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## Entrepreneurial Marketing: the practices of Portuguese tourism startups

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### Abstract

Start-ups and small businesses face significant challenges due to the increasingly complex and fast-changing markets in which they operate. As a consequence, these types of organizations must be capable of adjusting their resources and react quickly in this reality. In this case, marketing plays a key role in creating brand awareness and attracting and retaining customers. Thus, the creation and development of their marketing strategies is an ongoing debate which needs to be addressed and well understood. When combining these two fields (Start-ups and marketing), the concept of Entrepreneurial Marketing (EM) appears. Despite the debate on its definition, it is clear that EM differs from traditional marketing regarding its business strategy (which is more proactive, risk-taking and innovative), its methods (which are more informal and interactive) and its outcomes. Given the relevance to understand and discuss EM, this paper analyses tourism-related start-ups in Portugal who applied to a yearly competition in the tourism field launched by a Portuguese venture capital organization during 2016-19. The goal is to understand the marketing or EM strategies and methods used by investment ready start-ups. It was observed that start-ups usually really on short-term low-risk marketing strategies, such as the development of websites, social networks, related websites, as well as through sponsoring bloggers/influencers. Also, partnerships are used as a marketing strategy, given its effectiveness and cost-efficiency.

Keywords: Entrepreneurial marketing; tourism; start-ups; marketing strategy; entrepreneurship

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## 1. INTRODUCTION

Start-ups and small businesses face significant challenges due to the increasingly complex and fast-changing markets in which they operate. Thus, this type of organizations had to be capable of adjusting their resources and react quickly in this reality. However, most of these organizations lack human and financial resources, which leads to several challenges those face in their creation, development and survival.

In this case, marketing plays a key role in the development of these organizations given its relevance to create brand awareness and attract and retain customers. Thus, the creation and development of their marketing strategies is an ongoing debate which needs to be addressed and well understood (Ionita, 2012). When combining these two fields (Start-ups and marketing), the concept of Entrepreneurial Marketing (EM) appears, which is considered nowadays a hot topic in the marketing literature. Despite the debate around EM definition, it is clear that EM differs from traditional marketing regarding its business strategy, being more proactive, risk-taking and innovative. Moreover, there is a growing consensus that a start-up failure is usually related with the lack of a clear marketing strategy.

Nevertheless, fewer studies address this topic in the context of investment ready start-ups. In other words, there is the need to understand what is the relevance of marketing in the case of start-ups that are looking for investment from venture capital or business angels.

Given the relevance to understand and discuss EM, this paper analyses tourism-related start-ups in Portugal who have applied to a yearly competition in the tourism field launched by a Portuguese venture capital organization between 2016 and 2019. The goal is to understand their marketing or EM strategies and methods. Thus, qualitative analysis of the applications is made, several insights are discussed and implications for start-ups, venture capital organizations, public authorities and other investors are drawn.

## 2. LITERATURE REVIEW

### 2.1. STARTUPS' CREATION PROCESS

In the literature, several definitions of start-up can be found. The concept was born with the internet explosion, and it was initially related to technology-based companies. Nowadays, and despite its different definitions, a start-up is mainly seen as any company in the early stage of its lifecycle and operation, presenting unique characteristics regarding their sector, asset structure, organization type or growth orientation (Salamzadeh & Kesim, 2017).

Most start-ups' lifecycle starts with an entrepreneur(s)'s vision of how to exploit a gap in the market. Further stages may include funding, size, user growth, etc. Marmer et al. (2011) proposed a different approach based on milestones and thresholds. According to these authors, there are six stages in the start-up lifecycle: discovery, validation, efficiency, scaling, sustenance and conservation.

Given its nature, start-ups face several challenges throughout their creation process and lifecycle. The lack of resources is one of the most relevant challenges that affect start-ups survival. Financial resources are one of the main challenges start-ups and small businesses face (Salamzadeh & Kesim, 2017), since most start-ups are not able to raise enough money, or do not have enough time to acquire the necessary funding before putting their product in the market. Other challenges are related to the human capital availability, team management, high reactivity and flexibility, high time-pressure, uncertain conditions and tackling fast-growing markets (Paternoster, Giardino, Unterkalmsteiner, & Gorschek, 2014; Salamzadeh & Kesim, 2017).

### 2.2. WHY MARKETING IN START-UPS IS DIFFERENT AND RELEVANT?

According to the American Marketing Association, 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" (AMA, 2017). Thus, marketing is essential for any organization given its role in acquiring, engaging and building a relationship with customers, creating brand awareness and building and maintaining brand reputation.

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Start-ups and small businesses possess unique characteristics that differentiate them from other companies, such as those related to size, age, creation process, owner/promoter behaviour, etc. Thus it is expected that the marketing processes and strategies are equally different, but, in this case, with a higher level of importance for company's success (Kraus, Harms, & Fink, 2010). Nevertheless, despite its relevance, marketing or, more specifically, the poor marketing strategies were identified by CBInsights's (2018) report "Top 20 reasons Start-up fail" as one of the main weaknesses of start-ups. Several reasons were pointed out as a cause of this. Firstly, start-ups lack of financial and human resources, having a small market power and customer base. As a consequence, fewer resources are available for the implementation and development of marketing processes, being these activities concentrated in the owner of the company. Secondly, the short-term focus of most start-ups and small businesses (Barrett & Sexton, 2006) leads to a lack of interest in the formal planning of marketing strategies and processes (Kraus et al., 2010). As a consequence, the *liability of newness*, where the lack of knowledge of the product or the company by the customers, leads to weak or non-existent relationship with market and lack of trust by customers (Kraus et al., 2010). Finally, the high level of uncertainty related to the business model of these companies, which focuses on short-term survival, causes start-ups to avoid risks, since a wrong decision can have a harmful effect on the company's future.

Carson & Gilmore (2000) define start-up and small business's marketing as "haphazard, informal, loose, unstructured, spontaneous, reactive, structured around and conforming industry norms" (p. 366). This approach has an effect on the actual marketing performance, business performance, and in the development and survival of start-ups and small businesses (Kraus et al., 2010). Thus, it is crucial to understand the marketing processes in these organizations in order to develop practical tools for owners and managers, as well as to help external organizations (such as higher education institutions, public institutions, venture capital and other investors) to support these organizations most effectively.

## ***Role of founders and the entrepreneurial team***

In this type of organizations, marketing processes are highly dependent on the founders' vision and beliefs. In many start-ups and small businesses, the entrepreneurial team and/or managers do not possess specific marketing knowledge, and, as a consequence, marketing processes tend to be informal and "dominated by reactions to customer demands and market changes" (Kraus et al., 2010, p. 9). Thus, with company evolution, marketing processes tend to become more formalized, being its success highly dependent on the learning acquired throughout the process (Marmer et al., 2011)

Due to start-ups and small businesses' characteristics and the need to develop founders' marketing competences, Carson & Gilmore (2000) propose a model of experiential learning of marketing competences and skills. The model is based on four components: *knowledge* (e.g. specific information about the market, customers, etc.); *experience* (time working on the field); *communication* (e.g. type of communication used, information sources, etc); and *judgment* (the ability to integrate the previous three components and decide the best course of action). The authors consider that these components provide the marketing learning through a spiral approach, as seen in **Erro! A origem da referência não foi encontrada.** The decision-making process and "highs and lows of combative and competitive" marketing management, contribute to those components, which in turn contribute to experiential learning.

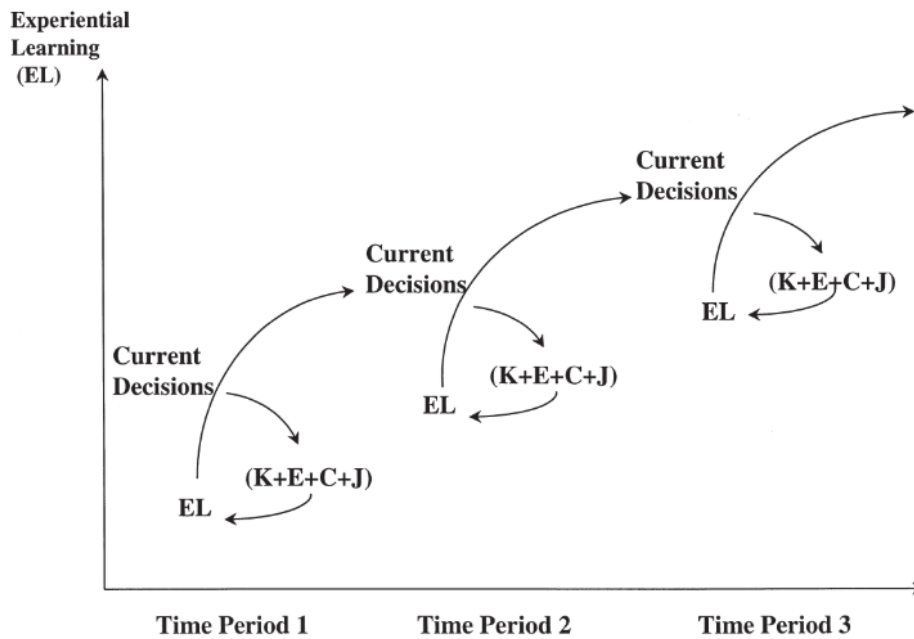


Figure 1 - Experiential learning cycle. Source: Carson & Gilmore (2000)

### 2.3. ENTREPRENEURIAL MARKETING

The concept of Entrepreneurial Marketing (EM) has been developed over the last thirty-five years, gathering not only inputs from marketing and entrepreneurship scholars but also from other research fields. Despite the increasing interest, the concept is still unclear, having several definitions and still lacking practical tools to facilitate its implementation (Ionita, 2012).

In the literature, two main perspectives can be found, being those considered different or simply an evolution of the interpretation of EM. Initially, EM was considered as marketing of start-ups or SMEs, thus being defined as the marketing practices and processes of this type of companies with specific characteristics and needs (also called SME marketing by some authors). Other definitions in this perspective, consider that EM is based on the company lifecycle - small companies in early stages, tend to have a higher degree of innovation, flexibility where this type of marketing (EM) can be implemented. (Ionita, 2012)

More recently, the concept of EM has expanded and is understood as a particular approach to marketing, which incorporates an entrepreneurial perspective into the marketing process, not necessarily related to enterprises' age or size or degree of innovation, but instead is related to a particular business environment (Ionita, 2012). In this perspective, EM is defined by Morris, Schindehutte, & Laforge (2002) as "the proactive identification and exploitation of opportunities for acquiring and retaining profitable customers through innovative approaches to risk management, resource leveraging and value creation" (p. 5). Similarly, other authors consider marketing as a "fully integrated element of the entrepreneurial process" (Gaddefors, Anderson, Charles, Centre, & Robert, 2008, p. 33) being a strategic orientation of the company. Kraus, Harms, & Fink (2010) defined it as "an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders, and that is characterized by innovativeness, risk-taking, proactiveness, and may be performed without resources currently controlled" (p. 26).

Regardless of this discussion, it is commonly accepted that EM has different causes, processes and outcomes than traditional marketing. Stokes (2000) presents the difference between traditional marketing and EM regarding business orientation, strategy, methods and marketing intelligence. Regarding *business orientation*, EM is concerned with innovation and new ideas, while traditional marketing is driven by the market and customers. Moreover, the *strategy* in traditional marketing is established through a top-down approach, where a strategy is defined before anything else. In the case of EM, it is normally used a "trial-and-error process" (p. 139) depending on customers preferences and

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suggestions. Regarding the *methods*, EM uses more interactive methods due to its need for customer suggestions and improvements, not fitting in the traditional 4/7 P's marketing mix. Finally, the *marketing intelligence* in EM is gathered through informal networking and personal observation, in contrast with traditional marketing that uses formalized information gathering (Ionita, 2012).

### 3. METHODOLOGY

To understand the strategy and marketing processes of a set of 9 Portuguese start-ups were analysed. These start-ups participated in a yearly competition in the tourism field launched by a Portuguese venture capital organization during the period 2016-2019. The assessment was based on the application forms, as well as other materials submitted during the application process. Regarding the number of promoters, it ranges from two to five, with five start-ups having only two promoters. Also, five start-ups are already established companies with some investment made by the promoters or other external investors. Finally, more than half of the start-ups are technology-based, and the other four provide activities related to tourism animation (Table 1).

Table 1 - Description of the start-ups analysed

Name	Number of Promoters	Established Company	Type of Project
Company 1 (C1)	2	No	Technology-based
Company 2 (C2)	5	No	Technology-based
Company 3 (C3)	4	No	Tourism Entertainment activities
Company 4 (C4)	4	Yes	Technology-based
Company 5 (C5)	2	Yes	Tourism Entertainment activities
Company 6 (C6)	4	Yes	Tourism Entertainment activities
Company 7 (C7)	2	Yes	Technology-based
Company 8 (C8)	2	No	Technology-based
Company 9 (C9)	2	Yes	Tourism Entertainment activities

### 4. ANALYSIS AND DISCUSSION

According to **Erro! A origem da referência não foi encontrada.**, most of the start-ups analysed are promoted by small entrepreneurial teams which implies that the decision-making process is concentrated in just few people, who are most of the times also responsible for product development, financial planning, etc. This has several consequences in marketing planning and processes, which are centralized in one or two persons, and thus depending on the beliefs, competences and skills of the owners/promoters (Stokes, 2002).

**Erro! A origem da referência não foi encontrada.** presents the marketing characteristics of the nine start-ups analysed. The first interesting insight is the promoters' previous experience in marketing, mostly acquired through education or professional experience. Five start-ups have at least one person in the promoters' team with marketing experience, while four start-ups did not have anyone in the team with marketing experience, with three of them referring that they need marketing external advisory to develop their team and/or their company. Second, all start-ups include marketing costs in the financial plans. However, these marketing costs range from publicity to sales promotion, being not clear which costs are truly allocated to marketing processes and strategy. Analysing the percentage of marketing costs in the financial plan (only four available), it ranges from 14% to 43% being on average 27%. Finally, none of the start-ups refers milestones or expenses allocated to a formal marketing plan, which is in line with Kraus et al. (2010), who commented that most start-ups or

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SMEs do not have a formal marketing plan, tending to focus on financial planning. This lack of formal planning can have negative effects on start-ups and small business survival and success (Kraus, Harms, & Schwarz, 2008).

Table 2 - Marketing characteristics of the start-ups analysed

Name	Promoters Marketing Experience	Need for Marketing by the promoters	Marketing cost included in the Financial Plans	Marketing Plan	% Marketing in Financial Plan
C1	Yes (both)	No	Yes	No	N.A
C2	Yes (one, not involved full time in the project)	No	Yes	No	N.A
C3	Yes (one)	No	Yes	No	14%
C4	No	No	Yes	No	20%
C5	Yes (one)	No	Yes	No	N.A
C6	No	Yes	Yes	No	43%
C7	No	Yes	Yes	No	31%
C8	No	Yes	Yes	No	N.A
C9	Yes (one)	No	Yes	No	N.A

Finally, **Erro! A origem da referência não foi encontrada.** presents the marketing strategies mentioned in start-ups' application form. The main marketing strategies and activities were the development of websites, social networks, related websites and partnerships. This is in line with most literature which refers digital marketing as the main strategy of start-ups due to its lower costs, easiness to use, readiness and perceived benefits (Teixeira et al., 2018). Also, the development of partnerships is mentioned by this type of companies. Partnership marketing is defined as "a smart collaboration of two or more organizations with the intent to develop a mid-term or long-term marketing program designed to meet each of their respective business goals" (Search Engine People, 2009). Therefore, it can increase the customer base, add value to the customers and enhance the perception of development and success of those companies. Many of these partnerships are made through personal contacts and networking activities of start-ups' promoters. Usually, due to its effectiveness and cost-efficiency, start-ups opt for developing networking activities early in their lifecycle (Kraus et al., 2010).

Other approaches include physical publicity (such as advertising in the touristic spots and shops or in the product/service itself), mainly in the case of start-ups that are not exclusively online but also have physical resources. Events and fairs are mentioned in the case of three start-ups, as a mean to promote their company but also to find partners and potential investors. However, most of these activities are costly which keeps some companies away from it. In another side, email marketing, referral programs, media, mouth to mouth and apps are not options for most of these start-ups. This can be explained by many reasons. Firstly, email marketing and referral programs require a large customer base which these type of companies do not have and have difficulties to obtain (Kraus et al., 2010). Marketing strategies which comprise development of an apps are expensive and require a large financial investment or human capital with technical skills to do it. Traditional media is also expensive and are not an option before the idea/product/concept is not yet validated

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by the customer. Finally, word of mouth appears here as not being an option, which contradicts most literature on marketing strategies of start-ups and small businesses.

It is interesting to see two references to bloggers/influencers, a relatively new trend of marketing strategies that many companies are using to be present online and influence consumers. Also known as influencer marketing, it focuses on the use of individuals who have influence over potential buyers to drive them the brand message (AMA, 2017). It is widely used in fields such as fashion, beauty or lifestyle, but is becoming more and more used in many other areas (EU-Startups, 2019). For start-ups and small businesses, bloggers and influencers can be useful to test and validate their product as they increase the customer base through the interaction with their followers.

Another interesting insight is that there is no relation between the type of project and the marketing strategies used. It would be expected that a technology-based project would rather prefer the use of digital marketing strategies, while non-technology-based project tended to use more traditional marketing strategies. In this case, both company's types use both digital and traditional strategies, depending on their customers and market context. The fact that all start-ups are tourism-related may also influence the type of marketing strategies since they need to communicate to tourists all over the world.

Concluding, the use of digital marketing strategies is typical among start-ups and small businesses. The lack of resources to invest in marketing drive these organization to use digital marketing strategies given its cost-effectiveness and low barriers to entry and scale comparing to traditional media (Noida & Pardesh, 2017).

Table 3 - Marketing strategies of the start-ups analysed.

Name	Website	Social Networks	Bloggers/ Influencers	App	Related Websites	Mouth to Mouth	Events and Fairs	Email Marketing	Referral Programs	Partnerships	Media	Physical Publicity
C1	X	X		X						X	X	X
C2	X	X			X	X						X
C3	X	X	X		X		X			X		X
C4			X		X		X			X		
C5	X	X			X					X		X
C6	X	X			X		X			X		
C7		X						X	X			
C8	X	X				X				X		X
C9	X	X			X	X				X	X	

## 5. CONCLUSIONS

The start-ups analysed show that despite the low number of promoters, most of them have someone in the team with marketing experience. In addition, the four start-ups that did not have anyone in the team with marketing experience are conscious that they need external help to develop marketing within their company. All start-ups include marketing costs in their financial plans. However, none of the start-ups refers to milestones or expenses allocated to implement a formal marketing plan. Through the analysis of the marketing strategies, it is possible to conclude that these start-ups use mainly digital marketing strategies, such as websites, social networks, related websites and bloggers/influencers. Also, partnerships are used as a marketing strategy, given its effectiveness and cost-efficiency.

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These results highlight the need for start-ups to design a marketing plan and a corresponding budget, even at the initial phase of their lifecycle, in order to have a consistent strategy to approach customers and better position their products. Thus, marketing should have an important role in the business model to show the consistency and robustness of the project.

There are also several implications for venture capital organizations, public authorities, and other investors. Those should include specific support for start-ups to define their marketing strategies since this is one of the main causes of start-ups failure. One example is the creation of specific funding lines to support marketing activities (e.g. human resources, marketing plan, communication material, etc.), and thus helping start-ups to overcome this challenge.

Future research should analyse partnership marketing strategies and the growth of influencer marketing since they are growing practices among start-ups and small businesses. It is also interesting to investigate if traditional marketing strategies are an option for another type of projects or projects related to other fields. Also, it would be important to use qualitative research methods to gain a deeper understanding of the marketing experience, skills and strategies used by the start-up's promoters. Start-ups and small business face specific marketing challenges and needs, thus they need specific support in this field. The path is to provide those organizations growth opportunities and not just money.

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