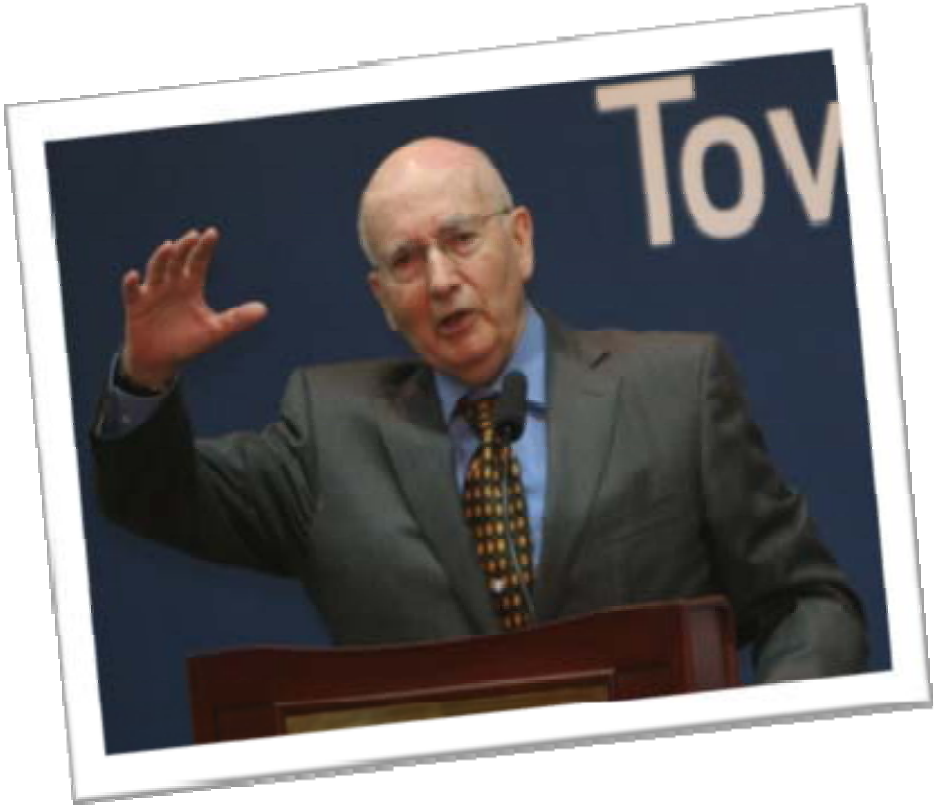
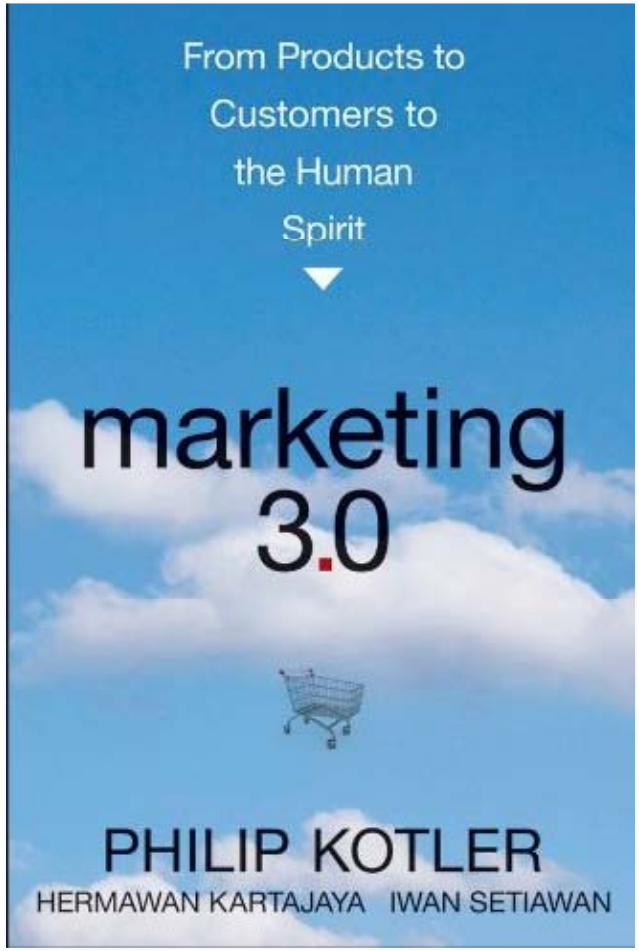
Thriving with Marketing 3.0





HSM

Sao Paulo

November 10, 2010

MARKETING'S LOSS OF EFFECTIVENESS

MARKETING will be **less effective** in the next few years

Marketing budgets will be **lower**

Companies will want marketers to do **more** with **less**

DISTRIBUTORS

- **DISTRIBUTORS will demand more TRADE PROMOTION.** This will leave less money for marketing research, advertising and consumer promotion for brand building and ultimately reduce brand equity.
- **Investors will then downgrade the stock.** This will leave the company with fewer resources to prop up demand.
- This is a **VICIOUS CIRCLE**

TRADITIONAL MEDIA

- Traditional media such as TV 30-second spots, newspapers, etc., are growing **LESS EFFECTIVE**

COMPETITION

- Categories are so crowded with competitors that **heavy price cutting** will be **UNAVOIDABLE**

PUBLIC

- The public, in its wish to spend less, will be **less inclined to pay higher prices** for top brands where the quality differences are minimal. There is a **strong shift to store brands and sub-brands**. This means that top brands are overvalued and there may be a **brand bubble**.

SOCIAL MEDIA NETWORKS

- Social media networks will play an **increasingly influential** role in shaping **brand evaluations**

STRATEGIC vs TACTICAL MARKETING

- Most marketing departments are engaged in **brand-maintenance** instead of **brand-building.**
- Company marketers spend only **15-30%** of their time doing **true marketing activities**. The rest of the time is spent on forecasting volume, securing approvals on label artwork, checking manufacturing schedules, and doing routine analysis.
- **Strategic marketing** is missing in many marketing departments. Strategic marketing requires taking a **3-5 year view of the business**.

MUST MARKETING BE RE-INVENTED?

MARKETERS are prisoners of an OLD PARADIGM

- Companies aim to maximize profits
- Company investors are more important than other stakeholders
- Customers buy rationally to maximize value
- Customers get most of their information from sellers and don't talk to each other about products

MARKETERS are operating in a TIME WARP

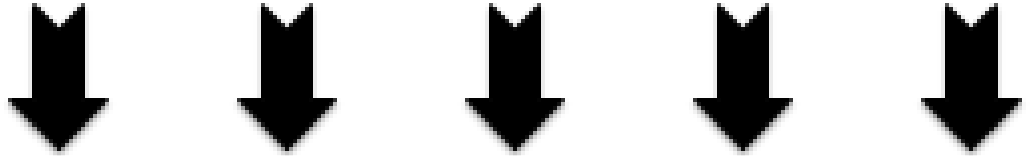
- Don't acknowledge the growing power of the customers
- Don't acknowledge the growing power of the channels and other stakeholders
- Don't acknowledge the new social media world and their growing social responsibilities

WE NEED TO….

RE-INVENT MARKETING

THE DEFINITION OF MARKETING

Marketing 3.0 addresses anxieties and desires of global citizens



MARKETING 3.0 is foreshadowed in the ***new definition of marketing*** by the **AMERICAN MARKETING ASSOCIATION** (2008):

"Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for consumers, clients, partners, and society at large."

MARKETING 1.0 vs MARKETING 2.0 vs MARKETING 3.0

	MARKETING 1.0	MARKETING 2.0	MARKETING 3.0
	Product-centric Marketing	Customer-oriented Marketing	Value-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 , Vision, 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

THREE FORCES SHAPING MARKETING 3.0

The Age of
PARTICIPATION

The Age of
GLOBALIZATION PARADOX

The Age of
CREATIVE SOCIETY

THREE FORCES SHAPING MARKETING 3.0

The Age of
PARTICIPATION

The Age of
GLOBALIZATION PARADOX

The Age of
CREATIVE SOCIETY

The Age of

PARTICIPATION & COLLABORATION

COMPUTER

LOW-COST INTERNET

MOBILE PHONE

Open source

Expressive

Collaborative

SOCIAL MEDIA

ALL THESE MADE IT POSSIBLE FOR INDIVIDUALS TO …

COMMUNICATE + COLLABORATE

Marketers have **Lessening Influence** in **Shaping** Their **Brand Image**

- Person-to-person conversations about many products can exceed the amount of communication under the company's control.

- Thus a brand can be hijacked.
  see Alex Wipperfürth, Brand Hijack: Marketing without Marketing, New York: Portfolio, 2005

FOUR POSSIBILITIES

- Everyone is talking negatively about the company
- There is no talk about the company
- The talk is a mix of good and bad comments
- Virtually all the talk is favorable

Marketing 2.0 → **Marketing 3.0**

Managers listened to the consumers' voices to understand their minds and capture market insights

Consumers play the key role of creating the value through co-creation of product and service

P&G's OPEN INNOVATION Approach

RESEARCH & DEVELOP → CONNECT & DEVELOP

- **The P&G model** exemplifies a **starfish** because it has no head and is more like **group of cells working together.**
- **The open innovation program** leverages P&G's network of **entrepreneurs** and **suppliers** around the world to provide **fresh and innovative product ideas.**

Olay Regenerist

Swiffer Dusters

The Crest SpinBrush

THREE FORCES SHAPING MARKETING 3.0

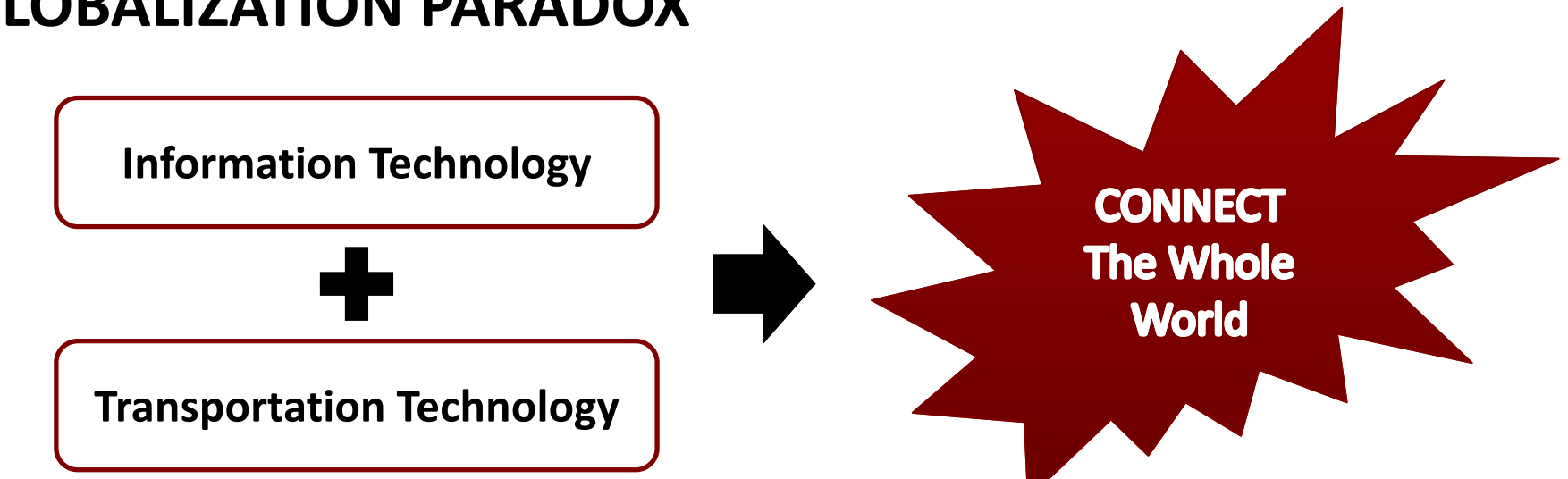
The Age of
PARTICIPATION

The Age of
GLOBALIZATION PARADOX

The Age of
CREATIVE SOCIETY

The Age of

GLOBALIZATION PARADOX



PARADOX

BUT…

- **Globalization hurts as many nations as it helps.**
- **Globalization increases inequality**
  (developed nations do better than poorer nations)
- **Globalization provokes nationalism and protectionism.**
- **Globalization provokes tribalism.**

THREE FORCES SHAPING MARKETING 3.0

The Age of
PARTICIPATION

The Age of
GLOBALIZATION PARADOX

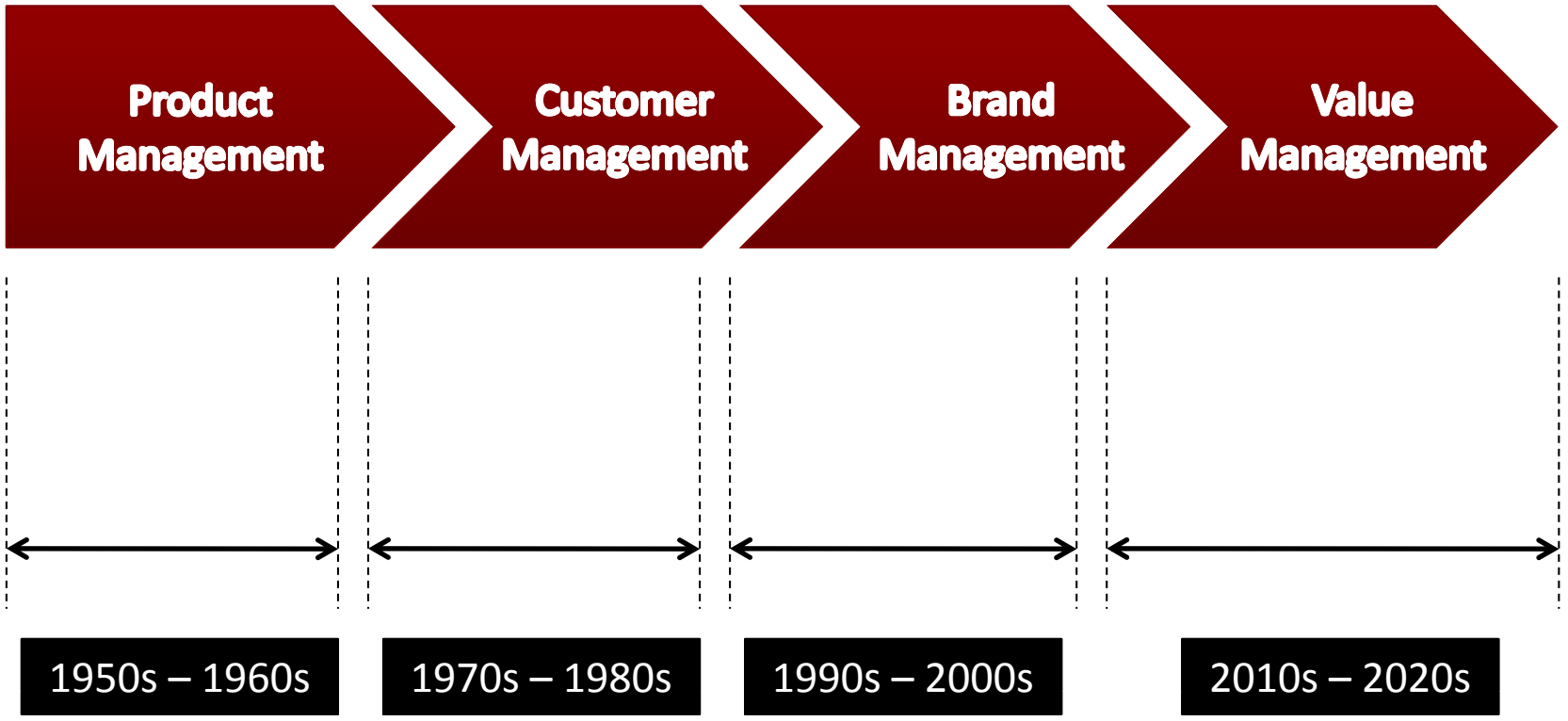
The Age of
CREATIVE SOCIETY

The Age of
CREATIVE SOCIETY and HUMAN SPIRIT MARKETING

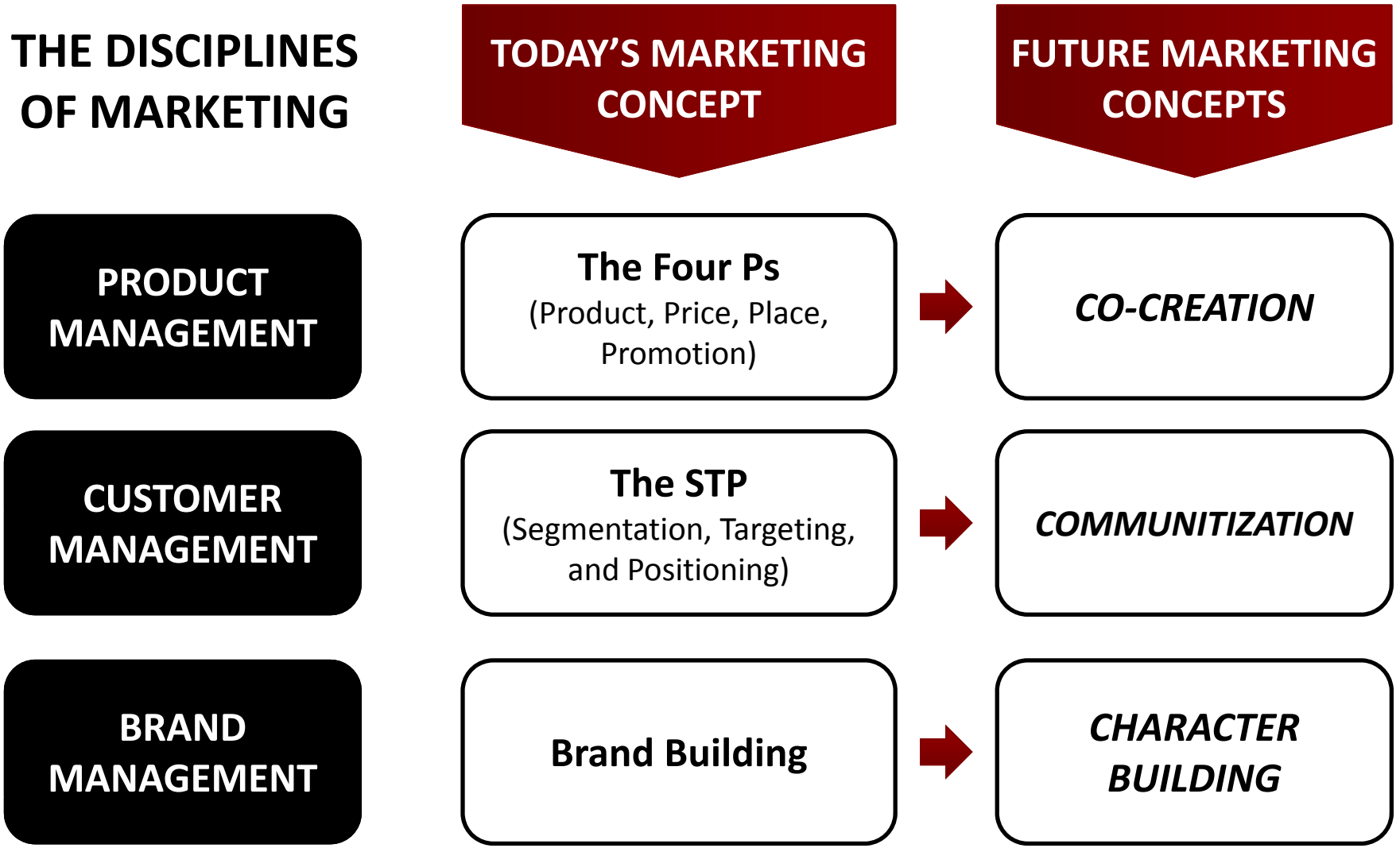
- People in the creative society are **right-brainers** in science, art, and professional services.
- **Daniel Pink** in *A Whole New Mind* portrayed human evolution:

- In *the Creative Class*, **Richard Florida** shows that the creative sector in the U.S. and Europe has risen significantly and has a great influence on technology and culture.
- **C. K. Prahalad** in his *The Fortune at the Bottom of the Pyramid* made a strong case on how creativity operates strongly in poorer societies.
- Consumers are now not only looking for products and services that satisfy their needs but also searching for experiences and business models that touch their spiritual side. *Supplying "meaning" is the future value proposition in marketing*.

EVOLUTION OF MANAGEMENT THINKING

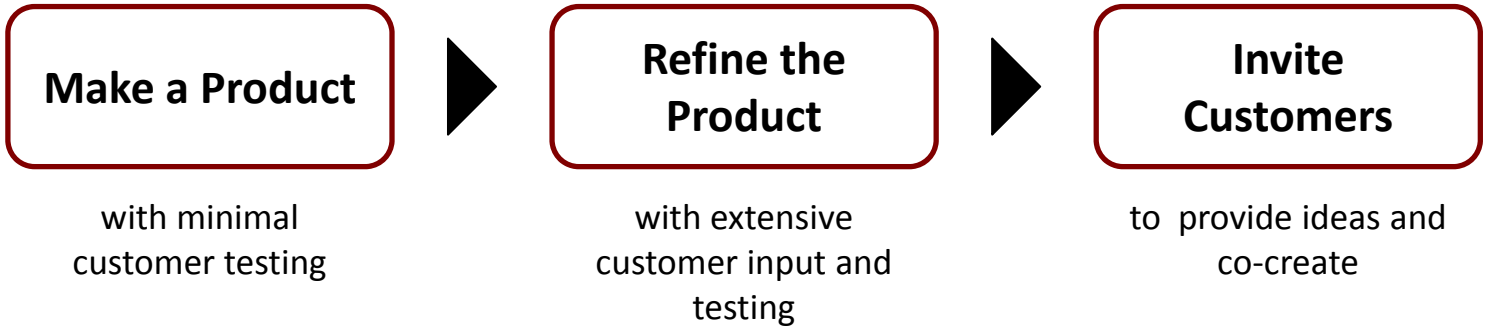


THE FUTURE OF MARKETING



CO-CREATION

- Evolution of a company's relationship to its customers:



- The new ways of creating product and experience through collaboration of companies, consumers, suppliers, and channel partners interconnected in a global network of innovation

C.K. Prahalad and M.S. Krishnan, *The New Age of Innovation: Driving Co-created Value Through Global Networks*, New York: McGraw-Hill, 2008

- Three key processes of *CO-CREATION*:

1. A company **creates** a "platform".
2. Individual consumers **customize the platform** to match their own unique identity.
3. Ask for consumer feedback and **enrich the platform** by incorporating all the customization efforts made by the network of consumers.

THE DORITOS CO-CREATION CONTEST

Consumers also contribute ideas for advertising

The "Free Doritos" advertisement

Video of FREE DORITOS

The user-generated ad won the top spot at the 21st USA Today Super Bowl Ad Meter **defeating** ads made by **professional agencies**

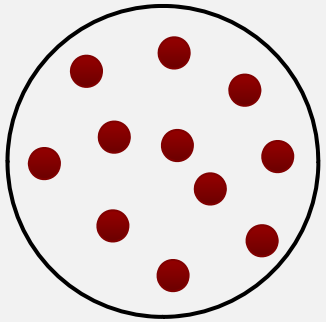
It shows that **user-generated** content can reach consumers better when it is **more relevant** and **more natural** in their minds

COMMUNITIZATION

- Consumers want to be connected to other consumers, not to companies.
- Companies should help consumers connect to one another in communities and support communities

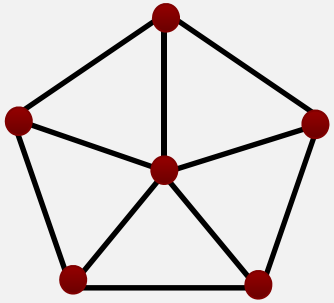
Seth Godin, Tribes: We Need You to Lead Us, New York: Portfolio, 2008

POOLS



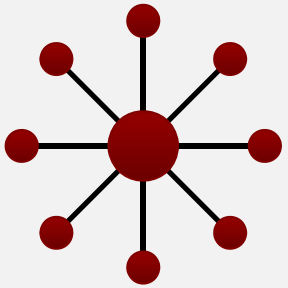
- Consumers share the same values although they do not necessarily interact with one another.
- They are primarily **brand enthusiasts**.

WEBS



- Consumers interact with one another through social media on a one-to-one basis.

HUBS

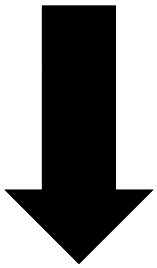


- Consumers gravitate around a strong figure and create a loyal fan base.

Susan Fournier and Lara Lee, "Getting Brand Communities Right", Harvard Business Review, April 2009

CHARACTER

For Brands to be able to connect with human beings



Brands need to develop an authentic DNA that reflects their identity in consumers' social networks

Today's consumers who view a **brand** can immediately judge whether it is **fake** or **real** according to their conversational experience on the **Internet**

James H. Gilmore and B. Joseph Pine II, *Authenticity: What Consumers Really Want*, Boston: Harvard Business School Press, 2007

THE Timberland MODEL OF 3i

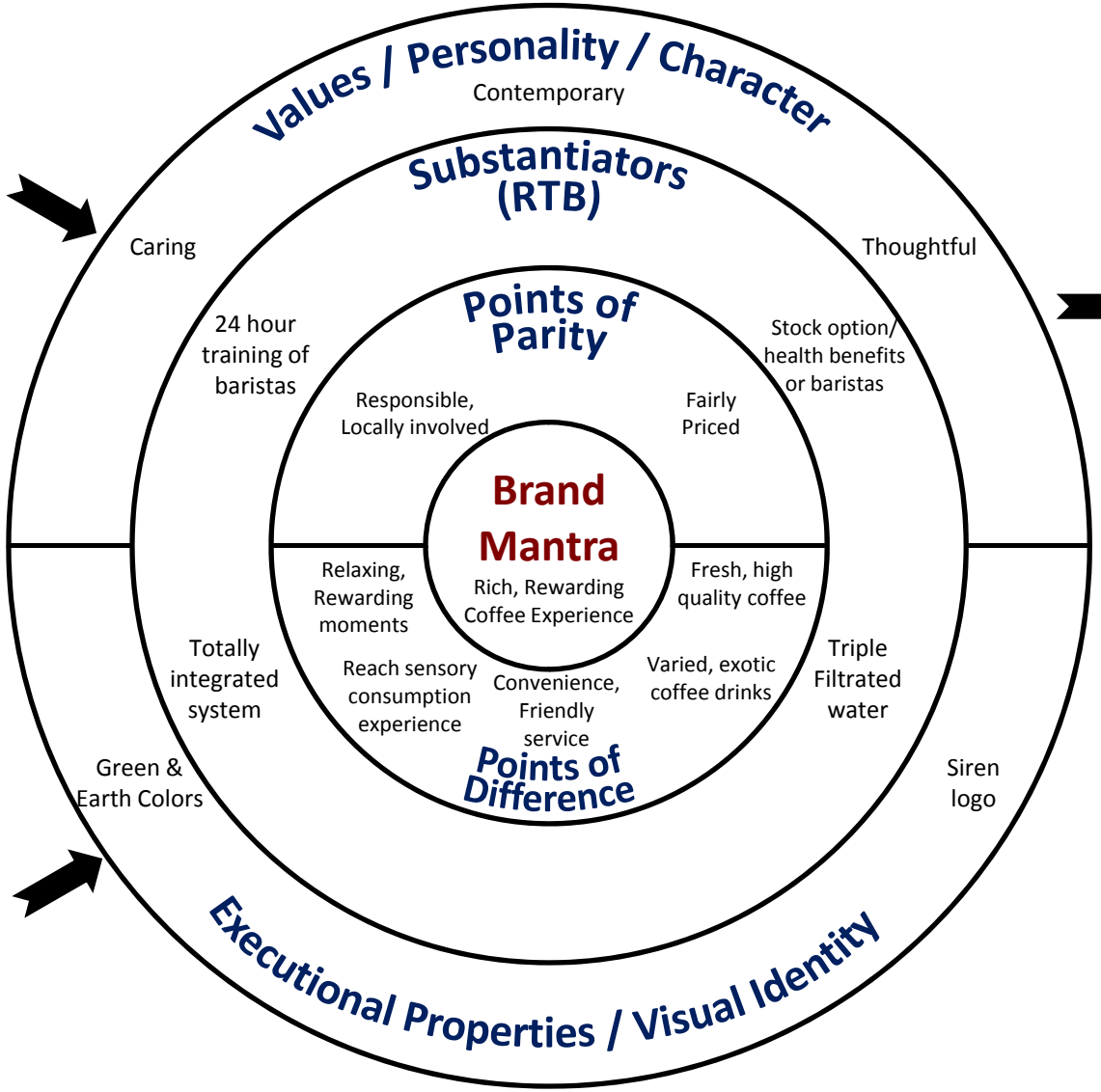
HYPOTHETICAL STARBUCKS BRAND POSITIONING BULLSEYE

CONSUMER TARGET
Discerning Coffee Drinker

CONSUMER INSIGHT
Coffee and the drinking experience is often unsatisfying

CONSUMER NEED STATE
Desire for better coffee and a better consumption experience

CONSUMER INSIGHT
Local cafes, Fast food & convenience shops



CONSUMER TAKEAWAY
Starbucks gives me the richest possible sensory experience drinking coffee

PRIMAL BRANDING

- **Primal Branding** = Brands as a ***complex belief*** systems

-

All have a "**primal code**" or DNA that **resonates** with their customers and **generates** their **passion** and **fervor**.

- **SEVEN** assets make up this belief system or **Primal Code** :

1. A Creation Story
2. Creed
3. Icon
4. Ritual
5. Sacred Words
6. A way of dealing with non-believers
7. A good leader

Patrick Hanlon, Primal Branding: Create Zealots for Your Brand, Your Company, and Your Future, Free Press, 2006; www.thinktopia.com

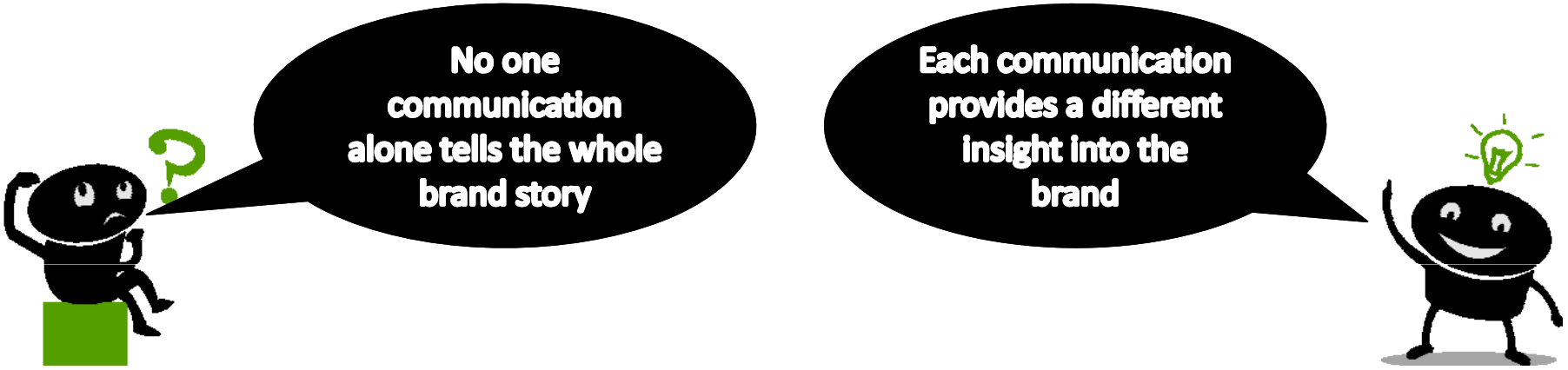
BRAND JOURNALISM

- **Brand Positioning = Brand Journalism**

  "Marketers should communicate different messages to different market segments at different times, as long as they broadly fit within the basic brand image."

  -Larry Light, former McDonald's CMO-

- McDonalds is positioned differently in the minds of **kids**, **teens**, **young adults**, **parents** and **seniors**. It is positioned differently at **breakfast**, **lunch**, **dinner**, **snack**, **weekday**, **weekend**, **with kids** or on a **business trip**.



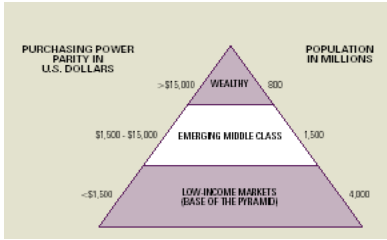
Values-Based Matrix Model

INDIVIDUAL

COMPANY

	Mind	Heart	Spirit
Mission (Why)	Deliver **SATISFACTION**	Realize **ASPIRATION**	Practice **COMPASSION**
Vision (What)	**Profit**Ability	**Return**Ability	**Sustain**Ability
Values (How)	Be **BETTER**	**DIFFERENTIATE**	Make a **DIFFERENCE**

S. C. JOHNSON VALUE-BASED MATRIX

	MIND	HEART	SPIRIT
Mission *Contributing to the community well –being as well as sustaining and protecting the environment*		 **Promoting reusable shopping bags**	 **Base of the Pyramid**
Vision *To be a world leader in delivering innovative solutions to meet human needs through sustainability principles*	*For SC Johnson, creating sustainable economic value means helping communities prosper while achieving profitable growth for the company.*	THE RON BROWN AWARD FOR CORPORATE LEADERSHIP	**Sustaining Values:** SC Johnson Public Report
Values ***Sustainability*** *We create economic value* *We strive for environmental health* *We advance social progress*	*We believe our fundamental strength lies in our people.*		

Marketing the Mission to…

Consumers

Employees

Channel Partners

Shareholders

Marketing the Mission to…

Consumers

Employees

Channel Partners

Shareholders

CUSTOMERS ARE SUSPICIOUS OF BUSINESS

- Since **the early 2000s**, a string of **corporate scandals**—WorldCom, Tyco, Enron—has made **corporate values** almost **meaningless** to consumers and employees. Add to this the recent **financial meltdown**.

- In a **2009** survey, **only 16%** of respondents **respect** the integrity of business executives. And **car salesmen** and **advertising executives** were the **least admired** by the public

Marketing the Mission to
CUSTOMERS

The company and the brand must represent a story that has
a character, plot, and metaphors

	THE BODY SHOP®	Disney
Character	Anita Roddick as a Passionate Reformer	Walt Disney as the creator of entertainment
Plot	To help women take good care of their skin and to be caring persons	To produce happy times
Metaphor	Care	Happy Families

Marketing the Mission to…

Consumers

Employees

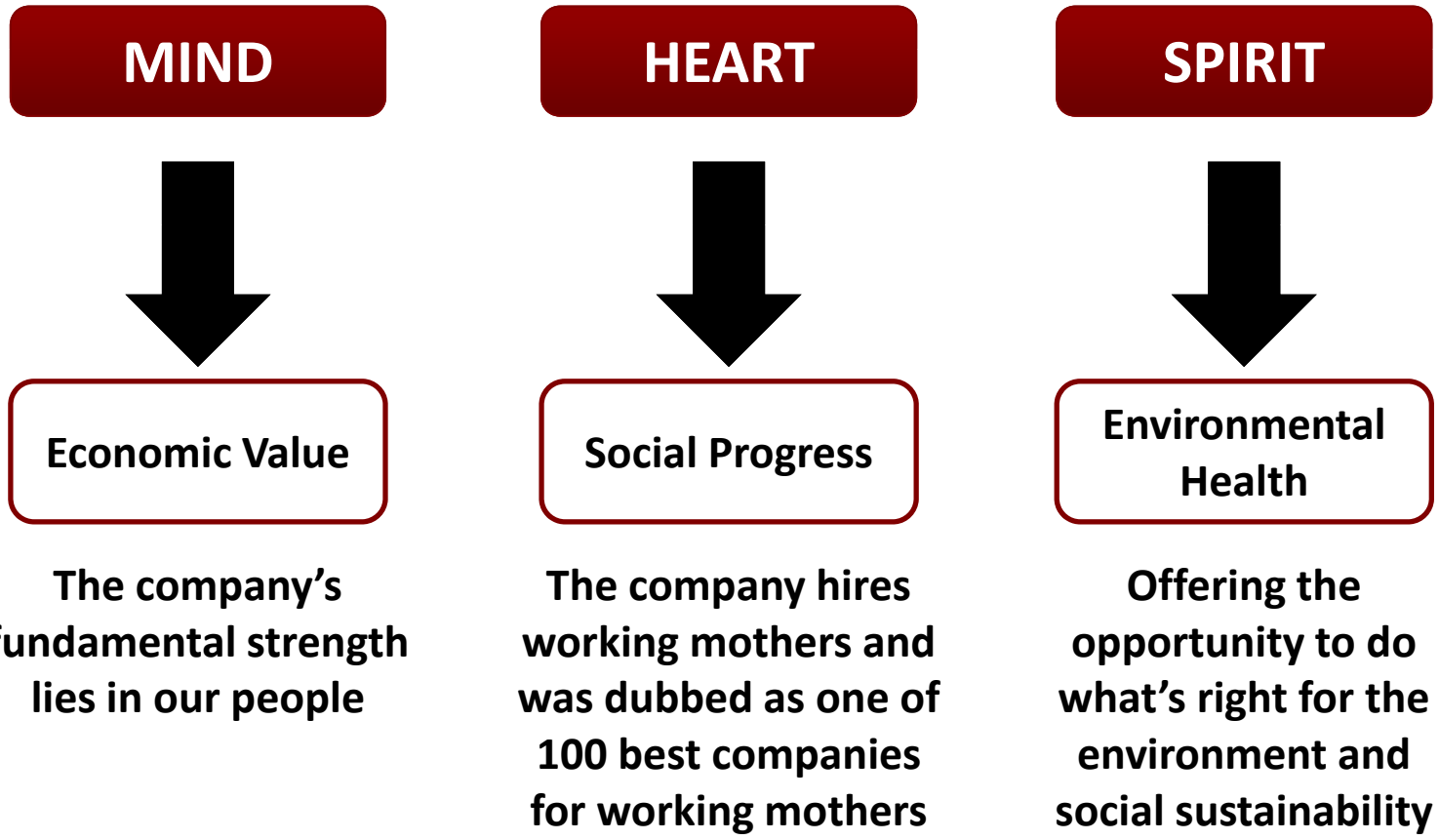
Channel Partners

Shareholders

THE TRIPLE BOTTOM LINE MODEL

FOR EMPLOYEES

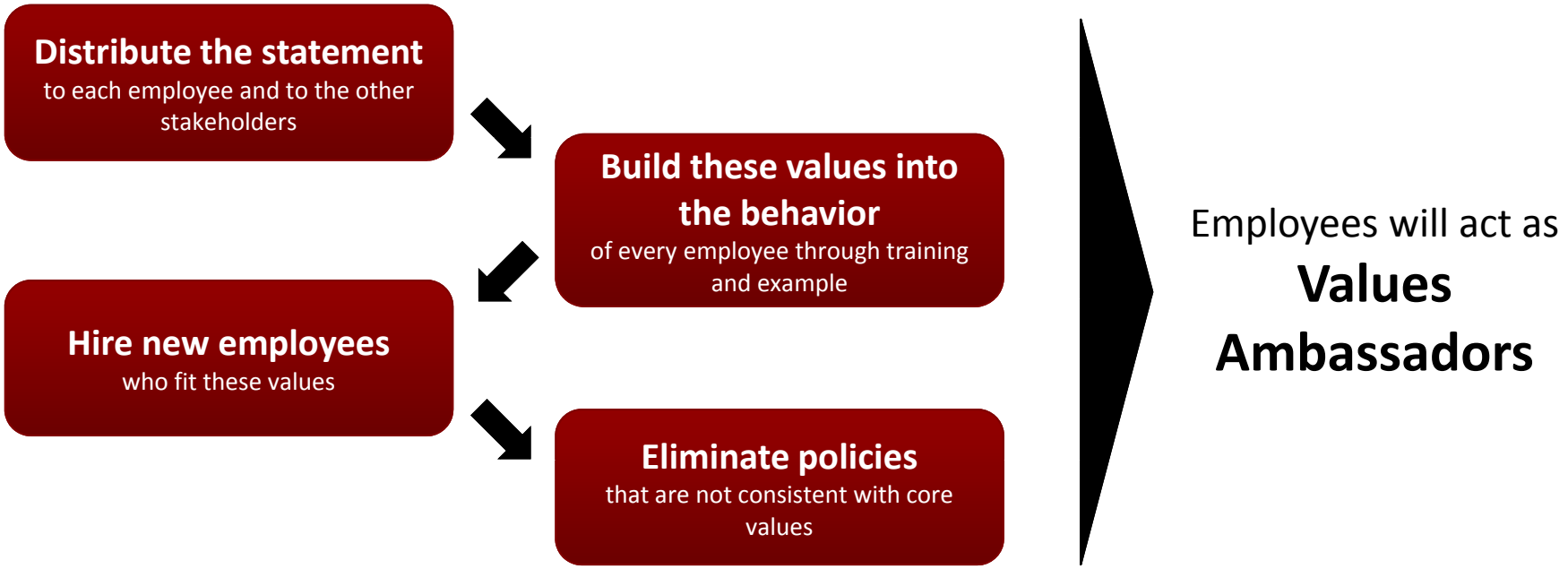
- To target the minds, hearts, and spirit of current and future employees, the company uses **THE TRIPLE BOTTOM LINE** concept:



Marketing Corporate Values to

EMPLOYEES

- A company needs to develop a strong statement of core values.
- Often the company will exhibit a central theme:
  - **Collaboration**: Cisco, Mayo Clinic
  - **Creativity**: 3M, Ideo, Apple
  - **Family balanced work lifestyle**: S. C. Johnson



BENEFITS OF CORE VALUES

- Having great core values delivers several payoffs:
  - A company with values has an advantage in competing for talent
  - It can attract better employees and retain them longer
  - The productivity of the employees is higher when they have a good set of values to guide their actions
  - Employees become better company representatives to serve the consumers
  - The company is more capable of managing differences within a wide- spread organization

EMPLOYEES

Care About The Company Mission

- **50% of MBA graduates** said that they were willing to take **lower pay** to work in a **socially-responsible company**.
- Companies that **defend their values** even when they hurt their business will **get admiration from the employees**.
  - *Bagel Works buys smaller bags of flours to avoid back-injuries to employees that carry them, although purchases in smaller packaging are more expensive*
- **The happiness** of employees has a significant impact on their **productivity**.
  - ***The Sunday Times**' "100 best companies to work for" outperform the FTSE All Share Index by between 10% and 15%*
- Companies with a **social purpose** can gain advantage by shaping their **competitive environment**.
  - *Marriott is educating its employees who may come from backgrounds of limited education.*
  - *By adding education as part of its values, Marriott is able to hire better and more productive employees*

MANAGING GLOBALLY THROUGH STRONG VALUES

- A big corporation has multiple offices with diverse employees.

Shared values reduce the differences and integrate the employees in one corporate culture.

Strong values embedded in every employee give the company the confidence to empower employees who are distant from the corporate headquarters.

Companies with ***strong-shared values*** usually succeed with **decentralized** or **localized** decision making.

These values help companies not only to **standardize** but to **localize** as well.

EMPOWER EMPLOYEES

Chinese Proverb

"Tell me and I'll forget; show me and I may remember; involve me and I'll understand."

- THREE methods of employee involvement:

1. ***Encourage volunteering***

   A SuperCorp, according to Kanter, is a company that has bigger societal purposes embedded in how they make money High-impact volunteering is one way to be a SuperCorp

2. ***Encourage innovation behavior***

3. ***Encourage employees to vote on company issues***

Marketing the Mission to…

Consumers

Employees

Channel Partners

Shareholders

Marketing the Values to

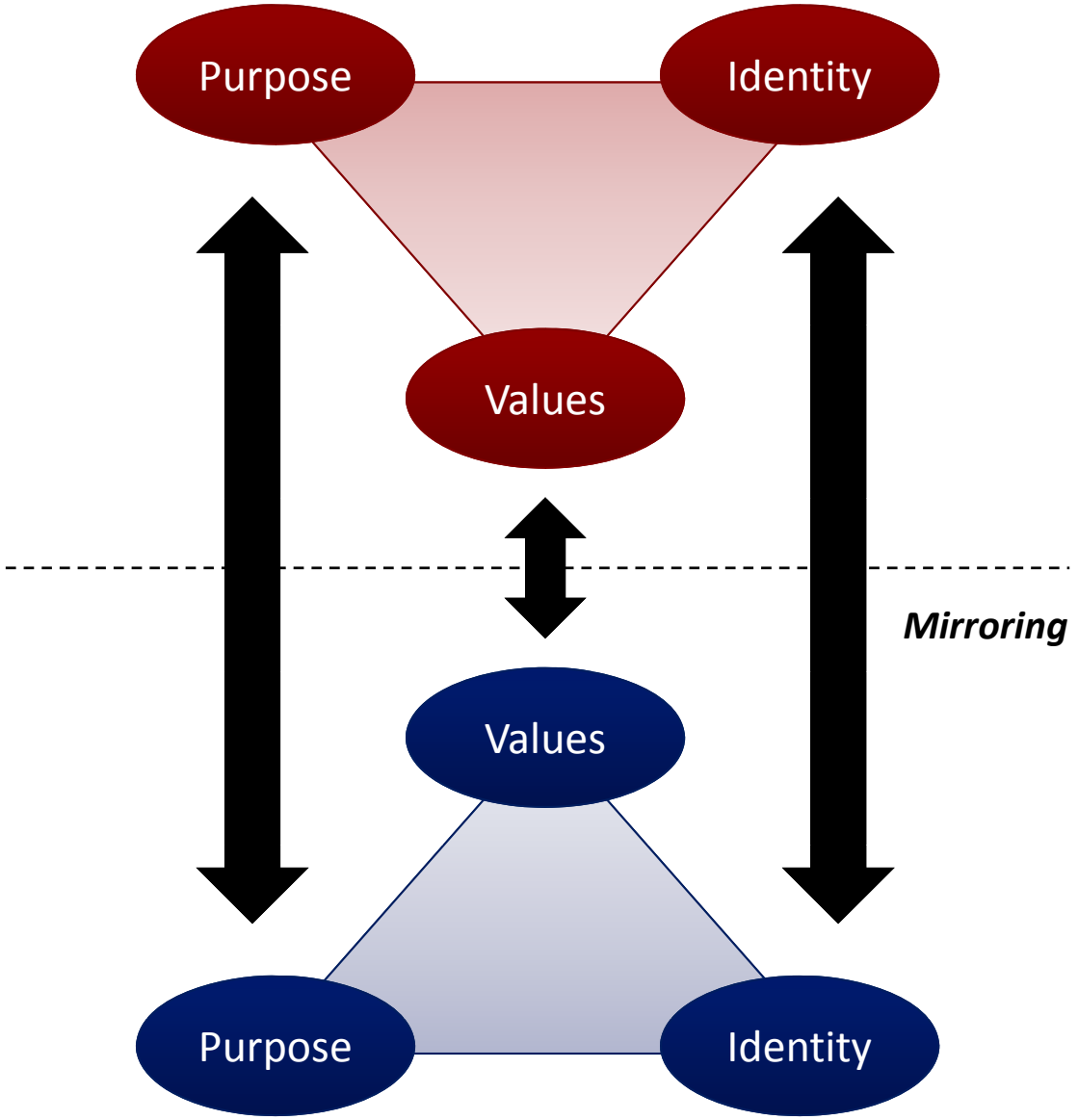
THE CHANNEL PARTNERS

Mirroring the purpose, values, and identities—beyond understanding each other's business model, applying win-win negotiation, and writing sound legal contracts—is essential

In MARKETING 3.0, collaboration between two business entities is like a marriage between two human beings.

Selecting Compatible

CHANNEL PARTNERS



STEPS IN CHOOSING A CHANNEL PARTNER

1. **Both entities should ask themselves whether both of them desire a win-win outcome.**

   Good partnership creates a horizontal relationship not a vertical one. Each entity should derive equitably from the collaboration

2. **They should investigate whether both business entities uphold a high quality standard.**

3. **Each business entity should identify its potential partner's unique values and determine the compatibility with its own unique values.**

MANAGING YOUR CHANNELS

1. Companies should **understand** their products' **margin contribution**, **inventory turnaround rate**, and **general strategic importance** to the channel partners.

2. Companies should **demonstrate** genuine concern and active management at the retail level through **co-op marketing**, **in-store promotion**, and **ensuring a brand's "presence"** in retail outlets.

3. A company should also **care** and **understand** its channel partners' **general impressions** and **satisfaction**.

4. Aim for **company-channel integration** based on **regular information sharing** and **joint strategic planning**.

Marketing the Mission to…

Consumers

Employees

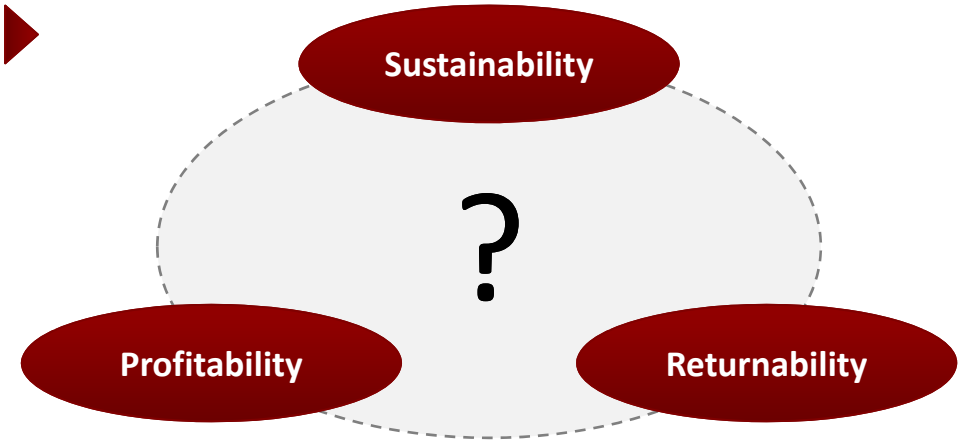
Channel Partners

Shareholders

THE HUMAN SPIRIT IN THE CAPITAL MARKET

- **Touching the human spirit in the capital market is a challenge.**

  To convince shareholders of Marketing 3.0, the company needs to provide **tangible evidence** that **the practice of sustainability will improve shareholder value by creating a competitive advantage**.

- 

  The issue is to find a linkage of between sustainability, profitability, and returnability

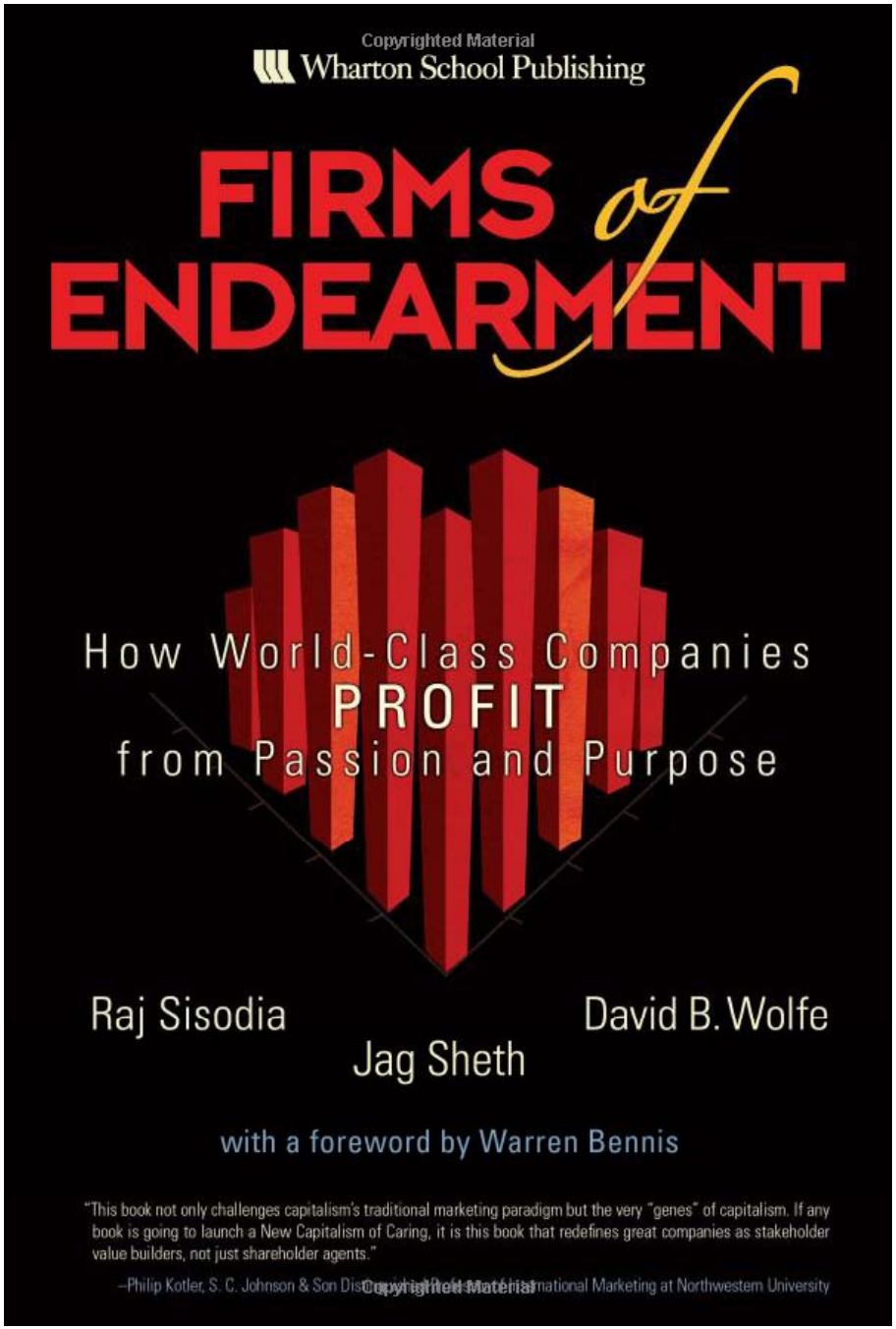
- **THREE** important metrics that can be quantified financially are:
  - ***Improved cost productivity***
  - ***Higher revenue from new market opportunities***
  - ***Higher corporate brand value***

Three Missions
For the Marketing 3.0 Company

- Bond with Customers
- Improve the Lives of the Poor
- Sustain the Planet

BONDING WITH CUSTOMERS

Are there any companies that you love or would deeply miss if they went out of business?



Companies Americans Love

Amazon, Best Buy, BMW, CarMax, Caterpillar, Commerce Bank, Container Store, Costco, eBay, Google, Harley-Davidson, Honda, IDEO, IKEA, JetBlue Johnson & Johnson, Jordan's Furniture, L L Bean, New Balance, Patagonia, Progressive Insurance, REI, Southwest, Starbucks, Timberland, Toyota, Trader Joe's, UPS, Wegmans, Whole Foods.

The researchers found these “firms of endearment” to be highly profitable.

They also found eight characteristics common to these firms.

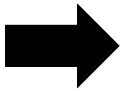
Characteristics of "Firms of Endearment"

- They align the interests of all stakeholder groups
- Their executive salaries are relatively modest
- They operate an open door policy to reach top management
- Their employee compensation and benefits are high for the category; their employee training is longer; and their employee turnover is lower
- They hire people who are passionate about customers
- They view suppliers as true partners who collaborate in improving productivity and quality and lowering costs
- They believe that their corporate culture is their greatest asset and primary source of competitive advantage.
- Their marketing costs are much lower than their peers while customer satisfaction and retention is much higher.

IMPROVING THE LIVES OF THE POOR

- Philips in *India* positions itself as a **"healthcare services provider for rural communities"**.

DISHA
(Distance Healthcare Advancement Project)

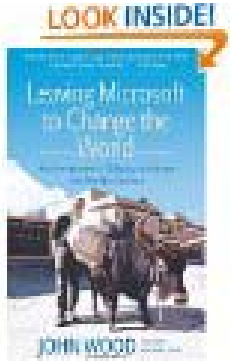


To **improve access** to primary healthcare for **low-income communities** through **affordable services** through a specialized mobile clinic offering **low-cost** diagnostics focusing primarily on **"mother and child"** and trauma treatments

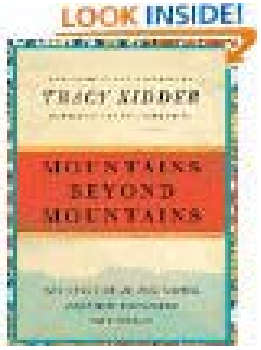
- **ConocoPhilips** in *Venezuela* positions itself as **"agent of change that develops skills for women entrepreneurs."**
  - The local community makes a decision on what businesses would be most appropriate.
  - The women receive microcredit loans and set up their own small businesses.

MY THREE HEROES

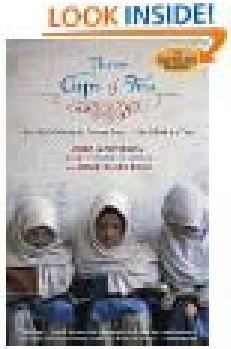
John Wood, *Leaving Microsoft to Change the World*.
Raised money to build libraries and bring books to Nepal especially to further girl's education.



Greg Mortenson and David Oliver Relin,
Three Cups of Tea: One Man's Mission to Fight Terrorism and Build Nations…One School at a Time,
Built schools in Pakistan especially for girls.



Tracy Kidder, *Mountains Beyond Mountains: The Quest of Dr. Paul Farmer, a Man Who Would Cure the World.*



PRACTICING SUSTAINABILITY

- Most companies, especially **public companies**, **focus on the short term** to the **detriment** of their **long term profitability**.

- **In September 2009**, a year after the fall of Lehman Brothers, 28 prominent figures that include Warren Buffet and Louis Gerstner **signed a joint-statement** to put an end to short-termism in the financial markets and create policies that nurture long-term value creation for shareholders and society.

THE SUSTAINABILITY DILEMMA

DEFINITION

SUSTAINABILITY

- Companies see sustainability as long-term survival of the company
- Society sees sustainability as long-term survival of the environment and the social well-being

→ Companies need to see the synergy between those two

DILEMMA

- **While trying to alleviate poverty with aggressive economic growth, the governments in developing nations often ignore environment preservation.**
- **Moreover, poor people are forced to deplete scarce natural sources—clean water and air and fertile agricultural soil—to maintain survival.**

→ **These practices will further degrade the environment and the living conditions of the poor.**

THE PROBLEM OF SCARCE RESOURCES

- Natural resources are **getting scarcer** and may **not support** a **strong growth in consumption** in the long run.
- Those who **manage** the scarcity of resources will be **the ultimate winners**.
- In the **1990s**, industry got on board by trying to **cut pollution**.
  In the **2000s**, industry then turned to making **eco-friendly products**.
- **Wal-Mart** embraced sustainability in **2006:**.
  - Wal-Mart pledged to **improve its productivity** with more **environmentally-sound practices**.
  - It told **suppliers** to **adopt eco-friendly practices** to qualify as a supplier to Wal-Mart

SUSTAINABILITY AND SHAREHOLDER VALUE

- **A.T. Kearney** found that sustainable companies tend to outperform their peers during the financial crisis.

- A 2008 survey by the Economist Intelligence Unit confirmed that there is a link between **corporate sustainability** and **strong share price performance**. Executives from companies that put more emphasis on social and environmental impacts reported **annual profit growth** of **16%** and **share price growth** of **45%** while those from companies that did not put a lot of emphasis reported **annual profit growth** of only **7%** and **share price growth** of only **12%**.

- Moreover, **executives** believe that **the concept of sustainability** is good for corporations in **attracting consumers** and **employees** and **improving shareholder value**

TRACKING SUSTAINABILITY

- We need indices that measure how well a company performs in the triple bottom line: ***profit, planet,*** **and** ***people***.

The AIM:

*To encourage companies to improve their economic, environmental, and social impact on the society***.**

Company	Approach
FTSE4Good Index	Good companies as companies that work toward environmental sustainability, have positive relationship with all stakeholders, protect universal human rights, possess good supply chain labor standards, and counter bribery practices
Dow Jones Sustainability Index	Corporate sustainability as "a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments."
Goldman Sachs	Introduce the GS Sustain Focus List, which includes the list of companies with sustainable practices

Timberland Goes Green

- Timberland is a **leader** in the design, engineering and marketing of **premium-quality footwear**, **apparel** and **accessories** for outdoor consumers. It believes in ***"doing well by doing good."***
  - In shoes, Timberland **uses recycled materials**, **non-chemical substances** as much as possible, made in **energy-saving factories**. The label gives consumers information "about the product they are purchasing, including where it was manufactured, how it was produced, and its effect on the environment".
  - Timberland gives back to communities. Under the Path of **Service program**, its employees have contributed over **200,000 total hours of service** that benefited over 200 community organizations in 13 countries, 26 states and 73 cities.
  - To commemorate **Earth Day**, Timberland **plants a tree** on behalf of each consumer who spends $150.
  - Timberland has also done such things as **offering $3,000 incentives** to **employees** who purchase **hybrid cars**.
- Other companies in this category are Patagonia, Whole Foods Market, Fetzer Vineyards, and Herman Miller.

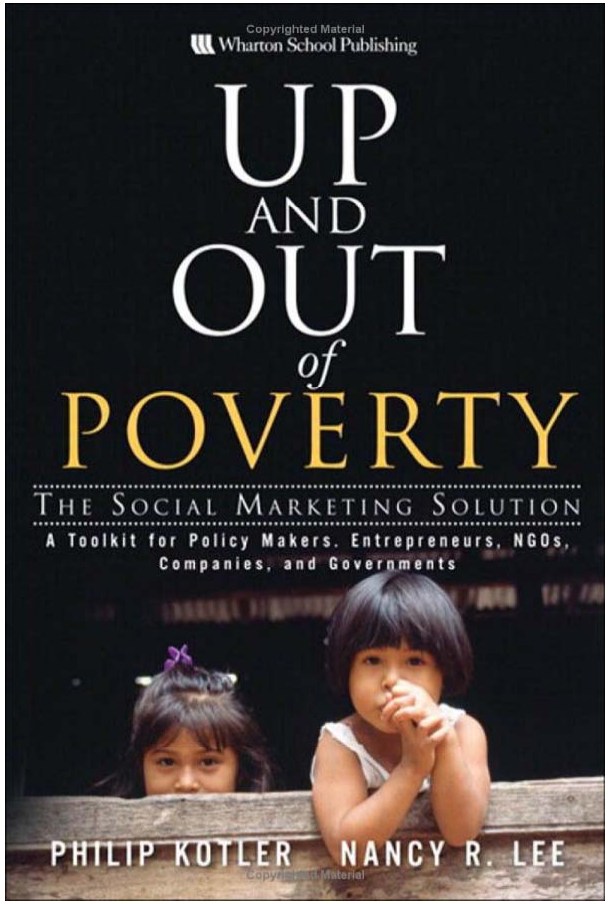
MOVING TOWARD THE MARKETING 3.0

Marketing 1.0	Marketing 2.0	Marketing 3.0
MIND	HEART	SPIRIT
PRODUCT-CENTERED	CUSTOMER-ORIENTED	VALUES-DRIVEN
ECONOMIC- VALUE	PEOPLE-VALUE	ENVIRONMENT-VALUE
PROFITS	SOCIAL PROGRESS	SUSTAINABILITY

- Where is your company now?
- Where do you want it to be?
- Why?
- What would steps would you take?

The Challenge

- Re-moralize the market
- Re-localize the economy
- Re-capitalize the poor



See Phillip Bond – *Red Tory*