Media Communication
as a Marketing Strategy
for Technology Start-Up Firms

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Young firms are aware of the need to influence potential stakeholders around them such as customers, venture capitalists, suppliers that their business is innovative and is of commercial importance. Researchers have called this to bridge the credibility gap. Getting one actor committed to the project will help establishing credibility to reach out to other actors (Birley and Norburn 1985). Further research has proven that personal relationships are often the factor that enables the first transactions and the founders of the firm are using their prior credibility in the new firm (Kowalkowski et al 2005). From case studies and interviews with different stakeholders we found that companies using media as a strategy to launch their new concept, and managing to get good coverage, equals this to having prior relationships with customers and other stakeholders. It even increases the understanding of the new concept, and the firm does not need to explain their business idea and model every time the meet a new customer/stakeholder. Furthermore, coverage inhibits second entrants of getting media coverage because the newness is gone. On the other hand, media coverage might help create exaggerated expectations or alert response from competitors. Therefore it is not always clear whether news media coverage is helpful or not. We suggest that it will often be a plausible strategy to get media coverage in very early stages of a project, when the credibility gap is large and the risk of exaggerating expectations are low. This will also help to develop media relations that will be useful as the firm develops.

Keywords: Innovation communication, credibility, journalism, start-ups

1 Introduction

The aim of this paper is to explore and describe how and why young technology firms communicate their innovations, especially the way they communicate with journalists and different media outlets. Young firms are aware of the need to influence potential stakeholders around them such as customers, venture capitalists, suppliers that their business is innovative and has a commercial interest. Researchers have called this to bridge the credibility gap and that getting one actor committed to the project will help establishing credibility to reach out to other actors (Birley and Norburn 1985). Further research has proven that personal relationships are often the factor that enables the first transactions and the founders of the firm are using their gained credibility or inherited ties in the new firm (Kowalkowski et al 2005). We will look into how communication with media about the firm's new concept, the innovation, will be beneficial to establishing credibility and get the merry-go-round to spin faster. Knowing that media coverage

has a broader reach than only to the targeted relationship as within relationship management building credibility through media might also open up for competitors to react.

News media is a key trigger of responses from competitors according to Mark Kennedy (Kennedy 2005). He argues that "both efficiency and legitimacy concerns lead firms to rely on media coverage of their competitors rather than on competitors' direct public statements" and shows in his study that "…being referenced by rivals follows coverage rather than releases, but coverage itself follows producers' influence attempts. Thus, the media is behind the market mirror, and its image of demand is refracted by properties of the reporter–source interface."

2 Theory

2.1   Social Network Theory

Personal networks are important for an entrepreneur to successfully start up a new firm to potential customers, investors, authorities, and suppliers (Birley 1996; Kowalkowski et al. 2005). Compared to the resource base of the business network, the firm's internal resources are often scarce; for this reason drawing on resources from network relationships is important (Gummesson 2004; Hammarkvist et al. 1982; Johannisson 1998; Ostgaard and Birley 1996). The firm itself is a new phenomenon when it is created and has therefore no credibility in itself. This is why the personal network and the credibility of prior actions within the network is an enabling factor that eases necessary transactions for the growth of the company (Kowalkowski et al. 2005).

If the founders have no prior experience with industry it will be of interest to look at what networks and potential stakeholders they can initiate a relationship with. In this case the firm needs according to Birley and Norburn (1985) to develop relationships to different stakeholders and create a virtuous circle of credibility building.
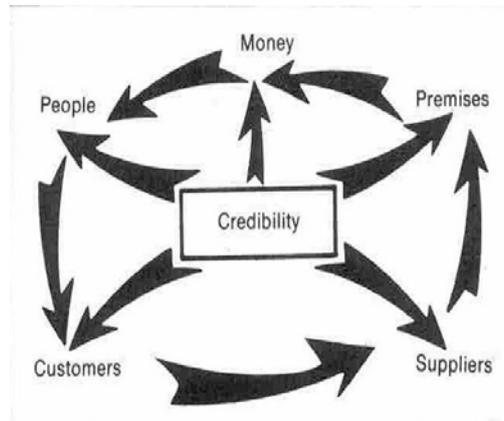
Source: Birley and Norburn, 1985

Granovetter (1985) argues weak ties are more useful than strong ties. Although media is not building mutual ties, you might argue that media coverage creates unilateral awareness or that might be close to weak ties. Hallen (2006) is finding three ways to establish credibility in the literature. His research is about forming partnerships in uncertainty and the unit of study is the transactions between technology start-ups and venture capital firms. In uncertainty transactions are usually done with actors that have done business before, or through the partners' partners, but he also suggest that the status of the uncertain actor is a variable.

2.2   Innovation Adaptation and Diffusion Theory

Looking inside the firm of the buyer the adoption process of an innovation is viewed as a five step process. (Rogers 1983)

1) **Knowledge** is when the group within the company which is the decision-making unit starts to understand what the innovation is about and how that relates to their needs.

2) **Persuasion** is when the decision-making unit develops a positive or negative attitude towards this particular innovation. They try to evaluate if the innovation could or could not be useful for their business.

3) **Decision** is the third step and here the unit may try the product or a smaller version of it. After the trial they decide.

4) **Implementation** is vital for the adaptation. If something goes wrong here and the start up firm is not able to provide adequate information the buyer may cancel the transaction or just not use the innovation.

5) **Confirmation** is the last step where the buyer needs to get feedback on that they are using the innovation correctly.

The decision making unit can also be described as the buying centre is the unit of people having different roles in the adaptation of an innovation.(Biemans 1992) The roles are; users, gatekeepers, influencers, deciders, buyers. Gatekeepers control the information that the others in the DMU will get. Influencers are informing about other alternatives or set the buying specifications. Deciders are actually making the decision even if they do not have the formal authority to do so and buyers are the ones having the formal authority and are responsible for the implementation. (Webster and Wind 1972) Bonoma (Bonoma 1982) later found a sixth role, the initiator, who identifies the problem and start the buying process.

It has also been suggested that the more capital expensive equipment that is being sold the more influence top-tier management will have. (Biemans 1992)

Then looking at the diffusion process researchers have found that time is an important element. Time separates between early and late adopters. The channels of communication are affecting the diffusion in two ways according to Biemans (1992, p.54), marketing activities where the industrial marketer sends information directly to the potential buyer and other channels such as word-of-mouth and opinion leadership.

Rogers (1983, p.271) defines opinion leadership as "the degree to which an actor (be it an individual, group or organization) is able to informally to influence other actors' attitudes or overt behaviour in a desired way with relative frequency".

Opinion leadership is thought not to have a great impact in industrial markets (Day and Herbig 1990; Webster 1970) but on the other hand there is not much research being done in this field (Lancaster and White 1976). Reasons why industrial markets would be less sensitive to opinion leadership compared to consumer markets are; the seller gives more information about their product and also informs about the negative sides or limitations to avoid misuse, consumer decision-making is more bound by the peers, motives for opinion leadership in consumer markets might be inhibited in companies due to their stricter policies, competition restricts the direct communication between buyers in the same industry. (Biemans, 1992 pp.60-61)

Contrary to these findings Martilla (1971) and Foxall (1979) found that potential purchasers seek information from competing firms, especially if the purchase was associated with innovativeness (Foxall 1980).

3 Methodology

Since the aim is to explore a contemporary process in a real-life setting, a multiple case study approach was chosen as the research strategy, considered appropriate when investigating a contemporary phenomenon within its real-life context where the boundaries between the phenomenon and context are not clearly evident (Yin 1994).

Interviews were conducted in a semi-structured manner during 1 month time with one or two representatives at two start-up firms. Also, internal and external written material and presentations supplemented the empirical data. Interviewing representatives at other levels within the organisations, as well as other stakeholders, would have been desirable from a validity point of view but was considered not possible during this period of time. Due to the company representatives being the founders and that one of the authors has followed the firms from the start; high reliability is believed to have been achieved. We then interviewed people at a public relations firm to see if they validated our findings.

The selection of case firms was dependent on their age and expansion. The firms chosen are considered to well reflect various situations where start-up firms struggle to convince the market of there credibility as a supplier. One case is less technology driven and the other's offering is based on complex technology. Analysis of within-case data was made initially, which corresponds to Eisenhardt's (1989) idea to firstly become familiar with each case as a separate entity in order to identify case specific patterns before making a cross-case comparison.

4 Data findings

4.1   The White Case

In 1997 an idea of a new process of being a coordinating middle man in the health care industry was born. It reminded of how travel agencies help their customers to get what they want when the customer is going somewhere he/she never been before. Using IT communication as an enabling technology and targeting employers as their main customers with their offering the firm open up a new market space.

They got a lot of media exposure just from calling different news outlets and telling them about this new concept.

"We were working with a well-known transportation company and the biggest business daily in the country wrote about it and after that we never needed to explain why we existed to anyone in the business community."

 Suddenly you do not need to explain who you are and why you call every time you call a potential customer, supplier, investor or any other stakeholder. "If you are in the media as a new company you suddenly exist". It is incredible how much legitimacy and credibility it gives you as a company to have been in a newspaper, on television and so on. Everyone is so critical about journalism nowadays but empirically I know that people believe what they read and see, so therefore it is an invaluable for a start-up to be in media if the coverage is good.

If you have a new concept, you need to take that space in the reporter's mind, so when a similar company, product or service is out on the market the journalist will ask the competitor: "What is the difference between X and you?"

You will also teach the market what your product is about. That is in particular true for concepts that are easy to copy. In the end it is like the old saying "No one gets fired buying from IBM", therefore is the credibility building by coverage invaluable.

4.2   Global IP Sound

GIPS, voice over IP company, started in October 1999 in Stockholm, Sweden, and closed their first financial round in beginning of 2000. The founders are all engineers and previously worked at companies such as Ericsson and Bell Labs.

They established themselves early on in the Bay Area mainly due most of potential customers stemming from the vicinity. But also because one nascent co-worker already living on the West Coast. 2006 GIPS employs 40 people, and has gathered experts of speech processing and IP telephony and has open offices in Boston and Hong Kong.

GIPS has 3 patents and 7 pending patents around embedded voice processing solutions for real-time communications on packet networks. One business model is to make business directly with the companies serving the users (Skype, Google Talk, Yahoo). Here GIPS use a revenue sharing model so that GIPS will be forced to help the clients to improve their technology in order to receive more revenue. GIPS get paid for their first installments as a consultancy firm. The other model is to sell the software to chip manufacturers, which in turn sell to ODMs, which sell to OEMs. The chip manufacturers pay a software license to use GIPS products.

There are other companies selling Voip products. But the market looks like the home video industry and the customers can either try to find the best products and assemble it by themselves or with some help or they buy a whole package. The big players want to pick and choose and therefore they turn to GIPS, which is leading in some parts of the package. Jan Linden at GIPS sees themselves as a classical engineering driven company. So there was no effort to contact media and a lot of concentration on the product. GIPS uses embedded software so there is no real need to market themselves to the ordinary users. Although they realize now that a strategy that might work is to go for "Intel Inside" and than it would be useful to be seen in ordinary media. So to be in the media will be beneficial.

They went to trade shows instead. To market themselves in the US they realized that they did not have all the contacts so it took a little bit longer to establish relationships. Best way was the trade shows, because then you meet the people in the companies that are in charge of these processes. Otherwise it might take a year just to get to the right person in a company if you start with a cold call.

4.3   Spark PR

As a public relation company in the Bay Area around San Francisco Spark PR handles a lot of technology start-ups. They have equal amount of business to business and business to consumer companies as customers. Even companies with very few potential customers on their targeted market for their product use PR services. Promoting i.e. open source software companies a more bottom-up process is used compared to some start-ups that will gain to be seen in the big media.

.They always starts with discussing the business objective of the company. The objective might be to hire skilled engineers, to close a partnership deal, crisis management, second round of financing, and increase sales. This is often in alignment with reaching different business milestones. Depending on the objective the public relation strategy is set. *"If a company wants to close a deal with Motorola, maybe it is preferable to be seen in the Sunday paper of the Chicago Tribune. It is all about credibility building towards different stakeholders"* says Donna Sokolsky, co-founder Spark PR. It is often either the entrepreneur him/herself or the venture capitalist funding the company who contacts the PR firm.

Spark PR has seen that competitors are the first to react to the news piece, so the firm needs to take that into account when deciding to pursue media marketing.

5 Discussion

Our first finding is that there is a gap between the management literature in both social network literature we looked at and the innovation diffusion theory compared to how entrepreneurs pursuing a media strategy view the importance of media coverage.

The White case was clear in the benefits they received of getting media coverage. This was especially apparent in their relation building activities toward customers. It seems as if they were let in by the gatekeepers much easier through being well-known. The case also suggests that the buyer is in an easier position internally if the start-up is well-known; it was conveyed by the quotation "No one gets fired buying from IBM".

The GIPS case did not suggest that the impact of media would have been lesser. This case demonstrated the inability of the management team of the company to understand why media coverage would be of interest to them. You might argue that their product is further down the value chain and therefore lesser customers and therefore less need for media coverage. But findings from the White case and from Spark are contrary saying that the benefits are not depending on the amount of potential customers but if the coverage is alignment with business objectives.

Through the White case and the Spark case we can also conclude that media has a role when it comes to building credibility towards different stakeholders. We

would like to suggest a modified model of Birley and Norburn (1985). And because the media landscape is changing as we speak we will simply use media coverage and opinion leadership synonymously. Therefore we argue that media plays an important enabling role of building credibility and challenge prior studies such as Day and Herbig (1990) and Webster (1970).

With the targeted media strategy the company is able to reach all the actors in the Decision Making Unit (Webster and Wind 1972) of a future partner, buyer or even venture capitalist. The knowledge of the company also facilitates the adoption process of an innovation in all five stages (Rogers 1983).

Start-up companies have small resources and using media is a cheap way to increase the credibility of the company. Or as one of out interviewees put it "No one gets fired buying from IBM". There is also indication that the valuation of the company might increase.

There was some evidence that engineer based companies did not focus on media because of more interest in creating a great product. The companies did however recognize the benefit of being well-known and to get more people to understand their technology and value added.

The media coverage has different affects on different stakeholders. The possibility to get a better valuation through being more well-known is an interesting research area in itself.

If the companies should communicate pre or post launch seems to be a question of managing expectations. If the founders manage to create a media interest in their company prior to launching their product/service they need to be open about the uncertainties of when the launch will be.

Attracting attention:	Pre-launch	Post-launch
Benefits	Hiring A-team, raising the value of the firm	Customer pull effect, raison d'etre – towards all stakeholders,
Risk	Delays, expectations not met, laughing stock, unserious	Bad coverage, time consuming with no results

5.1   Proposition

We want to propose news media communication for technology start-ups as yet another enabling factor for establishing credibility and reducing uncertainty towards different potential stakeholders.

What we have seen evidence of is that a start up in the very initial stages will usually benefit from even minor media coverage. At the initial stage the firm faces its largest credibility gap, while the expectations from the surrounding world, including any possible competition, is low. A news piece from a known publication is a good complement to a business card carrying an unknown brand name.

This action has the same advantages as networks due to low cost, which is of importance to start-up companies with smaller budgets. But the difference is that the founder can not control the effects and it affects all the stakeholders at the same time.

6 Example of Managerial Guidelines

This list is based on the White case strategy and modified by findings from interviews of different stakeholders.

1) Make an easy to understand analogy of what the new concept is about.

2) Let the CEO of the start-up call a lot of different newspapers, magazines, TV-station, radio stations etc the first time. Out of 150 contacts probably only 10 will write about you, but you have taken the space for new entrants and it is easy to get back with new stories.

3) Communicate your first major customer. Ask the customer if they want to be in the press release. It is often of mutual benefit.

4) Find different ratings and lists of how users use your product or service. This is of interest to niche magazines and some papers.

5) Always communicate directly from the company, do not let the PR-firm communicate for you. (This is because of the respect of the journalists. It is much more interesting for them to talk to you directly)

6) Only communicate with relevant journalists considering what news you have.

7) Prepare yourself before you contact media, so that you know that you have news or an interesting story to tell. Do not abuse their time.

8) To buy the rights to distribute the articles written about you.

9) It is impossible to meet a media attack when you are a small firm, so be honest. News media will almost never attack an honest early stage startup.

10) Build a long-term strategy with important journalists.

11) Give the journalist a lot of access to your company. But remember you can not control what the journalist is writing. No internal fighting.

12) The entrepreneur needs passion, dedication, strong vision to communicate her/his message.

13) Target different media outlets depending on your business objectives.

Peter Svensson is a visiting researcher at Stanford. His home University is Linköping University in Sweden, and his fields of interest are venture capital, technology start-ups and innovation management. Prior work experiences include managing a think-tank, Forum for Innovation Management, where decision-makers in industry, academia, politics and public sector meet and discuss innovation and economic growth oriented issues. Peter was head of a business incubator and consulted technology start-ups in Stockholm, Sweden.

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