies need to recognise the realities of resource constraints and state of market development both for small and new ventures and early growth
- Expert entrepreneurs employ more of effectuation and networking than the traditional marketers

- Both the expert entrepreneurs and the traditional marketing will consider the marketing mix orientation and strategies
- The more entrepreneurs engage in traditional marketing activities, the more result they will achieve.
- The study reveals that unique marketing strategy is a significant factor for expert entrepreneurs.

- Study reveals that the marketing mix is a significant factor for expert entrepreneurs and SME's
- Effectuation and effectual reasoning is important for expert entrepreneurs

END

Thank you for Listening