Screening for Successful Low-Budget Marketing Strategies for New Ventures

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Abstract: Based upon a study of between fifty to sixty case examples of new venture start-ups, the author presents a screening procedure for entrepreneurs to use when evaluating whether a proposed low-budget marketing strategy for a new venture shows promise of being successful. The procedure consists of four sets of screening conditions. A well-designed marketing strategy should have a reasonably good chance of being successful if it (1) will tightly integrate the product/service and price offerings, the intended distribution method, and the intended promotion plan with the new venture's designated target market, (2) will encounter no serious marketing strategy execution difficulties which cannot be resolved, (3) uses marketing concepts which can be executed with a small marketing budget, and (4) displays three characteristics believed to be strongly associated with marketing strategies that are successful over the long term.

INTRODUCTION

When starting a new venture, the entrepreneur must decide what business the enterprise will be in, design the operating system that will provide the enterprise's product or service, arrange for financing, acquire the physical facilities the new venture will need, and hire the necessary personnel. After all these things have been accomplished, the entrepreneur must next turn his or her attention to the very important task of deciding how to use marketing to promote the enterprise's product or service. This task requires that the entrepreneur design a marketing strategy for the new enterprise. A good marketing strategy is absolutely necessary because it will enhance the new venture's prospects for survival during its first year of operation, and will greatly facilitate the flow of sales revenues needed to assure the new venture's continuing existence into its second year, its third year, and so on. The absence of such continuing streams of sales revenues will result in the decline and eventual death of the new venture. Because a good marketing strategy is so crucial to a new venture's success, this paper offers a screening procedure that entrepreneurs can use to evaluate whether their marketing strategies are likely to be successful.
LITERATURE REVIEWS

For a number of years the author and several co-authors have pursued an understanding of what characterizes successful marketing strategies for new ventures. This pursuit involved regularly searching the literature for information which might shed light on this goal. The ideal finding from such searching would be a precise identification of the characteristics that an entrepreneur should include in a new venture's marketing strategy in order for it to be successful. Because the searching has regularly proven to be unfruitful, the author concluded that the literature describing the characteristics of successful marketing strategies for new ventures is essentially nonexistent. The literature most closely akin to this paper's topic is that which addresses successful marketing strategies for smaller firms, but even that is limited in both quantity and scope. For full discussions of this literature, see Stasch and Ward (1989) and Stasch, et. al. (1999). A discussion of the literature which the author judged to be most applicable to new ventures can be found in Stasch and Lonsdale (1997).

DESCRIPTION OF RESEARCH

The author's research on successful marketing strategies for new ventures has been in progress since 1990. Among other things, it has involved the study of approximately 50-60 case examples of new ventures which have been reported in the business press. Most of these cases were published in Inc. magazine between 1986 and 1999, although a few were reported in the Wall Street Journal, Fortune, Forbes, and some other sources.

During the 1990-2000 decade, several different research questions pertinent to new venture marketing strategies were used to form the bases of a number of research projects. Each of those projects in some way used the case examples noted above, either as the primary database to be analyzed, or as supporting background material. Four of those studies resulted in findings that were judged to be most applicable to the topic being addressed here. This paper summarizes what the author learned in those four studies about the characteristics that are associated with successful marketing strategies for new ventures. It also synthesizes those findings into the screening procedure described throughout the paper.

The research reported here is considered exploratory in nature because it is case-based and involves only a relatively small convenience sample. It should be noted that percentages and proportions are used simply to indicate...
that the problems and difficulties identified during this research were very frequently encountered by new ventures. The use of percentages and proportions are not intended to suggest statistical significance in the traditional manner.

PURPOSE OF THE PAPER

An important outcome of several of the different research projects completed during the 1990s was that four types of very serious problems were identified and found to be present among most of the new ventures. These problems are described in detail throughout the paper. Their approximate frequency of occurrence were: (1) It was estimated that at least seventy-five percent of the new ventures used incomplete marketing strategies or marketing strategies whose elements were poorly integrated with one another; (2) More than half of the new ventures encountered very serious operational difficulties when attempting to execute their marketing strategies; (3) Most new ventures used a marketing strategy which required a large marketing budget, in spite of the fact that there were few or no resources available for marketing; and, (4) An estimated ninety percent of the new ventures employed marketing strategies that made no provision to protect the new ventures from aggressive counterattacks by established competitors if, and when, the new ventures began to achieve some early sales successes.

It was apparent from studying the case examples that these four types of problems contributed greatly to the lack of sales success among the new ventures encountering them. Also, it was obvious that the new ventures would benefit significantly if they could avoid such difficulties. With precisely that goal in mind, this paper presents a screening procedure that entrepreneurs can use to evaluate a new venture's proposed marketing strategy to determine if it is likely to encounter any of the above four problem areas. If an entrepreneur has designed a marketing strategy that shows promise of avoiding all of these four problem areas, or that can somehow be modified to avoid them, that marketing strategy should not experience any of the debilitating difficulties new ventures frequently encounter. By having avoided such difficulties, the entrepreneur will have evidence that his or her new venture should have a much better chance of being successful.
FOUR SETS OF SCREENING CONDITIONS

The evaluation procedure consists of the following four sets of screening conditions. When an entrepreneur is designing a marketing strategy for a new venture, the proposed marketing strategy must:

1. Highly integrate the new venture's product/service and price offerings, its intended distribution method, and its intended promotion plan with the new venture's designated target market.

2. Be so designed that it will encounter no inherent operational problems or difficulties when it is executed.

3. Only use marketing concepts that can be executed with a small marketing budget.

4. Display characteristics which create a significant competitive advantage, neutralize competitors' abilities to weaken the effectiveness of the new venture's marketing strategy in the short run, and create impediments which delay or prevent competitors from undertaking aggressive counterattacks against the new venture over a longer period of time.

If the entrepreneur has selected a marketing strategy that can satisfy all four of these screening conditions, it will be a well-designed marketing strategy. It is argued in the remainder of the paper that such a marketing strategy should have a reasonably good chance of being successful. Exhibit One summarises the screening conditions and cross references to more micro detail via Exhibits Two and Three.

FIRST SCREENING CONDITION: FIVE INTEGRATED MARKETING ELEMENTS

How should an entrepreneur begin when he or she is trying to evaluate a marketing strategy for a new venture? Probably the place to start is to ask what elements constitute a marketing strategy. Since the four Ps were introduced by McCarthy (1960), the idea that marketing consists of product, price, promotion, place (distribution), has become firmly established in the marketing literature published in the United States. Due to the widespread acceptance of this concept of the basic elements constituting marketing, it is appropriate to use this concept as the basis of this first screening condition.

The current marketing literature makes regular reference to "the elements of the marketing mix" and the need to "create synergy" through a choice of
A well-designed marketing strategy should have a reasonably good chance of being successful if it:

1. Highly integrates the new venture’s product/service and price offerings, its intended distribution method, and its intended promotion plan with the new venture’s designated target market.

**Screening Condition #1: FIVE INTEGRATED MARKETING ELEMENTS**

1. Identify a target market whose needs the new venture can satisfy more effectively than any competitor.
2. Differentiate the new venture’s product/service so it is more appealing to the identified target market than are competitors’ offerings.
3. Promote the product/service in a manner that leads the target market to understand and appreciate how the new venture’s product/service can satisfy its needs better than those offered by competitors.
4. Price the product/service so that the target market will find it to be a “good value” when comparing the benefits received from the product/service versus those offered by competitors.
5. Distribute the product/service in a manner that is convenient for the target market.

**CONCLUSIONS**

1. If a new venture’s marketing strategy satisfies this screening condition and its highly integrated character, the entrepreneur can have confidence that their marketing represents a good beginning in their quest for a successful new venture.
2. If a new venture’s strategy includes all of the required five marketing elements, but without demonstrating noticeable integration among them, the entrepreneur should consider themselves forewarned that their marketing strategy is not synergic, and without synergy their strategy will be much less effective and therefore more expensive. If the marketing budget cannot be made larger, such a strategy will have difficulty achieving success.
3. The entrepreneur should be very reluctant to start a new venture if their strategy does not explicitly include all five of the marketing elements identified in the first screening condition.

2. Be so designed that it will encounter no inherent operational problems or difficulties when it is executed.

**Screening Condition #2: AVOID STRATEGY EXECUTION DIFFICULTIES**

- Difficulties caused by target market characteristics
- Difficulties associated with competition, distribution, and the environment

1. If the target market is attitude-based, the entrepreneur must clearly describe it, measure its size, and realistically estimate the market share and unit sales the new venture can be expected to achieve.
2. If the new venture is pursuing multiple target markets, the entrepreneur must prioritize the target markets and clearly describe each, measure the size of each, and realistically estimate the market share and unit sales the new venture can be expected to achieve in each.
3. If the new venture’s product/service and/or the characteristics of its target market or other important constituents prevent it from quickly growing its sales volume, the entrepreneur must have sufficient financial resources to sustain the new venture until sales growth can be achieved.
4. The entrepreneur must thoroughly analyze and realistically evaluate the negative impact on the new venture’s expected sales of (a) the established competition, (b) all possible distribution barriers likely to be encountered, and (c) all federal, state, local and environmental regulations that might be applicable.

**CONCLUSIONS**

1. If any of these difficulties are present in the new venture or its marketing strategy, the entrepreneur should take action to eliminate or resolve them.
2. If that is not possible, the evidence seems to indicate that the new venture’s marketing strategy is not likely to be successful.
A well-designed marketing strategy should have a reasonably good chance of being successful if it:

<table>
<thead>
<tr>
<th>Screening Condition #3: SMALL BUDGET COMPATIBILITY</th>
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<tr>
<td>• Avoid the mismatches detailed in Exhibit Two-all of which imply a marketing strategy that requires a large marketing budget</td>
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<td>• Embrace the five scenarios below</td>
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### 1 Market Segmentation / Target Market Guidelines

1a Target an underserved segment in a market with many geographically concentrated buyers?

1b Offer a significantly better product to a few geographically concentrated buyers?

### 2 Type of Market Competition Guideline

Enter a monopolistic competition market by offering a differentiated product with distinguishing features that will appeal to a small, well-defined target market?

### 3 Stages of the Product Life Cycle Guidelines

Pioneering a new-to-the-world product, or a very early entrant into a just-starting-to-develop category with a product that will enjoy fast acceptance in a well-defined target

### 4 Channel of Distribution Guidelines

4a Using exclusive or selective distribution to reach the designated target market?

4b Using a short channel of distribution to reach the designated target market?

4c Using an open channel of distribution to reach the designated target market?

### 5 Business and Consumer Product Classification Guidelines

5a Offering a business fabricating part which is significantly better than current competitors’ offerings?

5b Offering a small type of business installation with special features?

5c Offering significantly improved business accessory equipment with important new features?

5d Offering a differentiated-but-very-appealing consumer shopping good in a category which is not dominated by major brand competitors?

### CONCLUSIONS

Our Research findings suggest that perhaps more than half of all entrepreneurs use marketing strategies requiring a larger budget than that which is typically available. That finding supports the notion that entrepreneurs should screen their marketing strategies to make certain they are compatible with a small marketing budget.

If an entrepreneur’s marketing strategy uses only situations described in the eleven guidelines (1a through 5d), and avoids using any of the twelve items listed in Exhibit One, the strategy should be compatible with a small marketing budget.

However, if a strategy does not satisfy one of the guidelines in each of topics (1) through (5) above, the entrepreneur will be alerted to the fact that his marketing strategy displays some characteristic which is not compatible with a small marketing budget.

If a careful review of the unsatisfied guideline confirms that the strategy will require a large marketing budget, the entrepreneur will be alerted to the probability that his venture is unlikely to succeed.
A well-designed marketing strategy should have a reasonably good chance of being successful if it:

Screening Condition #4: DEFENDING AGAINST COUNTERATTACKS

One Requirement: That the entrepreneur’s marketing strategy should not directly attack any large competitor that is not vulnerable in some important way. Exhibit Three details fifteen circumstances under which a large competitor may be commercially distracted and thus vulnerable to attack.

Three additional characteristics in respect of marketing strategy

1. Is it so constructed that it is capable of neutralizing a competitor’s ability to disrupt or negate the strategy’s effectiveness?

   There are five factors which can be used to prevent or hinder competitors from being able to disrupt a new venture’s marketing strategy:

   1a. preventing or delaying retaliation
   1b. creating a superior reputation
   1c. selecting the target market
   1d. selecting the competition
   1e. maximizing product attractiveness to the target market

2. Does it include a significant and sustainable product/service difference?

   There are four possible approaches to developing such a difference:

   2a. offer product/service differentiation
   2b. offer improved quality
   2c. offer better value
   2d. convince the market to use the brand name interchangeably with the product category

3. Does it use distribution or some other impediment to provide longer-term protection for its early sales successes?

   Five ways a new venture can use distribution to its advantage and/or to create an impediment which discourages competitors from responding are:

   3a. improved logistics
   3b. establish new relationships
   3c. distribute directly to customers
   3d. offer a full product line
   3e. provide new services

CONCLUSIONS

Our Research suggests that as many as 80-90% of all new ventures use marketing strategies that are not capable of defending against counterattacks by established competitors. This implies that the vast majority of new ventures are extremely vulnerable even after having enjoyed some early success. The purpose of the fourth screening condition is to help an entrepreneur identify a marketing strategy that will reduce or eliminate the new venture’s vulnerability to strong counterattacks by established competitors.

Characteristics 1 and 2 deliver a marketing strategy that should result in growing sales in the short run because it offers an important difference to the target market and it incorporates measures that prevent competitors from quickly counterattacking.

Over a longer period of time, however, larger competitors who are threatened may be able to organize an effective counterattack against the new venture if the latter’s strategy has not provided for longer-term protection. Each of the five distribution and impediment factors described along with characteristic 3 can contribute to stronger and more loyal relationships and therefore serve as a long-term impediment that prevents larger competitors from destroying the new venture’s successful marketing and distribution system.
marketing elements that strongly support one another and are highly integrated. When these considerations are joined with the five marketing elements noted in the above paragraph, they result in a description of what an entrepreneur should look for in a marketing strategy when trying to evaluate it for both completeness and effectiveness. This paper proposes that entrepreneurs use the following five items as the first screening condition when evaluating their new venture's marketing strategy. That is, the new venture's marketing strategy should:

1. Identify a target market whose needs the new venture can satisfy more effectively than can any competitor.

2. Differentiate the new venture’s product/service so it is more appealing to the identified target market than are competitors’ offerings.

3. Promote the product/service in a manner that leads the target market to understand and appreciate how the new venture’s product/service can satisfy its needs better than those offered by competitors.

4. Price the product/service so that the target market will find it to be a “good value” when comparing the benefits received from the product/service versus those offered by competitors.

5. Distribute the product/service in a manner that is convenient for the target market.

OBSERVATIONS AND USEFULNESS OF THE SCREENING CONDITION

Forty-six new venture case examples were studied to determine how well their marketing strategies satisfied the five items listed above. The study resulted in two types of observations being made, one having to do with the entire set of five items constituting the screening condition, and the second having to do with three of the individual items in the screening condition.

The entire set of screening items. Only about 10-12 of the forty-six new ventures (20-25%) had designed their marketing strategies in such a manner that the five elements were clearly and reasonably integrated with one another, as suggested by this first screening condition. Each of these 10-12 new ventures displayed some evidence of having prospects of being successful. In the remaining 34-36 new ventures (approximately 75%), no such level of integration among elements was observed in their marketing strategies. On the contrary, in most of these new ventures it could be said
that at least one of the five elements constituting a marketing strategy was either poorly or vaguely designed, or even completely absent. Practically all of these new ventures experienced a definite lack of market acceptance of their offerings.

Based on these two observations, three tentative conclusions were drawn regarding the utility of this first screening condition in evaluating a new venture's marketing strategy and its chances for success. First, if a new venture's marketing strategy satisfies this screening condition and its highly integrated character, the entrepreneurs involved can have confidence that their marketing represents a good beginning in their quest for a successful new venture. Second, if a new venture's strategy includes all of the required five marketing elements, but without demonstrating noticeable integration among them, the entrepreneurs should consider themselves forewarned that their marketing strategy is not synergistic, and without synergy their strategy will be much less effective and therefore more expensive. If the marketing budget cannot be made larger, such a strategy will have difficulty achieving success. The third conclusion is that entrepreneurs should be very reluctant to start a new venture if their strategy does not explicitly include all five of the marketing elements identified in the first screening condition. Based on the forty-six new ventures studied, such strategies are ineffective in gaining market acceptance, and this is a very difficult handicap to overcome.

**Individual items of the screening condition.** A careful analysis of the case examples revealed that most new ventures demonstrated either some lack of understanding of one or more of the five basic marketing strategy elements, or an inability to design properly each of the elements into their marketing strategy. The three elements which were observed to cause entrepreneurs the most difficulties were defining a target market, differentiating the product/service offering, and developing a distribution system convenient to the target market. At least ten of the new ventures did not clearly define their target markets. One of these new ventures did not even bother to identify a target market for its software product.

"We figured that if I showed this to enough end users we'd find out where the demand was," he recalls. "We wanted to let the market tell us what we ought to sell. Then we'd react." (Welles, 1990)

In another of these new ventures, a designer of extremely high fidelity audio speakers defined his target market in manner that was not to be very helpful when making decisions regarding how to promote and distribute his
speakers. He described his target market as "...people who love to listen to music, equipment junkies, the audio-addicted.... These people would rather buy a new set of speakers than eat." (Welles, 1991)

The absence of a clear target market definition means that entrepreneurs are denying themselves important information that can help them more effectively direct their promotional activities toward their potential customers and distribute their product/service so potential customers will find it conveniently available. Since both promotion and distribution are crucial for success, the absence of clearly defined target markets was a serious handicap for those ten new ventures.

Perhaps as many as eleven of the forty-six new ventures offered products and/or services which did not achieve the second item in screening condition one, that is, they did not differentiate their product/service so it would be more appealing to their target market than competitors' offerings. At least seven of these new ventures' offerings appeared to be no different from the offerings of their established competitors, and two of them had offerings which were less complete (Case, 1988) and of lower quality (Fraser, 1990). Two of the remaining four new ventures had product offerings which were no different from competitors', but their entrepreneurs placed their hopes for market success on a very slight difference in their service (Hyatt, 1990 and Richman, 1988). The tenth new venture offered more-service-but-fewer-product capabilities than competitors (Posner, 1988), while the eleventh new venture offered a differentiated product but with less service than competitors offered (Richman, 1989b). In the absence of a meaningful product/service difference relative to their competitors, whatever hopes these new ventures had for success would somehow have to come from the promotion, distribution, or price elements of their marketing offerings, rather than from their product/service offering. Such circumstances are likely to require extra marketing resources because a greater emphasis must be placed on promotion and distribution. If a lower price has to be used to attract customers, the result will be reduced margins, profits and cash flow.

The third marketing element which caused entrepreneurs difficulty was establishing or gaining access to a distribution system that would be convenient to the target market. Approximately half of the forty-six new ventures either used their own direct distribution, or had some control over the location of their retail outlets. Another fifteen percent or so of the new ventures were able to gain reasonable access to their target markets via the
cooperation of already established distribution channels. But it appears that the remaining new ventures - somewhere between one-fourth and one-third of the sample - were not able to employ a distribution channel which had reasonable access to their target markets. Among this group were five new ventures which were experiencing great difficulty in trying to establish their distribution, and another four new ventures whose distribution could probably be best described as "weak." Without adequate distribution to their target markets, these nine new ventures appeared to have little hope of generating the sales revenue streams they needed to survive.

Closing comments regarding screening condition one  The three tentative conclusions regarding the entire set of five screening items (see above) provide a sound justification for the use of screening condition one. Since only about one-quarter of the case examples had marketing strategies that satisfied the entire screening condition, including its highly integrated character, it could be said that the remaining three-quarters of new ventures used marketing strategies which displayed serious flaws. Either the five elements were present but not highly integrated in their marketing strategies, or one or more of the individual elements was absent or poorly designed. This researcher's conclusion was that these new ventures were starting off with "two strikes against them" and may already have had "one foot in the grave."

The findings reported in the three paragraphs preceding these closing comments strongly suggest that a large proportion of new ventures -perhaps between 20 and 40 percent -had difficulties with (1) defining their target market, (2) differentiating their product/service, or (3) gaining convenient distribution for their target market. This demonstrates that the individual items of screening condition 1 are also very important and helpful to entrepreneurs. Entrepreneurs should let each of the five items serve as a "standard" which their new venture's marketing strategy must achieve in order for it to have a chance at being successful.

SECOND SCREENING CONDITION: AVOID STRATEGY EXECUTION DIFFICULTIES

Even if the first screening condition indicates the entrepreneur has selected a marketing strategy that is both complete and well-integrated, the strategy may not be easily executed due to problems or difficulties encountered when trying to do so. There are two different types of such difficulties: ones
caused by target market characteristics, and ones associated with competition, distribution, and the environment.

**Difficulties identifying and measuring target markets.** Several years ago the author undertook a study of the problems and difficulties entrepreneurs encountered when making market assessments (Stasch, 1996). This study, involving thirty-one case examples of new ventures, attempted to investigate the extent to which entrepreneurs carried out a formal marketing analysis. In that research, entrepreneurs were judged to have carried out a formal marketing analysis if they completed several tasks, some of which were identified by the following two questions:

Did the entrepreneurs identify and measure the new venture's target market?

Did the entrepreneur estimate how much of the target market's purchases the new venture should be able to capture from the already established competitors?

More than half of the thirty-one new ventures encountered serious problems or difficulties with at least one of these tasks. These are referred to here as marketing strategy execution difficulties.

An entrepreneur was judged to have identified and measured its target market if he had (a) clearly described it, (b) measured its size, (c) estimated the percentage of the market the new venture could capture, and (d) estimated the total sales potential (in units) the new venture might be able to achieve. Using these criteria, the author concluded that about one-sixth of the entrepreneurs failed to identify and measure their target markets, while another one-half of them did a poor job on this task. In all, about two-thirds of the thirty-one entrepreneurs did not perform this task adequately. This dismal record was due in part to three commonly encountered difficulties.

(A) Target markets based solely on people's attitudes may very well exist in reality, but if they are poorly defined relative to points (a) through (d) above, the entrepreneurs will not have important information which they need to complete the design of an effective marketing strategy. One such example of an attitudinal target market involved a new bed and breakfast venture in a highly competitive urban market. The owners identified one of its target markets as people it called "romantic getaways." (Mamis, 1988a). Another example involved a new venture whose goal was to rebuild classic cars. The entrepreneur identified the target market solely as people "who wanted a rebuilt classic car." (Mamis, 1990b)
Some entrepreneur believed that their new ventures had more than one target market. Perhaps the existence of multiple target markets caused them some confusion when trying to evaluate their new venture's target markets. Or, since there were several target markets, perhaps the entrepreneurs believed that a very large market was available to them, so it would not be necessary to identify and measure the individual target markets. One such new venture, whose technology could convert dirty oil and refuse into electricity (Finegan, 1991), believed it had a big market consisting of four large business segments. Another such example was a new venture based on a stock market game with three potential target markets: retail toy stores, finance classes in business colleges, and in-house training programs for financial institutions. (Mamis, 1988b)

For some entrepreneurs, the nature of their product/service and/or the characteristics of their target market(s) and other important constituents made it inherently difficult to estimate how much of the market might be penetrated or how long it would take. For example, one new venture offering low-cost legal services needed independent lawyers to perform the services and insurance brokers to sell the service, as well as consumers to buy the service (Hyatt, 1988). Another example, a sports-radio service for spectators attending professional golf tournaments, had to attract spectators at the tournaments, radio stations wishing to air the service to the general public, and corporate sponsors, in addition to gaining the cooperation of individual golf tournament operators. (Brokaw, 1989)

There are three reasons why difficulties (A) to (C) should somehow be incorporated into the second screening condition. First, as described above, the difficulties were serious ones and were very widespread throughout the sample. Their presence appeared to consume much entrepreneurial time and effort, noticeable amounts of the new ventures' resources and, perhaps most important, they caused delays in the creation of the sales revenue streams the new ventures badly needed for survival. Second, even if the new venture's marketing strategy had clearly satisfied screening condition one, the new venture could still encounter one or more of the above-observed difficulties. Third, these three difficulties all involve important target market information such as who does the buying, how the buying process works, and what are the most effective ways to promote the product/service. Because such information gives entrepreneurs important guidance when designing the remaining four marketing strategy elements …resolving target market difficulties very early is probably crucial to completing the design of a strategy consisting of all five marketing elements which been combined in a highly integrated manner.
Difficulties evaluating competition, distribution, and environmental barriers. The second type of marketing strategy execution difficulties is related to evaluating the competitive, distribution, and environmental barriers new ventures encounter when they open for business. The study utilized the following questions to identify if the entrepreneurs did a thorough evaluation of these types of barriers.

- Did the entrepreneurs evaluate the number and strength of the competitors the new venture would face, and estimate the negative effect such competitive strength would have on the sales the new venture hoped to realize?

- Did the entrepreneurs identify potential distribution barriers and/or conflicts which might constrain the new venture and have a negative impact on its sales? Did they estimate the magnitude of the negative impact?

- Did the entrepreneurs identify legal-regulatory and/or environmental factors which might constrain the new venture and have a negative impact on its sales? Did they estimate the magnitude of the negative impact?

In eleven of the thirty-one case examples (35%), the entrepreneurs apparently did not make an attempt to evaluate the competition, distribution barriers, and legal-regulatory-environmental factors which might have an adverse affect on the sales they hoped to achieve. Another ten entrepreneurs (32%) were rated as having done a poor job in this matter. These findings suggest that many, perhaps most, entrepreneurs encounter serious difficulties that prevent them from making an adequate evaluation of the above three questions. Three commonly observed difficulties were the following:

(D) Probably one of the reasons why more than half of the thirty-one entrepreneurs had such difficulties is that there are almost no simple methods or procedures for evaluating either direct or indirect competitors. Another factor contributing to this difficulty is that a new venture can face a wide variety of competitive situations. For example, a new bank which opened in an underserved lower income neighbourhood had difficulty evaluating how larger banks would respond if the new bank showed signs of prospering (Kahn 1988). A bed and breakfast new venture which did not offer dinner and drinks was located in close proximity to hotels which did offer such amenities (Mamis, 1988a). A new venture which used a chemical foam as landfill coverage competed against the use of soil as coverage, but the economic and intangible differences between the two coverage materials were difficult to translate into clear advantages for landfill operators (Finegan, 1990). Most new ventures involving franchising seemed to shy away from the daunting task of evaluating the nature and strength of the local competition which individual franchisees might have to face (Richman, 1988; Hyatt, 1990;
Because of the absence of established procedures and methods, and the very diverse competitive situations being faced, many entrepreneurs could not or did not adequately evaluate the competition their new venture would face.

Many consumer-product new ventures and at least some business-product new ventures must depend on gaining the cooperation of established distributors in order to be successful. Because of their typically small size, new ventures are likely to experience difficulties gaining such channel cooperation. Nine (29%) of the thirty-one entrepreneurs showed signs of having such difficulties. Probably the reason was that the potential sales volume and/or the size of the margins offered by the new venture were too small to be meaningful to established distributors. If the entrepreneur cannot demonstrate to distributors that the sales volumes and profits accruing to them will be significant, the distributors have little or no incentive to cooperate with the new venture. Examples of this were seen in new ventures involving a new children's doll, a narrow line of Caribbean-style food products, and inexpensive standardized legal services (Spragins, 1991; Welles, 1989; Hyatt 1988).

Eight (26%) of the thirty-one new ventures occurred in situations requiring some form of federal, state, or local government environmental approvals. Such approvals often delayed the new venture's start-up and imposed a heavy cost on the entrepreneur's time and perhaps also on some other of the new venture's scarce resources. One example involved a technology that could transform dirty oil into electricity. Before an installation could begin, certain environmental protection agencies had to give their approval. If the installation produced excess electrical energy, approval would have to be obtained to connect into the power grid of the local electric company (Finegan, 1991a). An inexpensive, standardized legal-services new venture faced almost as many different sets of state legal regulations as there are states in the union, and the service had to comply with each set of regulations (Hyatt 1988).

There are four reasons why marketing strategy execution difficulties (D)–(F) should be incorporated into the proposed second screening condition. First, the difficulties were commonly encountered ones, as more than half of the new ventures experienced one or more of them. Furthermore, each of these difficulties can have a strong negative effect on a new venture's chances for market success. Second, if entrepreneurs do not have a good understanding of the strengths and weaknesses of the competitors already established in the marketplace, they are not likely to know what must be included within their marketing strategies to create competitive advantages for their new ventures. Third, if the cooperation of established independent distributors is imperative, the entrepreneur's marketing strategy must offer sufficient incentives to gain the cooperation of such distributors. Otherwise, the new venture is likely to fail. Fourth, if the new venture is going to
encounter lengthy delays due to legal, regulatory, or environmental factors, it may consume all of its financial resources before it can begin to generate the flow of sales revenues needed to survive.

Based on the findings that over half of the new ventures encountered one or more of marketing strategy execution difficulties (A)–(F), it is most appropriate that entrepreneurs screen their marketing strategies for the purpose of avoiding such difficulties. To accomplish this goal, it is proposed that the second screening condition consist of the following four items. Entrepreneurs should strive to design marketing strategies which can achieve each of these four items.

1. If the target market is attitude-based, the entrepreneur must clearly describe it, measure its size, and realistically estimate the market share and unit sales the new venture can be expected to achieve.

2. If the new venture is pursuing multiple target markets, the entrepreneur must prioritize the target markets and clearly describe each, measure the size of each, and realistically estimate the market share and unit sales the new venture can be expected to achieve in each.

3. If the new venture’s product/service and/or the characteristics of its target market or other important constituents prevent it from quickly growing its sales volume, the entrepreneur must have sufficient financial resources to sustain the new venture until sales growth can be achieved.

4. The entrepreneur must thoroughly analyze and realistically evaluate the negative impact on the new venture’s expected sales of (a) the established competition, (b) all possible distribution barriers likely to be encountered, and (c) all federal, state, local and environmental regulations that might be applicable.

**Concluding comments on screening condition two.** Because exploratory research indicates that approximately half of all new ventures are likely to encounter one or more of marketing strategy execution difficulties (A)-(F), these difficulties are a serious matter that warrant the attention of entrepreneurs. Since the factors embedded in these six difficulties can have a huge negative impact on a new venture's sales prospects, it is important for entrepreneurs to be aware of them, to screen for them, and to avoid them if possible. That is the purpose of screening condition two. If any of these difficulties are present in the new venture or its marketing strategy, the entrepreneur should take action to eliminate or resolve them. If that is not possible, the evidence seems to indicate that the new venture's marketing strategy is not likely to be successful.
THIRD SCREENING CONDITION: SMALL BUDGET COMPATIBILITY

Any strategy that successfully satisfies the first two screening condition will be a complete, well-integrated one which is unlikely to encounter any of the serious marketing strategy execution problems or difficulties discussed above. Because it possesses those characteristics, such a strategy shows some promise of having a chance at being successful. However, given that most new ventures have a limited marketing budget, entrepreneurs would be well advised to evaluate whether or not their marketing strategies can be executed with a small marketing budget.

In a study of thirty-three case examples (Stasch, 2000), it was estimated that more than ninety percent of the new ventures either had a small marketing budget or no budget at all. It was further estimated that more than half of these new ventures used marketing strategies that required a large budget, even though such budgets were not available. This observation gives rise to the third screening condition to which proposed new venture marketing strategies ought to be subjected.

How might an entrepreneur evaluate a proposed marketing strategy to determine if it is compatible with a small marketing budget? Two inquires were made to address this issue (Stasch, 1999 and Stasch, 2000). The 1999 study investigated the circumstances under which a new venture might succeed with a small marketing budget. In that exploratory study, a number of well-established marketing and economic concepts were evaluated for the purpose of identifying intuitively those concepts which could be compatible with a small budget. There were a total of twenty such concepts, all falling into the five general topic areas of (1) market segmentation and target market, (2) types of market competition, (3) stages of the product life cycle, (4) channels of distribution, and (5) business and consumer product classifications. Each of the twenty concepts was classified according to the extent to which it was judged to be compatible with a small budget marketing strategy.

That first study identified eleven conceptual situations which were judged to be "good matches" or "fair matches" with a low-budget marketing strategy. Twelve conceptual situations were evaluated to be either "poor matches" or "mismatches" with a small budget. These twelve situations are listed in Exhibit Two. (The two figures total to more than twenty because a few of the original twenty concepts consisted of two or more sub-concepts, some of
which were favourable matches with small marketing budgets and some of which were unfavourable matches. Thus the two figures total to twenty-three rather than twenty.)

One of the limitations of the first study was that it did not include the analysis of real-world case examples. The author undertook the 2000 study (Stasch, 2000) to address that specific limitation. In this second study, thirty-three new venture cases were analyzed with two objectives in mind. One objective was to verify that the eleven conceptual situations identified as good or fair matches in the 1999 study could in fact help entrepreneurs identify whether a proposed marketing strategy could be effectively executed with a small budget. Another objective of this study was to use the case examples to identify still additional marketing concepts which would indicate if a proposed marketing strategy was compatible with a small budget.

<table>
<thead>
<tr>
<th>Conceptual Situation</th>
<th>Evaluation of Match</th>
</tr>
</thead>
<tbody>
<tr>
<td>Few geographically dispersed buyers</td>
<td>Poor</td>
</tr>
<tr>
<td>Many geographically dispersed buyers</td>
<td>Poor (or Mismatch)</td>
</tr>
<tr>
<td>Pure competition</td>
<td>Mismatch</td>
</tr>
<tr>
<td>Oligopoly</td>
<td>Mismatch</td>
</tr>
<tr>
<td>Growth stage (late) of product life cycle</td>
<td>Mismatch</td>
</tr>
<tr>
<td>Mature, Decline stages of product life cycle</td>
<td>Mismatch</td>
</tr>
<tr>
<td>Extensive distribution</td>
<td>Mismatch</td>
</tr>
<tr>
<td>Long channels</td>
<td>Poor</td>
</tr>
<tr>
<td>Closed channels</td>
<td>Mismatch</td>
</tr>
<tr>
<td>Raw materials, operating supplies</td>
<td>Poor</td>
</tr>
<tr>
<td>Consumer convenience good</td>
<td>Mismatch</td>
</tr>
<tr>
<td>Consumer specialty good</td>
<td>Mismatch</td>
</tr>
</tbody>
</table>

The 2000 study confirmed that the eleven concepts identified in the 1999 study could be very useful in helping entrepreneurs identify whether a proposed marketing strategy could be effectively executed with a small budget. This study also identified one additional marketing concept that deserved to be added to the previously identified eleven concepts. Lastly,
the study identified three other concepts which should be used to alter or modify the "good match" and "fair match" ratings previously assigned to the eleven concepts identified in the 1999 study.

This third screening condition is based upon the twenty-three conceptual situations identified in the two studies noted above. Entrepreneurs should avoid marketing strategies which utilize any of the twelve situations listed in Exhibit Two, because all of them require large marketing budgets. This third screening condition also contains guidelines for each of the eleven conceptual situations judged to be good matches or fair matches with low-budget marketing strategies. These eleven situations fall under topics (1) through (5) noted in the fourth paragraph preceding this one. If an entrepreneur selects a marketing strategy that satisfies the guidelines for topics (1) through (5) and avoids the items listed in Exhibit Two, she or he will have evidence that the marketing strategy probably can be executed with a small marketing budget. Only the guidelines associated with topics (1) through (5) are discussed below. For further discussion of the twelve items in Exhibit Two, see (Stasch, 1999), (Stasch, 2000), and (Stasch, 2001).

(1) Market Segmentation/Target Market Guidelines

Because there are many buyers in a relatively small geographic area, geographically concentrated markets are more compatible with small marketing budgets than are geographically dispersed markets. This observation forms the foundation of the market segmentation and target market guidelines 1a and 1b below.

1a. Is the entrepreneur targeting an underserved segment in a market with many geographically concentrated buyers?

If the entrepreneur is able to identify such a segment, it can represent a good opportunity in which a low-budget marketing strategy might be executed. In such cases, this conceptual market situation can be given a "good match" rating.

It must be pointed out that this "good match" rating ought to be downgraded if the target customers use a complex buying process involving a number of different parties. Nine or ten of the thirty-three case examples used in the 2000 study provided evidence to support such downgrading. For example, one new venture involved a piece of medical equipment to be used in the home after a heart patient had been released from the hospital. For different
reasons, the patient, the patient's physician, the hospital administration, and insurance companies all had reservations about this piece of medical equipment. (Fisher, 1989) Such complex purchase decision situations are likely to result in a long selling cycle from first contact to final sale, and to require that more people be contacted and convinced of the merits of the purchase. Both of these factors tend to be associated with increased selling and marketing costs. Accordingly, if the new venture's target market segment involves a complex purchase decision process, the above noted "good match" rating should be revised downward to a "fair match" rating, for the reasons noted.

1b. Is the entrepreneur offering a significantly better product to a few geographically concentrated buyers?

If a market consists of only a few buyers, those buyers are likely to receive much attention from suppliers who have long-established relationships with them. A new venture probably could not replace those established suppliers unless it can offer a significant product difference which buyers consider important. If the new venture can achieve such a product difference, conceptual situation 1b can be judged to be a "fair match" with a low-budget marketing strategy.

An example of such a situation was a new venture started for the purpose of manufacturing inexpensive electronic controls for medium-sized appliances, which historically had used electro-mechanical control devices. The electronic controls were not only less costly, but also a few standardized electronic controls could replace the wide range of different electro-mechanical controls needed for a customer's entire product line. This product characteristic resulted in a reduction in the customer's inventory costs for these parts (Richman, 1989a). Consequently, these electronic controls represented a significant product difference to the appliance manufacturers.

It was pointed out in guideline 1a that a complex purchase decision process can have a negative effect on a marketing concept's compatibility with a small marketing budget. This modification is also applicable to guideline 1b. In such a market situation, even if the new venture offers an improved product, a complex and lengthy purchase decision process can have a negative effect on the "fair match" evaluation noted above and reduce it to a "poor match" or even a "mismatch." One new venture introduced a "smart" parking meter which could cancel out the time remaining on the meter when the parked car departed, thus capturing for the community the unused
revenue which the driver of the car had inserted into the meter. In spite of this significant product improvement, the lengthy and complex purchase decision processes used by local governments greatly delayed the flow of sales revenues the new venture needed for survival (Grossman, 1997).

(2) Type of Market Competition Guideline

It is practically impossible for a new venture to gain any kind of advantage in pure or oligopolistic competition if it is constrained by a small marketing budget. Of the three main types of market competition, only monopolistic competition can be somewhat congenial with a small marketing budget. This leads to market competition guideline 2.

2. Is the entrepreneur entering a monopolistic competition market by offering a differentiated product with distinguishing features that will appeal to a small, well-defined target market?

Differentiated products designed to appeal to specific market segments are the distinguishing features of monopolistic competition. An entrepreneur entering a monopolistic competition market can enhance his chances of success by offering a truly differentiated product that the target market will find attractive. If the target market is small and well defined, and if that market finds the new venture's product offering to be more attractive than competitors' offerings, the new venture may be able to distribute and promote its product relatively efficiently and economically. The new venture that manufactured electronic controls for medium-sized appliances (described in 1b above) was an example of a differentiated product offered to a relatively small, well-defined target market. Such situations can be a "good match" with a low-budget marketing strategy, but the key factors are the product's appeal and a small, well-defined target market.

(3) Stages of the Product Life Cycle Guidelines

Only the introductory stage of the product life cycle, or the very early portion of the growth stage, can offer a new venture any hope for success with a small marketing budget. This is the basis for guideline 3.

3. Is the entrepreneur pioneering a new-to-the-world product, or are they going to be a very early entrant into a just-starting-to-develop category with a product that will enjoy fast acceptance in a well-defined target market?
If a new venture offers a product that is a valid basis for the beginning of a new product life cycle, the new venture would face little or no competition during the initial phase of the introduction stage of the product life cycle. In order to gain fast acceptance in the marketplace, diffusion of innovation theory states that the product must possess five characteristics: (1) have a relative advantage over existing products; (2) be compatible with current values and life-styles; (3) be easy to understand and use; (4) be capable of being sampled or used on a trial basis; and (5) be easily demonstrated to show effectiveness (Etzel, et.al., 1991:233-34). According to this theory, if the product displays these five characteristics, the target market will enthusiastically embrace the new product, and that kind of market receptivity will cause distributors and dealers to want to carry the product. If the market is well defined and therefore easy-to-reach, promotional efforts might be reasonable and economical. Such a situation was judged to be very compatible with a low-budget marketing strategy.

One entrepreneur introduced a product never before offered on the market—a miniaturized combination refrigerator-freezer-microwave oven which was directed at the well-defined target market of budget motels (Mamis, 1990a). With such an appliance in their rooms, budget motel patrons would be able to economize on their meals when travelling. Budget motel operators found the appliance attractive because it allowed them to better serve their economy-minded constituents, and it also provided them with two potential sources of new revenue. They could sell a variety of foodstuffs and snacks to their patrons and, in some instances, be able to charge a slightly higher room rate because of the additional amenity. All of these factors seemed to contribute to a reasonably rapid acceptance of the product.

In contrast to the introduction stage of the product life cycle, the growth, maturity, and decline stages are not compatible with a small marketing budget for several reasons: the growth stage is characterized by an increasing number of competitors, promotional competition becomes more intense, prices fall because of too many competitors, sales growth declines and eventually may approach zero, profits decline and may turn to losses, and firms may begin to drop out of the market due to the dismal outlook. Clearly, the growth, maturity, and decline stages all are "poor matches" or "mismatches" with a small marketing budget. Given that entrepreneurs often seem to enter mature markets (see the paragraph following), it will be in their own best interests if they take a long, careful look before doing so. The 2000 study found that about sixteen of the thirty-three new ventures (approximately 50%) had tried to enter a mature market based on the rationale that they were offering a differentiated product that the market
would embrace. Time and experience showed that fourteen of those new ventures offered products whose differences were not so clear or advantageous as to result in favourable marketplace acceptance. Based upon this group of examples, it seems appropriate to label the growth and maturity stages of the product life cycle as "mismatches" with a small marketing budget.

It is important to point out a possible exception to this "mismatch" evaluation. Two of the sixteen new ventures which entered mature markets did enjoy some success, and they did so by offering products with clear advantages over those already on the market-electronic controls for medium-sized appliances (Richman, 1989a) and a miniaturized combination refrigerator-freezer-microwave oven (Mamis, 1990a). Based on these two examples, if an entrepreneur enters a mature market by offering a product with clear and distinct advantages over products already available, these circumstances might justify evaluating the maturity stage of the product life cycle as a "fair match" with a low marketing budget.

(4) Channel of Distribution Guidelines

The 1999 study reported that the use of exclusive or selective distribution holds promise for a new venture with a limited budget, as does the use of a short channel rather than a long one. The availability of an open channel of distribution is also compatible with a small marketing budget. These concepts are the foundation of guidelines 4a, 4b, and 4c.

Since 20-25 percent of the thirty-three examples studied had difficulty achieving good distribution, this appears to be a fairly widespread problem for new ventures in general. However, the concepts of exclusive and selective distribution and short and open channels were commonly employed among the remaining examples, i.e., those that did not appear to experience problems gaining distribution. Hence, the following guidelines seem appropriate and useful for entrepreneurs when dealing with the distribution component of their marketing strategy.

4a. Is the entrepreneur using exclusive or selective distribution to reach the designated target market?

Guideline 1a above indicates an attractive target market is one of many geographically concentrated buyers, especially if there is an underserved segment within that group. If the new venture's target market is
geographically concentrated, the choice of either exclusive or selective
distribution could be very compatible with both its target market and a
limited marketing budget. Not only would such a target market and
distribution policy be easy on the budget, but exclusive or selective
distribution could also allow the new venture to establish solid relationships
with its relatively small number of dealers and distributors.

4b. *Is the entrepreneur using a short channel of distribution to reach the
designated target market?*

In a long channel involving two or three levels of middlemen, it is difficult
for the new venture to have frequent contact with retailers and end users,
except at great expense. In general, the shorter the channel and/or the fewer
the end users or retailers, the greater the chance that a new venture will not
need a large marketing budget to establish good relationships with these
parties. For example, a new venture could effectively utilize a small budget
if it had to contact and maintain good relationships with only fifty end users
or only fifty retailers (who might serve hundreds or even thousands of end
users). On this basis, short channels of distribution appear to be a "fair
match" with a small marketing budget, while long channels would be a
"poor match" or a "mismatch."

4c. *Is the entrepreneur using an open channel of distribution to reach the
designated target market?*

Over half of the goods and services marketed in the U.S. flow through
vertical marketing systems. Whether the vertical marketing system be
corporate, contractual, or administered, one characteristic they share in
common is that these channel systems are not open to just any firm trying to
sell its products to the channel's end users. If its target market is being well-
served by one or more vertical marketing systems, the new venture will
have little chance of breaking into such closed channel systems if it is
constrained by a small budget.

On the other hand, an open channel consisting of independent middlemen
can help a new venture gain good distribution for its products. This is
especially true if the channel members have not been able to obtain a
competitive product from some other supplier. When such a situation
exists, the open channel is likely to be very receptive of the new venture's
offerings and, consequently, can be a "good match" with a small marketing
budget.
(5) Business and Consumer Product Classification Guidelines

Marketing textbooks classify business products into the categories of raw materials, operating supplies, fabricating parts and materials, installations, and accessory equipment, while consumer products are classified as convenience goods, shopping goods, and specialty goods. The 1999 study evaluated fabricating parts, smaller business installations, business accessory equipment, and consumer shopping goods as "fair matches" with a small marketing budget. These four types of product classification lead to guidelines 5a, 5b, 5c, and 5d. (The other four product classes were evaluated to be "poor matches" or "mismatches. See Exhibit Two.)

5a. Is the entrepreneur offering a business fabricating part which is significantly better than current competitors' offerings?

Because business fabricating parts are typically sold directly from one firm to another, often it is possible to keep distribution and promotional expenditures low. However, if a new venture's purpose is to offer a fabricating part to ongoing business firms, more than likely the new venture will be entering a mature market, in which case the comments in guideline 3 above will be applicable. Since established competitors will have well-developed relationships with customer firms, a new venture is likely to encounter long delays before persuading those firms to switch suppliers, if it happens at all. Based on this observation, an entrepreneur would be well advised not to enter the fabricating parts market unless he could offer something significantly better than current competitors' offerings. The new venture which offered its customers electronic controls for medium-sized appliances (described in guideline 1b above) is an example of a significantly better fabricating part. If a new venture can offer such a superior fabricating part, and if it can keep promotion costs low due to direct distribution, conceptual situation 5a can represent a "fair match" with a low-budget marketing strategy.

5b. Is the entrepreneur offering a small type of business installation with special features?

Large installations such as manufacturing plants, warehouses, or sophisticated materials handling facilities are beyond the hopes of all but a very few new ventures. However, smaller types of installations, such as specialty testing equipment or certain kinds of merchandising displays, might be pursued by new ventures. If the entrepreneur has designed something extra or unique into her offering, the target business firms may be attracted to it. The Newell Company was able to offer something special for their customers' retail stores when it completely assumed the display
management function for the product line it sold to them (Magnet, 1992). Distribution of these types of installations is usually direct, which might allow a new venture to handle its own distribution in an economical manner. If the target market is relatively concentrated geographically (see guideline 1a), the new venture's promotions may be achievable with a small budget. Under such circumstances, offering some type of smaller business installation can be a "fair match" with a small marketing budget.

5c. Is the entrepreneur offering significantly improved business accessory equipment with important new features?

Office equipment, computers, forklift trucks, telephone systems, and still many other products constitute the business accessory equipment category. This appears to be an attractive product category for new ventures, as almost half of the examples in the 2000 study offered what might be classified as business accessory equipment. Because competitors exist and are well-established in each product category, a new venture entering the business accessory equipment field more than likely will be facing a mature market with a number of competitors. (See guideline 3 above regarding entering mature markets.) Still, many business accessories can be designed with unique features that some target markets may find desirable. The miniaturized combination refrigerator-freezer-microwave oven described in guideline 3 is a piece of accessory equipment, and it had features which the budget motel market found attractive. Since many business accessories are usually distributed directly or through short channels, it may be possible to gain acceptable distribution quite economically. If the new venture's target market is well defined and/or not widely dispersed geographically, promotional expenditures may also be kept at a reasonable level. When these conditions are present in a new venture's situation, the business accessory equipment market can be a "fair match" with a small marketing budget.

The 2000 study reported that the width of a new venture's product line can display characteristics having a negative effect on a new venture's prospects. There were four such characteristics: (a) product line not wide enough for the convenience of customers; (b) incompatible quality among products within the line; (c) product line does not contain up-to-date items or technologies; and (d) items in the line are not complimentary to each other or to the line as a whole.

Several of the new ventures in the 2000 study displayed one or more of the above four characteristics. To illustrate, a new venture in the office
furniture field only had two items in their line, a selection that proved too narrow for many office designers who prefer to use suppliers capable of providing several or many furniture items, rather than only one or two (Case 1988). A service supplier to independent movie producers was unable to offer nearly as many of the services being offered by established competitors (Richman 1989b). A sound recording studio offered its potential customers a variety of amenities reportedly not available from competitors. At the same time they did not have available certain new, high technology recording equipment that at least some artists found desirable (Posner 1988). Since these new ventures, and others, were encountering poor market acceptance that appeared to be associated with their product line width deficiencies, entrepreneurs ought to be aware that such deficiencies might cause the business accessories category to be downgraded from a "fair match" to a "poor match".

5d. Is the entrepreneur offering a differentiated-but-very-appealing consumer shopping good in a category which is not dominated by major brand competitors?

Consumer shopping goods include fashionable apparel, furniture and home furnishings, large appliances, automobiles, and still other products. Because some products such as major appliances and automobiles require large marketing budgets, due to their typically being heavily advertised major brands, such products are not compatible with a small marketing budget. On the other hand, some apparel items and home furnishings, which tend not to be well-known major brands, are typically sold (i) to many consumers in geographically concentrated markets (ii) through short channels (iii) using relatively few retail outlets (selective distribution). As pointed out earlier, all three of these conditions are fair or good matches with a small marketing budget. To have a chance of succeeding with a consumer shopping good, an entrepreneur would have to offer a product that is not currently available on the market, a product that both consumers and the retailers serving them would find very appealing. With an attractive product offering, a new venture may be able to gain the cooperation of selected retailers through short channels. If such circumstances are present, a new venture involving a consumer shopping good can be evaluated as a "fair match" with a small marketing budget.

Closing comments regarding screening condition three. Research findings suggest that perhaps more than half of all entrepreneurs use marketing strategies requiring a larger budget than that which is typically available. That finding supports the notion that entrepreneurs should screen their marketing strategies to make certain they are compatible with a small
marketing budget. If an entrepreneur's marketing strategy uses only situations described in the above eleven guidelines (1a through 5d), and avoids using any of the twelve items listed in Exhibit Two, the strategy should be compatible with a small marketing budget.

However, if a strategy does not satisfy one of the guidelines in each of topics (1) through (5) above, the entrepreneur will be alerted to the fact that his marketing strategy displays some characteristic which is not compatible with a small marketing budget. If a careful review of the unsatisfied guideline confirms that the strategy will require a large marketing budget, the entrepreneur will be alerted to the probability that his venture is unlikely to succeed.

FOURTH SCREENING CONDITION: DEFENDING AGAINST COUNTERATTACKS

By having satisfied the first screening condition, entrepreneurs know that their marketing strategy is a complete strategy consisting of the five integrated elements of a target market, a differentiated product, effective promotion, a value price, and distribution that is convenient to the target market. If it has accommodated the second screening condition, entrepreneurs have evidence that the marketing strategy is not likely to encounter any of the serious execution difficulties associated with the strategy's target market or the competition it will face, nor is it likely to encounter potential distribution or legal or environmental barriers. If it has also successfully passed the third screening condition, the marketing strategy should be compatible with a small marketing budget. Although entrepreneurs should be quite enthusiastic about a marketing strategy that satisfies all three of the first screening conditions, they must be certain that the strategy is also able to pass still one more screening condition.

New ventures that are fortunate enough to enjoy early sales success typically do so by taking sales and market share away from established competitors. When those competitors identify the cause of their sales losses, they often attempt to regain their lost customers through some type of counterattack against the intruding new venture. Since they usually are established competitors who have greater marketing resources than the new venture, their counterattacks can be ruthlessly aggressive, with the goal of regaining their lost sales and perhaps even of driving the new venture out of business. Because such counterattacks are almost certain to occur, entrepreneurs should be prepared to defend their new ventures against them.
It is imperative that new ventures be so prepared if they wish to survive for more than a year or two. Of the forty-six new ventures mentioned in the discussion of screening condition one, only about five or six (10-15%) showed some evidence of having a marketing strategy that could prevent established competitors from launching counterattacks or defend against such counterattacks if they occurred. These figures suggest that the vast majority of all new ventures cannot prevent or defend against strong competitive counterattacks. This observation points out the need for a fourth screening condition.

If a new venture is enjoying good success in its early life, what should the entrepreneur do in order to prepare a defense against the expected counterattacks from established competitors? Stasch and Lonsdale (1997), Stasch (1998), and Stasch, et. al. (1999) have addressed this question. Those sources identified one requirement and three other characteristics that entrepreneurs should incorporate into their marketing strategies to make their new ventures capable of defending against counterattacks by established competitors. That requirement and those three characteristics form the basis of screening condition four. (The following discussion is only a summary of the above sources, rather than a detailed review.)

The one requirement is that the entrepreneur’s marketing strategy should not directly attack any large competitor that is not vulnerable in some important way. In order to introduce the requirement associated with screening condition four, consider the situation where the entrepreneur's new venture in some way threatens or directly attacks a large competitor.

If the large competitor is financially strong, it can use its financial and marketing resources to make the new venture's existence very, very precarious and perhaps even life-threatening. However, if the large competitor is distracted in some important way that causes it to be vulnerable in the marketplace, the new venture may be able to enjoy some success for a short time period due to the large competitor’s preoccupation with other important matters. Based on Porter (1985) and Ward and Stasch (1986), there are fifteen circumstances under which a large competitor's distraction might make it vulnerable to attack, and these are detailed in Exhibit Three.
Exhibit Three:

Factors Which Can Make The Market Leader Vulnerable To Attack

<table>
<thead>
<tr>
<th>Changing External Factors</th>
<th>Leader’s Behavior</th>
<th>Industry Structure / Market Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Anti-trust or other governmental authorities challenge the leader</td>
<td>• Leader is diversifying</td>
<td>• No strong number two in the industry</td>
</tr>
<tr>
<td>• New technology becomes available or large competitor’s patents expire</td>
<td>• Leader is parent corporation’s cash generator</td>
<td>• Leader is small</td>
</tr>
<tr>
<td>• Leader is subjected to a catastrophe</td>
<td>• Leader is not a price cutter</td>
<td>• Leader has high prices and costs</td>
</tr>
<tr>
<td>• New “personality” enters the industry</td>
<td>• Leader is not an aggressive marketer</td>
<td>• Competition does not yet have complete distribution</td>
</tr>
</tbody>
</table>

If the large competitor is not vulnerable or distracted due to the presence of one or more of the fifteen circumstances listed, then the entrepreneur should not use the marketing strategy being considered because there is nothing to prevent the large competitor from aggressively counterattacking. If that were to occur, there is little chance that the new venture could continue to be successful.

On the other hand, if the new venture starts its business life in such a way that it does not directly threaten large competitors, it will have met the requirement described above, and there is a good chance that it will not be exposed to aggressive competitive counterattacks, at least not in the short run. But if this new venture enjoys early success and continues to build on that success, sooner or later its sales will become large enough to attract the attention of a larger competitor. When that occurs, the new venture is likely to come under attack by the larger competitor, or at least be subjected to more competitive pressure than it had heretofore experienced. (See the well-known "My Own Meals" example described in Sammon, 1989 and Brokaw 1990). This suggests that there is a large probability that all successful new ventures eventually come under attack by large competitors. Entrepreneurs should recognize this eventuality and make certain that their marketing strategy is capable of defending against such counterattacks.
To achieve such a defensive capability, successful new ventures must have the ability of "buying time" before they are attacked by large competitors. They need a long period of relative competitive peace in order to more firmly establish themselves with their target market and distribution channel, and to gain more marketing and financial strength which can help them fend off counterattacks when they finally do occur. To have such a capability, a new venture's marketing strategy must possess each of characteristics 1, 2, and 3 following (in addition to those already discussed). These characteristics form the guidelines of screening condition four.

1. **Is the entrepreneur’s marketing strategy so constructed that it is capable of neutralizing a competitor’s ability to disrupt or negate the strategy’s effectiveness?**

There are five factors which can be used to prevent or hinder competitors from being able to disrupt a new venture's marketing strategy: (a) preventing or delaying retaliation; (b) creating a superior reputation; (c) selecting the target market; (d) selecting the competition; and (e) maximizing product attractiveness to the target market.

(a) There are three ways a new venture may be able to prevent or substantially delay competitive retaliation: it can change the "rules of marketing" in comparison to the industry's traditional marketing mix (Porter, 1985; Stasch and Ward, 1989); it can significantly improves its product/service based on new technology that is not easily adopted by competitors (Magnet, 1992); or it can create a barrier or impediment preventing competitive retaliation, such as establishing a strategic alliance or working closely with selected channels of distribution (DiMingo, 1990; Porter 1985; Porter, 1991).

(b) A new venture may be able to create a superior reputation by focusing more on image and service (Porter, 1991). In so doing, the new venture may become indispensable to its customers, who then may not be easily persuaded by competitors to change suppliers (Magnet, 1992).

(c) There are two ways a new venture can neutralize competitors through its target market selection. One way is by selecting a target market that is too small to be of interest to competitors, or that other competitors have either ignored or not pursued diligently (Porter 1991, Stasch and Ward 1989). A second way is by selecting a target market segment whose needs it is more able to satisfy than can competitors (DiMingo, 1990).

(d) By choosing whom it will compete against, a new venture may be able to select a competitor that it can neutralize (DiMingo, 1990; Porter 1985). For example, it can choose as its main competitor a firm with a history of not being aggressive. Or, it can select a competitor whose market includes a small,
relatively unimportant segment which is not so near and dear to the competitor's heart as to cause it to retaliate when the new venture pursues that small segment as its own target market (Stasch and Ward, 1989).

(e) By making its product offering especially attractive to its selected target market, a new venture may be able to neutralize a competitor's ability to disrupt its marketing strategy (Magnet, 1992). It might do this by designing its own products in a manner that causes competitors' products to be less and less acceptable to the target market (DiMingo, 1990; Porter, 1991). Or, a new venture might use product positioning and/or product differentiation to neutralize competitors, who may not want to go to the trouble of designing into their products the features being offered by the new venture, especially if doing so requires significant effort. Another reason the competitor may not wish to offer new features is that its new offering might significantly cannibalize its already existing products and/or require a significant change in the advertising and promotion of its products (Stasch and Ward, 1989).

If an entrepreneur's marketing strategy employs at least one of the above five factors, the entrepreneur would have some evidence that her strategy includes something that might neutralize the competitor's ability to disrupt the marketing strategy's effectiveness. That is, the new venture's marketing strategy will be such that it may have the effect of discouraging competitive retaliation. If the marketing strategy employs several or all of the above five factors, the entrepreneur should have confidence that her strategy is well designed to neutralize competitors' abilities to successfully counterattack the new venture.

2. Does the entrepreneur’s marketing strategy include a significant and sustainable product/service difference?

If it is to be capable of fending off competitors' aggressive counterattacks, a new venture must achieve two other characteristics in addition to that described above. The second of these three characteristics is the requirement that the strategy include a significant and sustainable product/service difference, when compared with competition. There are four possible approaches to developing such a difference: (a) offer product/service differentiation; (b) offer improved quality; (c) offer better value; and (d) convince the market to use the brand name interchangeably with the product category.

(a) Only a small number of new ventures are based on "new-to-the-world" products, while all of the others are not. If a new venture's product/service is among the latter, there are three ways it might achieve a significant and sustainable difference: by designing its product in a manner that makes
competitive substitutes less acceptable to their customers (Magnet, 1992; Porter, 1991); by striving to offer different services that are very important to their customers (Magnet, 1992); or by offering a new form of currently available product that customers view as a physically different product with important new attributes (Stasch and Ward, 1989; Magnet, 1992).

(b) Probably the most obvious way to developing a significant and sustainable difference is to provide actual higher quality than that offered by competitors (DiMingo, 1990). Or, a new venture can offer a product which the target customers perceive as consisting of significantly improved quality when compared with currently available products (Stasch and Ward, 1989). Ben and Jerry's super premium ice cream might be an example of the latter.

(c) A new venture might achieve a better value difference by offering a few or several extra product or service features at a price approximating competitors' prices. Better value might also be attained by offering a parity product at significantly lower price, if the price difference can be sustained. (DiMingo, 1990; Magnet, 1992; Porter, 1985 and 1991; Stasch and Ward, 1989)

(d) A fourth possible way to achieve a significant and sustainable difference can occur when the target market comes to use the new venture's brand name almost interchangeably with the product category (Stasch and Ward, 1989). Historical examples of such phenomena include Jello, Kleenex, and Perrier, but a more recent example of a brand that achieved such status may be Starbucks's coffee.

If an entrepreneur's marketing strategy does not include any of the above four factors, his new venture will not enjoy a significant and sustainable difference, and the effect will be that the target market will have little reason to begin purchasing from the new venture. Conversely, if the new venture achieves one or more of the four factors, the entrepreneur can have confidence that his marketing strategy has at least partially achieved a significant and sustainable difference. Furthermore, if the entrepreneur has also been successful in achieving characteristic 1 of this fourth screening condition ("neutralizing competitors' ability to respond"), his marketing strategy should have a good chance of causing sales increases because it has an important difference to offer its target market and it includes measures to prevent competitors from quickly counterattacking.

3. Does the entrepreneur’s marketing strategy use distribution or some other impediment to provide longer-term protection for its early sales successes?

Even if the entrepreneur's marketing strategy achieves characteristics 1 and 2 above and its sales continue to grow, it is unrealistic to believe that
established competitors will never counterattack. If an entrepreneur wants to enjoy a longer period without competitive counterattacks, her marketing strategy will have to provide the new venture with some kind of long-term protection. Such protection can result from the third characteristic which must be achieved by the entrepreneur's marketing strategy. That is, the marketing strategy should include the utilization of a distribution component, or some other kind of impediment, that will protect the new venture's early sales gains from competitive retaliation for a longer period of time. Five ways a new venture can use distribution to its advantage and/or to create an impediment which discourages competitors from responding are: (a) improve logistics; (b) establish new relationships; (c) distribute directly to customers; (d) offer a full product line; and (e) provide new services.

(a) If a new venture can offer faster delivery than that offered by competitors, customers are likely to view this as better service, which may have the effect of tying them more closely to the new venture. Improved logistics can also result by giving customers computers or electronic ordering devices that allow them to place orders directly and more efficiently into the new venture's operating system. (Porter, 1991)

(b) Establishing exclusive relationships with dealers, distributors, and retailers may create a partnership atmosphere which will discourage them from taking on competing lines (Porter, 1991). The Medco Company designed a new type of distribution system for prescription drugs that created new relationships among health plan sponsors, insurance companies, pharmaceutical companies, pharmacies, doctors and consumers (Magnet, 1992).

(c) By distributing directly to retail outlets, and even setting up product displays in those outlets, a new venture may be able to develop a level of in-store control that can deter competitors from weakening or destroying the new venture's retail availability and display (Magnet, 1992; Stasch and Ward; 1989).

(d) Offering a full product line can help dealers and distributors make more effective use of their time, and this may help strengthen their loyalty toward the new venture (DiMingo, 1990; Magnet, 1992; Stasch and Ward, 1989).

(e) Some small-but-growing companies attribute their success, at least in part, to providing customers with new services such as in-store display design and management, managing the reorder and inventory functions,
and even arranging for electronic funds transfer between customers and themselves (Magnet, 1992).

Closing comments regarding the fourth screening condition. Research suggests that as many as 80-90% of all new ventures use marketing strategies that are not capable of defending against counterattacks by established competitors. This implies that the vast majority of new ventures are extremely vulnerable even after having enjoyed some early success. The purpose of the fourth screening condition is to help an entrepreneur identify a marketing strategy that will reduce or eliminate his new venture's vulnerability to strong counterattacks by established competitors.

If the entrepreneur's marketing strategy can achieve characteristics 1 and 2 above, that marketing strategy should result in growing sales in the short run because it offers an important difference to the target market and it incorporates measures that prevent competitors from quickly counterattacking. Over a longer period of time, however, larger competitors who are threatened may be able to organize an effective counterattack against the new venture if the latter's strategy has not provided for longer-term protection. Each of the five distribution and impediment factors described and characteristic three can contribute to a stronger and more loyal relationship between a supplying new venture and its customers. If a new venture achieves more than one of these factors, it may be able to solidly establish itself with its customers. If the relationship is a strong one, it can serve as a long-term impediment that prevents larger competitors from destroying the new venture's successful marketing and distribution system. Such an impediment could give the new venture a longer period of protection against aggressive counterattacks than it would otherwise have a period which the new venture can use to even more firmly establish itself with its target market and distribution channel.

DISCUSSION, LIMITATIONS, AND FUTURE RESEARCH

Based on extensive study of new venture case examples over a number of years, the author proposes that entrepreneurs use the above-described procedure when trying to evaluate whether a marketing strategy has a good chance of being successful. If the entrepreneur's marketing strategy meets or satisfies each of the foregoing four screening conditions, it possesses four broad traits which appear to be closely associated with successful marketing strategies by new ventures. First, it is a complete marketing strategy involving a target market, a differentiated product attractive to the target market, promotion designed to communicate effectively with the target market, and distribution and impediment factors that create a strong and loyal relationship with customers.
market, pricing which the target market considers good value, and distribution that the target market finds convenient. Additionally, these five elements will be well integrated with one another, thus creating a high level of marketing synergy and efficiency. Second, the marketing strategy is judged to be one which should not encounter serious marketing strategy execution problems associated with its target market or the competition it will face, or with distribution, legal, or environmental barriers. This means the new venture should be able to execute its marketing strategy with relative ease, and therefore should not encounter lengthy delays in creating the streams of sales revenues it badly needs to survive. Third, the marketing strategy should be executable with a small marketing budget. Thus, the new venture will not be saddled, as many new ventures appear to be, with the impossible dilemma of requiring a large marketing campaign for success but not having the budget to pay for it. Fourth, the marketing strategy possesses certain characteristics that (a) should neutralize competitors' abilities to somehow disrupt the strategy's effectiveness, (b) provide the new venture with a significant and sustainable product/service difference that appeals to the target market, and (c) use distribution or some other impediment that will have a longer term effect in preventing competitors from disrupting or negating the effectiveness of the new venture's marketing strategy. These three characteristics will give the new venture a longer period of protection against aggressive counterattacks than it would otherwise have, thus allowing the new venture still more time to establish itself more solidly with consumers and distributors.

Limitations and Future Research

Due to the use of a relatively small convenience sample of new venture case examples, the research supporting the proposed evaluation procedure must be considered exploratory in nature rather than conclusive. While it would be extremely difficult—perhaps even impossible—to study this topic via a large probability sample, it is not unreasonable to attempt a validation study of the proposed procedure through the use of a second small sample of new venture start-ups. Hopefully, such a study will occur in the not too distant future.

It is very likely that research on additional case examples would lead to findings that would in some way add to or modify those marketing strategy execution difficulties associated with screening condition two. In the large universe of new venture start-ups, it is not realistic to believe that the only marketing strategy execution problems new ventures encounter are those
described in this paper. Further research is necessary to identify and describe those other problems and difficulties.

Although screening condition three was tested with thirty-three new venture examples to evaluate its applicability, it is quite possible that still other marketing concepts should be added to those used for identifying compatibility with a small budget. Not only may there be additional concepts to be added to some or all of the five guideline topics, but it seems reasonable to believe that further research might lead to the modification of some of the concepts presented in screening condition three.

The basic framework of screening condition four results from some twenty years of research by Ward and Stasch. The author firmly believes that the framework is applicable to new ventures as well as to smaller-share firms. However, within the framework itself there may be additional circumstances when large competitors may be distracted, and they should be added to Exhibit 2. Similarly, there may be other ways to neutralize competitors, or to gain a significant and sustainable difference, or to create a distribution impediment, and they should be added to the fourth screening condition. Further research is needed to identify all these possibilities.

REFERENCES


