
ENTREPRENEURIAL MARKETING: ACTIVATING THE FOUR P'S OF MARKETING STRATEGY IN ENTREPRENEURSHIP

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ABSTRACT

In this article, a novel two-sided dumbbell model of entrepreneurship presents both the viewpoints of founders and customers. Following similar viewpoints, I have developed a practical model for entrepreneurial marketing (EM) by considering the opportunity-obsessiveness of start-up founders as well as the customer-centeredness of marketing executives. The EM model consists of four phases: opportunity exploration, opportunity examination, opportunity exploitation and opportunity expansion. Each phase was linked to each of the four marketing strategies - product strategy, pricing strategy, placement strategy, and promotion strategy.

FOUNDER'S (OR ENTREPRENEUR'S) VIEWPOINT

The definition of entrepreneurship - the exploitation of opportunity without regard to resources - confers a level of sanguinity to the person who is engaged in entrepreneurship. This forward-looking personality is captured by the dimensions of entrepreneurial orientation which includes risk-taking, proactiveness, and innovativeness (Naldi, Nordqvist, Sjöberg, & Wiklund, 2007). Three elements are critical to the success of any start-up: (1) the opportunity, (2) resources and (3) the team. From the founder's point of view, entrepreneurship begins with "opportunity." This means that a founder must first identify an opportunity before it is then evaluated and exploited. Evaluating opportunities is a way of reducing risk. However, in order to exploit any opportunity, the venture must be imbued with the necessary resources required to ensure success.

Although entrepreneurs seek to take advantage of opportunities creatively, this does not imply that resources are not required to launch a new venture; generally, successful founders stretch limited resources without compromising the quality of their offering. Studies show that founders that took less venture capital in the start-up phase tend to outperform those that took more venture capital (Florin, 2005). Also, founders that resorted to venture capital funding before taking their company public generated significantly less wealth for themselves and were less likely to remain as CEOs of their ventures after the initial public offering (Florin, 2005). This further underscores the importance of creativity in driving the success of entrepreneurial

firms and suggests that human capital might be the most important element in any start-up because it is people who think and act creatively to add value to a venture. No amount of resources can create value by itself because they are “static.” People, on the other hand are “dynamic.” They are the most important asset in any organization because, not only are they capable of improving their skills and gaining new knowledge, they are also primarily responsible for shaping an opportunity, stretching limited resources, and ultimately adding value to other assets. For these reasons, people are the link between opportunity and resources. It is a start-up’s human capital that can generate resources and use them parsimoniously to fully exploit an opportunity. If a dumbbell were to represent the entrepreneurship concept, human capital is the handle that holds both ends of the weights, which separately represent opportunity and resources, respectively (See Figure 1).

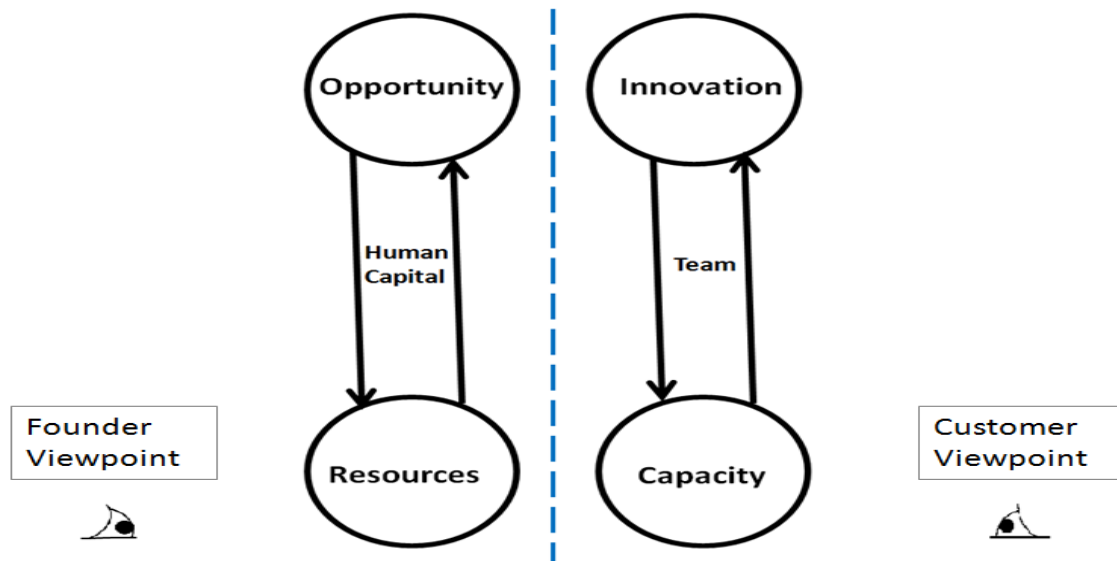
CUSTOMER’S VIEWPOINT

Entrepreneurship scholars have focused, and rightly so, on the founder’s obsession: “opportunity.” However, in practice focusing too much on the opportunity could be misleading. For example, novice entrepreneurs may misconstrue an idea to be an opportunity. A brilliant idea does not equal opportunity. The difference is simple - the latter can be exploited whereas the former may not be exploitable; opportunity is an idea that has a potential customer base (See the equation below). It is the underlying customer base that makes an opportunity exploitable.

$$\text{Opportunity} = \text{Idea} + \text{Customer Base}$$

In order to fill an existing need in the marketplace, entrepreneurs must be innovative. While entrepreneurs are obsessed with opportunities, customers care about the product, service, or process that solves their problem; therefore, from the customer’s viewpoint, entrepreneurship begins with “innovation.” In the same vein, while entrepreneurs focus on “resources,” customers care about the start-up’s capacity to deliver their offerings; therefore, entrepreneurs must use their limited resources to develop the capacity to deliver their offerings to their customers. Lastly, the role of human capital in driving entrepreneurial success is apparent; however, from the customer’s point of view, the entrepreneurial team is a group of problem solvers. Figure 1 is a representation of the two-sided dumbbell entrepreneurship model from the founder’s and customer’s viewpoints.

Figure 1: A Two-sided Dumbbell Model of Entrepreneurship.



Left: From the founder's viewpoint, entrepreneurship is the exploitation of opportunity using limited resources and attracting the human capital to enable the process. **Right:** From the customer's viewpoint entrepreneurship is meeting the need in the marketplace through innovation by a team of problem solvers that have the capacity to do so.

ENTREPRENEURIAL MARKETING

How do a founder and the entrepreneurial team identify, shape, and take advantage of an opportunity? The short answer is "entrepreneurial marketing." Blank (2005) proposed four steps, dubbed "The Four Steps to Epiphany," to starting a new venture. These steps include customer discovery, customer validation, customer creation and company building (Blank, 2005). However, the author did not activate the 4 P's of marketing strategy in his work. In this paper, an entrepreneurial marketing (EM) model or process was developed and the place for each "P" of marketing strategy was highlighted. EM should combine the perspectives of the founder (opportunity-focused) and the customer (innovation-focused) in the new venture creation process. Based on the founder's viewpoint, EM is about building out and shaping the opportunity. To achieve this, entrepreneurs must *explore*, *examine*, *exploit*, and *expand* the opportunity, (i.e., the 4 E's of Entrepreneurial Marketing). The 4 E's of EM constitute an EM process. EM is indeed marketing for start-ups and so, the concept should activate the 4 P's of marketing strategy (product strategy, pricing strategy, placement strategy, and promotion strategy) while exploiting an opportunity. During each phase of the EM process (*exploration*, *examination*, *exploitation*, and *expansion*), all 4 P's of marketing strategy should be considered; however, one of the four should be focused upon.

Briefly, the *exploration* phase is the very first step of the EM process where the entrepreneur should be concerned with finding out whether or not there is a need for the proposed offering in the marketplace. Here, the entrepreneur and his team should get in front of potential customers to discuss their ideas with the sole purpose of listening for feedback. In this phase, the entrepreneurial team learns from potential customers. If they confirm there is a need or problem, then they should understand the nature of the product that will solve that problem from the customer's point of view. So, while the team should be attentive in gaining valuable information to develop all marketing strategies, their focus in the first stage should be to gather enough information to develop a product strategy. In the exploration stage, propositions about the customer problem, and the envisioned product that will solve the problem, are tested by directly interacting with potential customers.

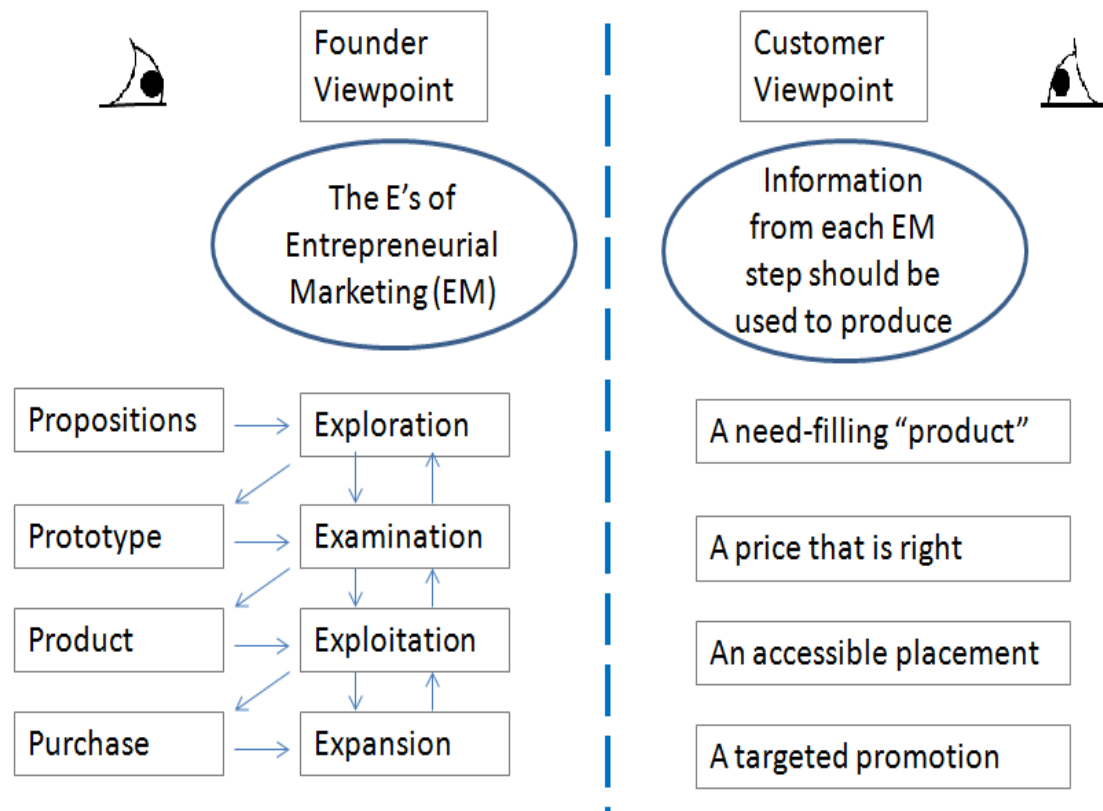
If consumers confirm there is a problem (or need) then a prototype, based upon the feedback received in the exploration stage, should be built. Further, they should take their prototypes to customers to obtain sales orders, or better yet, to make some initial sales. This phase where the team attempts to and actually makes some initial sales is the *examination* phase. If the team does not sell their prototypes during this phase, they should find out what they missed from customers; since in theory, if there is a need and if their offering is innovative, customers - particularly the early adopters - are expected to make a purchase in this phase. The marketing strategy that should be honed during this phase is the pricing strategy. If the prototypes sell, the team should still endeavor to get customer feedback, which should be used in developing the actual product. Now, what if the offering does not allow for sales to be made? For example, what if a not-for-profit web-based venture aims at simply bringing people together to exchange ideas on an electronic platform? Then, the entrepreneurial team should figure out a way to examine the opportunity. In this particular case, one way to examine the opportunity would be to track the number of people that actually uses the prototype website. If there is a need for the web platform, people will log on and use it. In the examination phase, prototypes are taken to the market for early adoption and sold when possible.

If the prototype sells, then the opportunity is good. Obviously, the entrepreneur that successfully examines the opportunity would make a better impression on angel investors and venture capitalists than entrepreneurs that try to raise money immediately after conceiving an idea or developing a prototype. Following the sales of the prototypes, the entrepreneur and her team should proceed to the exploitation phase of the opportunity. The exploitation phase is achieved by securing a physical location, if necessary, launching the new venture, producing the products, making the products accessible and delivering them to customers. In the exploitation phase, main stream customers are expected to purchase the products, so the placement strategy should be developed in this phase.

Following the exploitation phase of the opportunity is the opportunity *expansion* phase. This is different from venture expansion where new locations are created or where an existing location is expanded in size. The focus here is on the opportunity, and not the company as whole.

In order to *expand* the opportunity, the entrepreneurial team must activate the promotion strategy with the goal of effectively reaching and communicating with the target consumers outside the milieu of the initial buyers. In the opportunity expansion phase, the entrepreneur reaches out to new customers; that is, the company offering is promoted. The last two phases (exploitation and expansion) may be executed concurrently because they are intertwined. Figure 2 captures the 4E's of EM and how it related to the 4P's of marketing strategy.

Figure 2: A Model for Entrepreneurial Marketing (EM).



Left: The EM process shown with the various inputs and outputs associated with each step. **Right:** Information gathered from each EM phase should aid in the developing each “P” of marketing strategy.

CONCLUDING THOUGHTS

All ideas are not opportunities, whereas all opportunities are ideas with a clearly defined customer base. Opportunities are exploitable due to the underlying customer base that exists to potentially patronize the idea. However, to ascertain there is an opportunity, the entrepreneur should first *explore* the opportunity. This entails finding out from potential customers whether or not there is a need, and if a proposed product idea will meet that need. After this phase, it is still uncertain whether an idea can be converted into an opportunity. Unfortunately, some

entrepreneurs are tempted to prematurely venture out in this phase by establishing their organizations, promoting a product that lacked customer input, seeking seed money from investors, or promoting the new venture, without evaluating the opportunity in the second phase. To evaluate or *examine* the opportunity, the entrepreneur and her team should rapidly develop a prototype and sell it. The purchase of prototypes by early adopters is a lucid signal that an opportunity exists. If an opportunity does indeed exist then entrepreneurs should proceed to *exploit* it by building their organization and establishing distribution channels to deliver their products to customers. The last step is to *expand* the opportunity which entails increasing the size of the opportunity by reaching out to and attracting new customers to sustain the venture.

This paper suggests that opportunity exploration, examination, exploitation, and expansion constitute the EM process or *the 4 E's of Entrepreneurial Marketing*. Information should be collected from the customer in each phase of the EM process to aid in developing effective marketing strategies. Entrepreneurs should focus on honing the product, pricing, placement, and promotion strategies during the opportunity exploration, examination, exploitation, and expansion phases, respectively. This EM process combines the opportunity-obsessiveness encouraged in entrepreneurship and the customer-centeredness taught in marketing. Entrepreneurs must learn to not only approach entrepreneurship from a founder's viewpoint, but to see things from the customer's viewpoint as well.

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