

Understanding Entrepreneurial Marketing through Customer Orientation of Hispanic and Black Business Owners

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Abstract

It has been argued that entrepreneurial marketing is a comprehensive construct that integrates the disciplines of entrepreneurship and marketing. As such, entrepreneurial marketing differs from traditional or conventional marketing in that it is characterized by simplicity and informality (e.g., Carson, Cromie, McGowan, and Hill 1995). Entrepreneurial marketing is particularly important for small- and medium-sized business, and especially for firms founded and managed by minorities.

Jones and Rowley (2011) have characterized entrepreneurial marketing as consisting of four interrelated orientations—innovation orientation, entrepreneurial orientation, market orientation, and customer orientation. The present research focuses on customer orientation in the Jones and Rowley characterization in the context of minority entrepreneurship. Minority entrepreneurs face a relatively unique market/product strategy: They can initially or solely focus on a particular (minority) market niche, which is often called an “enclave strategy.” Or they can follow a “mainstream” or “dominant” market strategy wherein they ignore a particular (minority) market niche and attempt to serve a broad-based market (e.g., Basu 2011; Ndofor and Priem 2011) different from their own ethnicity or race.

In other words, in a traditional enclave strategy minority entrepreneurs direct their marketing efforts to a niche market assumed to consist of entities (people or organizations) like themselves. Thus, their customers are minorities. In a traditional dominant strategy minority entrepreneurs do not limit their marketing efforts to a minority group but instead direct their marketing efforts to nonminority groups (e.g., the “general market”). Hence their customers are not (only) minorities. Of course, while these two archetype strategies are extremes, there is a “compromise” marketing strategy wherein a minority entrepreneur pursues both enclave- and dominant-markets (i.e., a hybrid strategy). Customers of these minority entrepreneurs would consist of a mixture of minority and nonminority customers.

Hispanics constitute the largest ethnic minority in the United States whereas Blacks constitute the largest racial minority. Although numerous studies have been conducted that address the

unique issues that these minority entrepreneurs face (e.g., Bates 2011; Hisrich and Brush 1986), to date no research has compared the customer orientations of Hispanic and Black entrepreneurs. Specifically, the present study was motivated by three research questions:

- Are the customer orientations of Hispanic and Black entrepreneurs similar or different?
- If so, besides minority status, do any firm or entrepreneur characteristics relate to the respective customer orientations?
- Is there a relationship between customer orientation and (perceived) business performance?

To answer the three research questions, random samples of Hispanic and Black entrepreneurs in a state with significant concentrations of Hispanics and Blacks were mailed questionnaires from a university. The questionnaires were developed following standard protocols including a focus group interview, consultation with experts and survey pretesting. Following two questionnaire mailings and a reminder postcard to the samples of Hispanic-owned and Black-owned firms, 2,628 valid responses were obtained. Final responses represented 2073 Mexican-Hispanic entrepreneurs (approximately 17 percent of the Hispanic firms surveyed, 62 percent of the valid responses, and 84 percent of the Hispanic individuals returning completed questionnaires) and 555 Black entrepreneurs (approximately 9 percent of the Black firms surveyed and 58 percent of the valid responses). Criteria for inclusion were: (1) the survey participant had to have started his or her firm (i.e., be an entrepreneur) and (2) the survey participant's firm had to have two or more employees, including the survey participant. Thus, non-entrepreneurs (e.g., those individuals purchasing their firm from someone else) and entrepreneurs who were solo practitioners who responded were excluded from the present study.

In addition to containing background and foundational questions about the survey participants' demographic characteristics and selected questions about the survey participants' firms, the questionnaires contained two focal questions.

FQ1: The majority of the customers of your business are:

- Primarily non-Hispanic/Primarily Black
- Equal mixture of Hispanic and non-Hispanic/Equal mixture of Black and non-Black
- Primarily Hispanic/Primarily non-Black

FQ2: How does your business perform compared with others in your industry?

Responses were captured by means of a five-point rating scale anchored by "much less profitable" and "much more profitable," with a middle category "about average."

Comparison of the Hispanic and Black entrepreneurs surveyed revealed the following ($p \leq .01$ for all Chi Squares):

- Twenty-three percent of Hispanic entrepreneurs were females as compared to 30 percent of the Black entrepreneurs.
- The Black entrepreneurs perceived themselves as possessing significantly greater business skills than did the Hispanic entrepreneurs (based on eight separate skills).
- Black entrepreneurs reported possessing more formal education than did Hispanic entrepreneurs.
- Hispanic entrepreneurs reported more years of business experience than did Black entrepreneurs.
- On average, the firms of Hispanic entrepreneurs had significantly more employees and had been in existence longer periods of time than the firms of Black entrepreneurs.

There were no statistically significant differences in ages of the Hispanic and Black entrepreneurs.

The self-reported customer orientations of the two groups of entrepreneurs differed significantly, as did the employee compositions of the entrepreneurs' firms. For example, as shown below, Hispanic entrepreneurs were somewhat less likely to focus on non-Hispanic customers than were Black entrepreneurs to focus on non-Black customers. Moreover, 66 percent of the employees of the Hispanic entrepreneurs' firms were Hispanic, whereas 41 percent of the employees of the Black entrepreneurs' firms were Black. As might be expected, there was a significant relationship among minority status of the entrepreneur, customer orientation, and employee status.

<i>Customer Orientation</i>	<i>Entrepreneurs</i>	
	Hispanic	Black
Primarily Hispanic/Black	25%	12%
Equal Mixture	46%	39%
Primarily non-Hispanic/Non-Black	29%	49%

Other illustrative significant relationships involving customer orientation include the following:

- Although there were significant pairwise relationships respectively between the number of employees in a firm and an entrepreneur's ethnicity/race and (1) the number of employees in a firm and (2) customer orientation, there was no relationship between the number of employees in a firm and customer orientation when taking into account entrepreneur ethnicity/race.
- There was no relationship between customer orientation and level of education when taking into account the ethnicity/race of the entrepreneurs surveyed.
- There was no relationship between customer orientation and the entrepreneurs' experience in their business, regardless of an entrepreneur's ethnicity or race.
- Even though there was a marginally significant relationship between minority status and entrepreneur gender, there was no relationship between entrepreneur gender and customer orientation.
- Although there was a significant relationship between when an entrepreneur's firm was originally established and entrepreneur minority status, there was no relationship between this length of time and customer orientation when ethnicity/race was controlled.

While the Hispanic entrepreneurs perceived their business to perform significantly better than did the Black entrepreneurs, there was no relationship between success perceptions and customer orientation. Indeed, of the variables studied, ethnicity/race was the best predictor of perceived business performance whereas education was the second-best predictor. Customer orientation, either alone or in combination with other variables, was not significantly related to perceived business performance. Fifty-four percent of the Hispanic entrepreneurs and 43 percent of the Black entrepreneurs rated their business performance "about average" (i.e., they used the mid-point of the performance scale).

With respect to the three research questions, the results yield important insights:

1. *Are the customer orientations of Hispanic and Black entrepreneurs similar or different?* The answer is a conditional "they differ." Although the groups possessed different customer orientations, notable percentages of each group respectively pursued enclave, dominant, and hybrid customer orientation strategies. Thus, it appears that the customer orientation strategies of the minorities studied are more complex than as frequently conceptualized in the marketing literature.
2. *If so, besides minority status, do any firm or entrepreneur characteristics relate to the respective customer orientations?* While the customer orientations of the Hispanic and Black entrepreneurs were somewhat different, few of the variables studied related to a specific orientation. This reinforces the notion that customer orientation strategies of minority firms are more complex than currently conceptualized in the marketing literature.

3. *Is there a relationship between customer orientation and (perceived) firm performance?* Interesting, “no.” This finding corroborates the notion that business success may be in the eye of the beholder and/or that it can be achieved by means of different customer orientation strategies.

For the relationships above where there were differences (1 and 2 above) ANOVA results indicated that the relationships were statistically significant at a level of $p \leq .01$.

One goal of the SBA and other organizations is to help entrepreneurs thrive. This research indicates that demographic compositions, business perceptions and marketing strategies (targets), as well as business perceptions, do differ by minority group. Improving entrepreneurial marketing and entrepreneurial business performance is not simply a matter of helping “minorities”, it is a much more sophisticated task requiring an understanding of the minority entrepreneur. This research contributes by being the first of its kind into entrepreneurial marketing strategies with the most extensive Hispanic database collected for this purpose.

As is true of most exploratory research, this study raises additional questions that can direct future research. For instance, additional variables, both entrepreneur-related and firm-related measures, should be investigated regarding relationships with customer orientation, and customer orientation itself should be explored further regarding such constructs as market orientation, innovation orientation, and entrepreneurial orientation. Simultaneously, while the present research developed one of the largest and most geographically dispersed sample, it does have limitations, such as the use of a single scale to measure perceived business performance.

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Keywords: entrepreneurship, minority entrepreneurs, Mexican-American entrepreneurs, customer orientation, entrepreneurial marketing, Black entrepreneurs

Relevance to Marketing Educators, Researchers and Practitioners: The marketing practices and strategies of entrepreneurs, especially African American and Hispanic entrepreneurs have not been a focus of prior marketing investigation. Yet, they are important to understand and even aid in the improvement of marketing practice. This research is the first of its kind into entrepreneurial marketing for a large sample of Hispanic entrepreneurs with a comparison to African American practices. This research provides insights into how to improve minority entrepreneurial marketing, as well as to help other entrepreneurs learn from the practices of minority entrepreneurs who are particularly close to their market in potentially beneficial ways.

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