MARKETING BARRIERS TO INNOVATIONS:
THE CASE OF THE ENTREPRENEUR

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ABSTRACT

The authors identify the major marketing barriers faced by an entrepreneur attempting to develop a successful new venture. The barriers are classified into two types: barriers to reach the market, and, barriers to build a customer base. The authors suggest when and how the barriers impede the entrepreneurial venture, and recommend some solutions to hurdle each barrier.

INTRODUCTION

The word Entrepreneurship is associated with a high degree of motivation and determination. When we think of entrepreneurs, our minds conjure up visions of inidividuals who are enthusiastic about their brainchild, a dream product if you will, and who are willing to go the full extent to make their idea a success. Entrepreneurs are also confident in their ability to overcome any barriers that block their road to success (Blockhaus, 1982). Why, then, do a high percentage of ventures initiated by such industrious, self-driven individuals fail? While part of the failure may be attributed to poor choice of a venture concept, there is another fundamental reason for the poor performance of entrepreneurial ventures. The average entrepreneur, despite the willingness to hurdle barriers, is not always aware of what barriers (s)he has to hurdle.

We seek to accomplish several objectives in this paper. First, we will identify the major marketing barriers that entrepreneurs may face when pursuing a new venture. Second, we will develop a meaningful classification of these barriers. Third, we will hypothesize as to which stage(s) of a new venture are likely to be influenced by each barrier. Finally, we will recommend some strategies that a proactive entrepreneur can use to bypass or overcome the barriers.

THE MARKETING BARRIERS

The marketing barriers faced by an entrepreneur can be classified into one of two types:

1. Barriers to reach the market; and,
2. Barriers to build a customer base.

Let us now examine each class of barriers.

Barriers to reach the market (RAMP):

The first type of barriers faced by entrepreneurs are those that make it difficult for them to convert the new venture idea into a viable product or service in the marketplace. The entrepreneurs have to successfully market the idea to several interest groups in order to reach the market with the product or service in its final form. There are four barriers (denoted by the acronym RAMP) which hinder the entrepreneur:

1. Regulatory barrier
2. Access (to market) barrier
3. Money (or capital) barrier
4. Product development barrier.

Regulatory Barriers:

The small ventures of entrepreneurs have to cope with the laws and regulations designed for them by government agencies, even as large corporations have to face their own regulatory requirements. Entrepreneurs have to learn about product certification laws, liability laws, and even zoning laws applicable to their ventures. The entrepreneur must recognize that business is bureacracy, regardless of the scale of operation and that free enterprise does not mean a free ride. The lack of legal knowledge may well be the biggest constraint of the entrepreneur (Brown and Colborne 1987).

Access (to market) Barriers:

Entrepreneurs need to plan ahead for the physical distribution of their products to the point-of-purchase where it becomes available to the customer. They may also have to fight for shelf space at retail outlets. Unless this barrier is overcome, a successful new product idea may fail due to inadequate reach in the market. The biggest constraints faced by the entrepreneur are insufficient capital and poor clout with distribution channels.

Money (or Capital) Barriers:

One of the biggest challenges faced by entrepreneurs is raising capital. They often do not know who to approach for funding. Even if the key money spinners are identified, they are unable to market their idea to these financiers. To a large extent, this can be attributed that the entrepreneurs do not (and often are unable) to develop a sound marketing plan for their venture. Without such a plan, the new venture idea seems tenuous to interested parties such as venture capitalists. The lack of marketing know-how is often a constraint for the entrepreneur.

Product development Barriers:

Entrepreneurs may encounter difficulties in translating their innovative idea into a commercial prototype, and then convert the prototype into the final product form for market consumption. Often, inadequate knowledge of marketing research techniques for testing the product creates a problem.

Who controls the RAMP?

Each of the four barriers in RAMP is controlled by certain key organizations. For instance, the regulation barrier is controlled by government agencies at the federal, state, county or even city level. The market access barriers are controlled by middlemen such as wholesalers and retailers. The money barriers are controlled by venture capital firms and small business agencies. The product development process is controlled by marketing research firms. The entrepreneur thus has the preliminary task of marketing the new venture idea to each of these key organizations.

When is the RAMP important?

The RAMP barriers impede different stages of the entrepreneurial venture. Take the case of the regulatory barriers. The zoning laws and product certification laws are important even before the innovation is commercialized. The product disposal, liability and safety laws assume importance after commercialization. The barriers to market access (physical distribution and shelf space), and the capital barriers are crucial at the introduction and growth stages of the venture. The product development barriers are important throughout the life of the venture.

Barriers to build a customer base:

Even if the entrepreneur manages to reach the market by hurdling the barriers mentioned above, (s)he may find it difficult to build an adequate customer base. Five barriers (denoted by the acronym PICTR) may make the entrepreneur's task a troublesome one:

1. Performance Value Barrier
2. Image Barrier
3. Compatibility Barrier
4. Tradition Barrier
5. Risk Barrier

Performance Value Barrier:

This barrier is created if the customer fails to see an adequate performance to price ratio in the new product or service. This barrier may also be created if the entrepreneur uses an inappropriate positioning strategy for the innovation. This is especially likely to happen if the entrepreneur has preconceived notions of how to position the innovation and does not pay heed to signals from the customer. Lack of knowledge on competitors is likely to be a major constraint for entrepreneurs attempting to overcome this barrier.

Image Barrier:

This barrier is created typically due to the strong belief systems of consumers. Classic examples of this are stereotyping ("female entrepreneurs make good clothing and cookies but little else"), taboos ("never buy from a small, unknown company when you can do so from a large, well-known corporate giant"), and negative image association (created, sometimes inadvertently, by brand names and symbols).

Compatibility Barrier:

If the product created by the entrepreneur is either incompatible with industry standards, or if the product does not fit well with the customers' work environment, then it faces the compatibility barrier. The lack of market orientation is the major constraint that the entrepreneur has to overcome.

Tradition Barrier:

Conflicts with the traditional values or cultural norms of the consumer are likely to create this barrier for a new venture. The major constraint that the entrepreneur may be operating under is ignorance of the customers' value system.

Risk Barrier:

Potential customers may perceive five types of risk when confronted with the innovation brought to market by an entrepreneur: physical risk ("Will it harm me?"), functional risk ("Will it perform properly?"), economic risk ("Is it too expensive?"), social risk ("What will others think of me if I buy it?"), and psychological risk ("Am I good enough to operate it"?). The entrepreneur needs to be aware of which types of perceived risk are operating.

Who's in the PICTR?

The key controlling force for the five barriers in PICTR is the customer and customer alone. It is not surprising, therefore,that these barriers play a critical role in the success of a new venture.

HURDLING THE BARRIERS

In the previous section, we identified two sets of marketing barriers, RAMP and PICTR, that an entrepreneur needs to hurdle. In this section, we will discuss what strategies can be used to get over the barriers.

Getting off the RAMP

An entrepreneur first needs to hurdle each of the four barriers that prevent easy approach to the market.

Three strategies are available to minimize regulatory barriers. First, the entrepreneur can hire technical help from companies such as Arthur D. Little Inc. to identify problem areas ahead of time and ways to cope with them. Second, the entrepreneur can purchase pre-assessed ideas at "auctions" held by technical forums at leading institutions such as MIT and Caltech. These ideas would have already passed all the regulatory requirements. Finally, an entrepreneur can approach organizations, such as NASA, which have feasible ideas for marketing but are seeking external outlets for working on the project.

If an entrepreneur faces access or distribution barriers, then one of two strategies can be effective. First, (s)he can align himself with a major Original Equipment Manufacturer (OEM), thus bypassing the need for distribution. Second, (s)he can license the technology to others interested in marketing the product and passing the problem on to them.

When faced with money or capital barriers, the entrepreneur can hire consultants to develop a sound business plan and market the plan to venture capitalists. Another strategy would be to actively search and identify agencies such as SBA and MESBIC, which allocate funds for new ventures, and directly approach them for capital.

Product development barriers can be overcome by using one of two strategies. First, University students, especially those specializing in entrepreneurship and/or marketing can be used to pretest the new concepts. Second, the entrepreneur can work closely with interested customer(s) when converting the product concept to a physical prototype.

Taking care of the big PICTR

Let us now examine the strategies an entrepreneur can use to hurdle the barriers to building a customer base.

If the customers face a performance value barrier, the entrepreneur may have to resort to one of three strategies: first, more features can be incorporated into the product at the same price or at a lower price; second, the entrepreneur may resort to cost-cutting strategies in production, marketing or functional areas and pass on the savings to customers in the form of lower prices; and, finally, the entrepreneur may reposition the product to justify the higher price perception.

If there is an image barrier, the entrepreneur can "borrow" the image of a well-known corporation and sell under its name. An alternative, although more expensive, would be to create a unique image for the new venture using extensive advertising and promotion.

If the compatibility barrier is present, the entrepreneur would do well to resort to the systems selling approach. Rather than think of his/her innovation in isolation, the entrepreneur must consider its fit with the current usage pattern of the customers. The innovation may have to be sold as a part of a package that satisfies a customer's current usage needs as well.

If an entrepreneur encounters tradition barriers, two strategies are available. First, the entrepreneur must learn to respect tradition. If the values are too strong, there is little that can be done to change them. Any attempt to do so would be costly and futile. Second, the entrepreneur may attempt to educate the market about the utility of the product and attempt to overcome the barrier.

If risk barriers are present, three types of strategies can be used by an entrepreneur. First, the innovation can be offered on a trial basis to potential customers to remove any uncertainty. Second, the entrepreneur can obtain testimonials from people held in respect by potential users. Finally, the entrepreneur can obtain endorsements from those who have used the product or service and are extremely satisfied with it.

CONCLUSIONS AND CONTRIBUTIONS

In this paper, we have attempted to develop a conceptual framework of the marketing barriers that entrepreneurs are likely to encounter. We have classified the barriers into two major types: barriers to reach the market (RAMP), and barriers to build a customer base (PICTR). We have also suggested solutions to overcome the barriers - in other words, how to get off the RAMP, and, how to take care of the big PICTR. Clearly, several of the barriers faced by entrepreneurs are identical to those faced by large corporations (Sheth and Ram, 1987); what differs is the manner in which each barrier influences the entrepreneurial venture.

The framework developed in this paper lends itself to some of the issues that have been identified as worthy of research (Sexton 1982). For example, one research issue would be be identifying the relative importance of each barrier in entrepreneurial ventures across different product classes. Another issue which needs empirical verification is the effectiveness of the strategies suggested for hurdling the barriers.

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