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Get the show on the road: Go-to-market strategies for e-innovations of start-ups

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ABSTRACT

Internet-enabled service innovations (e-innovations) are the latest trend in digital entrepreneurship. E-innovation adoption is associated with high levels of uncertainty for potential customers, particularly when e-innovations are launched by start-ups. Go-to-market strategies contain information suitable to convey valuable signals for adoption decisions. Based on a systematic literature review, a historical method analysis, and expert interviews, this study explores how start-ups should design go-to-market strategies to facilitate the adoption of e-innovations. Start-ups launching e-innovations apply the service marketing mix specifically adapted to the digital context. In line with signaling theory, the findings demonstrate that the design of e-innovation go-to-market strategies should primarily signal trustworthiness and usability. For start-ups, this study proposes that trust mediates the relationship between e-innovation trustworthiness signals and adoption and that usability signals moderate the uncertainty associated with e-innovation adoption. These findings offer important managerial implications for start-ups launching e-innovations.

1. Introduction

The ongoing digitization process presents intriguing market opportunities for start-ups, which are new business ventures that develop and launch innovations based on entrepreneurial ideas (Heirman & Clarysse, 2007; Loch, Solt, & Bailey, 2008). As a result, an ever-increasing amount of e-innovations (EIs)[1] is flooding the markets (Huang & Rust, 2013). EIs are Internet-enabled service innovations that offer new and unique value propositions via the Internet (Dotzel, Shankar, & Berry, 2013), where they first emerge. For instance, the online cloud service Dropbox, launched in 2008, was such an EI. Dropbox provided a new and unique value proposition that was commercially enabled by and emerged on the Internet. This study differentiates EIs from new Internet-based services, such as online travel booking or online classifieds, that solely involve offline services provided online and for which the value proposition does not first emerge on the Internet. By definition, EIs are either radically or incrementally new to the firm and customers. Although a proliferation of EIs exists in the B2B context, this study's focus is on the B2C context, where the growth of EIs continues to soar (Hirt & Willemott, 2014).

Despite the growing relevance of EIs, up to 90% of EIs fail (Marmer, Herrmann, Dogrultan, & Berman, 2011), which is not surprising given that the adoption of EIs implies high levels of uncertainty for potential customers, especially when start-ups launch EIs. Several characteristics inherent in EIs provided by start-ups cause this uncertainty, such as their digital nature (Featherman & Pavlou, 2003), impersonality (Dimoka, 2010), intangibility (Huang & Rust, 2013), and newness (Meuter & Ostrom, 2000), as well as unfamiliarity of the launching company (McKnight, Choudhury, & Kacmar, 2002). This uncertainty finds expression in privacy concerns and fear of data misuse (Featherman & Pavlou, 2003; Ha & Stoel, 2009; Sheehan & Hoy, 2000) and in doubts regarding performance (Featherman & Pavlou, 2003; Meuter & Ostrom, 2000).

Customers seek to reduce their perceived uncertainty by using the information provided about EIs (Huang & Rust, 2013). A start-up's go-to-market strategy makes such information available. Prior research shows that the go-to-market strategy largely determines innovation failure or success (Avlonitis, Papastathopoulou, & Gounaris, 2001; Langerak, Hultink, & Robben, 2004; Lee, Lin, Wong, & Calantone, 2011). Therefore, this study focuses on the challenge of designing go-to-market strategies as effective information signals for customers when launching EIs.

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[1] We will abbreviate the term e-innovation as EI throughout the remainder of this article.

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Signaling theory (Spence, 1973) suggests that EI go-to-market strategies entail valuable signals that may encourage adoption. The present study seeks to determine the go-to-market strategy elements that help facilitate EI adoption and to investigate start-ups' motivation to employ particular go-to-market strategy elements by addressing the following research questions (RQs): What are the go-to-market strategy elements for innovations that the prior literature has identified (RQ1)? Do start-ups also apply these go-to-market strategy elements when launching EIs, or do they employ different elements (RQ2)? Which rationales do start-ups apply in the design of go-to-market strategies for EIs (RQ3)?

First, a qualitative exploratory study identifies go-to-market strategy elements and their specific design for innovations via a systematic literature review of prior entrepreneurship, marketing management, and innovation research. Second, this study identifies go-to-market strategy elements and their specific designs used by start-ups for the launch of EIs by applying a historical method analysis of actual EI launches. Third, interviews with EI experts help to gain a deeper understanding of particular designs of go-to-market strategies and to discern their potential signaling functions. Finally, this study derives propositions about the influence of start-ups' go-to-market strategies on EI adoption based on the insights obtained and proposes a conceptual model.

This study contributes to the extant literature in several ways. First, this study explores the extent to which start-ups launching EIs can apply prior go-to-market strategy components. Second, this study contributes to signaling theory by deriving an understanding of the signaling functions of EI go-to-market strategy elements and their effects on EI adoption. Third, this study hones the understanding of the process of EI adoption by revealing factors that drive EI adoption as well as crucial mediator and moderator variables. Finally, this study contributes to the innovation launch practice by deriving a framework with managerial implications for start-ups launching EIs.

2. Theoretical background

2.1. Signaling theory

Signaling theory originates from information economics and, generally, assumes that the levels of information of the two parties involved in a transaction are unequal (Spence, 1973). For example, sellers know the quality of their products, but buyers may not (Nelson, 1970). Similarly, start-ups are aware of the qualities of their EIs but customers may not be. The use of signals can resolve the resulting state of information asymmetry (Kirmani & Rao, 2000). Signals, when furnished in the form of, for instance, prices or warranties, by the side with more information, can serve to make non-observable information on a transaction explicit. Such signals enable the party with a low level of information to make inferences about the transaction and arrive at a decision about whether or not to engage in the transaction (Aiken & Boush, 2006). In the context of an EI launch, signals enable target customers to draw inferences about a start-up's EI with neither experience with the start-up nor usage experience with the EI. These signals can thus provide adequate information for customers to make adoption decisions (Besharat, 2010; Su & Rao, 2010). Go-to-market strategies serve as such signals.

2.2. Go-to-market strategies and e-innovations

The decisions related to the go-to-market strategy determine the *how* of the launch (Hultink, Griffin, Hart, & Robben, 1997). Specifically, a go-to-market strategy defines how firms should compose bundles of go-to-market strategy elements as information signals to encourage adoption (Schuhmacher, Kuester, & Hultink, 2017). Schuhmacher et al. (2017) define these decisions as related to the four marketing mix components of product, price, place, and promotion. Accordingly, a go-to-market strategy represents the set of these integrated marketing mix components, that is, the go-to-market strategy elements, and their specific designs. For instance, product is a marketing mix component that includes the go-to-market strategy element assortment breadth, which can be designed either broadly or narrowly.

EIs are conceptualized as service innovations that provide new and unique value propositions enabled by the Internet (Dotzel et al., 2013) and have first emerged on the Internet. As such, EIs are distinct from offline service innovations (Dotzel et al., 2013), as well as from e-services with value propositions that first emerged offline (Featherman & Pavlou, 2003), such as online classifieds, agencies (e.g., placement services), channels (e.g., online travel booking services, online banking), networks (e.g., social networks), and online retailers, tools, or databases. Digital innovation, defined as “new combinations of digital and physical components to produce new products (and services) by combining digital data from heterogeneous sources” (Barrett, Davidson, Prabhu, & Vargo, 2015, p. 145; Yoo, Henfridsson, & Lyytinen, 2010), facilitates EIs.

The extant literature provides few insights about go-to-market strategies for EIs. Research on how start-ups should design their go-to-market strategies to encourage EI adoption is practically nonexistent. Instead, prior research on go-to-market strategies mainly focuses on product innovations (Ordanini, Parasuraman, & Rubera, 2014). However, insights garnered from this strand of research do not straightforwardly apply to EIs. First, EIs bear service characteristics. They differ from products in terms of intangibility, heterogeneity, inseparability of production and consumption, and perishability (Lovelock & Gummesson, 2004). Thus, EIs' go-to-market strategies need to account for the extended 7P–framework, which includes the additional marketing mix components *participants*, *physical evidence*, and *process* (Booms & Bitner, 1981). The adequate design of go-to-market strategy elements for these additional components may help companies render their EIs more tangible, reducing consumer uncertainties.

Second, because of their digital nature, EIs constitute a special form of services (Featherman & Pavlou, 2003). The use of the Internet may cause EIs to become even more intangible (Huang & Rust, 2013) and impersonal (Dimoka, 2010) and, therefore, even more service-like. Companies have to respond to these challenges that are associated with the EIs' digital nature with the corresponding design of go-to-market strategy elements for specific marketing mix components, potentially *participants, physical evidence,* or new unknown components.

Third, existing research mainly takes on the perspective of established companies. The start-ups that launch EIs are typically smaller, mostly unknown companies. The design of the go-to-market strategy should consider the fact that a company is unknown, possibly by including new go-to-market strategy elements unique to such EIs.

Start-ups have to render their go-to-market strategies to help overcome consumers' uncertainties caused by the EIs' service characteristics (Huang & Rust, 2013), their digital nature (Featherman & Pavlou, 2003), and the lack of information on the companies standing behind them (McKnight et al., 2002). Taking the unique characteristics of EIs into account, start-ups that design go-to-market strategies for EIs have to consider all seven Ps of the services marketing mix and likely must also consider additional aspects to account for the digital nature of EIs and the fact that an unknown company has launched them. Understanding the applicability of go-to-market strategies for product innovations in the context of EIs launched by start-ups requires first understanding current knowledge about the effective design of a go-to-market strategy for any innovation.

3. Methods

3.1. Systematic review of launch literature

To determine the go-to-market strategy elements identified in the extant literature (RQ1), the systematic literature review follows

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