

**NEEDED: MORE RESEARCH ON MARKETING THROUGH INTERNET
STRATEGIES FOR SMALL ENTREPRENEURIAL FIRMS**

Professor Charles R. B. Stowe MBA, JD, Ph.D.
Sam Houston State University
Phone: (936) 294-1287
fin_crs@shsu.edu

Robert J. Lahm, Jr.
Middle Tennessee State University
Phone: (615) 898-2785
E-mail: rlahm@mtsu.edu
<http://mtsu.edu/~rlahm>

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ABSTRACT

The Internet provides a virtual, 24 hour-per-day store front capable of taking orders, showing the product or a demonstration of it, along with technical sheets and vivid artwork. However, this present paper is not primarily focused on the e-commerce potential of small businesses (i.e., the ability to transact the sale of goods and services via the Internet), as this is already well known. Rather, we wish to address the marketing and outreach potential afforded to the smallest of businesses, including those with as few as one employee, by leveraging appropriate technologies. We provide this paper as an introductory contribution to the literature, because at the present time, more research on marketing through Internet strategies for small entrepreneurial firms is needed. Due to a paucity of scholarly research on Internet marketing methods for small businesses, we draw upon activities within the practical community as well as some transferable research on marketing in general and entrepreneurship.

INTRODUCTION

The World Wide Web has made it possible for a relatively small firm to promote its products or services to an international audience (Durkin & McGowan, 2001; Fillis, 2001; Fillis, Johansson, & Wagner, 2004; Styles & Seymour, 2006; Wood, 2004). Traditionally, a small firm wanting to compete in a global market or even in a national market would spend thousands acquiring a mailing list, more thousands to design and mail several pieces of literature per potential target segment, and then follow up with phone calls that would cost \$3.00 or more per call in phone charges alone not to mention the cost of the telemarketer. What once would have required a multi-million dollar advertising budget can now be done for mere thousands, a fraction of what may have been spent in earlier times. Sending letters has been replaced by sending email, with savings achieved not only in mailing list costs and some for creating the content, but by eliminating the previously incurred expenses involved in producing brochures and other collaterals (and at the higher end this might entail niceties such as laminated or varnished, four-color process, die-cut pieces). The Internet even serves to replace long distance call charges thanks to Voice Over Internet Protocol (VOIP).

While many of the antecedents to the aforementioned technologies have been in play since the early 1980s, academe has been slow to research the different viral marketing strategies and web strategies that should become part of an integrated marketing system. Viral marketing extends the discussion above considerably: via the Internet, organizations (and individuals) now have the ability to create content which is purposely formulated to spread. On the other hand, if one is not very aware and savvy, it can also be the case that content or other information that was never expected to spread can become an Internet and media sensation. Despite the tremendous upside and downside potential of these technologies, our review of literature revealed the paucity of academic research in this area and the potential value such research might provide for those whose primary interest is the growth oriented firm.

The Relevancy of Marketing Strategies to Small Entrepreneurial Firms

“Small entrepreneurs have created the vast majority of new jobs in the last decades” (Bruyat & Julien, 2001). According to SBA estimates, in 2006 “small firms with fewer than 500 employees represent 99.9 percent of the 26.8 million businesses” (“Small business Frequently asked questions (FAQ),” 2007). “There were 5.9 million firms with employees and 19.5 million without employees in 2004 (“Small business Frequently asked questions (FAQ),” 2007). This calculates to an estimate of 76.77 percent for businesses without employees and 23.23 percent with employees. If the proportion of businesses without employees versus those with employees generally held true in 2006, we would estimate that approximately 20.57 million businesses (out of 26.8 million) had no employees in 2006. “Small businesses created 60 to 80 percent of the net new jobs” (“Small business Frequently asked questions (FAQ),” 2007). Thus, we can deduce that the relative importance of small businesses to the economy is significant in terms of overall headcount. However, entrepreneurs “create a large percentage of new value, which researchers in the field consider to be necessary for the proper operation of our economic system” (Bruyat & Julien, 2001).

Because “new ventures usually start off as relatively small organizations with only a handful of employees and very limited financial resources” (Gruber, 2004), they need to be effective marketers, and they must often engage in “bootstrap marketing” (Lahm, 2007) and bootstrap financing (Arora, 2002; Bhide, 1992; Firestone, 2004; Van Auken & Neely, 1996; Winborg & Landstrom, 2001; Worrell, 2002). In short, they will use creative methods instead of traditional sources of capital. In some ways, the constraints encountered by businesses with limited budgets may serve as a catalyst to inspire innovative marketing approaches. Although “innovation and creativity has long been a core focus for entrepreneurship researchers” (Styles & Seymour, 2006), most of the attention paid to these areas of study has emphasized the creation of businesses (product and service ideas, process innovations, and the like—not about marketing strategy and tactics). However, what has been determined is that “a firm with an entrepreneurial approach to marketing will proactively leverage innovation and manage risks” (Miles & Darroch, 2006). Indeed, “successful entrepreneurial marketing depends on the exploitation of core competencies with creativity serving as the catalyst” (Fillis & Rentschler, 2005).

RESEARCH FINDINGS

As Gruber (2004) observed: research on entrepreneurial marketing has increased; however, “findings are varied and vibrant, yet also large and extremely fragmented, and a comprehensive theory of entrepreneurial marketing is still lacking.” We speak to this larger context merely to indicate that our topic of interest, which is a subset of entrepreneurial marketing, has not been addressed, either. “Actual research is sparse regarding how consumers use the Internet to purchase products and services, successful e-marketing techniques, analysis of ‘hits to sales’ levels, and overall constraints of e-commerce” (McCue, 1999).

As the above studies are somewhat dated, we decided to investigate the extent to which academia has conducted research on the topic of marketing strategies for small business and

entrepreneurs using the Internet. We used the most popular and largest business databases to explore the landscape of scholarly research.

The authors of this present paper conducted a series of *ProQuest* database searches with selections set to retrieve full text scholarly articles (searching based on the citation and abstract) with results as indicated below:

No documents found for: (internet marketing) AND (entrepreneurship)
4 documents found for: (internet marketing) AND (small business)
1 document found for: (online marketing) AND (entrepreneurship)
No documents found for: (online marketing) AND (small business)
1 document found for: (on-line marketing) AND(entrepreneurship)
No documents found for: (on-line marketing) AND (small business)
2 documents found for: (web marketing) AND (entrepreneurship)
2 documents found for: (web marketing) AND (small business)

Upon broadening our *ProQuest* database search to encompass marketing in general, results indicated: “34 documents found for: entrepreneurs AND marketing”; and “132 documents found for: (marketing) AND (entrepreneurship).”

Using *Business Source Complete* (a subset of *Academic Source Complete*) to search through academic journals, we discovered a higher level of research activity using keywords of Internet marketing and small business with a limiter of academic journals. That search resulted in 796 citations with the majority of them having been published in years 2005-2007. *Academic Search Complete* provides full text for over 1,260 academic, social sciences, humanities, general science, education and multi-cultural journals. In addition to the full text, this database offers indexing and abstracts for over 2,880 journals. Over 700 of the 1,260-plus full text journals are peer reviewed. Over 1,670 of the indexed journals are peer reviewed (SHSU Library web page). The articles were quite focused and did not address the issue of how a small business might use the Internet as part of their marketing strategy. Most of the articles were narrowly focused on legal issues of using the Internet for marketing, addressed to specific industries, or empirical studies (unfortunately, not broadly generalizable or useful to address the topic of small business Internet marketing at large). A broader search using keywords of Internet marketing resulted in 632 articles. An examination of the top 100 articles revealed some interesting research of practical implication for entrepreneurs and small business. However, much of the work is not directed toward providing practical advice for the small business or entrepreneur in developing marketing strategy using the Internet, but on theoretical implications of the Internet for business or on expounding on communications theories and consumer behavior (the more academic topics).

Using the search engine and database *Business and Company Resource Center* and the same keywords marketing Internet, we found 31 articles with the limiter of academic journals only. The *Business and Company Resource Center* offers company and industry intelligence on thousands of global companies. Included in the database are: periodical articles, company information, investment reports, product information, industry and company rankings, financial

overviews, industry overviews and HR law case digests along with peer reviewed academic journals (SHSU Library website).

Finally, using *Proquest* search of dissertations, using the keywords, Internet and marketing and small business, we found 15 dissertations. A close review of the titles revealed that much of the research was narrowly focused with titles such as “The impact of photography on web pages of small businesses in the Lehigh Valley” or “Cape and islands hearing centers business plan.” The nature of dissertations is drilling deep into a narrow area of investigation.

DISCUSSION OF RESEARCH TOPICS USEFUL FOR SMALL BUSINESS/ENTREPRENEURS ON INTERNET MARKETING STRATEGIES

As noted above, we observed that scholarly business researchers have discovered the importance of the Internet on marketing strategies, but the focus has been on theoretical communication models, consumer behavior or by contrast on very specific and narrow case studies. However, “between the recognition of an opportunity and its successful exploitation lies a critical, albeit often underestimated, learning process that takes place as entrepreneurs gradually manage to make sense of the connections between different technologies, product functions, customers’ preferences, market structure, etc.” (Styles & Seymour, 2006). The void seems to be on the following issues (to name a few):

- What specific strategies can small businesses or entrepreneurs use to harness the power of the Internet for growing their markets?
- What are the related costs of implementing various marketing strategies over the Internet?
- What strategies tend to produce the best results?
- Do strategies differ between those businesses that serve the retail market and those that are business to business?
- How do small businesses leverage the synergies that arise from coordinating off-line efforts with an online presence? This last question suggests tremendous potential as a research area and implications for practice. For instance, a press release mailing could drive members of the media to online resources that amplify the power of the message being sent in the release. A site can contain videos, audio, usable photos and logos, suggested interview questions (a method used by many book authors—one should not suppose that interviewers, such as those on TV, actually read all the books written by the authors that they interview!), and numerous other resources. Experienced PR professionals are well aware that one of the most effective strategies that they can use is to make it easy for members of the media to in effect “cut and paste” a story into their given medium (print, broadcast, et cetera), which thereby creates “instant content” that fills the respective journalist’s pages and air time (and allows him or her to “call it a day” sooner).

Another potential area worthy of research is the extent to which advertising expenditures have been shifted from traditional media to the Internet, and whether firms headed by younger entrepreneurs are more likely to utilize web based marketing strategies as compared with ventures started by more senior entrepreneurs. It is a well established fact that users tend to be

younger and more affluent, but even this is changing as penetration is increasing. We have already seen this phenomenon before: rural electrification, radio, black and white television, color television, cable television, the rise of personal computers, and the Internet should also provide forward-looking researchers with a provocative set of questions:

- What's next in terms of consumer usage patterns, business to business usage, and effective strategies in light of a continual evolution?
- What Internet marketing strategies will survive the test of time?
- What Internet marketing strategies will fall by the wayside? (We already see the popularity and effectiveness of email marketing in a state of transition, for instance, as spam filters, laws, and other impediments to message delivery arise).
- What implications exist from the legal arena that impose changes (or arise from practices) in the marketing arena? The Internet is generating an entirely new set of concerns about privacy, intellectual property, and free speech.
- How will marketers contend with an unprecedented degree of power that now rests in consumers' hands? A plethora of anti-company and product sites has arisen, through which customers and groups have worked to damage brands and companies that they hold in contempt.

Because the savings afforded by using the World Wide Web can leverage a firm's assets and provide a cost effective platform for adding legitimacy to a new business, research on exactly what strategies are successful at what price points would constitute an excellent avenue worthy of further investigation.

Ironically, the richest source of information on specific marketing strategies is found from "marketing Internet merchants." Marketing Internet merchants include ISP providers such as Go Daddy whose web pages offer advice on various services they offer and how those marketing strategies might benefit different types of organizations. Internet marketing consultants, who offer electronic (e-books, often formatted as pdf files) on the use of the Internet are a rich source of advice for the small business or entrepreneur. And, there are a host of books written by self promoted "Internet marketing gurus"; our initial observations in this present paper that may be helpful in creating a survey of Internet strategies. Despite such relatively low returns found in our search for scholarly works, a Google search of Internet marketing, viral marketing and other web-based marketing strategies reveals tens of thousands of sites offering insight into the use of the web to market products or services. We could call it an "underground" movement, except that members of the practical community are actively engaging in spirited discussion and experimentation, while entrepreneurship researchers, to date, are pursuing more theoretical studies.

As recently as 2001, some academic researchers have written that "The field of entrepreneurship is a fully fledged research field. It is as important for society as the other fields, and because of its specific features it is one of the most difficult to study from a methodological standpoint" (Bruyat & Julien, 2001). Others make the argument that "entrepreneurial marketing has been most often associated with SMEs" (Miles & Darroch, 2006): small to medium-sized enterprises. Some argue that "entrepreneurial marketing explicitly acknowledges that innovation cannot, and should not, focus exclusively on the expressed needs of current customers" (Miles & Darroch, 2006). This is at least, in part, because "entrepreneurs are the alert perceivers of market

errors or inefficiencies that they, or others, have previously overlooked” (Styles & Seymour, 2006). “Marketing and entrepreneurship are highly interdependent” (Morris & Lewis, 1995). In yet marketing problems are “the most commonly cited problems from the owners of small companies” (Krake, 2005). “Those small firms which exhibit core sets of entrepreneurial marketing competencies are best placed to achieved competitive advantage in the marketplace” (Fillis et al., 2004).

“Marketing is considered to be of utmost importance for the success of new ventures” (Gruber, 2004). However, “there is a distinct difference in having...a marketing department of 25 at your disposal as opposed to having to plan and execute marketing campaigns all by yourself” (Krake, 2005). What makes the issue of web-based marketing intriguing is that its cost is very low when compared with the costs of direct mail, printed brochures and letters as well as US postage fees.

The reason “customers choose to purchase from one firm over any other firm rests on that firm’s ability to create superior value propositions for its customers” (Miles & Darroch, 2006), suggests another research question: Does web based promotional techniques serve to impart a higher value to prospective customers than traditional media? The ability of the web to offer websites that incorporate three dimensional representations and “walking tours” through a product, raises the question of whether flash technology on the web serves to give customers a more robust or convincing pitch than a comparable advertisement on television?

The current definition of marketing offered by the American Marketing Association, states: “Marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships ways that benefit the organization and its stakeholders.” (“AMA adopts new definition of marketing,” 2007). While Morris and Lewis suggested that it may be “vital for marketers to understand entrepreneurship” (Morris & Lewis, 1995), we conversely agree that it is vital for entrepreneurs (and entrepreneurship researchers, et al) to understand marketing particularly that conducted through or by means of the Internet.

“Creating value-rich, mutually beneficial exchange relationships between a firm and its stakeholders is at the core of modern marketing” (Miles & Darroch, 2006). But in today’s entrepreneurial society, the Internet permits an expansion of the geographic range of a business’s potential market. The Internet may well serve to disrupt existing relationships. Some commentators have made the observation that one impact of e-bay has been to lower prices for consumers. Part of the nature of the disruption is through communications and relationship building that would not exist without the Internet and its related technologies. Certainly the world wide scope of billions of web pages has enabled transactions to occur almost without regard to geographical distances.

The use of the Internet technologies allows for “instant international market access” (Fillis et al., 2004) for entrepreneurial firms. This means that SMEs can now enjoy some of the same benefits that only larger firms, including global organizations, have been able to leverage historically. Innovations and increased access to users (and the wherewithal to reach those users)

“gives hope to millions of SMEs attempting to penetrate foreign markets using the Internet as their launching pad” (McCue, 1999). Another ripe area for investigation is the extent to which firms have found that different Internet or web based strategies have expanded their markets.

“The entrepreneur exchanges value with a wide variety of actors in the entrepreneurial process, including customers, employees, society, financiers, and alliance partners” (Styles & Seymour, 2006). “New ventures are unknown entities to potential customers and other parties, which often translates into a lack of trust in their abilities and offerings” (Gruber, 2004) But does a presence on the web add to the credibility of a business or does it have the opposite effect and on whom?

Traditional market research has focused on larger entities which have a significant investment in traditional marketing strategies. However, even the largest of companies have looked at viral marketing over the web and other media outlets such as a popular blogs, search engines and ISPs to buy space or a link for their products or services. The advent of relational software made possible the incredibly sophisticated software behind Amazon.com which “remembers” the customers’ previous interactions and queries them as to whether they are seeking similar titles. Some academicians have observed that: “marketing activities in SMEs will always be pragmatic, practical and relevant to the individual SME, anything that does not meet these conditions is of little value to them” (Carson & Gilmore, 2000).

“SMEs will pragmatically adapt any marketing theory to make it relevant to the way they do business” (Carson & Gilmore, 2000). Of course, we find this interesting, because supposedly, theory should reflect phenomena under observation in the natural-practical world. “The field of small business is close to the field of entrepreneurship, in that it recognizes the importance of the manager, who is often the owner, in understanding and attempting to explain small business performance” (Bruyat & Julien, 2001).

Whether entrepreneurs are attempting to service current business market needs or whether they are identifying yet new markets, is worthy of consideration in future research efforts. A couple of research scholars have written that: “innovation from an entrepreneurial marketing perspective...encompass[es] innovation (both incremental and radical), which not only creates and renews competitive advantage but also serves current profitable markets” (Miles & Darroch, 2006). The dynamics of Internet based marketing strategies and their applicability to start up firms and existing entrepreneurial firms is clearly worthy of academic research. We believe that it is quite possible that Internet marketing may become a subset of marketing research in the future.

CONCLUSION

The authors of this present paper agree that “there is considerable scope for marketing academics to contribute to this field [entrepreneurship], which would in turn, advance marketing theory” (Styles & Seymour, 2006). However, since our primary research focus is entrepreneurship, we also advocate that the inverse is true: entrepreneurship researchers should endeavor to systematically study the role and impact of marketing over the Internet in the context

of entrepreneurship (and we assume that such an effort would contribute to the field of marketing). Small entrepreneurial firms can now achieve a first class “showcasing” of their products at low expense. What once required \$2 million worth of studio equipment to produce can now be done with equipment costing less than \$1,000. While mass audience was attractive to mass merchandisers, even the large entities recognize the power of relational databases to target specific customers with distinct needs (even providing a customized user experience, such as that which Amazon’s “wish list” technology affords).

This same capability is available now, or at least trickling down into the grasp of the small entrepreneurial firm. The question for the small entrepreneurial firm is what web based strategies are most productive for the firm? Does it matter whether the firm is local, national or international or on whether the firm is selling a service or a product? What types of “links” and other viral strategies create revenue, and when does the concept of web enhanced marketing supplant the traditional notions and strategies of marketing (price, performance, product, etc.)? How can small entrepreneurial firms use email lists, opt in strategies and other innovations in e-based marketing to spur growth? How much an investment is required to produce what level of success in the marketplace? Of course, these same questions we have sketched out briefly above, beckon for the attention of future entrepreneurship-marketing.

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