

BY MICHAEL KRAUSS

✉ michael.krauss@mkt-strat.com

## Evolution of an Academic: Kotler on Marketing 3.0



**Michael Krauss** is president of Market Strategy Group based in Chicago. To read past columns, go to [MarketingPower.com/marketingnews](http://MarketingPower.com/marketingnews) and click on "featured contributors."

Dinner with academic marketing legend and author Philip Kotler is a surreal experience. Most luminaries want to tell you their perspective. Most academics like to lecture. Kotler, meanwhile, wants to listen and learn from practitioners. He wants to test his theories to see if they could be improved.

I recently dined with Kotler, the S.C. Johnson & Son Distinguished Professor of International Marketing at Northwestern University's Kellogg School of Management, as part of a group of C-level marketers in Chicago who gathered to discuss his latest book, *Marketing 3.0: From Products to Customers to the Human Spirit*. This book—one of more than 40 that he has written, including *Marketing Management*, which has become the preeminent marketing textbook and now is in its 13th edition—describes an evolution in marketing from a narrow, rational process built around a corporate mission (1.0), to a visionary process defined around winning hearts and minds (2.0), to a new values-based discipline that seeks to support the spirit and soul of humanity (3.0).

"A company that's mission is to make a good product efficiently and profitably, that's all there is to a marketing 1.0 company. No broader agenda. ... Customers need toothpaste and the company delivers. It's a vertical view," Kotler says. He sees marketing 2.0 companies as more horizontal and more visionary. "These excellent companies delight the consumer and their employees," he says. "The 2.0 company appeals not only to the mind of the buyer, but to their heart."

Marketing 3.0 organizations, meanwhile, play at an entirely different level. They're "values-driven," Kotler says. "I'm not talking about being value-driven. I'm talking about 'values' plural, where values amount to caring about the state of the world." Kotler points to General Electric, which hopes to do well by doing good and profit by solving societal problems in the energy field. He points to IBM and its advertised agenda of making the world a "smarter planet." Kotler's message for C-level executives is that future consumers, empowered and connected by new technology, will prefer companies that stand for positive societal change and that are willing to collaborate and serve all their stakeholders, not just shareholders.

While Kotler described his own thoughts on marketing's evolution from vertical to holistic, he also wanted the group of assembled CMOs to tell him about companies that we love and organizations we admire. He wanted to know if we see firms nearing the target of "marketing 3.0."



This book...describes an evolution in marketing from a narrow, rational process... to a new values-based discipline.

He asked, "Are there companies you would miss if they weren't around?" We talked about Zappos, Nordstrom, Trader Joe's, Whole Foods, REI, Patagonia, Virgin and a host of others. Yet Kotler pressed on and sought our views. Perhaps that humility and drive for insight is what makes Kotler such a successful and durable marketing theorist and educator. No matter how famous or acclaimed he has become, he seeks knowledge to improve his theories.

Few marketers who read Kotler's work realize that he trained as an economist at the University of Chicago and MIT under four Nobel laureates. He earned a master's degree in economics at Chicago, and was deeply influenced by Milton Friedman and George Stigler. "Friedman influenced me to think in free-market terms, practically cowboy economic terms, with no market regulation," Kotler says. "Then I went to MIT and had Paul Samuelson and Robert Solow on my Ph. D. committee. I became a Keynesian."

But the world of economics didn't hold Kotler for long. "Don Jacobs, the dean at Kellogg, said to me: 'Phil, you can teach economics or you can teach marketing. You should really think about marketing. There's more to be done there,'" he says. Of course, Kotler chose marketing and the rest is history.

Kotler's foundation in economics gave him a unique perspective on the marketing practice. "When you looked at marketing textbooks at that time, they were highly descriptive. 'A salesman does the following. Here are the five traits of a good salesperson. Here's what a wholesaler does.'

It was not analytical. It was not decision-oriented," he says. So in 1963, Kotler asked, "What issues are faced in marketing and how do you use organizational theory, economic theory, mathematical theory and psychological theory [to address them]?" The result of that inquiry is his landmark textbook, *Marketing Management*.

In his speech following dinner, Kotler urged the assembled CMOs to be more strategic and consider six C-level priorities:

- Build processes for gathering customer insight.
- Strengthen brands.
- Drive new product development based on customer needs.
- Use new marketing technology.
- Measure marketing effectiveness.
- Improve marketing's working relationships with other functions.

"My first bit of advice if you become a CMO is to have a good talk with the CEO about what is expected. My second piece of advice is, don't try to do more than two of the six priorities," Kotler says. Yet he clearly believes that marketers can and must do more. He talks about marketing's role in creating jobs and building consumer demand. He even describes how marketing can help make society more peaceful.

"I was asked, 'Can you market peace?'" he says. "I said that is a real challenge. Can we start a peace movement? That's been tried a hundred times. But I thought it was a very profound question that we all should think about."

Perhaps that's what Kotler does best. He gets marketers thinking. **m**