Method for developing a marketing plan: A knowledge management tool for entrepreneurs

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Abstract
Microenterprises represent a relevant part of the service sector and have great growth opportunities given that they have appropriate support and expertise. The objective of this study was to propose a method to elaborate a marketing plan for the beginning of a new business within the services sector in the city of Chihuahua. The quantitative methodology was used in the research, using a non-experimental, descriptive cross-sectional design with a non-probabilistic sampling. The current situation of microenterprises specifically in relation to the marketing area was described. The findings evidence a lack of structures and procedures in this area; therefore, a method was suggested to elaborate a marketing plan to start up a new business in the services sector in the city of Chihuahua. The conclusion, by means of the Delphi technique, is that the use of said method is feasible according to participating experts.

Keywords
Marketing, microenterprise, business, services

Contents

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1. Introduction

The path that many entrepreneurs must follow to start up a new business is riddled with many problems that comprise from lack of support to a scarce technical and administrative training to solve them.

There are many reasons why an entrepreneur decides to create a new company, and they are often born out of the need for self-employment, due to not finding a job or losing it, to improve family income or simply due to desire of creating a company (Gersick, 2003).

There are two main approaches people use to find the opportunity to start business. 1) the endogenous approach, from inside to outside, based on the idea that the key element for business success is, after all, the entrepreneur. And 2) the exogenous approach, from outside to inside, sometimes called opportunity recognition, which is based on the idea that a business can be successful only if it meets a need in the market, or if it creates it (Kerin, 2004).

Whatever the reasons or drivers to start a business, its probabilities of success are rather low. In almost every country in the world, 75% of business closes before 2 years. Namely, there are more businesses that close, than successful (Gasca, 2015).

In the United States, forty per cent of the new companies fail during the first year, sixty per cent fail within a 2-year period and ninety per cent does not reach the end of 10 years. The competencies of the founder in some areas, among which there is marketing, will impact success (Gersick *et al*., 2002).

Businesses start and fail at a surprisingly high rate, like Gerber (1995) mentioned in his book 'The myth of the entrepreneur', in the United States, every year, more than one million individuals start up a business of some sort. Statistics state that, by the end of the first year, at least forty per cent of them will be closed. In the following 5 years, more than eighty per cent of them will be closed. Out of the businesses that managed to survive, at least eighty per cent will not survive the following five years.

It is difficult to picture that the company could achieve the objective of permanence in an unstable context. The instability of the environment generates insecurity in companies and individuals of a society (Luthe, 1990).

Very few businesses create new markets; for most new companies, the task is to attract clients of companies that are currently offering service. Considering the aforesaid, there is relevance in focusing on the advantage that the new company will bring to the market. This advantage is defined by the client's needs and the capacity of competitors (Kerin *et al*., 2004).

Marketing is key for companies to reach their goals. However, it requires human and economic resources to carry it out, factors that limit its application in micro and small-sized companies, of recent creation or developing.

The main activity of the small-sized companies in the area of Marketing is developed in sales activities. According to Anzola (2002) in his book, Administration of Small companies, there are few companies that perform some kind of market research, mainly due to its expensiveness.

There is a generalised unawareness about what Marketing actually is, its concept is not known, as well as its main tools, advantages and limitations, (Kerin *et al.,* 2004). "many individuals equate marketing to advertising or personal sales". Currently Facebook and further social networks.

Due to these and other reasons, marketing seems characteristic of middle-sized and large-sized companies. Today, it is hard to find this function in the organization charts of micro and small-sized companies.

Therefore, this research aimed to suggest a method to elaborate a marketing plan for starting up a new business in the services sector of the city of Chihuahua.

2. Methods

The approach of this study included a mixed methodology, since it was possible to assign quantities to variables using numerical values or results in a part of them, and in terms of the qualitative section, the hypothesis was validated using the Delphi method (Hernández, Fernández & Baptista, 2010; Bernal, 2010). There was used a basic Delphi methodology since the aim was to solve the problem of generating an alternative such as the application of a marketing method for the start-up of a new business in the services sector. The design was non-experimental, since variables were not manipulated. The fieldwork was supported by bibliography because the proposal was based on theories mentioned earlier in the theoretical background, like the Canvas model by Osterwalder, Start-up by Steve Blank and Bob Dorf, Lean start up by Erik Ries, *Generador 30* by *Universidad Autónoma de Chihuahua* and Orion model by *Tecnológico de Monterrey*. A descriptive cross-sectional methodology was used since it was conducted in a specific period of time and aims to measure variables (Hernández, Fernández, & Baptista, 2010).

The measurement instrument was divided into three sections; the first one with multiple choice questions, the second and third including a series of questions using a Likert scale. In the first section of the questionnaire, there were formulated 18 questions that describe the entrepreneurs profile in general, of which 10 were multiple choice, while in the remaining ones respondents were asked to mention some of the options shown to visualize their preferences.

In the second section of the instrument, 8 questions were formulated to know what activities, research or analyses were performed in terms of subjects like validation of ideas, market knowledge, planning process, target consumer, competitors, location. Three options were presented as answer to check whether they had documented it in written or whether it was only an idea, as well as whether they have executed it.

A non-probabilistic sampling was used, using purposive or judgemental sampling, where the elements of the population are selected based on the knowledge and criteria of the researcher. This method was used to select the elements included in the sample because there was not available a list of entrepreneurs that have started up a new business in the services sector within the fieldwork, whereas candidates eligible for interview could have been recruited. It was considered that they were representative of the population of interest, or that in a way, they were suitable since the researcher used more typical and convenient groups and there were selected businesses that were still operational as well as others that have already closed. (Malhotra, 2008).

In the SPPS programme, the non-parametric samples were analysed using a chi-square test. To avoid a bias as much as possible or turning the selection into a convenience sample, different sources like CANACO, the UACH incubator and the ITESM, were requested to provide a list of entrepreneurs that started up a business in the services sector. The list was completed with entrepreneurs selected in a direct manner.

There was a selection of the companies meeting the stablished criteria. They were contacted, and those who agreed to be participate where asked, at the end of said interview, whether they could provide other entrepreneurs they knew. This way, 27 interviews were conducted. After confirming that they met established criteria, the questionnaires were administered. The fieldwork was conducted in November, December 2016 and January 2017, in the City of Chihuahua. With the results from the collected information, a marketing model was designed for the new companies, and to validate the model proposed a Delphi method was used with participants that demonstrated their expertise in the entrepreneurial area.

3. Results

In the first section, the entrepreneur profile was identified as well as the general aspects of the process performed by entrepreneurs. The results by demographic variables showed that entrepreneurs range from the 22 years old to 62 years old, with a prominence of 37% of those ranging between 31 and 39 years old. The female gender predominates with 59% compared to men. Out of the 27 participating individuals 55.6% responded positively to the question about this being their first business while 44.4% mentioned it was not.

The entrepreneurs whose businesses are still operational, which represent 70.4 % of the sample, consider that the main reasons for business sustainability include, product quality (28%), followed by making the most of the opportunity (17%) and offering an innovative product (15%). From the businesses having a life period between 6 months and three years and that closed after that time, that represent 29.6% of the sample, consider that the main reasons to close business was lack of resources (25%), lack of market (19%) and lack of administrative capacity (19%).

One of the main causes that drove entrepreneurs to decide to open business was, with the same 26% each, improving incomes and achieve economic independence.

The main activity of entrepreneurs when initiating the business opening process was 'employed' with a 48%, followed by 'unemployed entrepreneurs' in 33%.

The reason why the project was selected was, mainly, because the opportunity showed up in 36% of the sample, followed by labour experience with 26%.

The time spent in the process since the idea was born until the business was opened was from one to three months in 26% of cases, and from six months to one year in another 26% of the sample.

The individuals involved in the process were mostly only the entrepreneur and, in some cases, another person in 74% of the sample studied.

Out of the entrepreneurs studied, 59% did not receive economic support and 22% received support from a family member, followed by 11% supported by *Secretaria de Economía* [Office of the Secretary of Economy] and 8% requested a bank loan.

The average of amount invested in advertising and promotional support when opening business was $8,574. If the two businesses with the highest expense are removed, the average would lower to

$5,860. Thirteen of entrepreneurs interviewed invested less than $3,000, in 6 of these cases they did not invest anything and only supported the onset using direct sales.

During the first months of operation to advertise the business, the sample showed that direct sales was the main support represented with 36%, followed by Internet with 27% and flyers with 18%.

The areas were entrepreneurs feel stronger are the administration area in first place with 34%, and in second place the sales area with 29%. The areas where they feel weakest are mainly tax and finances with 21% respectively, followed by 20% in the accounting area.

If entrepreneurs needed to start all over again considering the experience acquired so far, 31% answered that they would do a better planning, 16% would invest on more support and 15% would better validate its market.

The obstacles they faced the most in 23% of cases were the lack of experience, and the other 23% lack of resources, 19% of cases strong competitors.

Entrepreneurs were asked what sort of studies or analyses were conducted in several aspects of the business development process, such as the validation of the idea, planning, about the market, segments, consumer, competitors, to select the location and about financial analyses. And given the case they were done, whether they have documented it in written.

Table 1. Level of knowledge of entrepreneurs

	Very low (2.5)	Low (5.0)	High (7.5)	Very high (10.0)	Average score
Marketing	**33.3%**	**48.1%**	18.5%	0.0%	**4.6**
Potential project	0.0%	40.7%	59.3%	0.0%	6.5
Market size	3.7%	59.3%	29.6%	7.40%	6.0
Market segments	3.7%	51.9%	40.7%	3.70%	6.1
Target consumer	3.7%	33.3%	63.0%	0.0%	6.5
Need to be satisfied	3.7%	14.8%	**81.5%**	0.0%	6.9
Competitors	7.4%	33.3%	48.1%	11.10%	6.6
Competitors' reactions	18.5%	59.3%	18.5%	3.70%	5.1
How to support business	**7.4%**	**70.4%**	18.5%	3.70%	5.5
Competitive advantage	7.4%	18.5%	**66.7%**	7.40%	6.9
Profitability	7.4%	48.1%	44.4%	0.0%	5.9
Business risks	14.8%	44.4%	40.7%	0.0%	5.6
Average	**8.9%**	**43.5%**	**44.1%**	0.0%	**6.0**

Excluding financial analyses, which recorded the greatest percentage of studies or documented analyses (41%) or not (30%). In 41% of the other areas, no analysis or study was conducted whatsoever, and only in 10% of cases some analysis or study was conducted, and it was documented in written. Regarding the market, segments and the consumer, there was no supporting documentation.

In each one of the questions about the knowledge, the entrepreneur could select a response in a 1 to 4 scale (Very low, low, high and very high). Each one of these was assigned a value in order to make comparison easier.

The general average of the entrepreneurs' knowledge about the different business areas was 6, being the knowledge about marketing the lowest (4.6). From entrepreneurs, 81% mentioned that their marketing knowledge was low (48.1%) or very low (33.3%).

To validate the methodology of a marketing plan to start up a new business in the services sector of the city of Chihuahua, a questionnaire was completed by marketing experts of the main education institutions of the city of Chihuahua. The first step, was calculating the competencies coefficient of the expert. He or she was asked to mark with an X the value that corresponded to the actual level of knowledge about marketing and microenterprises.

The experts also coincided that this proposal would actually help the entrepreneur to follow this method to elaborate a marketing plan to start up his or her new business and specified the reason.

The suggested method entails three main stages: 1) Alignment, composed of five steps a) Preliminary concepts; b) Market analysis; c) Consumer analysis; d) Competitors analysis and e) Definition of concepts. 2) Planning, where phases include: 1) a) Mission design; b) Definition of business model; c) Objectives and general strategies; d) Budget and point of balance; e) Activities to perform 3) Execution, which involves: a) Activities related to product/ service; b) Location and adaptation of the establishment; c) Activities related to design and image and d) Elaboration of support plan.

Figure 1. Marketing method in microenterprises in the City of Chihuahua

Source: Authors' own creation (2017)
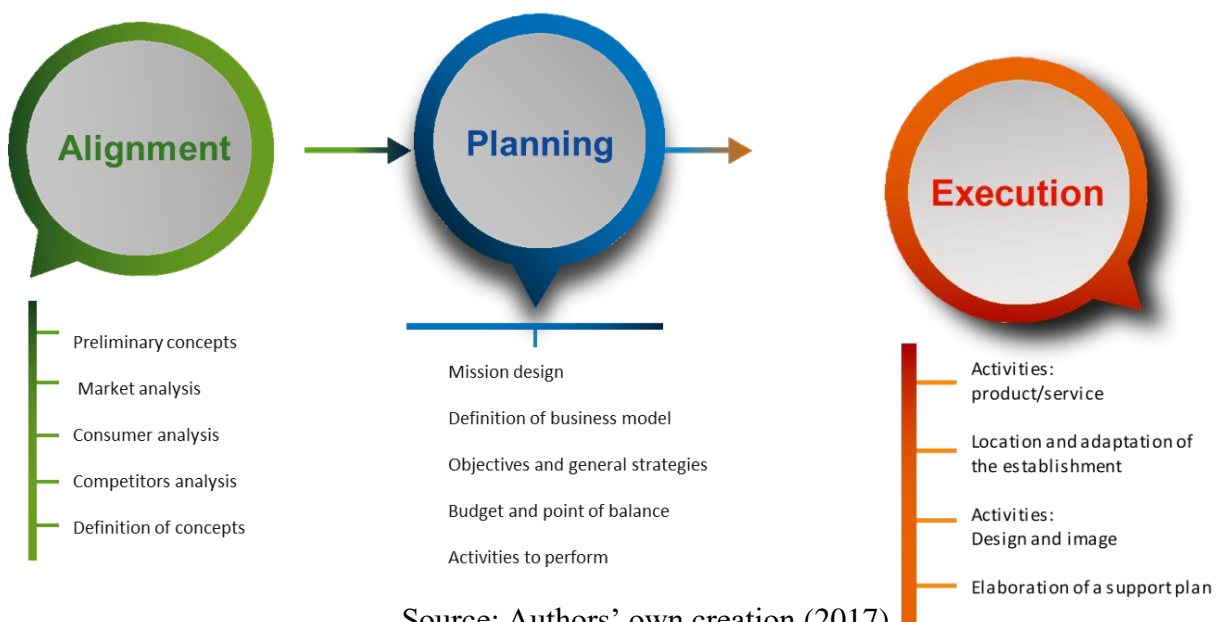
In the first stage 1) Alignment, the entrepreneur shall aim to align personal concepts about his or her future business with the requirements of the target consumer and based on the characteristics of the market and competitors.

To achieve this alignment, the entrepreneur will analyse the market of the new business to get to know it and understand it, he or she shall survey the target consumer to determine unmet needs and requirements and, especially, shall confirm whether the proposal, once aligned, is appealing. The entrepreneur shall analyse competitors, aiming to identify a good value proposal. This alignment will allow to onset the development of his or her new business on a sound foundation.

Figure 2. Alignment stage
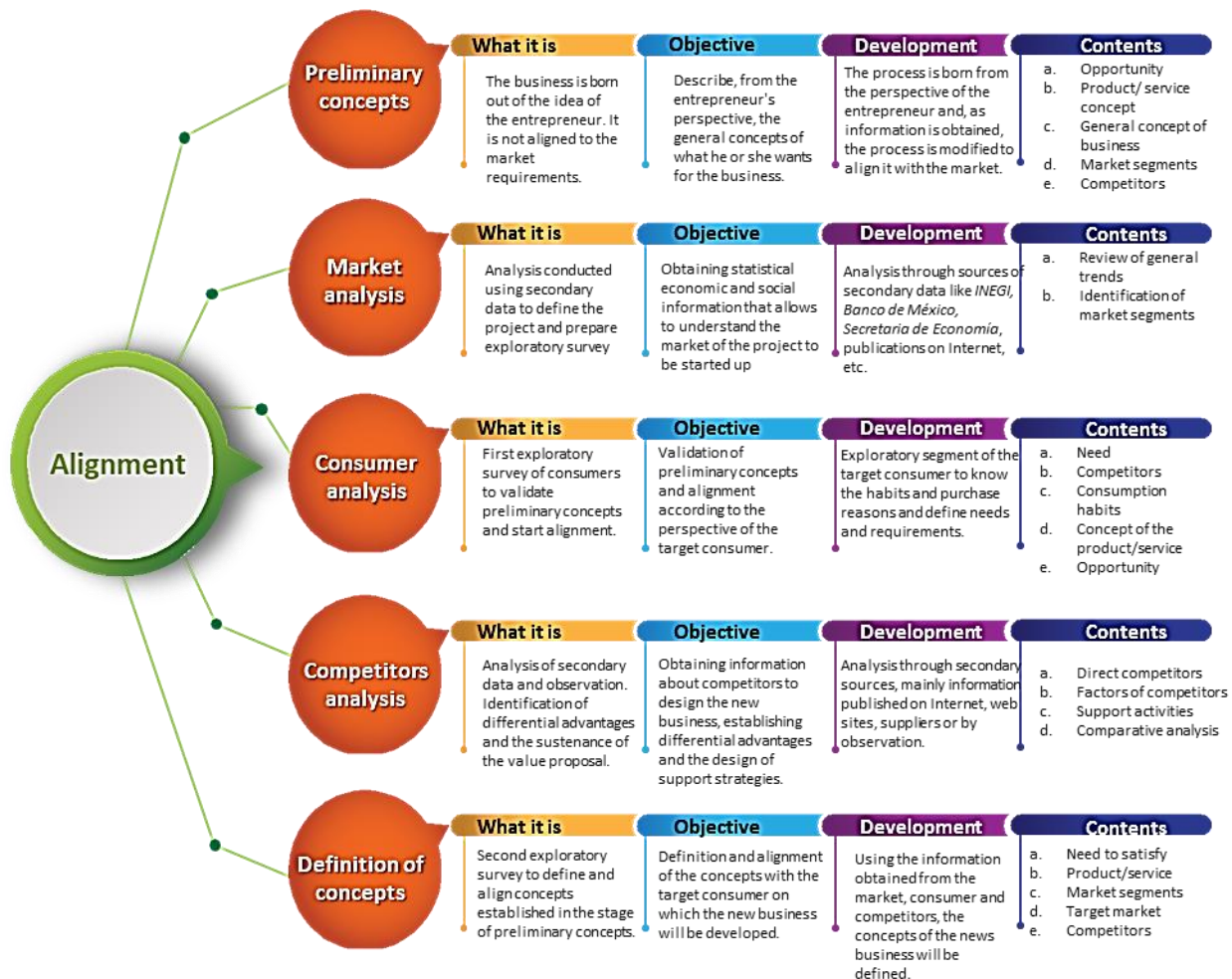
Source: Authors' own creation (2017)

On stage 2) Planning, after completing the first stage where the concepts of the new business were defined and aligned according to the consumer's requirements and the characteristics of the market and the competitors, the second stage of the process is initiated, the planning prior starting up the new business operations.

With all the information collected during the first stage of this process, the entrepreneur can define, more clearly, what his or her business will be? And, what is its reason to be? (Mission), How will the

business create, deliver and collect value? (Business model), thus continuing the elaboration of the marketing plan, setting the objectives and general strategies, estimating the sales budgets and points of balance. Finally, identifying all the activities that must be performed to start up the new business, in order to elaborate a plan that allows to organize them and execute them in a duly manner. There will be some activities the entrepreneur might perform personally and others that will need to be delegated and that will take longer.

Figure 3. Planning stage

Source: Authors' own creation (2017)

In stage 3) Execution of the project, in the beginning of this third stage of the process, the entrepreneur has a clearer idea about what the business will be and initiates the execution of all activities that will result in the business start-up. This stage is as relevant or even more relevant than the former two, since a poor or incorrect execution impacts on a good or bad onset of the new business. It is convenient

that the target consumer validates the result of some of these executions, especially regarding image design through exploratory surveys.

Figure 4. Execution stage
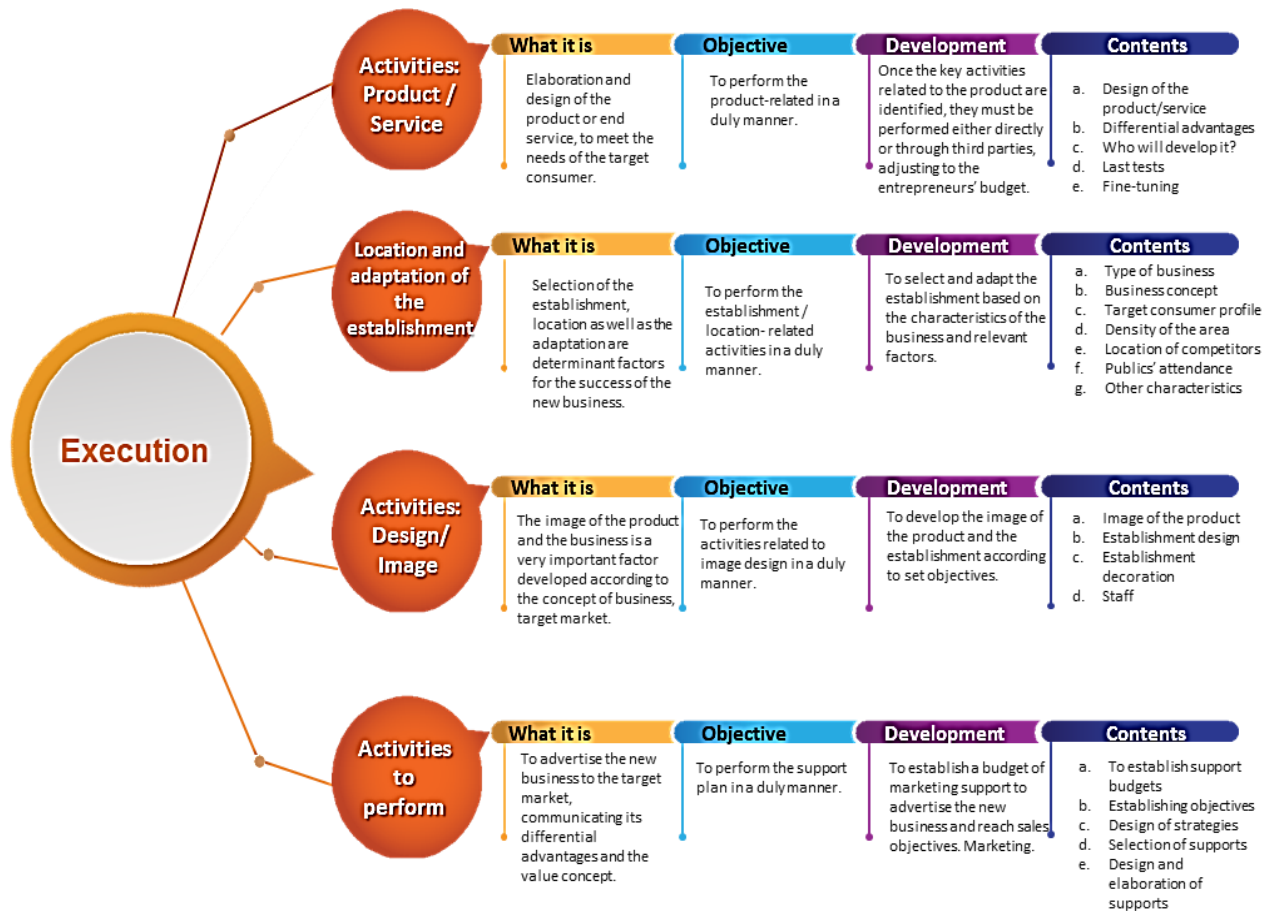
Source: Authors' own creation (2017)

4. Discussion

Gersick (2003), mentions there are many reasons why an entrepreneur decides to create a company, and many of them are born from the need for self-employment or improving income. In this study, 33% of entrepreneurs did not have a job when initiating their business, and 52% of them aimed to improve their income or achieve economic independence.

Kerin (2004), mentions there are two basic approaches that people uses to find a business opportunity, the endogenous approach, from inside to outside, based on the fact that the idea is born in the entrepreneur and the exogenous approach, from outside to the inside, where the business idea is born as a response to a need of the market. The study results confirm that, to a great extent (54%) the idea of participant businesses comes from an endogenous approach.

Rodríguez (2002) stablishes that most failures in the new business are due to a poor administration, an aspect confirmed with the results of this research (25%), although there also prevail economic aspects derived from low sales.

Anzola (2002) mentions that in general the small entrepreneur is based on hunches or intuition to target efforts towards client satisfaction, instead of using, even a simple, market research technique. The results of the research confirm this perspective, since in 40.7% of cases, no study or market research was conducted, and in the rest where this was done, only 9.5% was documented in written.

Anzola (2002) mentions that in 82.7% of small-sized companies do not have a defined marketing area, therefore most decisions are made by the owner, who also works as manager. In this study, only 2 cases (7%) have a specialist from the area.

There are two out of the nine capital sins stablished by Blank (2009) in his introduction model of new products: to assume "I know what the client wants" and "I know what characteristic the product must have", seem to be confirmed with the research results, since they are the areas the entrepreneur mentioned to know best: Need to be satisfied (81.5%) and competitive advantage (66.7%), despite not conducting any documented market research about the subject.

Like the study conducted by Red Pymes-Cumex (2010) shows, the two areas where the entrepreneur mentioned to have more experience included sales (40%) and administration (22%). In this research they are the same areas mentioned by the entrepreneurs as the strongest, although with different percentages, sales (29%) and administration (34%). Leaving financial areas as the weakest, including finances, tax area and accounting.

5. Conclusions

Entrepreneurs do not use a marketing method when starting up their business. Most respondents were not really aware about the meaning of marketing and the way they could have used it to better develop their projects. Concepts like target market, concept of product, market segmentation, need, competitive advantage, business model, are not clearly managed by entrepreneurs.

The average of amounts invested on advertising and promotional support when starting up business was rather low. In half of the cases, nothing was invested whatsoever. The main resources used were direct sales, Internet and flyers. This seems to reflect two things: one of them is that entrepreneurs, considering the lack of planning, opened the business without resources and the other, that they did not know how to support it. The areas where entrepreneurs feel more powerful are, firstly sales, then administration and in third place, marketing. It is recommended to perform a study to determine the main reasons for success, by which new business are still operational and the reasons for failure driving to closure.

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