

Entrepreneurial marketing and entrepreneurial financing practices of startup business

Prácticas de *marketing* emprendedor y financiación emprendedor de empresas *startups*

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Abstract

This research aims to analyze the entrepreneurial marketing and entrepreneurial financing practices of startup business. The analytical method used is descriptive qualitative by using 5 informants as startup business owners in Indonesian. The results found that successful startup businesses practice entrepreneurial marketing through product innovation, adaptation of consumer tastes, maintain good relationships with customers and suppliers, and conduct informal market observations. In addition, they also practice entrepreneurial financing through using of funds for product innovation and creativity.

Key words: startup business, entrepreneurship, marketing, financing

Resumen

Este estudio tiene como objetivo analizar la práctica del *marketing* y el financiamiento emprendedor en las empresas *startups*. El método analítico utilizado es descriptivo cualitativo mediante el uso de información suministrada por 5 propietarios de *startups* en Indonesia. Los resultados muestran que estas empresas practicaron *marketing* emprendedor través de la innovación de productos, adaptando los gustos de los consumidores, manteniendo buenas relaciones con clientes, proveedores y realizando estudios informales de mercado. Además, practican financiamiento emprendedor mediante el uso de fondos para la innovación y creatividad de productos.

Palabras Clave: startup business, emprendedorismo, marketing, financiamiento

1. Introduction

Startup businesses are the focus of observation for scientists worldwide. Indonesia is included in the list of the top five countries in the world with the highest number of startups. The number of startups in Indonesia (2,034) ranks fifth after Canada (2,465), United Kingdom (4,886), India (6,089), and the United States (46,485) ranked first (Startup Ranking, 2019). Business startups make a significant contribution of 7.3 percent to Gross Domestic

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Product in Indonesia (Jokowi, 2018). Therefore, that the business startup becomes one of the attractive and promising economic actors today.

However, not a few business startup businesses (startups) have failed. Starting a business is not easy, about 90% of potential startups fail. Many of them cannot manage business finances well (Helmy, 2018). The startup businesses today are always moving fast with all the conveniences of existing technology. But this fast-moving often leads to in-depth marketing research when they will start their pioneering efforts (Fajar, 2018). The entrepreneurial ecosystem is very important for starting a business (Behera *et al.*, 2019). Among startup businesses that fail, some succeed in making a profit, being able to maintain business continuity and even developing well.

Marketing management is one of the things that need to be considered to maintain business continuity (Primansa, 2011). Business success is highly dependent on the success of marketing management (Sam, 2018). Marketing and entrepreneurship are two things that play an important role and have a close relationship with business development (Hisrich, 1992). Relationship between the two management elements as Entrepreneurial Marketing (Moris, et al., 2002). Therefore, entrepreneurial marketing is very important for startup business, because marketing and entrepreneurship are two important aspects of creating innovation, new product introduction, new venture creation, and economic development, which are key activities in business development (Hisrich, 1992).

In addition to marketing, financial management is also very important to maintain business continuity. Financial management is a way to manage financial resources effectively in business activities (Maheswari, 2011). Entrepreneurial Financing is more focused on the financial decision-making process for startup businesses (Maria and Harjum, 2018). Entrepreneurial Financing is characterized by two basic things, namely: first, there is asymmetric information between investors and entrepreneurs; and second, there are serious moral hazard problems in financial management by entrepreneurs (Denis, 2004). Research on Entrepreneurial Financing is still more on the donor side (Denis, 2004; Klonowski, 2016). Whereas operationally the discussion on Entrepreneurial Financing is more interesting on the side of the recipient of the funds as fund managers (Maria and Harjum, 2018).

Indonesia is one of the startup business development areas. Not a few startup businesses that failed, but there are successful startup businesses that can make a profit and grow during intense business competition. Startup Business is a business that is engaged in the culinary business (Andrew, 2019). One aspect that is highly considered is marketing management and business finance (Rudiantara, 2019; Andrew, 2019).

Therefore, the research on Entrepreneurial Marketing and Entrepreneurial Financing is very important to do in startup business in Indonesia, to become one of the empirical facts about the role of Entrepreneurial Marketing and Entrepreneurial Financing on the success of startup businesses.

2. Methodology

This research is a descriptive study through a qualitative approach (Myers, 2009). The informants of this research are startups in the culinary business sector and success in Indonesia. The startup business criteria in this research are those reported by Amalia (2017):

- a) The company is less than 3 years old
- b) Has less than 20 employees
- c) Income less than US\$ 100.000/year
- d) Still in the developing stage

Data analysis is carried out through two stages: Stage 1, interpreting data obtained from observations, interviewees and data archives (in this procedure, observations and responses are recorded from interviewees and others). The resources are analyzed to determine which comments or suggestions are relevant to the problem discussed) and stage 2, interpreting data in accordance with facts and problems in the field (in this procedure, describing data relevant to the problem being discussed).

3. Results

The characteristics of startup businesses (Informants Profile) that become research informants consist of gender, education level, age, product type, length of business, number of workers, and annual income (see results in Table 1).

Table 1
Informants Profile

Description	Person 1	Person 2	Person 3	Person 4	Person 5	Total
Gender	Female	Male	Male	Female	Male	Female (40%); Male (60%)
Education	Bachelor	Bachelor	Bachelor	Senior High School	Bachelor	Bachelor (80%); Senior High School (20%)
Age (years)	29	41	30	31	29	Average = 32
Type of Product	Banana Nugget	Donut	Bread	Sweet Potato	Banana Cake	Culinary business
Time of Business (years)	2	2	2,5	1,5	2	Average = 2
Employee (people)	16	9	6	8	7	Average = 9
Annual Income (US\$)	48.276	41.379	37.931	34.483	20.690	Average = 36.552

Source: Survey Results, 2019

Table 1 shows that the startup business in Indonesia is generally managed by men, but also is managed by women. They are generally young and well educated with a level of undergraduate education. The type of business developed is culinary business. The business is a start-up business because it was not long established. Until now, his business has employed quite a number of workers. The level of business income is high enough to be able to finance business operations.

3.1. Entrepreneurial marketing on stratup business

Entrepreneurial marketing analysis is focused on aspects of the Product innovation, customer desires, maintain good relations, and market observation.

Table 2
Entrepreneurial Marketing Practices on The Startup Business

Description	Person 1	Person 2	Person 3	Person 4	Person 5
Product innovation	make a new taste	make a new variant donuts	make different breads	make new packaging	make a new taste
Pay attention to customer desires	opened outlets in 5 area	opened outlets in 3 area	opened outlets in 4 area	opened outlets in 2 area	opened outlets in 3 area
Maintain good relations with customers and suppliers	friendly service	maintain the trust of consumers and suppliers	good service	promotional packages at discount prices	committed to the supplier
Market observation	personally observe competitors	personally observe competitors	personally observe competitors	personally observe competitors	personally observe competitors

Source: Survey Results, 2019

The startup business diversifies its products, creates quality products, and makes interesting products for the customers. The strategy is carried out to face increasingly high business competition.

...need to make a new type of donut to anticipate boredom costumers. Do not be complacent with the high sales at this time because the tastes of costumers quickly change especially quite a lot of competitors... (Person 2)

Startup businesses carry out marketing strategies in accordance with costumer demand, be it access to get products (outlets that are easily accessible) and even expand to other areas to meet costumer demand. In addition, also pay close attention to costumer tastes because of the tendency of changing costumer tastes every time. This strategy is able to keep customers and attract new customers.

...I saw on the instagram, many costumers asked to open outlets of Nuggett Banana outside the area ... so I considered and had opened outlets in the area of Tondo and Parigi Moutong so that costumers could easily access our products... (Person 1)

Marketing practices that are applied by startup businesses always pay attention to the wishes of customers, both old customers and new customers. They always maintain good relations with customers directly or indirectly (on-line). One way to do this is to do a promotional package.

...we have a promotional package through a 50% discount every Friday. In addition, it also provides discounts for birthdays on that day. It turns out that the discount package can increase the number of sweet potato sponge sales... (Person 4)

The startup business has market intelligence by making observations and informal networks. Observations were made to determine the strengths and weaknesses of competitors. In addition, it also maintains good relations with suppliers to maintain the continuity of raw material inventory.

...usually I personally observe competitors by going to similar businesses and tasting their food. The way it can obtain information about the strengths and weaknesses of competitors, especially new competitors... (Person 3)

...we maintain good relations with suppliers. Usually there are other suppliers who offer raw materials but we reject it because it maintains commitments with existing suppliers. Suppliers

are also always committed to meeting the demand for banana raw materials needed...
(Person 5)

Entrepreneurial marketing practices in successful startup businesses through product innovation, paying attention to customer desires, maintaining good relations with customers and suppliers, and conducting informal market observations. The results of this research refers to findings of Stokes (2000) states that successful entrepreneurs do marketing in unconventional ways. They tend to focus on innovation and customer needs. They monitor the market through informal networks, not formal market research.

3.2. Entrepreneurial financing on startup business

Entrepreneurial financing analysis is more focused on the side of the recipient of the fund (demand side) as a fund manager, namely aspects of the source and use of business funds in the startup business.

Table 3
Entrepreneurial Financing Practices on The Startup Business

Description	Person 1	Person 2	Person 3	Person 4	Person 5
Sources of funding	owner's equity	owner's equity	owner's equity	owner's equity	owner's equity
Cost of innovation and creativity	25% of net income	30% of net income	20% of net income	30% of net income	30% of net income
Recording financial transactions	use the android application (Accurate Lite)	use the android application (Loyverse Pos)	use the android application (Accurate Lite)	use the android application (Ubequ Pos)	use the android application (Accurate Lite)

Source: Survey Results, 2019

The sources of startup business funds rely more on their own capital. This is carried out by considering the burden of interest costs that must be borne if using external funding (debt).

...ever at the beginning of the banana naget business, we applied for a loan from a bank but it was not approved. Finally, when our business was running well, the bank offered a loan, but we refused. Until now we use our own capital for business... (Person 1)

The use of funds is carried out in accordance with the operational needs of the business. In fact, they prioritize the use of funds for product innovation and creativity, especially in the form of promotions so that they can attract consumers.

...I always allocate funds 30% of net income for product innovation and creativity. The cost is not small but I consider that innovation and creativity are very important for business continuity... (Person 2)

Sources and uses of funds in the startup business are recorded in financial reporting. They use financial applications to maintain and control the financial records of their businesses. Through financial applications, the owner can easily control the source and use of funds, especially sales and costs incurred in the production process.

...I used to record expenses and business income in a notebook. Now it has financial applications that are easily and quickly controlled. I can find out the sale of 1 unit of Naget Banana via mobile and business profits every day... (Person 1)

The practice of entrepreneurial financing in the startup business is carried out with sources of capital financing at the beginning of the business and prioritizing budget allocations for product innovation and creativity, as well as the use of financial applications for recording financial transactions.

4. Conclusions

Startup business practices entrepreneurial marketing through product innovation, adapting consumer tastes, maintaining good relations with customers and suppliers, and conducting informal market observations. In addition, it also practices entrepreneurial financing through financial innovation in financial sources and uses, specifically prioritizing the use of funds for product innovation and creativity as well as conducting financial records using financial applications. Both of these things contribute to the success and continuity of the business so that it can develop in the face of increasingly high business competition.

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