

INNOVATIVE MARKETING FOR ENTREPRENEURIAL SUCCESS

Som Aditya Juyal, Swami Rama Himalayan University
Amit Nautiyal, Swami Rama Himalayan University

ABSTRACT

Entrepreneurial businesses usually create market offerings based on ideas/ technologies that are new to the existing marketplace. The challenge for them is selling an innovative product in a market that is non-existent. The classical marketing concepts of 4Ps (marketing mix) and STP (Segmentation, Target Marketing and Positioning), may have limited scope, and the present data and research may not be adequate to answer how to successfully generate demand from customers to help create a market for innovative products. Entrepreneurs can attempt to create an understanding for marketing of exclusively new businesses by assessing and evaluating the possible opportunities. The experience and exposure level of an entrepreneur shall be fundamental in this process of evaluation and finding the first customer, and how this early segment (niche) can be developed into a more formidable and potent one, by reducing the need-solution gap. Persistent market research from early states of idea generation to the existing proposition being offered to customers will not only keep the entrepreneur aware, but also build possibilities of co-creating products with customers. Besides this, creating new customers is the best way to develop the customer base and the market size. Lastly, entrepreneurs can successfully introduce new ideas/ technologies by crafting connections with customers by leveraging digital technologies for designing an effective and efficient logistics network with formidable sales support and services.

Keywords: Innovation, Entrepreneurship, Market Research, Customer, Co-Creation, Digital Technologies, Logistics, Sales, Service.

INTRODUCTION

Entrepreneurs have limited understanding of concepts on (a) which market to target (target market), (b) how price and quality are interrelated (price-quality relationship), (c) what price the customers are willing to pay for the offering (price threshold), (d) how distributor margin shapes the 'push factor', and (e) what sales promotion techniques can be used for effective marketing. All these factors are vital for creating consumer awareness and demand. To make it easy for entrepreneurs, we need to have a simplistic view of marketing problems. Usually, it is believed that an innovative product or service will make a great sale. But even the advanced and innovative product may fail to attract the customers owing to high price or non-availability. Products which are new or technologically advanced may have even greater market challenges as it may necessitate customers to alter their cognitions and behaviours.

Since predicting the future is difficult, traditional marketing may have a limited scope. We need to relook our marketing efforts in a more practical way by sensibly engaging initial customers, learning from them and evolving with products and services that best suit the customers and generate demand.

This way we are able to complement the fresh product development process with the customer development process. The new product development models do ornate the association among the new product besides (latent) customer needs, customer testing, and launch. But this is limited and overshadowed by technical issues involved in new product development. To achieve an enhanced balance and a bigger triumph for the entrepreneurial firm, it is essential to have a distinct customer development process.

This article is an attempt to explore and analyze the possibilities of selling an innovative product in a market that is yet to take shape, by continually exploring the possibilities of complementing the process of development of new product with the customer development process.

New Business Ideas Using Marketing

New business ideas bud in an entrepreneurial mind and can flower to become successful products. Digital Technologies, AI, and IoT have far-fetched results in developing smart technologies and services. Through the combination of hardware and software, performance contracts or subscription services have been created which can be tailored and built on data collated from a range of customers and situations. Instances include within-city mobility solutions, health monitoring solutions, and wireless digital doorbells. Due to this, difficulty increases and product and service distinctions become blurred (Porter & Heppelmann, 2015).

A business entrepreneur is driven by the desire to build a business and looks out for opportunities in the market. He or she develops the prospect into a business by crafting a new service or product that targets a market segment not well served by the competitors. Despite the uncertainty, they are willing to take on the financial risk (McMullen & Sheperd, 2006). Entrepreneurs aiming to improve existing products have a well-defined market with a fair idea of customers and competitors. Traditional marketing can be an effective means to identify the possible segments, target the opportune with distinct positioning that addresses their unique needs (both stated and latent). Being systematic and goal-oriented the entrepreneur is better prepared to define the product or service attributes, specify the pricing strategy, and design the right promotional support. However, high-tech entrepreneurs who come up with innovative ideas (new technologies) redefine the prevailing markets by crafting new product categories or altering existing ones. Usually hi-tech entrepreneurs are data analysts, engineers or technology professionals. They develop something unique which earlier no one thought about or only dreamt, and see potential and business proposition, even if first customers' reactions are cynical. And convincing customers' to buy this product is ironically difficult. But this does not deter them in seeking financial support from the venture capitalists. However, the hi-tech entrepreneurs have to bear the major risk by investing massively on their own. As we assume that the majority of startups fail and even the customer demand is low, the prime cause for failure is the value proposal. Therefore a clear understanding of the marketing challenges involved is crucial. An entrepreneur can succeed if they are able to create a product or service that customers are willing to buy, i.e. a product-market fit.

When it comes to 'newness' of a technology, we generally classify new products as (1) New types of prevailing products—which are either me-too products or line extensions; (2) Incremental innovations—extensions of existing products (e.g. LED bulbs, electric razor); (3) Radical Innovations (Guiltinan, 1999) – new products not existing previously (e.g. OTT, Apple). More radical a product idea, greater is the need to change customers' perceptions and behaviours and update their definition of product categories. When we move from extensions to radical

innovations, marketing challenges increase with increased investments (time and money spent on marketing and sales) to gain customer acceptance and develop the market for the new product. As smart televisions and tablets were simply extensions of smartphones and computers, the adoption of tablets and smart televisions was natural. However, adoption of robotics and instant diagnostics has been slow in operation theaters, despite the precision and successes they offer in tumour removal. Surgeons see their role limited as they have to rely on technicians who operate this new technology.

As elaborated in above example, marketing is more challenging for radically new products than the line extensions and incremental innovations. Business plans are mostly uncertain for radical new products and services as they are outside the existing product categorizations with no or limited market data. To derive the product benefits, and thereby the value, from radical new products and services, customers usually need to adapt their behaviour. As individuals we prefer to be efficient and will only go for radical new products or services if we are dissatisfied with existing solutions or if innovation offers something of value to us. Since, new products or services are not at their best in the introduction stage, the marketers may struggle to convince the probable customers who often are skeptical about the new product (Gourville, 2006).

Innovative marketing approaches that embrace the ambiguity is affected by the innovative technology. Focus on consumer discovery and creation can be effective in bringing radical innovations to market. In order to identify the required product-market fit, we need to talk to and experiment with innovative customers. (Lynn, 1996) The process of transforming the unexpected into an opportunity is known as effectuation. (Sarasvathy, 2001) According to effectuation theory, the future cannot be controlled or predicted. The path of development can be discovered and controlled by taking small steps and experimenting. In order to maintain and control the uncertainty in the future and environment, the iterative cycle of maintaining the status quo relies on experimentation. Market conditions and potential gains can be used to update aspirations and goals. This type of experimentation helps young companies discover and build their customer base and develop their product or service's advantage, which allows them to establish a sustainable position on the market for identifiable segments of customers. A theory of effectuation describes how entrepreneurs experiment and learn in this process. (Sarasvathy & Dew, 2005)

Efficiency reverses predictive rationality, in which the environment is viewed as exogenous and expected, and it assumes that farsightedness and preparation can be used to adapt to trends and capitalize on prospects (which is at the core of traditional marketing). Nevertheless, according to the effectuation view, the surrounding environment is shaped by the actions of individuals who use their resources to contribute to the future and shape it through their connections. (Read et al., 2009) Therefore, the first step in the process of elaboration is to discover the product-market fit using the assets that the entrepreneur has or can access through their network.

Within the framework of effectuation logic, young companies learn how to identify and exploit their limited resources in order to generate price for their customers. (Sarasvathy, 2001) Solution selling emphasizes the role of the sales function in contributing to the customer's understanding of the value in use of the product. This approach is similar to value-based selling. Markets are not homogeneous and they are made up of fragments with different needs and understandings that can change over time. This is what effectuation marketing emphasizes. By focusing on customer development instead of just selling products, value-based selling and effectuation marketing help the young company develop customers.

According to him, repeated experiments could be used to test early market ideas, preventing entrepreneurs from engaging in non-value-added activities. As a means to minimize uncertainty, the lean method disregards wholesome analysis and planning for long-term. Instead it favours generation of customer data. As opposed to focusing on marketing and sales, this method emphasizes product development. (Teece, 2010) (Ghezzi & Cavallo, 2020)

Developing the Business Model

Starting a business and finding product-market fit distinguishes them from existing firms. The viability and survival of a start-up are heavily dependent on whether or not buyers can be found, as well as whether or not a workable business model can be established. A business model describes how a company makes (presumably will make) money. (Foss & Saebi, 2017; Magretta, 2002) In addition, the model explains why and how market opportunities translate into business opportunities.

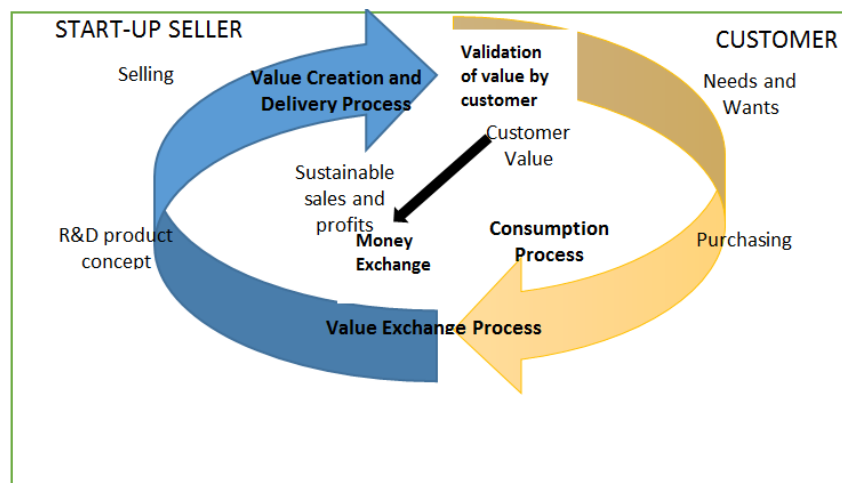


FIGURE 1
BUSINESS MODEL CONCEPT

The business model concept is shown at an aggregate level in figure 1. In this diagram, we see how a startup creates value and delivers it. As we can see to the right, we have the customer's consumption system; typically, the customer recognizes the value of a start-up and is willing to pay for that value with, for example, their data or, most often, their currency. A sustainable system will exist if these two aspects of production and consumption are balanced. In the bottom left corner of the figure, we can see the value exchange system. The entrepreneur and his or her (potential) customer conduct negotiations and transactions. Entrepreneurs can only be profitable when their sales (and other revenue) exceed the costs of creating and delivering value. Therefore, profits can be used both to compensate shareholders for the risk they took and to grow or maintain the company. Estimated market size and market share are important factors, as this reveals the potential for sales growth. With the increase in volumes, raw material costs decrease and efficiency increases, which impacts (decreases) the cost price. In the end, the firm must determine whether it will be able to secure its business. A viable advantage that can be

sustained depends on assets and skills that are hard to copy. It is essential to have a patent or a specialized expertise (as in product headship or very valuable client relationship).

Sales and marketing are responsible for aligning the two fundamental processes of the commercial model and facilitating the exchange of information. Boundary functions like marketing and sales have many ideas that can help craft product-market fit.

Lean Canvas (Figure 2) is a business models that emphasis on initial market endorsement. In this tool, customer problems worth solving are identified using Osterwalder & Pigneur (2016) Business Model Canvas (Osterwalder & Pigneur, 2016). Using it, an entrepreneur can focus on the most important business questions via nine basic building blocks. The questions include: What is our product (service) and how does it differ from others? What solutions do we offer to our target customers? What is our distribution strategy? What are their purchasing preferences? Is it cost-effective? How can we protect our company from contenders? Lastly, the model emphasizes key measures. In the lean approach, any validation should be qualified and/or quantified.

PROBLEM customer problem solving	SOLUTION top 3 features	UNIQUE VALUE PROPOSITION top 3 unique selling points	CHANNELS How will you deliver/reach customers?	CUSTOMER SEGMENTS Who are your target segments?
KEY METRICS key activities you measure to track your experiments.		'UNFAIR' ADVANTAGE why it is hard to copy and thus sustainable?		
COST STRUCTURE customer acquisition cost manufacturing cost overhead etc.			REVENUE revenue customer lifetime value gross margin	
PRODUCT			MARKET	

FIGURE 2
BUSINESS MODEL LEAN CANVAS

The business model will work if the below mentioned, three requirements are met:

1. a new product must provide substantial benefits to customers;
2. a sufficient number of (target) customers are committed that the new creation outclasses substitutes available in the marketplace;
3. The group should be prepared to engross in a trade at a price that matches favorably with the progress, manufacturing & distribution costs.

For a buyer, price variance is the difference between the benefits received and the cost incurred (value=benefits minus costs). These benefits can be either functional or emotional. The cost besides the price includes the customer switching costs. Customers might need some time to study how to use the new product. Customers might be discouraged by these costs. When entrepreneurs price their products and forecast market penetration, they ignore these 'hidden' costs. Customer value increases the chances of a product being adopted. When the value also compares favorably with comparable substitutes in the market, things look up.

Similar products or similar situations can lead to a different business model. When choosing a model, you'll need to weigh the pros and cons. We came across a few different types. An organization can design, develop, manufacture, and sell its products through a cohesive business model. Many firms have faith in this model (e.g., conventional cookie manufacturers). A second model emphasizes a specific role, such as managing a brand and customer relationship. The majority of companies today are responsible for their brand, while outsourcing many other functions. In the fashion and apparel industries, for example, designers and brands develop and launch products, but then rely on local or regional partners to produce and distribute them. Razor blade models are also available, where a particular aspect of a product system generates substantial income. The name states Gillette's success. By giving the handle away and selling the blades to make money, it has a simple principle. This model would be used by phone companies that offer free (or very low-cost) phones and make money by selling minutes of phone calls, copiers sold at a small price and profit from cartridges, and certified manuscript flow companies that depend on service rather than profit to survive. Lastly, there are subscription and advertising models. Money is generated by intermittent (e.g., monthly) fee, or paid promotion to users. The Internet has created new business models by providing instant communication and interactivity. Many firms in the game industry offer free games and only charging users for updates. For Amazon, eBay, and YouTube major revenue comes from advertising. Some examples can be like: Customers can design their own T-shirts and arrive at a competition to have them manufactured with thread less. Spotify offers music subscriptions for a fee or for free with advertisements. Though we stress on importance of paying customers, the business models of several disruptive innovators is generated differently to what it is usually understood as. These so called tech unicorns, initially focus on generating users. Their primary value is based on the growth potential they exhibit and their anticipated growth.

Defining Marketing and Sales

The word marketing has been equated with the words 'market' and 'getting' by historians. (Kotler & Keller, 2006) There are two elucidations of marketing: Marketing can be viewed as (1) The performance of a function or set of activities by an individual or group, and (2) a philosophy. (Moorman & Rust, 1999) describe the marketing person's or department's activities (segmentation, advertising, price, etc.) and the latter, actual marketing. Typically, marketing activities are divided into two levels: strategically and tactically. The question of what targets to target is dealt with in the marketing strategy. How and when can we reach them? Developing a product, setting its price, establishing distribution channels, creating product information, and advertising are all part of the activities linked to price, place, product, and promotion. In order to execute a marketing strategy effectively, strategic decisions need to be aligned with tactical decisions.

Ideally, firms should practice a '*marketing philosophy*' that encourages all employees to make market-informed decisions and take advantage of market information. In acquiring market information, employees can better recognize the mechanisms that shape customer behavior and the key factors underlying success in the marketplace, especially when competitors are portrayed in context. As markets are places for people to exchange goods and services, information about the customers and their competitors is essential. An organization should collect, disseminate, and use customer and competitor information systematically. The organization intends to act market-oriented by creating a shared mindset with this information. As marketing specialists, it is our responsibility to develop a culture and behaviors that are market-oriented. (Li & Calantone, 1998) Satisfied and loyal customers are the results of good marketing. Marketer's main objective is to establish a long-term relationship with their customers, and their time horizon is usually lasting.

It is possible to build a customer base that resonates with the right customer segment and then expand it using arguments that speak to them. For a startup, however, customer acquisition is a more complex matter. When switching from their current provider and product to a newly developed provider and product, customers must be convinced that the newly developed product offers features they value and recognize. It will be more difficult to find potential customers for a radical new product. For things to work, we will need to experiment or probe the market more. With rapid prototyping and a co-creative approach, Entrepreneurs quickly determine whether their first idea for a fresh product or service will make sense and can be established as a new business.

To conclude, traditional marketing and effectuation marketing differ in several ways. Market expansion centers on existing markets, whose future is predicted by traditional marketing. (Read et al., 2009) Business owners often set objectives for increasing sales by acquiring customers or increasing current sales. By contrast, effectuation marketing focuses on start-up businesses and entrepreneurs whose products are unproven and should determine their business models first. Founded on an entrepreneur's new product or technology idea, it is intended to solve, by means of experimentation with innovative customers, the problem of a certain (possibly emerging) group of customers. A small step by step approach is used to predict the future iteratively. Finding or creating new markets is the goal. It is thus about discovering what resonates with innovative prospects and making sure the application is also familiar to other (more average) consumers.

On the operational side, it involves prioritizing and meeting potential clients as well as concluding new business. Marketing's time horizons are typically shorter than salespeople's. Cash flow is generated by sales, so sales are an important function. The sales department of a company should seek out new clients to increase their sales and revenue and continue to farm their prevailing customers to ensure the company's success. Customers who are satisfied are likely to replicate purchases and become loyal to a brand. A happy customer could be used as a reference by others. A company's engineers rely on customer feedback to improve its product based on identifying potential customers, educating them, and listening to their concerns.

Sales frameworks normally assume the seller has a fully developed product, and that they are able to focus all their efforts on making a sale. The goal is to make sales and generate income, not to handle the customer carefully. A fully developed product is a myth for a startup. (Onyemah et al., 2013) To be successful in sales, it is crucial to gather information about potential improvements and redesigns in detail. Solution or value-based selling is more similar to this than business to business selling. These two approaches emphasize understanding a customer

r's business processes and problems and work together to provide solutions. Entrepreneurial sales agents should search for customers who value the new product solution and work with them to improve it so that more customers will accept it. Upon completing the validation stage, additional salespeople can be hired and the sales effort can be accelerated. (Leslie & Holloway, 2006) After that, the company can engage in regular or traditional sales practices.

Thus, entrepreneurs with radically new ideas are encouraged to use effectuation marketing instead of traditional marketing to execute, identify market opportunities, and convert them to a thriving business (Lynn et al., 1996). As new opportunities are spotted, iteration, creativity, and identifying suitable partners are used to take advantage of them. It is a method of decreasing risk and compressing time to realize and create customers and competitive advantage through continuous experimentation Table 1.

Table 1		
TRADITIONAL AND EFFECTUATION MARKETING		
	Traditional Marketing	Effectuation Marketing
Market situation	Known Market	Unknown Market
Approach	Planning, predict change and adapt	Experimentation to reduce uncertainty
Aim	Growth, leverage or extend business model	Survival, find business model
Market insight	Formal market research and intelligence	Informal co-creation with innovative customers
Resources	Well-planned budgets and anticipated effects	Limited resources, creative use of means

CONCLUSION

Marketing is viewed by many entrepreneurs as ineffective. The various arguments are: First, entrepreneurs are usually engineers. Technical challenges are generally their primary focus, and they spend their time working on them. They view anything else as '*soft*' or '*insufficiently concrete*'. The in-group-out-group mentality produced by such an attitude leads to polarised market views. The out group of marketers is those with no technical background.

Second, many engineers are not familiar with marketing and sales. As they are unfamiliar with the commercial disciplines, they may confuse marketing with advertising. Because of this limited understanding, marketing's contribution is simplistically and incorrectly evaluated. This mistake is made even by those who support lean start-ups. Entrepreneurs selling radical new products are frequently express that traditional marketing is not helpful, but they rarely specify why.

Third, entrepreneurs often take a naive view of marketing and sales problems due to a lack of knowledge about the commercial aspects. They only accept original products and services for sale. Their failure to realize that communication must be designed properly to convey the unique selling proposition while taking into account the customer's decision-making unit. As a result, they may oversimplify or develop the marketing themselves, making obvious errors.

These issues may be resolved by engineers consulting with marketers or salespeople. Marketing professionals most likely persuade others to invest in marketing activities by demonstrating the impact of marketing activities on the bottom line. Tactically explaining that most new products are not excellent might help explain why some products sell themselves, although some excellent ones might sell themselves. It can be argued that marketing can play an important role in forming product-market fit and generating customers for a new firm, and most

new companies fail not due to technology or engineering problems, but because of a failure to connect and persuade customers.

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