



Book Marketing 3.0

From Products to Customers to the Human Spirit

Philip Kotler, Hermawan Kartajaya and Iwan Setiawan
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Recommendation

This book may revitalize tired marketing aficionados who are weary of the same old approaches. They will welcome the authors' contention that their field is entering a new, transformational phase. Philip Kotler, Hermawan Kartajaya and Iwan Setiawan explain the tremendous commercial and social potential of "Marketing 3.0," their name for a tactic that emphasizes reaching consumers by pursuing values that matter to them, like sustainability, public service and philanthropy. Even if the book is not groundbreaking, *BooksInShort* applauds its refreshing belief in the potential power of strategic marketing initiatives based on an authentic regard for customers and social welfare. While this dual focus may be somewhat overambitious during challenging economic times, certainly corporate social responsibility has rarely been more important. The authors give it a boost by demonstrating how firms can use online social media to promote their values and their Marketing 3.0 cause-related agendas. Although some of the book's examples of firms that have achieved a positive impact with Marketing 3.0 seem a bit daunting – or even overblown – they also provide provocative, inspiring marketing ideas.

Take-Aways

- The history of marketing has followed three main stages: "Marketing 1.0" centered on products and "Marketing 2.0" focused on consumers.
- "Marketing 3.0" extends the consumer focus to their values and social concerns.
- It developed in response to "new-wave technology," the potential and problems of globalization, and the individual quest for creativity, values, spirituality and meaning.
- Consumers trust one another and their social networks more than they trust experts.
- Firms can build credibility with "communitization," "co-creation" and "brand integrity."
- Modern mission statements must redefine companies and address social values.
- Redefining a business calls for "strategic foresight" – the ability to expand on an existing idea, as Amazon did. It does not necessarily require innovation.
- To revive commoditized brands, Marketing 3.0 links products to values, including environmental sustainability and corporate responsibility.
- Firms must live their beliefs to earn the support of their employees and customers.
- Companies can use philanthropy and cause marketing to differentiate their brands while also genuinely serving society.

Summary

Where Marketing Has Been and Where It's Going

The history of U.S. marketing has followed three main stages. Marketing 1.0, which emerged from the Industrial Revolution, sold goods with product-centric promotions. It urged consumers to compare prices and quality, based on a "one-to-many" relationship. Each company addressed many customers. The information age spawned Marketing 2.0, which set out to satisfy consumers with goods and services that addressed their "functional and emotional" needs. The rise of personal computer networks and the internet gave the public access to vast amounts of new information. To differentiate their products, marketers added emotion to their "one-to-one" communication, with each firm trying to establish relationships with individual customers.

"Today's consumers are choosing products and companies that satisfy deeper needs for creativity, community and idealism."

“New-wave technology” has now enabled “Marketing 3.0.” While consumers will always want products to work well for a reasonable price, they now also expect firms to keep them in the loop via social networking and to address their values. Marketing 3.0 is based on engaging companies in a “many-to-many” relationship with consumers, featuring “functional, emotional and spiritual” connections with communities of constituents. The main forces propelling Marketing 3.0 are:

- **“The Age of Participation”** – Broad access to better, cheaper new-wave technology makes it easier for people to connect in participatory groups. Improved collaboration has fostered social media while blunting traditional advertising’s impact. Corporate marketers and research and development specialists have lost power. For instance, Procter & Gamble pioneered a “connect and develop” strategy with entrepreneurs. This program, which produced Swiffer Dusters and the Crest SpinBrush, now generates approximately 35% of P&G’s profits.
- **“The Age of Globalization Paradox”** – Globalization has opened borders and facilitated trade and communication, but it has not resolved issues of nationalism and economic inequality. To bridge this gap between “globalism and tribalism,” companies should focus on “cultural marketing,” bringing social issues to bear in commercial interactions.
- **“The Age of Creative Society”** – Individuals universally pursue creativity. As people attain material success, they increasingly seek creative and spiritual fulfillment and, thus, are more likely to respond to marketing based on values and meaning. However, “disruptive innovations” and “creative low-cost technology” also often emerge “in poor countries...to solve problems.”

“Marketing 3.0 is the stage when companies shift from consumer-centricity to human-centricity and where profitability is balanced with corporate responsibility.”

Marketing 3.0 embraces 10 “credos”:

1. Focus on your customers and recognize the value of your competitors.
2. Be aware of change and be ready to respond to it.
3. Protect your reputation and create a definite identity.
4. Market first to patrons who will gain the most from your products.
5. Sell the best products and services at a “fair price.”
6. Be accessible to customers, and make it easy for potential buyers to find you.
7. Establish, maintain and strengthen good customer relationships.
8. Recognize that all businesses are “service businesses.”
9. Keep perfecting your operations, product quality, cost controls and delivery systems.
10. Always consider the ramifications of your business choices on all your constituents. “Gather relevant information but use wisdom in making your final decisions.”

A Matter of Trust

The 2008-2009 recession increased consumers’ distrust of corporations, but increased their trust in each other. This helps explain the drop in advertising’s credibility and the rise of social media. One study says people “trust strangers in their social networks more than they trust experts.”

“Marketers today no longer have full control over their brands because they are competing with the collective power of consumers.”

Such distrust sets up a new reality for companies, which can fight back using Marketing 3.0 to achieve “communitization” and “co-creation” – that is, exchanging ideas with suppliers, customers and employees to generate products that have value for everyone involved. Communitization means linking consumers in an online community of shared meaning. “Brand integrity” strengthens these communal bonds. To prove your brand’s integrity, present your product’s emotional and spiritual considerations as well as its features. Highlight its authenticity, quality, reliability and adherence to its stated claims. Starbucks, Timberland and Apple established emotional connections with their customers by addressing them as real people with human concerns and by using strong “brand identity, brand integrity and brand image” to build trust. “In the horizontal world of consumers, brand is useless if it only articulates...positioning.”

“Your Mission, Should You Choose to Accept It”

An effective statement of purpose should redefine a firm’s “mission, vision and values,” provide moving stories, and empower consumers. Redefining a business requires “strategic foresight.” It does not necessarily demand innovation, only the ability to make an existing idea larger – the path taken, for instance, by Amazon. The late Peter Drucker, a famed business expert, taught that if you structure your business around a solid mission, it will prosper. An effective mission statement might call for building your company while improving the lives of your employees and customers. Companies that fulfill such a mission become integral to their customers’ lives and have a transformational impact. Steve Jobs of Apple used this concept to launch the Macintosh computer, iPhone and iPod – products that reshape buyers’ daily behavior.

“Because social media is low-cost and bias-free, it will be the future for marketing communications.”

Horizontal social networks give consumers so much collective power that they often try to exert market control when they embrace products and brands. Online social network discussions are a magnetic form of word-of-mouth advertising. When people on these networks actively discuss a company’s brands, its revenue can climb 18%. Websites magnify the impact of consumers’ opinions by publishing their product reviews online.

Taking Values Seriously

Marketing 3.0 calls on employees to adopt their employer’s values, but that can happen only in organizations that truly live the standards they proclaim – and that’s the challenge. For instance, to demonstrate its belief in the value of collaboration, Cisco links its executives on a network and shares decision making globally among 500 top managers. “Shared values,” which support a company’s basic mission, comprise half of corporate culture; the other half of corporate culture comes from the actions of the company’s workforce. Four kinds of values shape what a firm does:

1. "Permission to play" values are common professional standards.
2. "Aspirational values" are standards management hopes to reach in the future.
3. "Accidental values" develop through employees' personalities.
4. "Core values" reflect the firm's true culture and draw a map for employee behavior.

"Globalization causes cultural transformations to take place quickly and frequently."

Companies often demonstrate their cultural and creative values to attract higher-quality recruits and to motivate their workforces. A 1997 McKinsey & Company study found that 58% of executives cited brands and culture as the most important engines of motivation. Culture can also drive profit: Companies on *The Sunday Times*' list of the "100 Best Companies To Work For" outperform the Financial Times Stock Exchange All-Share Index by 10% to 15%.

Postgrowth Society

As markets meet consumers' basic needs, higher demands emerge, including those related to the environment, the economy or society's well-being. To show that they heed those concerns, companies must broadly disseminate a relevant marketing message. Marketing 3.0 suggests linking with employees, customers and other companies for this purpose. However, forging lasting relationships with new partners depends on having congruent values and purposes.

"The values-driven business model is the new killer app in Marketing 3.0."

Companies that link with customers as their primary "channel partners" often exercise surprising innovation. Stonyfield Farm, an organic yogurt producer, maintains direct contact with customers through the social media, notably using its "myStonyfield" website and YouTube. Businesses also use social marketing to reach consumers in lower economic groups, especially in India. Hindustan Unilever and ITC form distribution partnerships with individuals in developing nations where 87% of sales rely on personal recommendations. To enlist shoppers as personal channel partners, firms must provide a shared vision of a future that stresses social values and sustains the environment – while selling quality goods and making money. These concepts are also crucial with high-end customers. Whole Foods, Patagonia and furniture maker Herman Miller use a "sustainable business model" to build customer loyalty even while maintaining high prices.

"In Marketing 3.0, the corporate vision should embrace the concept of sustainability as it will determine competitive advantage in the long run."

The FTSE4Good Index, the Dow Jones Sustainability Index and Goldman Sachs' GS Sustain Focus List all consider how companies affect the environment, the economy and society. Forrester Research says that a brand's association with a social cause favorably influences 80% of consumers. Surveys report that 85% of U.S. consumers have higher regard for socially active companies, while 93% of U.K. buyers want the firms they patronize to "improve the social impact" of their offerings.

"Transformational Solutions"

As markets mature, growth slows and products become commoditized. To revive such products, companies must improve customers' experiences. Then, to shed the commodities label, firms should undertake invigorating initiatives that help society. To 3.0 marketers, this means seeking new solutions to social ills. For example, Disney Consumer Products collaborates with Imagination Farms and Kroger to fight childhood obesity.

"Leading companies realize they must reach these highly aware, technology-enabled consumers, and that the old rules of marketing won't help them."

Corporations also support social concerns, especially education, with philanthropy and cause marketing, a good way to pinpoint a particular charitable effort. American Express used cause marketing to raise funds to repair the Statue of Liberty. Quaker Oats held food drives to combat hunger while promoting oatmeal. Though 95% of executives agree that business must contribute to society, they should select public issues to tackle based on their constituencies and on the philanthropic area's "business impact," "social impact" and "relevance" to their firms' values. A McKinsey study found that consumers expect companies to strive for transformative social solutions by creating jobs, innovating, and offering products or services that solve problems.

"Any separation between marketing and values is not acceptable."

Some companies exist primarily to effectuate social transformation. These "Social Business Enterprises" (SBEs) work to achieve a social purpose, while also making a profit. Muhammad Yunus won the 2006 Nobel Peace Prize for instituting microfinance lending through his SBE, Grameen Bank, first in Bangladesh and then elsewhere. SBEs attack poverty by fostering local entrepreneurship and making products "accessible to the poor." Other ways to fight poverty include marketing disruptive innovations like \$5 phones and \$100 computers to poor people, thus providing access to information and opportunity.

Green Goodness

Saving, sustaining and healing Earth's environment is a social goal with vast commercial ramifications. Shoe manufacturer Timberland, one of the U.S.'s greenest firms, relies on recycled and nonchemical materials. The label in its shoes lists their materials, states how and where they were made, and explains their environmental impact. DuPont, once one of the U.S.'s worst polluters, now embraces the U.S. Climate Action Partnership. The company produces energy-saving building materials and earns one-sixth of its revenues from sustainable products. Walmart, the world's largest retailer, changed its behavior to address customers' objections. In 2005, it redesigned its practices to reduce pollution and improve waste management. It has "built green supercenters" while saving money and meeting consumer demands for "green products."

About the Authors

Philip Kotler, a leading authority and author on marketing, teaches international marketing at Northwestern's Kellogg School of Management. CEO **Hermawan Kartajaya** founded MarkPlus, where **Iwan Setiawan** is a senior consultant.

