

A Study on Marketing Strategies of IT Ventures with Venture Performance Model

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The purpose of this study is to define the main factors of marketing strategies in IT ventures, remodel types of marketing strategies in IT ventures by two core-marketing dimensions due to derived factors, and suggest marketing strategies by each strategic cluster.

I. Introduction

The main point of ventures is high-technology based firms, which are founded by technology-oriented engineers.

That's the critical factor for success of ventures in most of cases, whereas it could be another reason to drive them to break down.

As mentioned by Utterback (1976), the key factors of success of innovative products in Europe and Japan are marketing ability, superiority of product, cognition of early market, close consumer contact, leadership.

In research of 269 computers and telecommunications companies' performance, by MacDougal & Robinson (1991), marketing strategy, technical development, ability of founders etc. play an important role to venture performance.

Moreover, the empirical study on performance of ventures in Korea¹ verifies that 84% of success or well-performed ventures focused on marketing, and

companies that executed after-marketing service, marketing-oriented companies, have more chances for high performance result.

The question is, then, what marketing strategy does support the performance of ventures in IT industry, and what's happened considering external environments that affect on marketing strategy and also performance?

The purpose of this study is to define the main factors of marketing strategy in IT ventures, remodel types of marketing strategies in IT ventures by two core-marketing dimensions due to derived factors, and suggest marketing strategy by each strategic cluster.

II. Characteristics of IT ventures

Venture in IT industry is defined as small companies of high-risk and high-revenue, which point to growth and IPO based on innovatively technological product and creative management, by the Korean regulation of financial support to new technology business of all parts of IT service, instruments, software and IT supplement.

The characteristics of marketing in IT ventures are: first, IT ventures usually use indirect-sales pattern, as the lack of budget in marketing and ability of management. They're vulnerable to acquire

¹ Yoon, Soo-il, (1997)

independently direct-distribution channels. Second, IT ventures need to be sensitive and adaptive to the fast changes, which are caused by environment, and short product's cycle. Moreover, the more integrated technology will be, the gap of consumers and producers will increase. Therefore ventures should take consumers-oriented strategy, make an effort to reduce the gap, by persuading consumers of high technological products to purchase products.

Third, IT ventures don't have enough human resources and financial resources to cover up considerably large market. To get high performance, it's crucial to focus closely on the most benefit target-market and concentrate all marketing process.

III. Research model

To derive the main factors of marketing that could be explained to IT ventures' performance, we applied empirical method by putting surveys on IT ventures² to statistical process.

First, we examined the correlation or effect of marketing as an internal resource of IT ventures' performance.

Second, we analyze the difference of result when considering the effect of environments as an external resource of company. The points to be discussed here are how the effect of marketing on performance will change, and then, what external environment does affect on marketing strategy and what the interaction of the two resources will be.

To verify the first goal, we derive the main factors of marketing by factor analysis, divide by two clusters (high/low) of each factor by cluster analysis and

² This survey used in this research is performed by M.C. Park et al. of ICU, Korea,

compare the difference of each cluster to elements of performance.

For second goal, the same process as above, deriving environmental factors, dividing by two clusters, considering marketing factor clusters with environmental-factor clusters and comparing the performance difference.

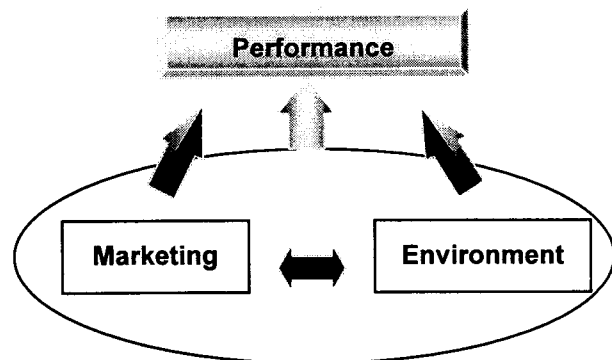


Fig.1: Research Model

IV. Empirical Result

1. Definition of Variables

The marketing variables are of two parts; one is of product variables (6), the other of other marketing variables (8).³ In the perspective of high-technology industry, product variables play an important role to sustain competitiveness and to develop new products. Then we focus on marketing mix (4P), more concretely on product. The questions were performed by 400 IT ventures, 192 of them are used in this research.

³ All variables are from survey performed for "An analysis of strategies of new technology-based ventures of IT industry in Korea", by M.C. park et al, ICU in 1999.

2. Hypothesis

1>

Venture performance will not change depending on *marketing factors*.

2>

Venture performance will not change depending on *marketing factors under external environments*

3. Effects of marketing factors on performance

By factor analysis, we extracted 4 marketing factors; *consumer-oriented product development, attaining strategic markets, diverse sales' channels, and product priority*.

The result of correlation analysis, to assure the correlation of marketing factors and performance, is that *attaining strategic markets* and *product priority* have relationship with performance.

Table2. Correlation analysis

Marketing factors		Inc. in Sales	ROA	ROI
<i>Attaining strategic markets</i>	Pearson Correlation	-.003	-.358*	-.304*
	Sig. (2-tailed)	.978	.003	.012
	N	67	67	67
<i>Product priority</i>	Pearson Correlation	.246*	.123	.082
	Sig. (2-tailed)	.045	.321	.508
	N	67	67	67

The result above gives us some assumption that the two factors could affect directly on ventures' performance. But we found that by one-way ANOVA, any marketing factor doesn't affect on performance elements individually.

The next question we analyzed is under putting all marketing factors to examine the interaction effect of marketing factors on each performance elements⁴.

The result is that only one environmental element, *increase rate of Sales Revenue*, was affected by some interaction of marketing factors.

Table3. Two-way ANOVA

Dependent variable: increase in Sales Revenue

Source	Df	Mean Square	F	Sig.
<i>Fact⁵.4 cluster</i>	1	10090.011	3.025	.088
<i>Fact.1*Fact.3* Fact.4 cluster</i>	1	9639.983	2.890	.095
Total	67			

a. R Squared=.195, Significant level= 0.1

4. Effects of marketing factors on performance: under environmental elements

The key to companies when they establish strategies is to predict effects and defense risks caused by external-environmental changes. To analyze the effects of marketing variables more completely, we take three environmental factors as *market competitiveness, uncertainty of environmental changes, and probability of market growth*, with marketing factors and test the same process as effects of marketing factors on performance.

■ A perspective of market competitiveness

Of three performance elements, only *increase in Sales Revenue* is affected by interaction of *attaining*

⁴ Performance elements are all of three: Increase rate of Sales revenue, ROA, ROI.

⁵ *Fact.4* – Product priority
Fact.1 – Consumer-oriented product development
Fact.3 – Diverse sales' channels

strategic markets and diverse sales' channels under market competitiveness

■ A perspective of uncertainty of environmental changes

Considering uncertainty of environmental changes, marketing factors that do not show any effect on performance attribute to explain all performance elements. In most of cases, the interaction effects basically make up with attaining strategic markets factor.

■ A perspective of probability of market growth

In this case, none of factors, marketing and environmental, is attributed to explain performance elements.

V. Conclusion

1. Summary of hypothesis

Table4. Summary of Hypothesis

No	result	contents
Hyp.#1	Marginally Accepted	□ <u>Product priority</u> attributes to explain performance element: <i>increase in Sales Revenue</i>
Hyp.#2	Marginally Accepted	□ <u>market competitiveness</u> attributes to explain performance element: <i>increase in Sales Revenue</i> □ <u>uncertainty of environmental changes</u> attributes to explain <u>all three performance elements</u>

2. Remodeling of marketing strategic clusters

To make this results used efficiently and fittingly to actual conditions facing IT ventures, we need to remodel types of marketing strategies using the derived marketing and environmental factors that

attribute to explain performance.

We divide two-dimensioned groups by marketing attributes.

One is the aspect of *product-development*, and the other is *attaining market*. The *product-development* includes *consumer-oriented product development* factor and *product priority* factor, *market-attaining* aspect is of *attaining strategic market* factor and *diverse sales' channels*.

Fig.2 Marketing strategy by type of marketing clusters

Low		High
Type1 (product leading) → Strength: increase in Sales Revenue → Setting target market →Attaining distribution channels	Type2 (market leading) → Strength: generally well-performance →Sustaining advantage →Diversifying to the new markets/product	Product development
Type4(market entrance) → Establishing core efficiency →Reasonable evacuation strategy →Alliance strategies (M&A)	Type3(market sharing) → Strength: increase in ROA →Developing new products →Investing R&D and Marketing(promotion)	
		Market attaining

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