

From Products to
Customers to
the Human
Spirit



marketing 3.0



PHILIP KOTLER

HERMAWAN KARTAJAYA IWAN SETIAWAN

From Products to
Customers to
the Human
Spirit



marketing 3.0



PHILIP KOTLER

HERMAWAN KARTAJAYA IWAN SETIAWAN

Table of Contents

[Title Page](#)

[Copyright Page](#)

[Dedication](#)

[Foreword](#)

[PREFACE](#)

[NOTE ON THE ORIGIN OF THIS BOOK
ABOUT THE AUTHORS](#)

[PART I - TRENDS](#)

[CHAPTER ONE - Welcome to Marketing 3.0](#)

[WHY MARKETING 3.0?](#)
[THE AGE OF PARTICIPATION AND COLLABORATIVE
MARKETING](#)
[THE AGE OF GLOBALIZATION PARADOX AND CULTURAL
MARKETING](#)
[THE AGE OF CREATIVE SOCIETY AND HUMAN SPIRIT
MARKETING](#)
[MARKETING 3.0: COLLABORATIVE, CULTURAL, AND
SPIRITUAL](#)
[NOTES](#)

[CHAPTER TWO - Future Model for Marketing 3.0](#)

[THE PAST 60 YEARS OF MARKETING: A BRIEF
RETROSPECT](#)

THE FUTURE OF MARKETING: HORIZONTAL NOT VERTICAL

SHIFT TO HUMAN SPIRIT: THE 3i MODEL

SHIFT TO VALUES-DRIVEN MARKETING

MARKETING 3.0: THE MEANING OF MARKETING AND THE MARKETING OF MEANING

NOTES

PART II - STRATEGY

CHAPTER THREE - Marketing the Mission to the Consumers

CONSUMERS ARE THE NEW BRAND OWNERS!

GOOD MISSION DEFINED

SUMMARY: PROMISE OF TRANSFORMATION, COMPELLING STORIES, AND CONSUMER INVOLVEMENT

NOTES

CHAPTER FOUR - Marketing the Values to the Employees

VALUES UNDER FIRE

VALUES DEFINED

VALUES WILL DO YOU GOOD

PRACTICE WHAT YOU PREACH

SUMMARY: SHARED VALUES AND COMMON BEHAVIOR

NOTES

CHAPTER FIVE - Marketing the Values to the Channel Partners

GROWTH MIGRATION AND COLLABORATION IMPERATIVE

CHANNEL PARTNERS IN MARKETING 3.0

SUMMARY: VALUES-DRIVEN CHANNEL PARTNERSHIP

NOTES

CHAPTER SIX - Marketing the Vision to the Shareholders

SHORT-TERMISM HURTS THE ECONOMY
LONG-TERM SHAREHOLDER VALUE = VISION OF
SUSTAINABILITY
SUSTAINABILITY AND SHAREHOLDER VALUE
MARKETING VISIONARY STRATEGY
SUMMARY: BUSINESS CASE FOR MARKETING 3.0
NOTES

PART III - APPLICATION

CHAPTER SEVEN - Delivering Socio-Cultural Transformation

MARKETING TO THE POST-GROWTH MARKET
FROM PHILANTHROPY TO TRANSFORMATION
THREE STEPS TO TRANSFORMATION
SUMMARY: BUILDING TRANSFORMATION INTO YOUR
COMPANY'S CHARACTER
NOTES

CHAPTER EIGHT - Creating Emerging Market Entrepreneurs

FROM PYRAMID TO DIAMOND, FROM AID TO
ENTREPRENEURSHIP
THREE ENABLING FORCES AND FOUR REQUIREMENTS
THE MEANING OF SOCIAL BUSINESS ENTERPRISE
MARKETING FOR POVERTY ALLEVIATION
SUMMARY: ALLEVIATING POVERTY BY ENCOURAGING
ENTREPRENEURSHIP
NOTES

CHAPTER NINE - Striving for Environmental Sustainability

THE THREE ACTORS IN SUSTAINING THE ENVIRONMENT
THE COLLABORATION OF THE INNOVATOR, THE
INVESTOR, AND THE PROPAGATOR
TARGETING COMMUNITIES FOR GREEN MARKETING
SUMMARY: GREEN INNOVATION FOR SUSTAINABILITY
NOTES

CHAPTER TEN - Putting It All Together

10 CREDOS OF MARKETING 3.0
CREDO 1: LOVE YOUR CUSTOMERS, RESPECT YOUR
COMPETITORS
CREDO 2: BE SENSITIVE TO CHANGE, BE READY TO
TRANSFORM
CREDO 3: GUARD YOUR NAME, BE CLEAR ABOUT WHO
YOU ARE
CREDO 4: CUSTOMERS ARE DIVERSE; GO FIRST TO
THOSE WHO CAN BENEFIT MOST FROM YOU
CREDO 5: ALWAYS OFFER A GOOD PACKAGE AT A FAIR
PRICE
CREDO 6: ALWAYS MAKE YOURSELF AVAILABLE, SPREAD
THE GOOD NEWS
CREDO 7: GET YOUR CUSTOMERS, KEEP AND GROW
THEM
CREDO 8: WHATEVER YOUR BUSINESS, IT IS A SERVICE
BUSINESS
CREDO 9: ALWAYS REFINE YOUR BUSINESS PROCESS IN
TERMS OF QUALITY, COST, AND DELIVERY
CREDO 10: GATHER RELEVANT INFORMATION, BUT USE
WISDOM IN MAKING YOUR FINAL DECISION
MARKETING 3.0: IT'S TIME TO MAKE A CHANGE!
NOTES

INDEX

marketing 3.0

From Products to
Customers to
the Human
Spirit

PHILIP KOTLER

HERMAWAN KARTAJAYA IWAN SETIAWAN



WILEY
JOHN WILEY & SONS, INC.

Copyright © by 2010 by Philip Kotler, Hermawan Kartajaya, and Iwan Setiawan.
All rights reserved.

Published by John Wiley & Sons, Inc., Hoboken, New Jersey.
Published simultaneously in Canada.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the Publisher, or authorization through payment of the appropriate per-copy fee to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, (978) 750-8400, fax (978) 646-8600, or on the web at www.copyright.com. Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, (201) 748-6011, fax (201) 748-6008, or online at <http://www.wiley.com/go/permissions>.

Limit of Liability/Disclaimer of Warranty: While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by sales representatives or written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Neither the publisher nor author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

For general information on our other products and services or for technical support, please contact our Customer Care Department within the United States at (800) 762-2974, outside the United States at (317) 572-3993 or fax (317) 572-4002.

Wiley also publishes its books in a variety of electronic formats. Some content that appears in print may not be available in electronic books. For more information about Wiley products, visit our web site at www.wiley.com.
eISBN : 978-0-470-60979-8

"To the next generation of Marketers who will enhance the social and environmental contributions of the marketing discipline."

Philip Kotler

"To my first grandson, Darren Hermawan, The Next Great Marketer."

Hermawan Kartajaya

"To Louise for her endless support."

Iwan Setiawan

FOREWORD

According to Alvin Toffler, human civilization can be divided into three waves of the economy. The first wave is the Agriculture Age, in which the most important capital is the land for agriculture. My country, Indonesia, is undoubtedly rich in this type of capital. The second is the Industrial Age following the Industrial Revolution in England and the rest of Europe. The essential kinds of capital in this age are machines and the factory. The third era is the Information Age, where mind, information, and high tech are the imperative types of capital to succeed. Today, as humanity embraces the challenge of global warming, we are moving toward the fourth wave, which is oriented to creativity, culture, heritage, and the environment. In leading Indonesia, this is my future direction.

When I read this book, I could see that marketing is also moving toward the same direction. Marketing 3.0 relies heavily on the marketers' ability to sense human anxieties and desires, which are rooted in creativity, culture, heritage, and the environment. This is even more relevant for Indonesia because the country is known for its diversity in culture and heritage. Indonesia is also a very values-driven country. Spirituality has always been the central part of our lives.

I am happy with the examples in the book of successful multinational companies that support Millenium Development Goals for reducing poverty and unemployment in developing countries. I believe that public-private partnership has always been a strong fundamental for economic growth, especially in a developing country. This book is also very supportive for my mission to shift poor

people at the bottom of the pyramid in Indonesia to the middle of the pyramid. It also supports the nation's efforts to preserve the environment as our strongest asset.

In summary, I am proud to have two renowned marketing gurus putting their energy and effort into writing a book for a better world. Congratulations for Philip Kotler, Hermawan Kartajaya, and Iwan Setiawan for this mind-stimulating book. I hope that anyone who reads this book will be encouraged to make a difference in the world we are living in.

—Susilo Bambang Yudhoyono
President of the Republic of Indonesia

PREFACE

The world is going through a period of rapid and wrenching changes. The recent financial meltdown has unfortunately increased the level of poverty and unemployment, developments that are now being fought with stimulus packages around the world to restore confidence and economic growth. In addition, climate change and rising pollution are challenging countries to limit the release of carbon dioxide into the atmosphere, but at the cost of imposing a higher burden on business. Furthermore, the rich countries of the West are now experiencing a much slower rate of growth, and economic power is rapidly shifting to countries in the East that are experiencing higher rates of growth. And finally, technology is shifting from the mechanical world to the digital world—the Internet, computers, cell phones, and social media—which is having a profound impact on the behavior of producers and consumers.

These and other changes will require a major rethinking of marketing. The concept of marketing can be seen as the balancing concept to that of macroeconomics. Whenever the macroeconomic environment changes, so will consumer behavior change, and this will lead marketing to change. Over the past 60 years, marketing has moved from being product-centric (Marketing 1.0) to being consumer-centric (Marketing 2.0). Today we see marketing as transforming once again in response to the new dynamics in the environment. We see companies expanding their focus from products to consumers to humankind issues. Marketing 3.0 is the stage when companies shift from consumer-centricity

to human-centricity and where profitability is balanced with corporate responsibility.

We see a company not as a sole and self-sustaining operator in a competitive world but as a company that operates with a loyal network of partners—employees, distributors, dealers, and suppliers. If the company chooses its network partners carefully, and their goals are aligned and the rewards are equitable and motivating, the company and its partners combined will become a powerful competitor. To achieve this, the company must share its mission, vision, and values with its team members so that they act in unison to achieve their goals.

We describe in this book how a company can market its mission, vision, and values to each of its major stakeholders. The company gets its profits by creating superior value for its customers and stakeholder partners. We hope that the company views its customers as its strategic starting point and wants to address them in their full humanity and with attention to their needs and concerns.

The book is structured into three key parts. In Part I, we summarize the key business trends that shape the human-centric marketing imperative and lay the foundation for Marketing 3.0. In Part II, we show how the company can market its corporate vision, mission, and values to each of its key stakeholders—consumers, employees, channel partners, and shareholders. In Part III, we share their thoughts on several key implementations of Marketing 3.0 for solving global issues such as wellness, poverty, and environmental sustainability and how corporations can contribute by implementing the human-centric business model. Finally, the Epilogue chapter summarizes the 10 key ideas of Marketing 3.0 with select examples of companies that embrace the concept in their business model.

NOTE ON THE ORIGIN OF THIS BOOK

The idea of Marketing 3.0 was first conceptualized in Asia back in November 2005 by a group of consultants at MarkPlus, a Southeast Asian-based marketing services firm led by Hermawan Kartajaya. After two years of co-creation to enhance the concept, Philip Kotler and Hermawan Kartajaya launched the draft manuscript at the 40th anniversary of the Association of Southeast Asian Nations (ASEAN) in Jakarta. The only G-20 member in Southeast Asia, Indonesia is a nation where human centricity and the character of spirituality overcome the challenges of diversity. The president of the United States, Barack Obama, spent four years of his early education in Indonesia to learn about the human centricity of the East. Marketing 3.0 was born and shaped in the East, and we are honored to have a Foreword by Susilo Bambang Yudhoyono, President of the Republic of Indonesia.

Iwan Setiawan, one of the MarkPlus consultants who initiated the concept, collaborated with Philip Kotler at Northwestern University's Kellogg School of Management—one of the world's top business schools in the West—to enhance the relevance of Marketing 3.0 with the emergence of the new world economic order and the rise of the digital world.

ABOUT THE AUTHORS

Philip Kotler, the S.C. Johnson & Son Distinguished Professor of International Marketing at the Kellogg School of Management, Northwestern University, is also widely regarded as the Father of Modern Marketing. He is ranked by the *Wall Street Journal* as one of the top six most influential business thinkers.

Hermawan Kartajaya is the founder and CEO of MarkPlus, Inc., and is one of the “50 Gurus Who Have Shaped the Future of Marketing,” according to the Chartered Institute of Marketing, United Kingdom.

Iwan Setiawan (Kellogg School of Management 2010) is a senior consultant at MarkPlus, Inc.

PART I

TRENDS

CHAPTER ONE

Welcome to Marketing 3.0

WHY MARKETING 3.0?

Over the years, marketing has evolved through three stages that we call Marketing 1.0, 2.0, and 3.0. Many of today's marketers still practice Marketing 1.0, some practice Marketing 2.0, and a few are moving into Marketing 3.0. The greatest opportunities will come to marketers practicing 3.0.

Long ago, during the industrial age—when the core technology was industrial machinery—marketing was about selling the factory's output of products to all who would buy them. The products were fairly basic and were designed to serve a mass market. The goal was to standardize and scale up to bring about the lowest possible costs of production so that these goods could be priced lower and made more affordable to more buyers. Henry Ford's Model T automobile epitomized this strategy; said Ford: "Any customer can have a car painted any color that he wants so long as it is black." This was Marketing 1.0 or the product-centric era.

Marketing 2.0 came out in today's information age—where the core is information technology. The job of marketing is no longer that simple. Today's consumers are well informed and can easily compare several similar product offerings. The product value is defined by the consumer. Consumers differ greatly in their preferences. The marketer must segment the market and develop a superior product for a specific target market. The golden rule of "customer is king"

works well for most companies. Consumers are better off because their needs and wants are well addressed. They can choose from a wide range of functional characteristics and alternatives. Today's marketers try to touch the consumer's mind and heart. Unfortunately, the consumer-centric approach implicitly assumes the view that consumers are passive targets of marketing campaigns. This is the view in Marketing 2.0 or the customer-oriented era.

Now, we are witnessing the rise of Marketing 3.0 or the values-driven era. Instead of treating people simply as consumers, marketers approach them as whole human beings with minds, hearts, and spirits. Increasingly, consumers are looking for solutions to their anxieties about making the globalized world a better place. In a world full of confusion, they search for companies that address their deepest needs for social, economic, and environmental justice in their mission, vision, and values. They look for not only functional and emotional fulfillment but also human spirit fulfillment in the products and services they choose.

Like consumer-oriented Marketing 2.0, Marketing 3.0 also aims to satisfy the consumer. However, companies practicing Marketing 3.0 have bigger missions, visions, and values to contribute to the world; they aim to provide solutions to address problems in the society. Marketing 3.0 lifts the concept of marketing into the arena of human aspirations, values, and spirit. Marketing 3.0 believes that consumers are complete human beings whose other needs and hopes should never be neglected. Therefore, Marketing 3.0 complements emotional marketing with human spirit marketing.

In times of global economic crisis, Marketing 3.0 gains more relevance to the lives of the consumers as they are impacted more by rapid social, economic, and environmental change and turbulence. Diseases become

pandemics, poverty increases, and environmental destruction is under way. Companies practicing Marketing 3.0 provide answers and hope to people confronting such issues and, therefore, touch consumers at a higher level. In Marketing 3.0, companies differentiate themselves by their values. In turbulent times, this differentiation is arguably a strong one.

[Table 1.1](#) summarizes the comparison of Marketing 1.0, 2.0, and 3.0 from comprehensive viewpoints.

To understand Marketing 3.0 better, let us examine the rise of three major forces that shape the business landscape toward Marketing 3.0: the age of participation, the age of globalization paradox, and the age of creative society. Observe how these three major forces transform consumers to be more collaborative, cultural, and human spirit-driven. Understanding this transformation will lead to a better understanding of Marketing 3.0 as a nexus of collaborative, cultural, and spiritual marketing.

THE AGE OF PARTICIPATION AND COLLABORATIVE MARKETING

Technological advances have brought about huge changes in consumers, markets, and marketing over the past century. Marketing 1.0 was initiated by production technology development during the Industrial Revolution. Marketing 2.0 came into being as a result of information technology and the Internet. Now, new wave technology becomes the major driver for the birth of Marketing 3.0.

Since early 2000, information technology has penetrated the mainstream market and further developed into what is considered the new wave technology. New wave technology is technology that enables connectivity and interactivity of

individuals and groups. New wave technology consists of three major forces: cheap computers and mobile phones, low-cost Internet, and open source.¹ The technology allows individuals to express themselves and collaborate with others. The emergence of new wave technology marks the era that Scott McNealy, Chairman of Sun Microsystems, declared as the age of participation. In the age of participation, people create news, ideas, and entertainment as well as consume them. New wave technology enables people to turn from being consumers into prosumers.

Table 1.1 Comparison of Marketing 1.0, 2.0 and 3.0

| | Marketing 1.0 Product-centric Marketing | Marketing 2.0 Consumer-oriented Marketing | Marketing 3.0 Values-driven Marketing |
|------------------------------|-----------------------------------------------|-------------------------------------------------|---------------------------------------------|
| Objective | Sell products | Satisfy and retain the consumers | Make the world a better place |
| Enabling forces | Industrial Revolution | Information technology | New wave technology |
| How companies see the market | Mass buyers with physical needs | Smarter consumer with mind and heart | Whole human with mind, heart, and spirit |
| Key marketing concept | Product development | Differentiation | Values |
| Company marketing guidelines | Product specification | Corporate and product positioning | Corporate mission, vision, and values |
| Value propositions | Functional | Functional and emotional | Functional, emotional, and spiritual |
| Interaction with consumers | One-to-many transaction | One-to-one relationship | Many-to-many collaboration |

One of the enablers of new wave technology is the rise of social media. We classify social media in two broad categories. One is the *expressive* social media, which includes blogs, Twitter, YouTube, Facebook, photo sharing sites like Flickr, and other social networking sites. The other category is the *collaborative* media, which includes sites such as Wikipedia, Rotten Tomatoes, and Craigslist.

Expressive Social Media

Let us examine the impact of expressive social media on marketing. In early 2008, Technorati found 13 million active blogs around the world.² As with readership of print media, readership of blogs varies among countries. Unlike in Japan where 74 percent of Internet users read blogs, only around 27 percent of Internet users in the United States read blogs. Although the readership is low, 34 percent of blog readers in the United States are influencers. As a result, U.S. blogs stimulate follow-up actions by 28 percent of their readers.³ Seth Godin, a well-known marketer, runs a popular web site that offers a new idea every day to influence thousands of people who have elected to receive his feed.

Another popular form of blogging, and one of the fastest growing forms of social media is Twitter. From April 2008 to April 2009, the number of Twitter users has grown 1,298 percent.⁴ The microblogging site allows members to broadcast tweets of 140 characters or fewer to their followers. It is considered much simpler than blogging because users can easily send tweets from handheld devices such as iPhones and Blackberrys. Through Twitter, users can share their thoughts, their activities, and even their moods with friends or fans. Actor Ashton Kutcher reportedly hit the 1 million followers mark on Twitter, beating out even CNN.

Many of the blogs and tweets are personal where a person shares news, opinion, and ideas with chosen others. Another set of blogs and tweets are set up by persons who want to comment on the news or offer opinions and small essays on anything crossing their minds. Other bloggers or twitterers might comment on companies and products, supporting them or criticizing them. An angry blogger or twitterer with a widespread audience has the potential to dissuade many consumers from wanting to do business with a particular company or organization.

The popularity of blogging and twittering has reached the corporate world. IBM, for example, encourages its employees to create their own blogs where they can talk freely about their company as long as they adhere to certain guidelines. Another example is General Electric, which established a Tweet Squad, a group of young employees who train older employees to use social media.

People are also creating short video clips and sending them to YouTube for the world to see. Many are aspiring film-makers who hope their creativity will be recognized and lead to broader opportunities. Other video clips are prepared by organizations to enlist support for or against some cause or activity. Still other video clips are prepared by companies to dramatize their products and service offerings. One high-profile campaign on YouTube was Marc Ecko's *Air Force One* hoax. To demonstrate its affinity for graffiti art, the clothing company made a video that showed a couple of youngsters spraying the words "Still Free" on *Air Force One*. It later admitted that the plane on the video was not *Air Force One* and it just wanted to create a pop-culture sensation as part of its brand-building efforts on YouTube.

As social media becomes increasingly expressive, consumers will be able to increasingly influence other consumers with their opinions and experiences. The influence that corporate advertising has on shaping buying behavior will diminish accordingly. In addition, consumers are getting more involved in other activities such as video games, watching DVDs, using the computer, and they are watching fewer ads.

Because social media is low-cost and bias-free, it will be the future for marketing communications. Connections between friends on social networking sites such as Facebook and MySpace can also help companies gain insights into the market. Researchers at IBM, Hewlett-Packard, and Microsoft