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Marketing in an Entrepreneurial Context

Learning Objectives

- 1.1 Define marketing.
- 1.2 List the seven steps in the marketing process.
- 1.3 Explain why marketing in new ventures is different.
- 1.4 Explain how to use marketing to discover and satisfy customers' needs.
- 1.5 Discuss the 5Ps of product-based ventures and the 8Ps of service-based ventures.
- 1.6 List the five forces in the entrepreneurial marketing environment
- 1.7 Explain the concept of environmental scanning

So, you want to be an entrepreneur! That's great. It can be a challenging and rewarding experience. And if I asked you why you wanted to be an entrepreneur, I bet many of you would say it is because you want to make money. Well, that is the first mistake most entrepreneurs make. In fact, the actual purpose of an enterprise is not to make money. Instead, experts tell us that the actual purpose of an enterprise is the creation and retention of satisfied customers.¹ How well you perform these vital tasks will be reflected in the level of profitability of your enterprise. In other words, your profit

is simply the scorecard with respect to how well you stay wedded to your real purpose.

You must understand this important point, or your entrepreneurial career is likely to be truncated. Moreover, it is critical for you to understand marketing's role in creating and retaining satisfied customers. Simply put, it is marketing that enables you to discover, create, arouse, and satisfy customer needs and wants. In entrepreneurial terms, we often say that a successful enterprise is built by a smart entrepreneur who finds a source of "market pain" and creates a "unique" way to cure it!

For example, consider the young entrepreneurs who started Blistabloc (www.blistabloc.com). Katherine and Jacy were students of mine in my entrepreneurship course, and I also mentored them along their entrepreneurial journey. Katherine is a marathon runner and Jacy is a fitness instructor. They simply got tired of getting blisters on their feet when they stepped out of their sneakers and into real shoes! And they discovered they were not the only ones. Moreover, they and others were unhappy with the current solutions—bandages and lotions. So they spent hundreds of hours conducting research on possible solutions and carried out intense customer interviews. They created patent-pending inserts that go into all types of footwear to prevent blisters. It is an acrylic-adhesive that stays in place for years! They sell them in packages of four—two large for the heel area and two small for use around straps and the sides of footwear. They are off to great success, including winning Mass Innovation Night's Favorite product.

So I you can see, Blistabloc is an example of a successful entrepreneurial startup that was based on a key concept in marketing: discovering customer needs and satisfying them. Or, as we say, finding a source of market pain and finding a unique way to alleviate that pain! Blistabloc also illustrates the need for entrepreneurs to consider how to sustain the growth for their enterprises. In this case, that means scaling up the business via multiple channels, expanding geographically, and finding novel ways to reach customers including online engagement. You will read about them in the Entrepreneurial Marketing Spotlight.

Marketing: Defined

LO 1.1 Define marketing.

Many people are confused or have misconceptions about the concept of marketing. First, do not confuse marketing with advertising, selling, or common sense. Although advertising is one of the more visible forms of marketing, it is but one small element of marketing. Marketing is not selling. In fact, some experts suggest that if entrepreneurs engage in effective marketing, it can reduce the need for selling. Marketing is not simply common sense. While

good entrepreneurs are often perceptive and intuitive, these traits alone are not sufficient for making successful marketing decisions. Effective marketing requires intimate knowledge and understanding of consumers and competition that goes beyond simple common sense.

Second, be wary of the many misconceptions about marketing, including many negative ones. For example, marketing is not hucksterism; it is not selling unwanted things and taking the customer's money. Nor is marketing about manipulating, fooling, or tricking the customer.² Instead, **marketing** is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.³ This definition stresses the importance of creating and delivering genuine value (benefits) in the offerings marketed to customers. As an entrepreneur, your business venture must create and deliver customer value or benefits. If not, there is absolutely no reason for customers to buy from you. Moreover, while gaining your first customers is critical for your venture, you must also use marketing to retain those customers by satisfying those customers and forging long-term relationships with them. If you do, you will find that these customers will remain loyal to your enterprise and can be a valuable resource in recommending your business to others.

The Seven Steps in the Marketing Process

LO 1.2 List the seven steps in the marketing process.

As an entrepreneur, you will have to understand and follow the seven steps in the marketing process to create and sustain a successful venture:

1. Identify and understand customer needs.
2. Develop products, services, or experiences to meet those needs.
3. Price the products, services, or experiences effectively.
4. Inform customers that these products, services, or experiences exist.
5. Deliver the products, services, or experiences efficiently and conveniently for the customer.
6. Ensure customer satisfaction during and after the exchange process.
7. Build long-term relationships with the customers.

Northeastern University alumnae Katherine Connors and Jacy Quill find themselves in the Entrepreneurial Marketing Spotlight by demonstrating that they have mastered many of the steps in the marketing process.

ENTREPRENEURIAL MARKETING SPOTLIGHT

Katherine Connors and Jacy Quill are entrepreneurs. And I had the privilege of teaching them as well as mentoring them. These women co-founded Blistabloc—a novel solution for preventing blisters caused by footwear. As I pointed out earlier, it is a patent-pending acrylic-adhesive insert that fits inside footwear. Basically, their success can be largely attributed to the fact that they embraced the marketing process. First, being marketing oriented, they discovered that many potential customers for their product experienced the same problem they themselves had—blisters on their feet! Second, they also discovered that people were unhappy with the current solutions to their blister problems, namely bandages and skin lotions. Third, based on these discoveries, they developed a unique and patented product designed to meet the needs of those suffering from blistered feet. The key to their solution is actually preventing blisters from happening in the first place. This makes the solution distinctive and valuable. Their branding promise is simple: “Goodbye blisters, hello happy feet!” They are dedicated to their business and customers, and they are off to a great start with their new venture. We welcome them to the entrepreneurial marketing spotlight.⁴

Why Marketing in New Ventures Is Different

LO 1.3 Explain why marketing in new ventures is different.

Marketing in an entrepreneurial context is different from an established corporation. As an entrepreneur, you will face different marketing issues compared to executives in a corporate environment.

For example, unlike your corporate counterparts:

- The entrepreneur must use marketing to identify new products, services, or experiences to market to new customers and not simply use it to sell existing products and services to existing customers.
- The entrepreneur must use marketing to obtain his or her “first customer” (gain the first dollar of business) and not simply manage an existing customer base.
- The entrepreneur must use marketing to build a new and compelling brand and not simply manage an existing brand.
- The entrepreneur must use marketing to establish effective marketing channels of distribution and not simply manage existing distribution methods.

- The entrepreneur must use marketing to establish initial price points for his or her offerings and not simply manage current prices for existing offerings.
- The entrepreneur must use marketing communications to persuade customers to try his or her offerings and not simply remind customers to continue to buy.
- The entrepreneur, because of resource scarcity, must find creative ways to leverage his or her marketing efforts, especially early in the venture startup phase.

Unfortunately, venture failure continues to be the rule and not the exception. But marketing can help you improve your odds of venture success. It can help provide you with a solid understanding of customers and markets, identify and validate the right opportunity, and determine how best to capitalize on that opportunity. One of the biggest problems faced by many entrepreneurs is the tendency to chase “too many rabbits.” In other words, you must focus and not try to be all things to all people. Marketing can provide this focus. In short, it can help you zero in on the right customers—your **target market**—the specific group of customers toward which you direct your marketing efforts or marketing program. In the entrepreneurship world, particularly from the investor’s perspective, the target market is often referred to as the “**addressable market**.” It is marketing—specifically, marketing research—that allows you to determine this target market—the addressable market—and then enables you to configure your marketing program.

Using Marketing to Discover and Satisfy Customer Needs

LO 1.4 Explain how to use marketing to discover and satisfy customers’ needs.

It is important for you to recognize that if you wish to improve your odds of venture success, you must use marketing to discover and satisfy customer needs. The discovery process sounds simple, but it is not. Thousands of ventures fail every year in the United States, and in many cases, the failure is a direct result of the entrepreneur failing to carefully examine customers’ needs or simply misreading those needs. Granted, it is often difficult to get a precise reading on what the customer needs. But as an entrepreneur, you have to be willing to be persistent and creative to uncover customer needs.

One of the best ways to do so is to go into the market to talk with and listen to customers. Through dialogue and active engagement with the customer, you will gain an understanding of the customer. In the entrepreneurship field, we

often refer to this process as obtaining “the voice of the consumer.” Voice-of-consumer research will be discussed later as an important part of finding and evaluating business opportunities.

After properly discovering customer needs, the entrepreneur must begin the task of designing his or her business to satisfy those needs. In fact, recent research involving 45 successful entrepreneurs revealed that delivering customer satisfaction was a key imperative for venture success.⁵ But, as stated earlier, your venture cannot satisfy all consumers’ needs, so you must concentrate your efforts on a specific group of potential customers—your target market. Selecting the proper target market involves the process of **market segmentation**—placing customers into groups (segments) that (1) have common needs and (2) will respond to a specific marketing offer. We will discuss segmentation in depth in Chapter 5.

For now, it is sufficient that you know that you will select a given segment (or segments) to pursue—your target market(s)—and create the marketing offer, designed to appeal to the target market and satisfy its needs. This marketing offering is called your **marketing mix**. The marketing mix is what gets integrated into a tangible marketing program that your business will use to gain and keep customers. For Product-Based ventures, your marketing mix consists of five elements, or **5Ps**: product, price, promotion, place, and people. For a Service-Based venture, the marketing mix consists of eight elements, or **8Ps**: product, price, promotion, place, people, physical evidence, process, and productivity.

The 5Ps of Product-Based Ventures

LO 1.5 Discuss the 5Ps of product-based ventures and the 8Ps of service-based ventures.

A marketing program for a Product-Based venture—a venture that markets “tangible” or physical products—would consist of a combination of five marketing mix elements. The 5Ps are used to create, communicate, and deliver value to your customer:

- *Product*: The product to satisfy the customer’s needs
- *Price*: The cost to the customer
- *Promotion*: The means of communication between you and the customer
- *Place*: The means of getting the product into the customer’s hands
- *People*: The individuals who will work with you and your venture

Figure 1.1 shows the 5Ps for Sephora, a very successful beauty and skincare enterprise.

Sephora has a unique open-sell environment with more than 200 brands plus Sephora's private label. The company emphasizes training of its people and even opened Sephora University in San Francisco to educate its personnel on both products and customer relations. The company also has one of the world's top beauty websites and hosts social media including an online beauty community as well as mobile technology including an iPhone app. The company has achieved outstanding year-over-year sales growth since its launch.

FIGURE 1.1 • The 5Ps for Sephora

Product: Broad range of quality skincare, makeup, and fragrances for women and men (nationally branded and private label)

Price: Above market

Promotion: Public relations, catalogs, customer loyalty program, website, social media, and mobile marketing including an iPhone app

Place: More than 500 stores (more than 200 inside JC Penney stores) in 24 countries, online (www.sephora.com), and 1-877-Sephora

People: Highly trained, knowledgeable, and customer-centric consultants

The 8Ps of Service-Based Ventures

LO 1.5 Discuss the 5Ps of product-based ventures and the 8Ps of service-based ventures.

A marketing program for a Service-Based venture—a venture that markets “intangibles”—would consist of a combination of eight marketing mix elements (8Ps):⁶

- *Product:* The product (service) to satisfy the customer's needs
- *Price:* The cost to the customer
- *Promotion:* The means of communication between you and the customer
- *Place:* The means of getting the product into the customer's hands
- *People:* The individuals who will work with you and your venture
- *Physical evidence:* The “tangibles” that surround your service
- *Process:* The way the service is created and delivered
- *Productivity:* Balancing service output with service quality

Figure 1.2 shows the 8Ps for Southwest Airlines, one of the most successful entrepreneurial airline startups in America. In fact, Southwest Airlines went from a small startup with just a few planes to a major carrier in less than 20 years. It has also been the most consistently profitable airline in the United States and has achieved high levels of customer satisfaction year after year.

FIGURE 1.2 ● The 8Ps for Southwest Airlines

Product: Low-cost, no-frills, convenience, point-to-point airline passenger service

Price: Low prices, below market

Promotion: Broad range of marketing communications, including broadcast television, sponsorships, and its website

Place: Major markets but often in secondary airports adjacent to major airports to keep costs down

People: Specific emphasis on training to achieve excellent customer service

Physical evidence: Keeping the planes clean and safe; allowing employees to dress casually; and strong branding, color language, etc.

Process: Using the same plane type to make it easier for employees to manage operations and making it easy and simple to fly with Southwest, including online booking

Productivity: Key emphasis on a 15-minute turnaround time (getting the plane ready after landing and getting it back in the air safely)

Market Fulfillment Versus Market Creation

It is safe to state that most new ventures are based on the concept of market fulfillment. That is, the entrepreneur enters an “existing market” and uses the conventional marketing process. But some new ventures are based on “market creation”—creating a new market that did not currently exist. In this case, the consumers generally have no idea about a need for such a new product, service, or experience.

In the case of market fulfillment, the conventional marketing process of discovering and satisfying customer needs really does work quite well. But it does not work so well when an entrepreneur is attempting to create entirely new markets.⁷ Henry Ford, the famous automobile pioneer, once said, “If I asked the customer what they really wanted, they’d have said a faster horse!”

Basically, Ford was telling us that when we try to discover what customers want, they will often simply ask for better versions of existing products. In Ford’s case, consumers could not have even imagined the possibility of a “horseless carriage”—the first automobile! Thus, this approach will not likely help an entrepreneur who wishes to produce breakthrough or new-to-world innovations. These concepts are radically different and are sometimes beyond

the comprehension of the customers. In short, customers may not recognize that they need or want such innovative concepts.

For example, FedEx created the overnight package delivery market, a market that did not previously exist and a market that customers did not know could exist. CNN created the 24/7 cable news market, and again, customers did not imagine such an offering being developed. A more recent example is the “flying car.” We have often heard ourselves and others say, “I wish my car could fly,” never really thinking it would be possible. Well, now it has become reality. Co-founders Robert Dingemans and John Bakker created the world’s first commercial flying car, the PAV-L—which stands for “personal air and land vehicle.” Like many people, they dreamed about a flying car to avoid commuter traffic. But as pilots, they also dreamed about not wanting to leave their planes behind when traveling. Hence, they developed a car that could fly and a plane that they could drive! You can get the keys to this vehicle in 2022, and it will cost you between \$400,000 and 600,000!⁸

So, in short, entrepreneurs of new-to-world concepts really have no market at the time of invention; they have to create one. In doing so, these entrepreneurs go beyond the conventional marketing process and often create markets with enormous potential for sustained growth.

How Social Media Is Changing the Entrepreneurial Game

Social media is simply changing how business is done and how consumers shop for and buy products and services. Still, many existing corporations are struggling with how to harness and manage this concept. In fact, many are using social media in the wrong ways. At the same time, however, social media is opening up opportunities for entrepreneurs who would be well advised to recognize and embrace it—correctly. Importantly, this also means using social media to complement but *not* replace your traditional marketing and promotional efforts.

But first things first: you must understand social media. In my view there are several components to social media: (1) social platforms—the social networks/communities created by individuals and/or organizations such as Facebook; (2) social content—the blogs and photo, audio, and video sharing offered on these platforms; and (3) the overall social interactions taking place among members on these platforms.

The power of social media is awesome. For example, Facebook has hundreds of millions of users worldwide; on Twitter, there are billions of tweets made per month; and on YouTube, there are billions of views per day. Thus, what is really important for you to know is whether or not you decide to participate and use social media, your likely target-market customers probably are using it. In other words, social media can be exclusively online consumer-generated efforts by customers who talk about, promote, build, or hurt brands. And you

might not be able to control this activity! On the other hand, social media can also be used by you to promote your venture and brand. In doing so, while you still may not fully control what customers communicate about your venture and brand, you can certainly influence it.

Using social media, customers are empowered to communicate with organizations and other customers. It is creating a new form of economy—what Erik Qualman calls *socialnomics*—in which customers no longer search for products or services but rather find them via social media. In doing so, customers are changing the rules of business and the way they shop.⁹ For example, a social media platform like Facebook has millions of users who can instantly connect and communicate about a new business or brand—either helping to build it or destroy it! Therefore, as an entrepreneur you cannot be a bystander—you must actively engage and leverage social media.

However, you must do it right, or you will be rejected by the customers you are intending to reach and influence. Clearly, social media allows budding entrepreneurs with scarce resources to keep marketing costs low while directly reaching potential customers 24/7 on a global basis. But, again, you must play by the new rules of the game as established by customers who are present there. For example, Blistabloc makes good use of social media including Facebook, Twitter, and a blog component on their own website. It engages its customers and offers them content with good value including important information about its product.

In addition to using social media to communicate with customers, entrepreneurs also have many dedicated social media sites to help them with their entrepreneurial efforts. For example, there are many social networks established exclusively for entrepreneurs. So besides Facebook and Twitter, which are must-haves for entrepreneurs, social networks you need to check out are (1) Entrepreneur Connect, (2) Partnerup, (3) StartupNation, (4) LinkedIn—but only the startups group on this site, (5) Biznik, (6) The Funded, (7) Young Entrepreneur, (8) Ryze, (9) Founders Network, and (10) Periscope. They offer excellent resources for the aspiring entrepreneur like you. Social media is so important to entrepreneurs that we have a dedicated chapter on this subject in this book.

The Five Forces in the Entrepreneurial Marketing Environment

LO 1.6 List the five forces in the entrepreneurial marketing environment.

Most entrepreneurs believe they are clearly in control regarding the type of business they wish to operate and how they operate it. However, businesses do not operate in a vacuum. In fact, a host of factors or forces in the marketing

environment are largely beyond the control of the entrepreneur. These forces can be placed in five groups: social, economic, technological, competitive, and regulatory forces. Examples are what consumers themselves want and need, changing technology, the state of the economy in terms of whether it is expanding or contracting, actions competitors take, and government restrictions. These external forces may serve as accelerators or brakes on marketing, sometimes expanding a venture's marketing opportunities and at other times restricting them. Importantly, successful entrepreneurs evaluate these forces to determine what business opportunities such forces might provide. And entrepreneurs continue to monitor these forces to determine how best to adapt their businesses to survive and grow.

This is in contrast to other, typically unsuccessful, entrepreneurs who treat these external forces as rigid, absolute constraints that are entirely outside their influence. These entrepreneurs simply fail to anticipate and respond to these external forces. But successful entrepreneurs who are forward looking and action oriented do take advantage of these external forces. In other words, they find opportunities that are created by these external forces by aligning their enterprise to capitalize on these forces.

For example, one entrepreneur saw the rising incidence of obesity in America, an external factor seemingly beyond his control. But by observing and analyzing this trend, he developed a "plus size" retail clothing business and became a successful entrepreneur. Another entrepreneur noticed the aging population of America, especially the growth in the grandparent population who wanted to stay connected with their grandchildren. Capitalizing on this trend, the entrepreneur rolled out a new online business called grandparents.com.

As mentioned, there are **five environmental forces** in entrepreneurial marketing: social, economic, technological, competitive, and regulatory forces.

Social Forces

Social forces include the characteristics of the population, as well as its values and its behavior. Changes in these forces can have a dramatic impact on what opportunities are available to the entrepreneur. For example, there have been some major demographic shifts in the United States, including growing ethnic diversity and an aging population. If current trends continue, niche marketing opportunities based on ethnicity and age will continue to emerge. For example, some entrepreneurs have built their businesses to appeal directly to specific generational cohorts (i.e., for age groups such as older adults, baby boomers, Generation X, Generation Y). Other entrepreneurs have launched businesses to appeal to specific ethnic groups, particularly ethnic food businesses.

A second social force is culture, and in recent years, Americans have experienced notable cultural changes that have affected consumer attitudes and values. For example, with more working women, the number of tasks to do is

expanding, while the time available to do them is shrinking. This has led to the phenomenon of *time poverty*. Entrepreneurs are responding to this trend by creating ventures that help alleviate or reduce the consumer's time poverty such as delivery services, online shopping businesses, and ready-to-eat foods including foods for dashboard dining (car-friendly food products). Another emerging cultural trend is that Americans are becoming more experiential. That is, they are seeking new experiences and are willing to try new things, including global travel and new forms of entertainment, dining, and adventure tourism.

There are also three other notable cultural shifts, that is, toward health-consciousness, value-consciousness and eco-consciousness. Health-consciousness has led to opportunities for entrepreneurs to enter the fitness and exercise space, the health supplement space, and self-diagnostic kit space. Americans are also becoming more value-conscious and entrepreneurs can capitalize on this trend by offering the best quality, best performance at a value-based price. A tangible sign of this value-consciousness is a company like Groupon—an online couponing company. Another key shift is eco-consciousness—or going green—where consumers are concerned about the impact their consumption has on the environment. This eco-consciousness has led to the emergence of *ecopreneurs*—entrepreneurs who see business opportunities through an environmental lens. For example, Earthcycle Packaging is a company that developed an eco-friendly package made from a renewable source called palm fiber, which decomposes in less than 90 days and helps keep soil healthy.

Economic Forces

Another environmental force is the nature of our economy. Entrepreneurs must recognize what is happening at the macroeconomic level of the economy, such as whether the economy is growing as well as determining the state of consumer confidence in the economy, which will affect business and consumer spending. At the microeconomic level, entrepreneurs must determine if the consumer actually has the ability to buy particular products and/or services. Many Americans have seen erosion of their actual spending power, and this has led to a trend called *customer value-consciousness*. Many entrepreneurs have successfully built businesses to respond to this trend, such as “dollar store” retail formats.

Technological Forces

Another environmental force is dramatic technological change. In fact, new technologies are forever changing the way consumers shop and what they buy. Moreover, new technologies are enabling entrepreneurs to create unique new businesses or enhance how they can conduct their businesses.

One of the most important technologies that has changed the marketing landscape is the Internet. As discussed earlier, it was technology that gave rise to social media, which has fundamentally changed the rules of the game as

it pertains to how consumers behave and how business is done. Technology, including the Internet, has enabled new entrepreneurial enterprises to be built and fully operationalized, leveraging this important technological force—in other words, developing and managing online or pure-play e-businesses that exist only in an electronic marketplace.

A good example is Craigslist with its electronic classified ad business. Other brick-and-mortar enterprises also leverage the Internet as part of their overall marketing efforts. There are many other examples of successful online businesses, many of which are entrepreneurial ventures. As mentioned earlier, many leverage social media websites as well as their own highly interactive websites to conduct their businesses.

Now, the new capability of a completely wireless world, including the **Internet of Things (IoT)**—a network of products embedded with connectivity-enabled electronics including sensors and software to collect and exchange data in real-time without human intervention—is allowing consumers to stay connected and informed 24/7 regardless of where they are, and this is also providing new opportunities for entrepreneurs wishing to provide goods and services to this wireless and mobile population. The Internet has also opened up global marketing opportunities and the rise of international entrepreneurship, where entrepreneurs can serve global markets without the constraint of physical or geographic boundaries. One thing you have to remember as a budding American entrepreneur is that 95 percent of the consumer population lives outside the United States. You should not have to confine yourself to your domestic market when opportunities to reach across time and space are now available to you.

Competitive Forces

Competitive forces in the external marketing environment are very important for the entrepreneur to consider. The first thing every successful entrepreneur realizes is that there is always some form of current competition in the marketplace. So, if you seek funding for your enterprise, never go to a bank, angel, or private equity firm and state that your business has “no competition.” In one way or another, it certainly does. Therefore, competition should be considered broadly as any alternative that could satisfy a specific customer’s needs. This includes a variety of forms of competition ranging from pure (direct) competition—where every company offers a similar product to a similar customer—to total budget competition—where customers consider spending their scarce resources across seemingly dissimilar offerings (e.g., spend money on an MBA vs. buying a new boat). The trend in America in terms of competition is that most industries and markets are highly competitive, and the consumer has tremendous choice in terms of providers. Therefore, an entrepreneur has to determine “how to compete” and “how to differentiate” his or her business from the existing competitors.

We will discuss competition in more detail in Chapter 4. But for now, you must recognize that competition is an external force that will surely affect the type of business you will build and the competitive strategy you craft. For example, most entrepreneurial startups do not have the size and scale to compete on price, so most attempt to compete on a nonprice dimension emphasizing some clearly superior performance deemed valuable to the customer (e.g., great customer service).

Regulatory Forces

Entrepreneurs must also be conscious of the fact that regulatory forces can influence the nature or scope of opportunities in the marketplace. Regulations consist of restrictions that local, state, and federal laws place on business with respect to the conduct of its activities. Regulation exists to protect companies and consumers and ensure a competitive marketplace. New regulations and deregulation can both provide opportunities for entrepreneurs. Deregulation of several industries over the past few decades has led to the emergence of new enterprises. For example, deregulation of the U.S. telecom industry allowed for the startup of new long-distance telephone companies and, later on, the development of numerous wireless phone companies. Similarly, deregulation of the U.S. airline industry produced opportunities for many regional airline startups, including Southwest Airlines and JetBlue. Greater regulation has also provided opportunities for entrepreneurs. For example, when the Environmental Protection Agency enacted stronger regulations to ensure cleaner air and water, many companies turned to entrepreneurs for new technologies to ensure compliance.

Environmental Scanning

LO 1.7 Explain the concept of environmental scanning.

Environmental scanning is the process of continually acquiring information on the external marketing environment to identify and interpret potential trends that may lead to entrepreneurial business opportunities. Entrepreneurs engage in environmental scanning to uncover opportunities that others may miss or ignore. Many refer to the environmental scanning process as “trendspotting.” For some entrepreneurs, the goal is to discover “the next big thing” or at least identify market trends that might lead to the development and launching of a new enterprise.

One of the things you will have to understand as you attempt to engage in environmental scanning is determining what is a true trend. A trend is the specific or general direction in which a society is headed, which transforms things from what they are today to something different in the future. A trend makes a difference in the way people live and work. Trends are enduring phenomena that are radically affecting the way consumers behave in the marketplace

and/or the way we do business. Trends create major structural changes in society: sociocultural, economic, or technological. A trend is different from a fad, which comes and goes quickly. A fad does not change society, but a trend does. Environmental scanning is an important skill for entrepreneurs to possess. To become a good scanner, you will have to do the following:¹⁰

- *Adjust your reading, listening, and viewing habits.* This means focusing on things of substance and relevance to your goal of becoming an entrepreneur. Of particular importance is becoming a broad-based reader to discover societal trends that underpin market behavior. You need to make a commitment to scan for information that will provide clues about possible marketing opportunities.
- *Network with the right people.* This means staying engaged with knowledgeable and informed individuals and to remain open to learn from these people. One expert suggests that you “take a neuroscientist, sociologist, psychologist, or artist to lunch.” These people can provide insight into human behavior, how markets develop, and how consumers think and feel about their experiences in the marketplace. Networking also involves being tapped into your community to keep in touch with trends that are affecting the people who might become your customers.
- *Be self-observant.* This means spending time discovering what makes you tick, what is important to you, and what challenges or problems you face. You might not be the typical consumer, but this is a good exercise in uncovering what possible trends are driving your behavior. You can then determine whether what affects you may also affect others.
- *Challenge your assumptions.* In many cases, there are traditions in society and/or in particular industries that may have outlived their usefulness. For example, there is an American tradition for school-age students to have a two-month summer vacation. And most people do not know why this tradition persists. Well, it is a carryover from the agrarian society, when children in farming families took time off from school to help harvest the crops. Today, many educational institutions are challenging this tradition, and this has led to entrepreneurial opportunities such as private schools offering year-long programs or innovative summer learning programs.
- *Spend time watching and talking with customers.* This is perhaps one of the most important steps in the environmental scanning process. Good environmental scanners focus their time on interacting with customers to determine their current and future needs. Successful entrepreneurs, in fact, pinpoint not only where customers are today (in terms of needs) but where they are heading in the future. One of the

greatest insights you can glean from spending time with customers is understanding their behavior as it pertains to consumption. In other words, what types of buying behavior they engage in—what they buy, how, when, where and why. In Chapter 4, we will discuss the concept of “ritualistic behavior”—behavior consumers engage in in a consistent and recurrent manner and how this may help you uncover opportunities to enable customers to do so in cheaper, faster, better, or more satisfying ways.

What is also important is to recognize that not all trends affect all consumers or affect them in the same way. Moreover, for each trend you might identify, there may be other “countervailing” trends that might be important for you to consider. For example, a novice environmental scanner might conclude that the United States is experiencing a health-consciousness trend. But this may be only partly true. Many Americans are more concerned about their health, and this has opened up opportunities for entrepreneurs who provide health-oriented goods and services. But clearly, not all Americans have embraced health-consciousness, since many individuals remain overweight in this country. Accordingly, some entrepreneurs are building businesses to cater to overweight individuals, including plus-size clothing companies.

Finally, good environmental scanners not only interpret trends but also act on trends that offer the best business opportunities. This is illustrated by the Noah principle. That is, “Predicting rain doesn’t count; building arks does.” Thus, environmental scanning requires both market vigilance and marketing action.

An Environmental Scan of the United States

An environmental scan of the U.S. marketplace might uncover key trends, such as those listed in Figure 1.3. These trends are categorized under the five environmental forces discussed earlier.

Although the list of trends is far from complete, it reveals the breadth of an environmental scan—from the growing ethnic diversity of the American population to the shift to the experience economy to the increasing use of new technologies. As you examine the trends listed in Figure 1.3, you should be able to think about the implications of such trends and whether you can find opportunities that will stem from these trends.

As an entrepreneur, you have to understand marketing and its role in achieving venture success. Marketing helps you identify the right opportunity, and it plays a pivotal role in capitalizing on that opportunity. It is also critical that you understand the external marketing environment and recognize the opportunities and constraints it can place on your enterprise. Staying close to the market is the best way to ensure that you are building your enterprise on a solid foundation.

FIGURE 1.3 • An Environmental Scan of the United States

Social	<ul style="list-style-type: none"> Growing ethnic diversity Aging Time poverty Health consciousness Value consciousness Eco consciousness Binge-watching TV programming Video bloggers growing in popularity and influence
Economic	<ul style="list-style-type: none"> Growth in electronic commerce economy Shift toward an experience economy
Technological	<ul style="list-style-type: none"> Diffusion of digital and mobile technologies Growth in biotechnology and nanotechnology Advances in medicine and medical treatments The Internet of Things (IoT) The emergence of CAMS – cloud, analytics, mobile and social
Competitive	<ul style="list-style-type: none"> Increase in global competition Emergence of China and India as global competitors Mergers and acquisitions to improve competitiveness Emergence of entrepreneurial enterprises
Regulatory	<ul style="list-style-type: none"> Increased protection for intellectual property Increased emphasis on free trade Deregulation to encourage competition Increased emphasis on consumer privacy

Key Takeaways

- Understand marketing and its central importance to entrepreneurial success.
- Use marketing to find a source of existing “market pain” and craft a unique way to cure it. Or use marketing to create an entirely new market.

- Accept the reality of the social media era and learn to harness it for entrepreneurial success.
- Use marketing to zero in on the “right customer”—your target market.
- Go into the market to talk with and listen to customers (obtain the voice of the consumer).
- Become an environmental scanner and discover truly sustainable marketing opportunities.

Entrepreneurial Exercise

Engage in some environmental scanning through broad-based reading or other means. Spot some trends. What are they? What type of marketing opportunities do these trends offer the potential entrepreneur? Now, make a list of two to three opportunities, and go into the market and talk to five to six potential customers to get their feedback on the opportunities. Do the customers agree there is an opportunity or not?

Key Terms

Addressable market 5

Social media 10

Marketing 3

5Ps 6

Target market 5

8Ps 6

Market segmentation 6

Five environmental forces 11

Marketing mix 6

Environmental scanning 14

Internet of Things (IoT) 13

Notes

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