

The Future of Marketing: An Interview with Philip Kotler, the “Father of Modern Marketing”

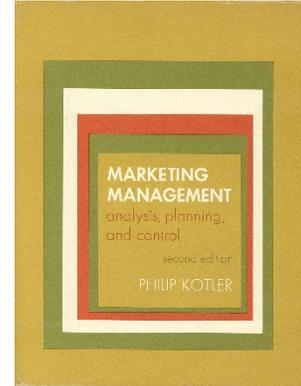
He is universally acknowledged as the “Father of Modern Marketing”. His classic textbook “Marketing Management” is now in its 15th edition. He has been called the “most influential marketer” of all time. World-famous marketing academic Philip Kotler shares his perspective on the future of marketing and “why it will be markedly different”.

By Stephen Shaw

His book “Marketing Management: Analysis, Planning and Control”, first published in 1967, ranks amongst the most influential, and enduring, business textbooks of all time. Now in its 15th edition, it remains the most authoritative guide to the practice of marketing ever written.

Half a century ago marketing played a minor role in influencing business strategy. But Philip Kotler, a trained economist, understood that the growth rate of a company was affected by much more than simply the market response to product and price: it depended on being customer driven. His book gave inspiration to a profession in search of legitimacy.

Since then, each new edition of his seminal work has reflected the ongoing evolution in marketing theory and practice, keeping it as relevant as ever, even to a generation of digital natives raised on social media. His latest (co-authored) book, “Marketing 4.0”, addresses even more directly the need to transform marketing practices, calling for a more humanistic model, where the goal is to win the loyalty of customers by connecting more closely with their values and needs. “Marketing’s job today is to sell materialism and consumption,” he writes. “Tomorrow’s marketing will be markedly different.”



Philip Kotler is the S.C. Johnson & Son Professor of International Marketing at the Kellogg School of Management at Northwestern University. His reputation as the “Father of Modern Marketing” was earned through his prolific writing (he has written over 60 books), his prescient and thought-provoking views, his extensive speaking engagements around the world, and the advisory work he has done for many blue-chip companies. The American Marketing Association calls him “the most influential marketer of all time”.

In this exclusive interview, Professor Kotler shares his perspective on the current state of marketing and the future role it will play in shaping a better world.

SHAW You’ve been the world’s leading marketing academic for half a century. You are acknowledged as the “father of marketing”. You’ve written the standard textbook on modern marketing. Given where we are today, with the massive disruption in the marketplace, is there a need to start from scratch with a next-generation textbook?

KOTLER The concept of marketing is more than a century old. Some early textbooks bearing that name, marketing, started appearing in the early part of the 20th century, written

by economists, not marketing people - economists who were unhappy with how their profession only talked about price. They never talked about advertising lifting the demand curve; they never talked about distribution. They just talked about how an individual might react to the price going up or down. Those early marketing textbooks started to address a broader picture involving many kinds of advertising. But marketing back then was not very analytical at all.

When I wrote my first edition in 1967 called "Marketing Management," I based it on organizational behavior theory, consumer psychology theory, economic theory, and mathematics. It was a brand-new type of marketing textbook and it succeeded. It succeeded because it gave pride to marketers. Up to that point, marketers were seen as artists, not social scientists. The book gave them pride in their profession - because it introduced a lot of frameworks which made them more relevant to how the rest of the business community thought.

But to answer your question about whether I would re-write my textbook, I would not drop many of the fundamental concepts in marketing. Certainly, marketing has to start with the customer, and I would add the stakeholders. You can't think just about the customers. They're not going to be satisfied if other stakeholders, like employees and channel partners, are not satisfied. But I would add a lot more to the next edition about digital, the Internet and Facebook.

SHAW It seems to me we've reached the point where not many elements of what I would call the classical marketing model are bound to survive. Does the entire strategic framework have to be revisited?

KOTLER Let's start with what has to be preserved of the framework we have: the four Ps. Now the four Ps are simply tools for influencing the level of demand. Of the four Ps, the two most important Ps are product and price. Why? Because if you don't create the right product features and set the right price for what you're offering, nothing else matters. Sure, a clever promotion may get customers to try the product. But because the price is not right, the customer won't buy again. So I put a lot of emphasis on creating a product offer that is correct. Some people say most products are just commodities. But if they're just commodities then all prices would be the same.

What is important is that the four Ps should come after STP: I want my 16th edition to start with the idea that we must segment, target, and position. That's fundamental. Segment, target, and position is important. If I'm competing against McDonald's, I have to have a marketing plan for mothers with children that is different than my marketing plan for the teenager, and different for the senior. So I've got to define my segments before I even go to the four Ps. The four Ps is secondary. But some people say it's all about micro-targeting. We know enough about each potential customer that messages and offers can reach him or her at the right time, in the right place. I think we need segmentation followed by micro-targeting.

- SHAW** What you seem to be addressing is “personalization at scale”. But that still requires a product to be made and you don't make products for individuals, you make them for segments of individuals who share similar needs. In your books you've always been a huge proponent of a customer driven approach in marketing.
- KOTLER** Yeah, I agree with you 100%. We're in total agreement, and that reminds me of that book by [Mark Penn](#), which he called "Microtrends: The Small Forces Behind Tomorrow's Big Changes." He names a whole list of niche groups that you could make a fortune on because they've been neglected in mass marketing.
- SHAW** Traditional organizational structures separate product marketing from channel marketing. It seems to me that's one of the key inflection points today. A different approach is required which deemphasizes the channel mindset – instead, puts the emphasis on the customer relationship. Isn't that what's at the heart of your newest book "[Marketing 4.0](#)"?
- KOTLER** The very first era was Marketing 1.0: where the job of marketing was simply to describe the offer in a functional way to customers: why you should buy from us. The message was unemotional. It was factual. Marketing 2.0 was when marketers realized that emotions play an important role in the choices made by consumers. But I felt very strongly that there was another level, which was more humanistic - the idea of meaningfulness in the lives of customers: make your offer something that will improve their life. That was what my book Marketing 3.0 was about. Marketing 4.0 was written because of the need to account for the digital revolution.
- SHAW** In Marketing 4.0 a core principle is the need to manage the customer relationship from awareness to advocacy – an idea that originated in the 1980s.
- KOTLER** Yes, thanks for pointing that out. **You want a customer who is engaged and beyond that an advocate. A real sign of success would be a company that never does advertising: it's all done by their customers.** But not all customers are equal. They must be treated differently. We need to treat our best customers even better.
- SHAW** I'd like to shift to another concept you've written about which resonates strongly with me – what you call holistic marketing: the idea that marketing has a much bigger role to play in influencing the quality of the customer experience.
- KOTLER** Yes. Holistic marketing is very much about shaping an experience for the customer that goes beyond the product. For example, let's take Starbucks. Starbucks could have just been a coffee shop where you get your drink and leave. That's not Starbucks. Starbucks enhanced the experience by becoming a “third home.” Your first home is your family. Your second one is your office. Starbucks is your third home. That's a holistic view. And it was more holistic because the servers – the baristas - are respected by management. They're not just clerks. It's the whole experience. Starbucks is saying, "We're not just a coffee house." It enhances the lives of more than just the customer - it enhances the lives of everyone, especially the employees.

SHAW The concept of brand identity and positioning is undergoing a major shift as well, moving toward this idea of having a brand purpose that goes beyond the benefits of the product. The brand is no longer a vehicle to doing better advertising, but in fact a “North Star” for the organization, doing what you were just describing, which is bringing all stakeholders together to rally under a single banner of helping people. And that again goes back to Marketing 3.0, about helping people. What are your thoughts on that?

KOTLER Yes, I do believe that we have to start our next book about what it means to build a brand today, and why, and how. [David Aaker](#) deserves credit for raising greater consciousness about branding. Branding is storytelling. It's a narrative. Great brands have a signature story. You're not just trying to create customers, you're trying to create fans. You do that by building a meaningful relationship. Fans have trust in the brand – in the belief that the company is helping them live a better life. So there should be a higher brand purpose.

SHAW You mentioned a very important word: trust. Yet public trust in institutions and business is declining. To gain trust, brand purpose statements have to be authentic. A company has to live up to that brand purpose. But that can be really hard. Shareholders might object.

KOTLER Here's the issue. More companies today are accepting of their social responsibility. They're being pressured into showing they care about something more than the next sale. But for trust to be built, claims about social responsibility have to be intrinsic to the business. A company can be skewered if it didn't really do much about what it claimed in social responsibility.

SHAW A corollary of brand purpose is the concept of shared values, meaning you can only truly connect with people if you see the world the same way they see it. That's why developing a brand purpose is not easy. After all, which audience are you trying to share values with?

KOTLER The big idea now is to create a better life. My purpose as a bank is to educate my customers about saving their money intelligently, investing it intelligently. Each company has to work out how it's going to make the customer better off.

SHAW However, here's the contradiction I see: Most publicly traded businesses are committed to aggressive growth, and that forces marketers to be mainly focused on demand generation. How does marketing live up to some of these new ideals we've been talking about, in the face of that pressure to grow? How does marketing become more customer-centric and put the interest of customers first, indeed put the interests of people first, when the expectation is to deliver short-term sales and growth?

KOTLER First, I admire those companies who've told Wall Street they're not going to predict quarterly profits. Coca-Cola did that and a few others have as well. Because, you know, if they're one cent off what they thought they were going to deliver, they've failed in the eyes of the market. And that makes raising capital harder and more

expensive. So here's the thing: If the company does a successful job building trust and delivering improvements in the lives of their customers, they don't have to worry about growth as much, because up-selling and cross-selling will deliver greater sales and profits. So I don't know if there's a real contradiction – instead of acquiring more customers, you do more with the customers you have.

SHAW And you can only do that, presumably, if you adhere to higher order principles. Otherwise people won't view you any differently in terms of your values, your ethical conduct, your authenticity, your ability to deliver on your promises. A brand should be a friend, that's how you characterize it, I believe.

KOTLER Right, absolutely. Every company needs to invest more in each customer and they'll get much more back for it.

SHAW That's the Amazon model, frankly, isn't it? I mean, what Jeff Bezos proved is that he could thumb his nose at Wall Street, play the long game, remain customer-obsessed, and build an unbelievable colossus of a business on the back of the trust he gained with customers. Isn't that really the new business model, not simply a new marketing model?

KOTLER Yes, it is a new model in many ways, and he's been brilliant, probably our most brilliant marketer of all. But look what's happening: I would not buy an advertising agency now and I wouldn't buy a store-based retailer. The ad agencies have been trying to sell digital services, but a lot of companies, especially the big companies, believe they're better off bringing digital in-house. And in retailing, everything's online. That's Amazon's gift to us.

SHAW You're touching on a really important point, and that is the digital disruption going on, along with the challenge to marketing orthodoxy. You mentioned ad agencies are suffering because their business model remains ad-based. In recent years we've seen advertising dollars shifting out of traditional media to digital. But now there's a dark cloud hanging over digital advertising. What happens if we become an ad-free world? Where do those dollars go, back into the general budget?

KOTLER You could put more money into better service. Service is the key. We've neglected service. We sell products without paying much attention to service. Service, and innovation, and lower prices possibly. But the basic question is, do we need to do any marketing at all? A company may conclude that marketing's never going to be a big source of growth. The CEO may see more opportunity in buying another company – even though half of all mergers fail to deliver what was expected. Or more money may go into product development. The CMO today has a hard job. That's why they only last about two years.

SHAW It goes back to the conversation we were having earlier. If an organization remains in thrall to the analysts, that shareholder-first mentality leads to a more myopic view. No one's willing to plan around the long-term. So, planning methods are always focused on short-term objectives. That makes it hard to survive challenges to a business model, doesn't it?

- KOTLER** Well, you know, that's a reason I like Unilever under Paul Polman [Chief Executive Officer]. I mean, he's a daring guy. He said he's going to double his business in so many years, yet be socially and environmentally responsible.
- SHAW** Unilever had that near-death experience recently with 3G Capital almost devouring them, but they managed to escape that fate, thankfully. I think the other thing to note is their embrace of what we were talking about earlier, brand purpose.
- KOTLER** Oh, yeah. Every brand seems to be well thought out and exciting, you know, Axe and the products for women. Dove does a beautiful job.
- SHAW** Are there other brands you admire?
- KOTLER** **A successful company is one that does co-marketing with the customer.** And what I mean by co-marketing is illustrated by Lego and Harley-Davidson. They both invite the customer to actively participate in the development of their products. Building a community is the greatest thing you can do - involving customers to help design a product.
- SHAW** It seems to me what you're describing goes beyond loyalty: that is, the willingness of customers to commit to the success of a company because they are believers in what the brand does, not just for them, but for society in general. It's this progression from audience to follower to believer to cultist. Does that progressive relationship over time represent the new marketing framework?
- KOTLER** Yes, yes! Today most companies do research on what customers want - but the customer is left to decide whether they want the product or not. I'm talking about going beyond that – bringing the customer into the process by inviting them to figure out what can be made for them.
- SHAW** We talked a lot about trust earlier. Do you see the relationship between consumers and brands changing fundamentally in the next five years? For example, is it conceivable that the brand relationship will form a set of concentric rings, where in the very inner circle you have brands enjoying the highest degree of trust, whereas in the outer rings brands are almost faceless and serve more of a provisional, utilitarian role?
- KOTLER** Sure, let's take Unilever as an example. They have some brands that have built a really strong following, a fan base. The brand is part of their lives. But other brands such as cleaning products - they may be more peripheral. They are bought because Unilever's a good name. You can trust it. So here's the test. Ask the customer, "Which brands would you be heartbroken over if they vanished from your life?"
- SHAW** You've been writing about the marketing profession for many years. You've taught many generations of students. You've been a source of enlightenment for a lot of folks like myself who have your books on their shelves. What keeps you going?
- KOTLER** When I first took my job with Northwestern, they said, "What do you want to do? You're a PhD in Economics in two great schools, UC and MIT, and you could teach

economics, managerial economics or micro economics, or you could teach marketing." And I thought about that, and I realized that economics was pretty well structured. Big breakthroughs were not that likely to happen. Marketing was under-developed, terribly under-developed, very descriptive, and I could do much more work with it. And I'm glad I made that decision. If I was teaching geometry it would be the most boring thing in the world because it hasn't changed for 2,000 years. Marketing was the right subject for me because it is evolving rapidly. It excites me to follow what's happening with companies. But recently I've added another dimension that will keep me from retirement. I wrote a book on capitalism, "Confronting Capitalism" because I'm very worried about our capitalism. I'm in favor of Nordic capitalism, not American capitalism. So I'm now working on a third book which is "Strategies for Advancing the Common Good." I think that's the North Star. I see marketing as an agent that plays an important role in advancing the common good.

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CREATING CUSTOMER VALUE AND ENGAGEMENT IN THE DIGITAL AND SOCIAL AGE

Top marketers share a common goal: putting the customer at the heart of marketing.

Today's marketing is all about creating customer value and engagement in a fast-changing, increasingly digital and social marketplace. Marketing starts with understanding consumer needs and wants, determining which target markets the organization can serve best, and developing a compelling value proposition by which the organization can attract and grow valued consumers. Then, more than just making a sale, **today's marketers want to engage customers and build deep customer relationships that make their brands a meaningful part of consumers' conversations and lives.**

Philip Kotler, Gary Armstrong, Principles of Marketing, 2016

THE HOLISTIC MARKETING CONCEPT

Without question, **the trends and forces that have defined the new marketing realities in the first years of the 21st century are leading business firms to embrace a new set of beliefs and practices.** The holistic marketing concept is based on the development, design, and implementation of marketing programs, processes, and activities that recognize their breadth and interdependencies.

Four key dimensions of holistic marketing are:

1. **Internal marketing** – ensuring everyone in the organization embraces appropriate marketing principles, especially senior management.
2. **Integrated marketing** – ensuring that multiple means of creating, delivering, and communication value are employed and combined in the best way.
3. **Relationship marketing** – having rich, multifaceted relationships with customers, channel members, and other marketing partners.
4. **Performance marketing** – understanding returns to the business from marketing activities and programs, as well as addressing broader concerns and their legal, ethical, social and environmental effects.

Philip Kotler, Kevin Lane Keller, Marketing Management, 2016

THE FUTURE OF MARKETING

To succeed in the future, marketing must be more holistic and less departmental. Marketers must achieve wider influence in the company, continuously create new ideas, and strive for customer insight by treating customers differently but appropriately. They must build their brands more through performance than promotion. They must go electronic and win through building superior information and communications systems. The coming years will see:

- > The demise of the marketing department and the rise of holistic marketing.
- > The demise of free-spending marketing and the rise of ROI marketing.
- > The demise of marketing intuition and the rise of marketing science.
- > The demise of manual marketing and the rise of both automated and creative marketing.
- > The demise of mass marketing and the rise of precision marketing.

Philip Kotler, Kevin Lane Keller, Marketing Management, 2016