



# ***What Next?***

THE MARKETING JOURNAL

*An Interview with*

***Philip  
Kotler***

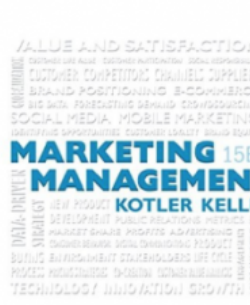
*on the Future of  
Marketing*

## Phil, you're called the "father of marketing"...

Marketing has been around for over 100 years. We could mention many marketing luminaries who had a great impact on our marketing theory and practice. I have been labeled the “father of modern marketing.” This is the result of two things. My marketing textbooks have been used around the world for the

If I am the “Father of Modern Marketing,” I would call **Peter Drucker** the “Grandfather of Modern Marketing” for all the brilliant insights and statements that he made about the critical importance of marketing in managing a business.

Today marketing is undergoing a true revolution and I am doing everything to keep up with it.



**VALUE AND SATISFACTION**  
Customer Use Asset Customer Acquisition Sales Repurchase

**CONSUMER CUSTOMER CONTACT CHANNEL SUPPLY**

**BRAND POSITIONING E-COMMERCE**  
Big Data Productivity Growth Disruptive

**SOCIAL MEDIA MOBILE MARKETING**  
Advertising Opportunities Customer Loyalty Sales Shift

**MARKETING 15E**

**STRATEGY**

**KOTLER KELLER**

**DETAILED STRATEGY**  
New Product Development Product Portfolio Market Share Product Adaptation  
Global Market Global Marketing Product  
Buying Behavior Internationalization  
Technology Innovation Growth

**ADVANTAGE**

was to develop mass advertising and mass distribution.

Mass advertising started with print ads, then radio ads, and finally TV commercials, along with many promotions such as “2 for 1,” “today only discounts,” “rebates,” “lay away plans,” and so on. Companies sought to distribute their products in every conceivable venue and obtain top shelf space. Consumers had little product information except for the ads they saw and their friends word-of-mouth. Major competitors saw the key to their success as resting on better messages and copy and spending more than their competitors.

Marketing today is going through a digital revolution. The Internet has made it possible for consumers to look up a great deal of information about a company, its products, its social responsibility, and the ratings of its products. Consumers can go on Facebook and exchange product and brand experiences and opinions. Every consumer can learn the prices of competing brands and their quality ranking and features. As a result, consumers are now in full control of the buying process. A consumer can be in a store ready to buy a certain product but pause to check on their smart phone whether a better price can be found

elsewhere, leading the consumer to negotiate for a better price or leave. All companies now see the smart phone as the consumer’s critical companion in making buying decisions. “**Mobile marketing**” is the hottest subject. Companies are now viewed as **participants in ecosystems and platforms**.

Our companies today collect vast personal information on individual consumers. This is the **Age of Big Data**. Companies have hired mathematicians to shovel through this data to find insights and to know the likes of individual customers. Companies are developing new tools and metrics to guide their moment-to-moment decision making. They are using the **Internet-of-Things** and **Artificial Intelligence (AI)** to carry on some automatic marketing initiatives and responses.

Any manager or student who studies only the old marketing will be no match against digital marketers. I expect the average age of professional marketers to get lower as companies recruit young digital natives. Marketing is changing in another way. The old marketers thought that consumers knew what they liked and even why they liked it. Consumers would make conscious decisions and share their opinions and

likes in surveys and focus groups. We are now recognizing the power of **unconscious factors shaping their purchase decisions**. Consumers are influenced by deeper frames of mind and metaphors that they are less conscious of. Marketers are using new methods to search out unconscious forces and frames of reference and turning these findings into **storytelling** and **narratives** to click in at deeper levels of consumer motivation.

**How is marketing automation and Big Data changing marketing? What are the new competencies that companies must master? What does the future hold for the CMO?**

In 1993, Don Pepper and Martha Rogers wrote a book called the *One to One Future: Building Relationships One Customer at a Time* in which they argued that companies need to know more not just about market segments but also about individual customers. The digital revolution hadn't started yet but now we have the tools to implement the One to One Future. Almost every customer transaction is conducted by charging a credit card. A supermarket can look up the products and brands that any individual customer has purchased. The British supermarket operator Tesco even sets up events to invite new mothers or wine

drinkers or some other group to gather and hear a valued talk on a subject of interest to these groups, all made possible by their transaction data.

Companies are hiring digital marketers and giving them a small budget to use with different digital tools to promote more sales. If the initial results are strong, the company will increase its digital budget. I've seen predictions that say in 2016, the average firm will allocate 30% of their marketing budget to online, and this rate is expected to grow to 35% by 2019.

Digital marketing can eventually go to 50% if it creates good results. But it is important to maintain strong traditional TV advertising – despite the “cord-cutting” phenomenon – because it provides the best platform for building the overall image of the brand. The company's chief marketing officer (CMO) has to balance the company's spending between traditional and digital marketing and to take advantage of synergies between the two. CMOs are recognizing the growing importance of content marketing which does not directly promote the brand but feeds into promoting a stronger engagement between the customer and the brand. The real challenge is to develop good metrics to help the company know



which marketing activities and investments are generating a good investment return.

**How do sales and marketing work together in the digital age? Is alignment easier or more of a challenge?**

In theory, marketing and sales people should be the best of friends. They are both dedicated to increasing the sales and profits of the company. The marketing people set the broad strategy and the specific incentives to drive the sales people to carry out their activities in the most effective way. Unfortunately, issues arise that lead one group to criticize the other.

Sales people often say that marketing failed to produce ads that work with their customers and indeed that their customers may never have seen these ads. Sales people might complain that the sales targets set by marketing are unrealistically high and that marketing set an unrealistically high price on the product. Sales people might complain that marketers don't really understand customers and the difficulty of selling to them. Marketers have their complaints too, that many sales people don't know how to sell the

price ("sales people always want a lower price"), that sales people go after small sales opportunities rather than larger one that take more time and patience to pursue.

Any company living with these two unhappy groups that don't respect each other will fail. A good consultant could come in, help the groups lay out the issues, and participate with each other to improve their marketing and sales activities.

I covered the solutions in my co-authored article in the *Harvard Business Review* entitled "[Ending the War Between Sales and Marketing](#)" (HBR, July 2006). *I often point to a chart from that article that helps companies focus on integrating marketing with sales:*

#### **Integrate Activities**

- ☐ Jointly involve Sales and Marketing in product planning and in setting sales targets.
- ☐ Jointly involve Sales and Marketing in generating value propositions for different market segments.
- ☐ Jointly involve Sales and Marketing in assessing customer needs.
- ☐ Jointly involve Sales and Marketing in signing off on advertising materials.
- ☐ Jointly involve Sales and Marketing in analyzing the top opportunities by segment.

#### **Integrate Processes and Systems**

- ☐ Implement systems to track and manage Sales and Marketing's joint activities.
- ☐ Utilize and regularly update shared databases.
- ☐ Establish common metrics for evaluating the overall success of Sales and Marketing efforts.
- ☐ Create reward systems to laud successful efforts by Sales and Marketing.
- ☐ Mandate that teams from Sales and Marketing meet periodically to review and improve relations.
- ☐ Require Sales and Marketing heads to attend each other's budget reviews with the CEO.

#### **Enable the Culture**

- ☐ Emphasize shared responsibility for results between the different divisions of the organization.
- ☐ Emphasize metrics.
- ☐ Tie rewards to results.
- ☐ Enforce divisions' conformity to systems and processes.

#### **Integrate Organizational Structures**

- ☐ Split Marketing into upstream and downstream teams.
- ☐ Hire a chief revenue officer.

**What are companies doing differently to innovate? Are there some marketing innovations that you feel could change the way the industry works?**

Most companies prefer to operate the same way from year to year but this attitude can be fatal in such a rapidly changing world. We need to recognize that people get tired of old products and seek new products and experiences. Companies need to constantly refresh their product and service mix.

They can innovate in a number of ways:

- Quickly copy the successful products of their competitors and introduce some difference.
- Inspire everyone in the company to see innovation as a key to the company's success. Encourage innovations in products, services, marketing, finance, accounting and so on.
- Conduct customer interviews to develop a fresh list of new product and service ideas.
- Work with a small set of prime customers to *co-create*

new product and service ideas.

- Develop a *crowdsourcing* project to stimulate customers to come up with new ideas.
- Examine *Kickstarter* for new ideas that others are developing that might interest this company.

As for marketing innovations, there is a whole history of promotional tools to stimulate more buying, such as rebates, layaway plans, frequent buyer discounts, and so on. Marketing innovations are occurring in the area of understanding better how consumers think and decide. *Neural scanning* is now used by many companies to capture and measure customer responses to controlled print and video stimuli. The *Zaltman Metaphor Elicitation Technique (ZMET)* is giving us deeper insight into the customer's unconscious mind and images that are triggered by product situations and experiences.

We are seeing new marketing metrics for tracking brand strength and returns on marketing investment. The marketing field today is ripe with new marketing innovations to improve the performance of professional marketers.

**What about CSR? Do you see companies focusing on sustainability and ethics as a business strength? As someone who coined the phrase “social marketing,” how do you see companies responding?**

Companies need to see themselves as more than a profit producing machine. Companies have a big impact on their customers, employees, distributors, suppliers, investors and communities. Companies that operate with a more holistic picture of their stakeholders, not just their shareholders, and that seek to satisfy all of their stakeholders, will outperform companies that only squeeze all of their costs to maximize their short run profits. I would argue that low paying companies will have low motivated employees, distributors and suppliers and perform more poorly for their shareholders.

I wrote a number of books to stress the importance of companies adopting a corporate social responsibility mindset:

- Philip Kotler and Nancy R. Lee, Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause, Wiley, 2005.

- Philip Kotler and Nancy Lee, Social Marketing: Influencing Behaviors for Good, Sage, 2008, 5th edition.
- Adam Lindgreen, Philip Kotler, Joelle Vanhamme and Francoise Maon, A Stakeholder Approach to Corporate Social Responsibility: Pressures, Conflicts and Reconciliation, London, UK, Gower, 2012.
- Philip Kotler, David Hessekiel, and Nancy R. Lee, Good Works! Marketing and Corporate Initiatives that Build a Better World...and the Bottom Line, Wiley, 2013.

**The country of Indonesia has made you a brand ambassador. But in many ways you have been an ambassador for marketing – western marketing – for many decades.**

During the past 40 years, I did as much marketing teaching in other countries as I did at the Kellogg School of Management of Northwestern University. My favorite countries where I have lectured several times include Italy, Sweden, Russia, Great Britain, Indonesia, Taiwan, Thailand, South Korea, India,



Japan, and China. I have many lifelong friends in these countries and I follow the course of each country's business, political and cultural evolution. In Indonesia I work closely with Hermawan Kartajaya who runs the very capable Mark Plus company. Hermawan and I have written 6 books together with *Marketing 3.0* being one of the world's best-selling marketing books.

Together we developed the first *marketing museum* in the world. It is situated in the beautiful island of Bali in Indonesia and draws many visitors who want to see the best in the world's products, advertisements, and innovations. The Indonesian government asked me to consider acting as a brand ambassador for Indonesia to share positive impressions with others that I have about the Indonesia's economic and social progress. This is a non-pecuniary relationship and I gladly accepted.



### **What message do you have for emerging markets like China and India?**

You asked what marketing messages I have for emerging countries like China and India. I would stress the following:

- Let their markets be as free as possible for entrepreneurs to start a business and for existing companies to conduct their business. Keep regulations to a minimum. Too often, regulations become a corrupting tool requiring payoffs to regulators to perform something that is prohibited.
- Identify those industries in which that country is especially gifted. China has become the *world's factory* as a result of its low cost labor and its ability to copy and master modern production techniques. India, while not as good at production, is superb at becoming the *world's office* because of its low cost professional trained labor and facility with the English language.
- The government should play a lead role in identifying which additional industries to

initiate with an early capital investment in a public-private ownership arrangement.

- The country should encourage foreign capital to invest in the country and earn good returns. If the country only relies on its own resources to grow important industries, the country will improve much more slowly.



**Your latest book – “Confronting Capitalism” – was quite a shift from the more traditional fare we’ve been accustomed to as marketers. What made you write that book?**

Although most of my writing and teaching have centered on marketing, I always approached marketing as an economist hoping to help firms maximize their long run sales and profits. I received my Masters degree in economics at the University of Chicago from Milton Friedman, the Nobel Prize economist, who advocated free competitive markets with little or no regulation except to prevent monopolies or collusion. I received my Ph.D. in economics at M.I.T. from two other Nobel Prize economists, Paul Samuelson and Robert Solow, who turned me on to Keynesian economics.

I mention this because my latest book, *Confronting Capitalism*, is my returning to the economist in me who is interested in assessing the performance of Capitalism itself. I came to the conclusion that **marketing is an essential ingredient in Capitalism**. People have very limited incomes. Marketers compete to sell their goods to people who may need to borrow money to buy a car, home,

furniture and other expensive goods. Marketing has been practiced as the art of getting people to part with their money and borrow more than might be wise. If marketers are not good at their marketing, many goods will fail to sell, many jobs will be cut, and many businesses will close down. Effective marketing is essential to keep a Capitalist economy going. My book *Confronting Capitalism* carries **the idea that Capitalism is in danger of destroying itself** by limiting its great benefits to too few people. Most workers have not had an increase in their real wages since 1973 while the 1% has continued to grow richer and richer. Our growing productivity and profits has not “trickled down” and led to “all boats rising.”

In *Confronting Capitalism*, I examined **14 problems** that modern Capitalism must address so that more citizens share in our growing GDP. In fact, our GDP would grow faster if more money got into the hands of our working and middle income classes.

A small group of friends and I started a site called **fixcapitalism.com** where we feature provocative articles on how to *make Capitalism work better* for more people. I invite your readers to join us. We also have a channel on Huffington Post.

**You’ve written over 50 books. I have to ask: what’s the next book about? What else are you working on?**

My next book has already been written. It is called ***Saving Democracy: Real Solutions for an Endangered Political System***. I hope to find a publisher and publish the book during this hot political election season in the U.S. Just as I identified 14 shortcomings in Capitalism hurting its performance, I have identified 12 shortcomings in our modern Democracy blocking it from serving our citizens well.

Our two systems, Capitalism and Democracy, have an interesting impact on each other. Capitalism is a system flush with money that goes into lobbying in the interests of business and into electing candidates who favor the interests of the rich. Capitalism is affecting our Democracy by using wealth to determine who gets elected to Congress and whose interests they will primarily represent. We badly need to shorten our election period, now 3 ½ years from the first candidate announcing that he or she is seeking to be the next President to November 8 when the final ballots are cast. We must find another way to finance

candidates who seek to run for President.  
Today's candidates are all backed by billionaires with an interest in preserving and expanding their capital and wealth.

Besides *fixcapitalism.com*, we have plans to launch another website to feature articles that point out how we can get our democracy to work better for more people.

Finally we're launching this very site – **marketingjournal.org** – to present the newest ideas on how marketing can perform better for companies and for the public.

**Thanks so much for your time. You have inspired so many of us over the past 50 years!**

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*INTERVIEW by Christian Sarkar.*

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