Optimizing the Use of Design Thinking in the Application of Entrepreneurial Marketing to Improve Marketing Performance in Start-Up Companies: Case of Medan

Dany Perdana Sitompul[1], M. Ibnu K. Sitompul[2]
{danysitompul7@gmail.com[1]}

Universitas Sumatera Utara, Faculty of Economic and Business, Indonesia[1]
University of Canterbury, Faculty of Law, New Zealand[2]

Abstract. Start-ups, also known as entrepreneurial ventures, have become a trend followed by many people in Indonesia, especially young people. According to data from the Indonesian Creative Industries Society for Information Technology and Communication (MIKTI), in 2018 the number of start-ups in Indonesia reached 992 companies. MIKTI's data shows that more than half of the start-ups are located in Jakarta, Bogor, Depok, Tangerang, and Bekasi, with a percentage of 52.63 percent and a total of 552 start-ups. Sumatra is ranked second with 11.53 percent. The data also shows that nowadays young people tend to want to start a business rather than become an employee to support their career life. However, not all start-ups that are established are able to survive. Many start-ups struggle to generate profits from their product sales. More often, this is due to inadequate marketing efforts that ultimately harm the company. Market orientation, a key aspect of marketing, has been recognised as a significant factor in a business's performance. Moreover, numerous researches have discovered that start-ups frequently suffer from a deficiency in market orientation and capabilities, resulting in diminished performance levels and increased risks of business failure. The Entrepreneurial Marketing paradigm should be given priority in order to incorporate a marketing strategy that is grounded on knowledge domains encompassing not only marketing, but also innovation, entrepreneurship, and customer involvement and relationships. Design Thinking plays a crucial function in supporting entrepreneurial marketing in a start-up company.

Keywords: Entrepreneurial Marketing, Design Thinking, Start-ups, Company Performance.

1 Introduction

Startups, also referred to as startup enterprises, have gained popularity among a significant number of individuals, particularly young people, in Indonesia. In 2018, Indonesia had a total of 992 startups, as reported by the Indonesian Information and Communication Technology Creative Industry Society (MIKTI). MIKTI's statistics indicates that a majority of the startups are situated in Jakarta, Bogor, Depok, Tangerang, and Bekasi. The ratio stands at 52.63% with a total count of 552 startups. Sumatra ranks second with a share of 11.53 percent. The research additionally indicates that in contemporary times, the younger generation exhibits a preference

for entrepreneurship over traditional employment as a means of fostering their professional trajectory.

Nevertheless, not every established startup can endure. A significant number of entrepreneurs face challenges in generating money from their product sales. Oftentimes, this can be attributed to insufficient marketing endeavours, which ultimately detrimentally impacts the organisation. The significance of marketing, particularly market orientation, in enhancing business success has been recognised by scholars such as Deshpande et al. (1993), Jaworski and Kohli (1993), and Narver and Slater (1990). Moreover, multiple researchers have observed that the absence of market orientation and skills in startups frequently results in decreased performance levels and increased risks of business failure (Alpkan et al., 2007; Blankson and Stokes, 2002; Brooksbank et al., 2004; Hill and Blois 1987; Huang and Brown, 1999; McCartan-Quinn and Carson, 2003). The Entrepreneurial Marketing paradigm should prioritise a marketing strategy that incorporates expertise from several domains such as marketing, innovation, entrepreneurship, and customer interaction and connections (Jones & Rowley, 2011). study conducted over the past two decades has extensively examined the marketing practices of startups. This study has revealed that small companies demonstrate distinct marketing behaviours that deviate from those of large organisations. These findings have contributed to the development of traditional marketing theory (Freel, 2000). In the present era, the strategies employed in marketing for startups may deviate from traditional and renowned approaches. Successful companies can exploit their distinct advantages derived from their tiny size. According to Carson et al. (1995), startup marketing can be considered as a form of entrepreneurial marketing. This style is characterised by several elements, such as intrinsic informality, simplicity, and haphazardness. This method is a culmination of several variables, such as limited scale, business and marketing limitations, the impact of entrepreneurs, and the absence of formal organisational structures or communication systems, which may even lack marketing systems altogether. This marketing approach is characterised by its responsiveness and reactivity to competition and its opportunistic nature (Carson et al., 1995).

In order to thrive in the modern world, which is characterised by advanced technology and intense global competition, individuals must cultivate and employ a distinct set of talents that differ from those required in the past (Shute & Becker, 2010). One of these abilities is referred to as Design Thinking. Design is commonly recognised as the primary or distinctive technical activity (Simon, 1996). Typically, individuals who complete an engineering programme are expected to become proficient engineers with strong problem-solving skills, capable of addressing societal demands (Evans, McNeill, & Beakley, 1990). Design, much like problem-solving, is an inherent human activity that permeates all aspects of life. The initiation of the design process occurs when there is a recognised necessity and discontentment with the present circumstances, along with a resolute commitment to undertake measures in order to resolve the issue. This assumption posits that the application of design thinking in entrepreneurial marketing can be beneficial for entrepreneurs, as perceived by academics. Moreover, design thinking has garnered increased focus in corporate environments. This is due to the fact that product and service design plays a crucial role in determining the competitiveness of a firm, as seen by the commitment of numerous renowned companies to pursue this aspect.

1.1 Problem Statement

Based on the above background, the following research problems can be formulated:

1. Is there a difference between traditional marketing and entrepreneurial marketing in terms of improving marketing performance?
2. Will design thinking increase creativity in forming marketing programs for start-up companies?
3. Will implementing design thinking improve marketing performance in entrepreneurial marketing for start-up companies in Medan

1.2 Research Objectives

The objectives of this research are:

1. To identify and analyze the differences between traditional marketing and entrepreneurial marketing in improving marketing performance.
2. To determine the significance of design thinking in increasing creativity in forming marketing programs for start-up companies in Medan.
3. To determine and analyze whether design thinking will improve marketing performance in entrepreneurial marketing for start-up companies in Medan.

1.3 Research Objectives

The expected benefits of this research are as follows:

1. To provide knowledge and insights on the differences between traditional marketing and entrepreneurial marketing.
2. To provide knowledge on the importance of creative thinking and how creativity can help increase the probability of suitable marketing program variations for customers of start-up companies in Medan.
3. To inform start-up companies that design thinking is a tool that can help shape and provide innovative solutions for their goals.
4. To serve as a learning material and expand personal knowledge for the researcher in the field of marketing management, especially in entrepreneurial marketing.

2 Previous Research

Research on Entrepreneurial Marketing over the past twenty years has revealed that small enterprises demonstrate distinct marketing behaviours compared to large businesses. This distinction forms the foundation of traditional marketing theory (Freel, 2000). Traditional marketing methods have proven ineffective when applied to start-up organisations, despite the premise that the fundamental marketing principles developed for large businesses can be universally applied (Jones & Rowley, 2011). Nevertheless, recent research has indicated that contemporary start-up marketing may deviate from established and conventional theories. Furthermore, prosperous start-ups might use their distinctive benefits derived from their 'small' size. Carson et al. (1995) suggested that start-up marketing is essentially entrepreneurial marketing, which is a unique style characterised by several elements, including a naturally casual approach that is straightforward and random. This strategy is a consequence of several circumstances, such as limited scale, business and marketing limitations, the impact of

entrepreneurs, and the absence of formal organisational structure or communication channels, which occasionally leads to a complete absence of marketing strategies. This type of marketing is characterised by its responsiveness and reactivity to competition and its opportunistic nature (Carson et al., 1995).

Morris et al. (Morris, Schindehutte, & LaForge, 2002) have provided a definition of Entrepreneurial Marketing as the active and strategic process of recognising and capitalising on possibilities to attract and maintain lucrative clients by employing inventive methods for managing risks, utilising resources, and creating value. The field of Entrepreneurial Marketing theory is gaining more attention, with a growing acknowledgment of its roots in marketing and entrepreneurship theory and practice. Moreover, any literature pertaining to entrepreneurial marketing will inevitably influence both innovation and the level of engagement and relationships with customers (Jones & Rowley, 2011). Hence, this study will examine many factors such as Market Orientation, Entrepreneurial Orientation, Customer Orientation, and Innovation Orientation. Ultimately, this will establish the Entrepreneurial Marketing Orientation Model, which will serve as the foundation for this research.

Design Thinking has garnered heightened interest in corporate environments. The reason for this is because product and service design plays a crucial role in determining the competitiveness of a business, as seen by the commitment of numerous renowned organisations to becoming leaders in design (Martin & Dunne, 2006). Previous study has demonstrated that design thinking, while crucial in engineering and business, may also greatly benefit interdisciplinary education in the 21st century by incorporating innovative thinking to develop problem-solving strategies. In academic settings, students are obligated to engage in critical reading, employ logical thinking and reasoning, and tackle intricate difficulties (Chiarle, 2017).

In his journal article titled "Notes on the Evolution of Design Thinking," Craig M. Vogel highlights the importance of fostering design thinking in multidisciplinary programmes. He argues that such programmes have the potential to generate novel innovation models, not just inside universities but also in enterprises. The aim is to address unmet global human needs comprehensively.

3   Research Method

3.1   Type and Nature of Research

The type of research that will be conducted is quantitative research. The nature of the research used is the descriptive explanatory model. With this, it is hoped that this quantitative research will produce data that can describe in detail and clearly the conditions in the field. This research starts with data collection through a questionnaire using Google Form. The Google Form is shared with startup owners or those who handle marketing in a company. As data collection is done online, the collection time is relatively short, allowing for data processing.

3.2   Location and Time of Research

This research will be conducted online to all respondents, namely startup owners or those who handle the marketing department of the company. It will be conducted in startups located in Medan, from January 25, 2022, to January 27, 2022.

3.3 Population and Sample

The population in this study is all respondents, namely startup owners or those who handle the marketing department of the company. The sample is taken using purposive sampling, where the sample is determined based on one of the following criteria: 1) Startup owners; 2) Users or those who handle the marketing department of startups; and 3) Have run a marketing program for at least one year.

3.4 Data Collection Techniques

The data collection technique used in this study includes:
1. Questionnaire provided to the sample who handles marketing in startups in Medan.
2. Literature and documentation studies conducted by collecting and studying documents such as articles, journals, and other documents.
3. This study includes respondent data obtained from the Google Form questionnaire

This study uses two types of data:

1. Primary data sourced from pre-survey interviews and questionnaires distributed to startup owners or those who handle the marketing department of the company.
2. Secondary data sourced from literature reviews and previous studies, data from the Central Bureau of Statistics, scientific publications, and the internet.

3.5 Operational Variables

The variables in this study are as follows:

1. Independent Variable (IV)
   The independent variable (X) in this study is Social Media Advertising, which has four measurement indicators: context, communication, collaboration, and connection.
2. Dependent Variable (DV)
   The dependent variable (Y) in this study is purchasing decisions at A2 Kafe. The purchasing decision measurement indicators in this study are: recognition of needs, information search, evaluation of alternatives, purchasing decision, and post-purchase behavior.
3. Moderating Variable
   The independent, dependent, and moderating variables in this study are qualitative. Thus, the researcher used a measurement scale to provide a quantitative characteristic. The measurement scale used is the Likert scale with values of 1-4. A value of 1 represents the lowest score, while a value of 4 represents the highest score.

4 Research Result

This research will be divided into two parts, statistical analysis results and hypothesis testing

4.1 Descriptive Statistical Analysis Based on Respondent Characteristics

In this study, the sample respondents were owners of start-up companies or those who handled marketing for their company. Respondents were also studied based on their level of education and how long they had been handling their company's marketing.

1. Respondent Characteristics Based on Gender
   Based on the data collected through online questionnaires distributed to owners or those who handled marketing for at least 1 year, there were 11 male respondents and 28 female respondents. When calculated as a percentage, the number of female respondents was 71.7% and male respondents were 28.2%. This indicates that currently, there are more women involved in start-up companies, either as owners or employees.
2. Respondent Characteristics Based on Occupation
   Based on the data collected, 23% of the respondents were owners and 77% were handling marketing for the company. This indicates that start-up companies are aware of the importance of marketing and are entrusting their marketing department to others.

4.2 Descriptive Statistical Analysis Based on Respondent Characteristics

1. Coefficient of Determination
   The Adjusted R Square value of 0.89 indicates that 89% of the variability in Y can be accounted for by the independent variable X1 and the moderating variable. The remaining 11% is accounted for by additional factors that are not included in this model.
2. Simultaneous Significance Test (F-Statistic Test)
   The ANOVA or F test yielded an F-value of 89.331 at a significance level of 0.000. Given that the probability of significance is significantly less than 0.05, it is valid to utilise the regression model for predicting Y. Alternatively, it can be said that both X1 and the moderating variable jointly exert an influence on Y.

5 Conclusion

Moderated Regression Analysis (MRA), often known as an interaction test, is a specific implementation of multiple linear regression that incorporates interaction (moderating) components into the regression equation. MRA is conducted by doing simultaneous significance tests using the F-statistic test, as well as individual parameter significance tests using the t-statistic test, under the specified conditions:

1. Simultaneous Significance Test (F-Statistic Test)
   If the ANOVA or F-test yields a calculated F-value that is statistically significant at a level lower than the predefined significance threshold, then the regression model can be employed to make predictions for the variable Y.
2. t-Statistic Test
   If the coefficient parameter of the independent variable X1 in the regression analysis is found to have a significance level lower than the preset threshold, it can be inferred that the DT variable acts as a moderating variable.

Therefore, based on the completed tests and assumptions, it can be concluded that Entrepreneurial Marketing has a substantial impact on Marketing Performance. Furthermore, the incorporation of the Design Thinking component into Entrepreneurial Marketing will enhance the success rate of Marketing Performance for start-up enterprises in Medan.

References

[1] Brown, T. (2009). Change by Design: How Design Thinking Transforms Organizations and Inspires Innovation (p. 272). p. 272. Retrieved from http://www.amazon.com/Change-Design-Transforms-Organizations-Innovation/dp/0061766089

[2] Carroll, M., Goldman, S., Britos, L., Koh, J., Royalty, A., & Hornstein, M. (2010). Carroll_et_al-2010-Design_Thinking_Middle_Classroom. Journal Compilation © 2010 NSEAD/Blackwell Publishing Ltd, 29(1), 37–53.

[3] Chiarle, A. (2017). The 21st Century Skills. Key Competencies and Contemporary Skill Development in Education, 562–1065. https://doi.org/10.4018/978-1-4666-9823-9.les2

[4] Freel, M. S. (2000). Barriers to Product Innovation in Small Manufacturing Firms. International Small Business Journal, 18(2), 60–80. https://doi.org/10.1177/0266242600182003

[5] Jones, R., & Rowley, J. (2011). Entrepreneurial marketing in small businesses: A conceptual exploration. International Small Business Journal, 29(1), 25–36. https://doi.org/10.1177/0266242610369743

[6] Martin, R., & Dunne, D. (2006). Design Thinking and How It Will Change Management Education: An Interview and Discussion. Academy of Management Learning and Education, 5(4), 512–523.

[7] Morris, M. H., Schindehutte, M., & LaForge, R. W. (2002). Entrepreneurial Marketing: A Construct for Integrating Emerging Entrepreneurship and Marketing Perspectives. Journal of Marketing Theory and Practice, 10(4), 1–19. https://doi.org/10.1080/10696679.2002.11501922

[8] Yang, C. M., & Man, H. T. T. (2018). Applying Design Thinking Process in Student's Project: A case of EGF Products. MATEC Web of Conferences, 201, 1–13. https://doi.org/10.1051/matecconf/201820104003