Abstract: This paper considers how marketing can be made more appropriate in entrepreneurial contexts by proposing a conceptual model of the processes of marketing as undertaken by entrepreneurs. Although marketing is a key factor in the survival and development of business ventures, a number of entrepreneurial characteristics seem to be at variance with marketing according to the textbook. These include over-reliance on a restricted customer base, limited marketing expertise, and variable, unplanned effort. However, entrepreneurs and small business owners interpret marketing in ways that do not conform to standard textbook theory and practise. An examination of four key marketing concepts indicates ways in which entrepreneurial marketing differs from traditional marketing theory. Entrepreneurs tend to be ‘innovation-oriented’, driven by new ideas and intuitive market feel, rather than customer oriented, or driven by rigorous assessment of market needs. They target markets through ‘bottom-up’ self-selection and recommendations of customers and other influence groups, rather than relying on ‘top-down’ segmentation, targeting and positioning processes. They prefer interactive marketing methods to the traditional mix of the four or seven ‘P’s’. They gather information through informal networking rather than formalised intelligence systems. These processes play to entrepreneurial strengths and represent marketing that is more appropriate in entrepreneurial contexts, rather than marketing which is second best due to resource limitations.

INTRODUCTION

One aspect of the interface between marketing and entrepreneurship involves studying ways in which marketing concepts and principles can be made more relevant in entrepreneurial contexts. The ideas presented here follow this theme of 'putting entrepreneurship into marketing' (Day, 1998:5): key aspects of marketing are examined in the context of
entrepreneurial ventures to see how accepted marketing theory fits with successful entrepreneurial practice. It is increasingly recognised that marketing as practised by entrepreneurs is somehow different to the concepts presented in conventional marketing textbooks (e.g. Kotler, 1997). Given the different behavioural assumptions that underpin the theoretical concepts of marketing and entrepreneurship, perhaps this should not be surprising. Traditional marketing is conceived of as a deliberate, planned process; the marketing concept assumes that a careful identification of customer needs through formal market research precedes a structured development of new products and services in response to those needs (Webster, 1992). Entrepreneurial behaviour on the other hand, is regarded as representing a much more informal, unplanned activity relying on the intuition and energy of an individual to make things happen (Chell et al., 1991). These contrasting assumptions make it easier to understand why small business owners, who are especially, but not exclusively, associated with entrepreneurship, should have particular problems with marketing according to the textbook. Owner-managers of small firms claim to give marketing a low priority compared to the other functions of their business, often regarding marketing as 'something that larger firms do' (Stokes et al., 1997). Small businesses share specific marketing problems particularly a narrow customer base, limited scope and impact of marketing activities, variable and unplanned effort, and over-reliance on the owner-manager's marketing competency (e.g. Scholhammer and Kuriloff, 1979; Carson, 1985; Hall, 1995). Despite this apparent low-key, problematic approach, research indicates that marketing is crucial to the survival and development of small firms, and a key entrepreneurial competency (Carson et al., 1995). Given that marketing theory was developed largely from studies of large corporations, and that many textbooks still reflect these origins in the concepts and case studies which they present, it seems timely to examine marketing processes in the context of smaller enterprises in order to develop our understanding of 'entrepreneurial marketing'.

**METHODOLOGY**

This is a conceptual paper which puts forward a model of the processes of entrepreneurial marketing and compares them to the concepts presented in conventional marketing textbooks. For this purpose, 'entrepreneurial marketing' is defined as marketing carried out by entrepreneurs or owner-managers of entrepreneurial ventures. (Definitions of entrepreneurship are discussed later in this article). The arguments draw on a range of contemporary research prompted by considerations of the interface between marketing and entrepreneurship, albeit that research into the marketing of smaller organisations and the interface between marketing and
entrepreneurship, is still in its infancy. However, there has been a marked growth in interest, with the establishment of special interest groups on both sides of the Atlantic (Shaw and Carson, 1995; Hulbert, Day and Shaw, 1999) and this paper draws on some of this research. In particular, the discussion presented here uses data from two further studies:

i) **Forty face-to-face interviews** with small business owners segmented by sector (manufacturing, hotel and catering, and business services), size (up to and over 10 employees) and age (up to and over 3 years). The aims of the research were to explore what small business owners understood by the term 'marketing', what sort of marketing activities they undertook and some of the reasons behind their choices. Critical incident analysis was used to explore the triggers to marketing effort amongst the owner-managers in an attempt to identify the processes actually used. The interview agenda contained both structured elements (for example, to classify the types of promotional activities used), and open questions (which asked, for example, what triggered activities to acquire new customers and how these activities were carried out).

ii) **Two series of focus groups** amongst business owners which raised a variety of topics, including discussion of the marketing function. A pool of owner-managers were invited to focus group discussions held in Reading, London, Kidderminster, Manchester and Hartlepool in October, 1998, and March, 1999 which included marketing topics. The 1998 groups were invited to discuss their main sources for finding new customers, and their strategies for keeping them. The 1999 groups were asked about the role of innovation and the development of new products and services in their businesses.

This and other contemporary research into the marketing and entrepreneurship interface forms the empirical basis for the concepts presented in this article. To start with, the integral aspects of entrepreneurship and marketing are considered, before an overview of the entrepreneurial marketing process is suggested through a synthesis of the concepts.

**DEFINITIONS OF ENTREPRENEURSHIP AND MARKETING**

It is not possible, nor necessarily relevant, to present here the substantial literatures relating to the definitions of entrepreneurship and marketing. However, some key concepts are reviewed in the following sections in order to highlight important issues for debate.
Entrepreneurship

Attempts to define entrepreneurship can be divided into two broad categories (Ennew and Binks, 1998):

i) personality studies of individuals that seek to identify common psychological and social traits amongst entrepreneurs compared to non-entrepreneurs; and

ii) behavioural investigations into what entrepreneurs do and the processes used to carry out activities.

Although the trait approach has identified commonly occurring entrepreneurial characteristics, such as opportunistic, innovative, proactive and restless (Chell et al., 1991), the archetypal entrepreneur has proved illusive. There is more consensus over what entrepreneurs do rather than who they are. Early definitions of entrepreneurship focused on behavioural attributes, defining the entrepreneur as an agent of change, someone who does not seek to perfect, or optimise existing ways of doing things, but searches instead for new methods and new markets - different ways of doing things. For example, Schumpeter (1934) argued that entrepreneurial activity is a necessary force in healthy, dynamic economies as it acts to destabilise economic equilibrium, which only optimises that which already exists. Drucker (1986) developed these earlier ideas by defining an entrepreneur as someone who searches for change, but responds to it in an innovative way, exploiting it as an opportunity. He thus made innovation a necessary part of entrepreneurship. In doing so, he focussed on the management processes involved in what an entrepreneur does. Others have taken up this theme of entrepreneurship as a process, an action-oriented management style which takes innovation and change as the focus of thinking and behaviour (Casson, 1982; Hisrich and Peters, 1995).

This evaluation of entrepreneurship and marketing adopts the second of these two approaches. It defines entrepreneurial marketing in terms of the behaviours and activities which are typical of those involved in entrepreneurial ventures.

Marketing

Marketing concepts are also concerned with change but in a more orderly, structured way. Crosier (1975) compiled a list of fifty different definitions of marketing in the literature, but there are underlying principles which can be classified into three distinct elements (Webster, 1992) and a fourth
imperative: marketing as an organisational philosophy or culture, as a strategic process, and as a series of tactical functions or methods, all of which require market intelligence (Kohli and Jaworski, 1990).

i) **Marketing as an organisational philosophy** relates to a set of values and beliefs concerning the central importance of the customer to the success of the organisation. This has been refined as the concept of market or customer orientation, which requires that an understanding of customer needs should precede and inform the development and marketing of products and services (Kotler, 1997). Most definitions of marketing relate mainly to this level of meaning; for example the definition of the (UK) Chartered Institute of Marketing states that marketing is 'the management process responsible for identifying, anticipating and satisfying customer requirements profitably'.

ii) **Marketing as a strategy** defines how an organisation is to compete and survive in the market place. Most marketing textbooks review marketing strategy through the stages of market segmentation, targeting and positioning. This involves firstly, research and analysis of the market place in order to divide it into meaningful groups or segments of buyer-types. Secondly, one or more segments are chosen as the most appropriate targets for marketing activities. Thirdly, an appeal is made to this target group through an appropriately positioned product or service.

iii) **Marketing methods** are the specific activities and techniques, such as product development, pricing, advertising and selection of distribution channels, which implement the strategy. These are referred to as elements of the 'marketing mix', commonly summarised as the four 'Ps' of product, price, promotion and place.

iv) **Market intelligence** underpins each of these marketing principles. The members of a marketing-oriented organisation undertake information-related activities defined by Kohli and Jaworski (1990: 3) as the 'organization wide generation, dissemination and responsiveness to market intelligence'.

Thus marketing can be defined in terms of the organisational philosophy of market orientation, guided by segmentation, targeting and positioning strategies, operationalised through the marketing mix and underpinned throughout by market intelligence.
Marketing defined by owner-managers

Entrepreneurs and owner-managers of small businesses tend not to see marketing this way. They define marketing in terms of tactics to attract new business - in other words, at the third level of meaning in the definitions above. They are less aware of the other, philosophical and strategic meanings of the term. The interviews reported on here amongst the forty business owners indicated that most of them equated marketing with selling and promoting only. Unprompted definitions of marketing which focused on customer acquisition and promotions whilst identifying customer needs, and other non-promotional aspects of marketing such as product development, pricing and distribution, were largely ignored. Many owners suggested that their business was reliant on word-of-mouth recommendations and therefore 'they did not have to do any marketing'.

This does not necessarily mean that they overlooked other aspects of marketing, only that they were unaware of the terminology. Indeed, the business owners' narrow view of marketing was not borne out by what they actually did. Critical incident analysis of their activities indicated a strategic marketing awareness, particularly in areas such as monitoring the market place, targeting individual market segments and emphasising customer service and relationships. When asked to rank their most important marketing activities, recommendations from customers was first in all sectors and sizes of small firms. However, this reliance on recommendations was not necessarily an indication of minimal marketing effort, as such recommendations were often hard won. To an outside observer, it is all too easy to accept the owner-manager's comment that they 'do not have the time or resources for marketing', when those same owners do indeed devote much of their time building relationships with satisfied customers who then recommend the business to others.

During the five focus group discussions on the topic of finding and keeping customers, owner-managers of even medium sized firms (those employing over fifty people) said that they spent considerable time talking to customers or networking, although they did not always regard this as marketing. In other words, owner-managers tend to spend considerable time and resources on marketing, but they call it by another name.
ENTREPRENEURIAL INTERPRETATIONS OF MARKETING

Marketing in small firms is not the simplistic, promotional activity that it appears at first sight. Nor is it marketing according to the traditional concepts. If each of the four elements in the definitions of marketing described earlier are examined, distinct variations between what successful small business owners and entrepreneurs actually do and what marketing theory would have them do, can be identified.

Customer orientation versus 'innovation orientation'

Marketing as an organisational philosophy indicates that an assessment of market needs comes before new product or service development. Entrepreneurial business owners frequently do it the other way round as they tend to start with an idea, and then try to find a market for it. When asked during the focus group discussions about the process of new product or service introduction into their businesses, owners stated that change was more often prompted by the existence of a new idea or competitive pressures, rather than a well-researched, established need amongst customers. This is certainly mirrored in the histories of well-known entrepreneurs such as Roddick, Branson, Sugar and Dyson who did not found their early businesses on market analysis, but on an intuitive feel for what was required. Creativity and innovation in product or service development are the hallmarks of successful entrepreneurship (Drucker, 1986), not careful research into customer needs. This does not mean that customer needs are not taken into account. Innovative activity takes new ideas and turns them into useful products or services which customers need (Adair, 1990). But often this is achieved through a zeal for the development of new concepts and ideas - an 'innovation orientation' - rather than through a dedication to the principles of customer orientation. The idea comes first and the check for market acceptance second.

The most widely used scale of entrepreneurial activity developed by Covin and Slevin (1988) is based around the behavioural dimensions of risk taking, innovation and proactive response. However, we should not assume that entrepreneurial innovation consists of major breakthroughs and inventions. It is more likely to consist of incremental adjustments to existing products and services or market approaches, rather than larger scale developments (Rothwell, 1986; Henry and Walker, 1991). Whilst a few small firms may make the big innovative breakthrough and grow rapidly as a result, the majority which survive, do so by growing more slowly through making small but regular improvements to the way in which they do
business. This may mean, stocking new lines, approaching a new market segment with a particular service, or improving services to existing customers - in other words incremental, innovative adjustments which together create a competitive edge.

Word-of-mouth communications amongst entrepreneurs and small business owners are a common source of innovative ideas. Indeed word-of-mouth marketing is important throughout the innovation process as it plays a key role in consumer adoption of new products and services (East, 1998). The significance of this type of informal, person-to-person communications is a common theme in all aspects of entrepreneurial marketing as we will discuss in the following sections.

'Top-down' versus 'bottom-up' strategies

Marketing as a strategy involves the processes of segmentation, targeting and positioning, so that products and services are focused on appropriate buyer groups. Entrepreneurial owner-managers do identify closely with a specific group of customers whose needs are well known to them, but they tend to arrive at their target customers by a different route. Most marketing textbooks (e.g. Doyle, 1994) advocate a 'top-down' approach to the market in which the strategy process develops in the following order:

i) The profiles of market segments are developed first using demographic, psychological and other buyer-behaviour variables.

ii) An evaluation of the attractiveness of each segment concludes with the selection of the target segment.

iii) Finally, the selection and communication of a market position differentiates the product or service from competitive offerings.

This process implies that an organisation is able to take an objective overview of the markets it serves before selecting those on which it wishes to concentrate. This usually involves both secondary and primary market research with evaluation by specialists in each of the three stages.

Although successful entrepreneurs do seem adept at carefully targeting certain customers, the processes they use in order to achieve this do not seem to conform to the three stages described above. Evidence suggests that successful, smaller firms practice a 'bottom-up' targeting process in which the organisation begins by serving the needs of a few customers and then expands the base gradually as experience and resources allow. A
summary of ‘niche marketing’ approaches by Dalgic and Leeuw (1994) indicated that targeting is achieved by attracting an initial customer base and then looking for more of the same. During the focus group discussions, owner-managers described targeting processes which implied the following stages:

i) **Identification of market opportunities**: informal, ad hoc activities identify possible market opportunities. These opportunities, in the form of products and services, are tested through trial and error in the market place, based on the entrepreneur's intuitive expectations which are sometimes, but not often, backed up by more formal research.

ii) **Attraction of an initial customer base**: certain customers, who may or may not conform to the profile anticipated by the entrepreneur, are attracted to the service or product identified in the first stage. However, as the entrepreneur is in regular contact with these customers, he or she gets to know their preferences and needs.

iii) **Expansion through more of the same**: the entrepreneur expands the initial customer base by looking for more customers of the same profile. In many cases, this is not a deliberate process as it is left to the initial customers who recommend the business to others with similar needs to their own through word of mouth marketing. A target customer group emerges and grows, but more through a process of self-selection and some encouragement from the entrepreneur, rather than through formal research and pro-active marketing.

This bottom-up process has advantages over the top-down approach. It requires fewer resources and is more flexible and adaptable to implement - attributes which are likely to be attractive to small business owners. It does have corresponding disadvantages which correspond to some of the marketing problems of small businesses. It is less certain of success because it is over-dependent on reactive rather than proactive marketing strategies. It takes longer to penetrate the market to full potential, resulting in a limited customer base. However, many successful small firms occupy niche markets through this process of supplying specialised products or services to a clearly identified group of customers. Others find a gap in a particular market place for the provision of more general services. Either way, success is dependent on identifying a particular group of customers who need the product or service on offer.

Target markets need not be concerned solely with customers in the conventional sense of the term. Small businesses survive in their
changeable environment not only by successfully marketing to those who buy their products or services, but also by developing important relationships with other individuals and organisations. Suppliers, bank managers, investors, advisors, trade associations, local government and public authorities may be as vital as customers to a small business's success. Entrepreneurs may target marketing strategies at these other markets which go beyond conventional definitions of the term 'customer'. In this sense, entrepreneurial marketing resembles aspects of relationship marketing which emphasise the need to create and develop a supportive network in which the firm can thrive (Gummesson, 1987). Likewise, entrepreneurial marketing targets any organisation or individual that can have a positive or negative effect on the small firm.

Product, Price, Promotion and Place versus Interactive and Word-of-mouth Marketing

Marketing strategies are implemented through marketing activities of various types, which have been summarised as the marketing mix, the set of tools at the marketeer's disposal. As these tools are numerous, various attempts have been made to categorise them into a manageable form, including the four-Ps', as discussed earlier. Entrepreneurial marketing activities do not fit easily into these existing models of the marketing mix. Owner-managers do not define their own marketing mix in terms of product, pricing and place decisions, although they usually include promotions. Instead, a different theme seems to run through the marketing methods preferred by entrepreneurs: they involve direct interchanges and the building of personal relationships. Entrepreneurs prefer interactive marketing. They specialise in interactions with their target markets because they have strong preferences for personal contact with customers rather than impersonal marketing through mass promotions. They seek conversational relationships in which they can listen to, and respond to, the voice of the customer, rather than undertake formal market research to understand the market place.

In many smaller firms, the ability of the owner-manager to have meaningful dialogues with customers is often the unique selling point of the business. Owner-managers themselves usually spend a considerable part of their working day in contact with customers (Orr, 1995). This allows them to interact with their customer base in a way which large firms, even with the latest technological advances, struggle to match. Interactive marketing for small firms implies responsiveness - the ability to communicate and respond rapidly to individual customers. Entrepreneurs interact with individual
customers through personal selling and relationship building approaches, which not only secure orders but recommendations to potential customers as well. During the focus group discussions owners stressed the importance of personal relationships in developing a customer base. Whilst this was particularly true of those in business-to-business markets, owners of retailing operations also emphasised the need to know their customers well. Sometimes this involved the use of a customised database. Several owners stressed the amount of time they spent personally in contact with customers.

Such interactions with existing customers rely on word-of-mouth marketing to spread the message. Entrepreneurial marketing relies heavily on word-of-mouth communications to develop the customer base through recommendations. Research studies inevitably cite recommendations as the number one source of new customers for small firms. Such recommendations may come from customers, suppliers or other referral groups. Word-of-mouth marketing has been defined as:

"Oral, person-to-person communication between a perceived non-commercial communicator and a receiver concerning a brand, a product or a service offered for sale." (Arnt, 1967)

This definition makes two crucial distinctions between word-of-mouth and other forms of marketing activity:

i) it involves face-to-face, direct contact between a communicator and a receiver; and
ii) the communicator is perceived to be independent of the product or service under discussion.

The importance of such communications is well documented in the marketing literature which suggests that word of mouth is often crucial to purchase decisions in many consumer and business-to-business markets. For many small firms, reliance on recommendations is no bad thing as it is more suited to the resources of their business. Referrals incur few, if any, additional direct costs; most owner-managers prefer the slow build up of new business which word-of-mouth marketing implies because they would be unable to cope with large increases in demand for their services.

Word-of-mouth marketing however does have some disadvantages:

i) It is self-limiting; reliance on networks of informal communications restricts organisational growth to the limits of those networks. If a
small business is dependent on recommendations for new customers, its growth is limited to those market areas in which its sources of recommendations operate.

ii) It is non-controllable: owners cannot control word-of-mouth communications about their firms. As a result, some perceive there to be few opportunities to influence recommendations other than providing the best possible service.

In practice, successful entrepreneurs find ways of encouraging referrals and recommendations by more pro-active methods. For example, Shaw (1997) demonstrated that small graphic designers used bartering, hospitality, flexible pricing and differential handling of work to help in the development of their referral networks. Entrepreneurs use such incentives not only to encourage existing customers but also to develop new markets by expanding their networks. A feeling of involvement or participation with a small enterprise, can also encourage customer loyalty and recommendations. From a study of lawyers’ practices in the USA, File et al. (1992) suggested that the intensity and variety of client participation during the service delivery process was predictive of positive word-of-mouth and referrals. Stokes (1997b) found that the more parents became involved with their children's school, through helping in class or fund-raising activities, the more they were likely to become strong advocates of the school. This reinforces the need for owners who wish to improve word-of-mouth communications to adopt interactive marketing practices which encourage involvement of some sort with the business, so that customers feel an added sense of commitment to it.

**Market Research versus Networking**

In each stage of the traditional marketing process, whether strategic or tactical, formalised market intelligence gathering and dissemination plays an important part (Kohli and Jaworski, 1990). Market orientation relies on research to determine customer needs. Strategic segmentation and targeting is determined by market information. The success of adjustments to the marketing mix is tracked by consumer research. Successful entrepreneurs shy away from such formal market research methods. They prefer more informal methods of gathering market information, usually through networks of contacts involved in the industry or trade (Carson *et al.*, 1995).

Successful entrepreneurs maintain an external focus to their activities which alerts them to opportunities and threats in their environment. Their informal
information gathering techniques allow them to monitor their own performance in relation to competitors and react to competitive threats. They are also open to new ideas and opportunities through a network of personal and inter-organisational contacts. This process restarts the marketing cycle by forming the basis for further innovative adjustments to the activities of the enterprise.

ENTREPRENEURIAL MARKETING PROCESSES

We have identified four key marketing principles and examined typical entrepreneurial behaviours and activities in relation to each of them. This provides a comparison of marketing as presented in standard textbooks such as Kotler (1997) and marketing as practised successfully by entrepreneurs and managers of entrepreneurial ventures. Exhibit One illustrates the two interpretations of marketing principles.

EXHIBIT ONE:
ENTREPRENEURIAL MARKETING PROCESSES COMPARED TO TRADITIONAL MARKETING CONCEPTS

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<th>TRADITIONAL MARKETING</th>
<th>ENTREPRENEURIAL MARKETING</th>
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<tbody>
<tr>
<td>CONCEPT</td>
<td>Customer-orientated:</td>
<td>Innovation oriented:</td>
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<td></td>
<td>Market-driven, product</td>
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<td></td>
<td>development follows</td>
<td>assessment of market needs</td>
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<td>STRATEGY</td>
<td>Top-down segmentation,</td>
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<td>targeting, and</td>
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<td>METHODS</td>
<td>The marketing mix</td>
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<td>Four/Seven P's</td>
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<td>MARKET INTELLIGENCE</td>
<td>Formalised research</td>
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The entrepreneurial marketing concept is focussed on innovations and the development of ideas in line with an intuitive understanding of market needs; traditional marketing assumes that a thorough assessment of customer needs precedes product or service development. Entrepreneurs target customers through a bottom-up approach to the market place, not the top-down segmentation, targeting and positioning processes of traditional marketing. They have a preference for interactive marketing methods, working closely with existing customers and relying on word-of-mouth communications to find new ones. Entrepreneurial marketing is
characterised by informal information gathering through networks of personal contacts, rather than the systematic market intelligence gathering advocated in traditional marketing texts.

**CONCLUSION**

These processes are typical of many successful owner-managers and entrepreneurs. Of course, not all businesses are developed in this way, nor do all entrepreneurs operate exactly like this. Some do conform more to the textbook marketing model of reliance on formalised research and procedures. However the purpose of this conceptualisation is to indicate that marketing is not alien to entrepreneurs, but nor is it according to traditional marketing theory. Rather it is marketing which plays to entrepreneurial strengths by recognising that aspects of entrepreneurship can be injected into marketing principles. There are inferences in some of the literature that the marketing undertaken by entrepreneurs and small business owners is only like this because of inadequate resources and it is therefore inferior to the more traditional marketing carried out by larger organisations (e.g. Barclays Review, 1997), yet entrepreneurial marketing need not be second-rate. Rather it is marketing which is more appropriate in entrepreneurial contexts.

**REFERENCES**


