

00262
BBA

PROJECT REPORT

ON

MARKETING 3.0

**Next Generation Marketing for the Perfect
Human and Sustainability**

MARKETING 3.0

Next Generation Marketing for the perfect
human and Sustainability



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**Next Generation Marketing for the perfect
human and Sustainability**

BUS 498

Prepared For

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EAST WEST UNIVERSITY

LETTER OF TRANSMITTAL

Date: 14 August, 2011

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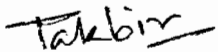
Subject: The project paper is all about the **MARKETING 3.0**

Dear Sir,

Meeting the conditions of the course BUS 498, Project, I present to you the paper titled as "MARKETING 3.0 Next generation Marketing for the Perfect Human and Sustainability". The paper is all about marketing 3.0.

It is my pleasure to have registered in your course and attain this project paper for you.

Sincerely yours



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BUS 498 [PROJECT]

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Executive Summary

Marketing 3.0, is the third level of marketing theory after Product centric marketing (marketing 1.0) and Consumer centric marketing (marketing 2.0) developed by PHILIP KOTLER, HARMAWAN KARTAJAYA and IWAN SETIAWAN. Marketing 3.0 focusing the perfect human being who have the spirit to do something good for the society. Philip Kotler says that , consumer are no longer unaware about the brand. Now a days , human are much more conscious consumer because of technological advantages like social media (facebook, my space etc). Consumer consume not only for their need , they want to satisfy their internal and spiritual demand. Because of globalization, every consumer are related with the consumer group through communication and active and present time conversation, they know every single step of the brand. This active and creative consumer are the actual owner of the largest brand in the world. Because a every single step of the company is communicated to people in a single minute. New generation of marketing is highly focusing on sustainability beside profitability and return ability. Sustainability become an issue because of changing consumer pattern, becoming more conscious about their consumption and the place where living is the world. Marketing 3.0 discuss the value based marketing and green marketing and also discuss the changed role of consumers, employees, channel partners and shareholders. Marketing 3.0 is replacing the previous marketing theory (marketing 2.0) because of changing market, inactive application of present marketing activities practicing by the companies and changing consumer who are becoming knowledgeable, conscious and perfect human being with the spiritual need to contribute in the society and the world in large.



Defining MARKETING 3.0

Marketing 3.0 addresses anxieties and desire 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.”

By adding “society,” the new definition recognizes that marketing has large-scale impacts beyond what happens in the private dealings of individuals and companies. It also shows that marketing is now ready to address the cultural implications of globalization.



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.

	MARKETING 1.0	MARKETING 2.0	MARKETING 3.0
	Product centric marketing	Consumer centric 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 guideline	Product specification	Corporate and Product positioning	Corporate, vision, value



<i>Value propositions</i>	Functional	Functional and Emotional	Functional, Emotional and Spiritual
<i>Interaction with consumer</i>	One-to-one transaction	One-to-one relationship	Many-to-many collaboration





THREE FORCES SHAPING 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

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



The Age of PARTICIPATION & COLLABORATION



COMPUTER



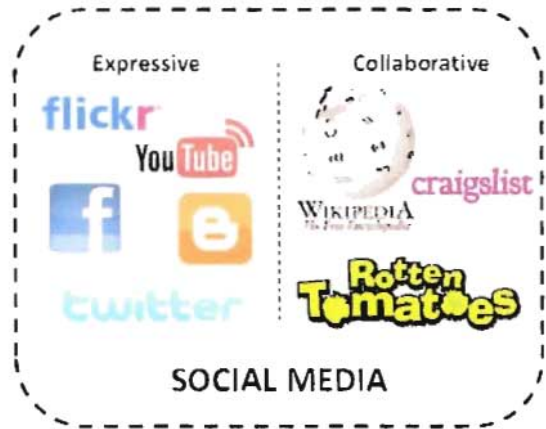
LOW-COST INTERNET



MOBILE PHONE



open source™
Open source



ALL THESE MADE IT POSSIBLE FOR INDIVIDUALS TO ...

COMMUNICATE + COLLABORATE



Expressive Social Media :

Expressive social media, which includes blogs, Twitter, YouTube, Facebook, photo sharing sites like Flickr.

Let us examine the impact of expressive social media on marketing. In early 2008, Technorati found 13 million active blogs around the world. 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 per-cent 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.

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.

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.

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 behaviour will diminish accordingly. 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.

Collaborative Social Media :

The collaborative media, which includes sites such as Wikipedia, Rotten Tomatoes, and Craigslist.

Consider also collaborative social media that applies open sourcing. A decade ago, people knew that software could be open sourced and developed collaboratively.

Wikipedia's content is contributed to by vast numbers of people who volunteer their time to create entries on countless topics for this community-built encyclopedia. By mid-2009, Wikipedia had developed 235 active language editions with more than 13 million articles (2.9 million in English).



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 Wipperfurth, 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

THE AGE OF GLOBALIZATION PARADOX AND CULTURAL MARKETING

Information Technology

+

=

Transportation Technology

Connect the
whole world

Globalization is driven by technology .

Information Technology \Rightarrow Globalization reach in everywhere

Transportation Technology \Rightarrow Facilitates trade and physical exchange



Because of information technology, a Bangladeshi company like Beximco can easily know the global market trend and global market can easily know about the quality of the local company (Beximco)

GLOBALIZATION paradox:

- Globalization hurts as many nation as it is helps
- Globalization increase inequality
- Globalization provokes nationalism and protectionism.
- Globalization provokes tribalism

1. Political paradox of globalization: China is a follower of capitalism. While democracy is required , China holding the key role of global economy.

Politics is national. Globalization is not required to touch the national politics. . Globalization may open up the economy but not the politics. The political landscape remains national. This is the political paradox of globalization.

2. Economical paradox: Globalization create integration but not give the equality . rich people earning more and more and increasing the distance between rich and poor.

Economically, globalization appears to hurt as many countries as it helps. Even within the same nation, unequal wealth distribution exists. Today, there are millions of affluent people around the world. India has more than 50 billionaires. The average CEO in the United States earns 400 times that of the average employee. Unfortunately, there are still more than 1 billion people in the world who live in the state of extreme poverty and subsist on less than \$1 a day. This is the economic paradox of globalization



3. Globalism and tribalism paradox: Globalization create universal global culture. At the same time , traditional culture are becoming much more stronger.

Example: In Bangladesh , We the people learn the food habit of first food by MNE like KFC, Pizza Hut etc. They are MNE doing business in this country but also celebrating the national culture like 21th February , 14th April with huge focus.

Individual people started thinking that they are global citizen and trying to act on that way to compete globally. Cultural brand aim to resolve paradox in society by addressing social, economical and environmental issue in the society.

For example : Banglalink SAVE THE ROYAL BANGLE TIGER project.

The Age of CREATIVE SOCIETY and CREATIVE SOCIETY and HUMAN SPIRIT MARKETING

Research suggests that although the number of creative people is much smaller than the number of working class people, their role in society is increasingly dominant. They are mostly innovators who create and use new technologies and concepts. In the collaborative world influenced by new wave technology, they are the hubs who connect consumers with one another. They are the most expressive and collaborative consumers who make the most use of social media. They influence the overall society with their lifestyles and attitudes. Their opinions toward the globalization paradoxes and issues in the society shape the opinions of others. As the most advanced members of society, they favor collaborative and cultural brands. As pragmatists, they criticize brands that have negative social, economic, and environmental impacts on people's lives.

- 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.

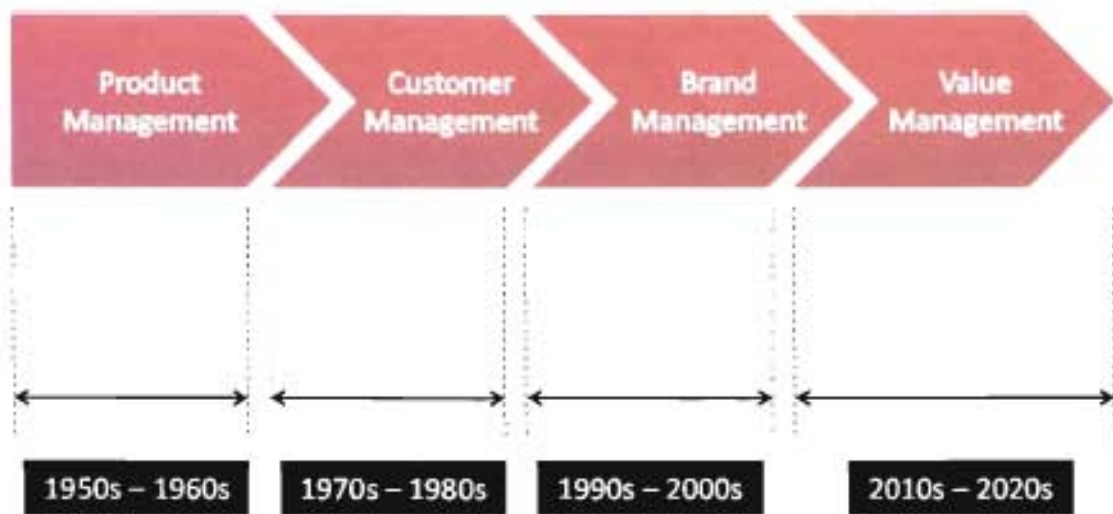
“One of the key characters of an advanced and creative society is that people believe in self-actualization beyond their primal needs for survival.”





Future Model for MARKETING 3.0

EVOLUTION OF MANAGEMENT THINKING

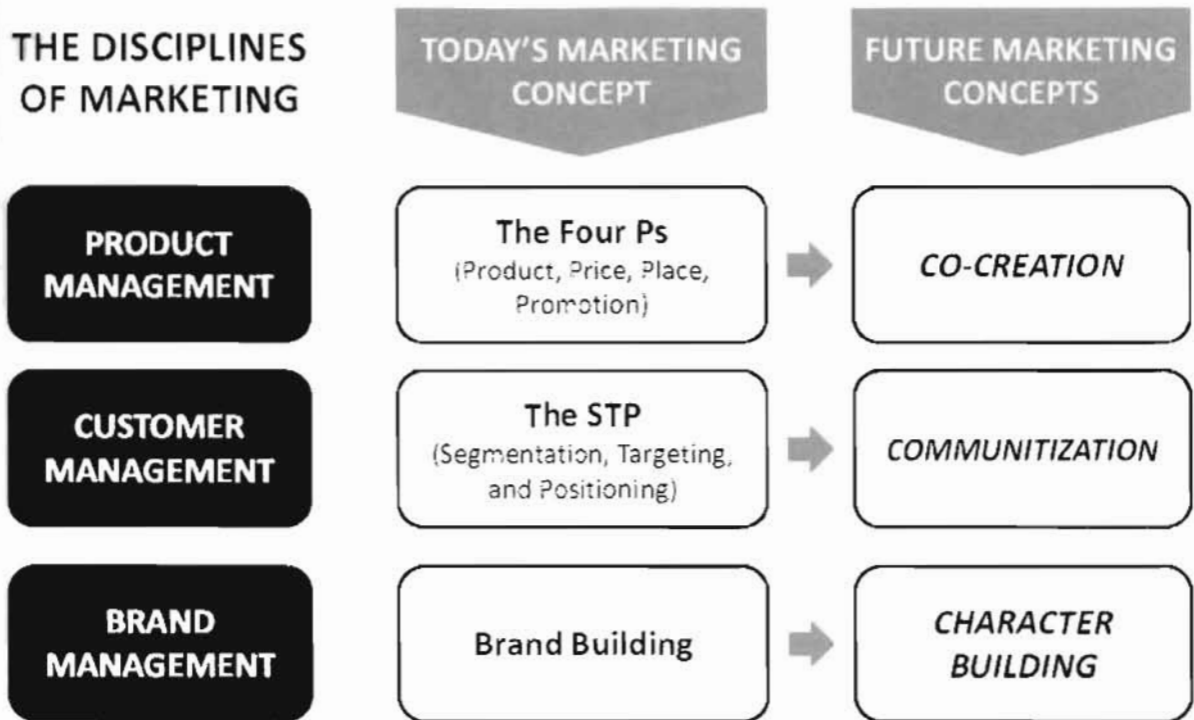


Marketing was initially viewed as just one of several important functions supporting production, along with finance and human resources. The key function of marketing was to generate demand for products. McCarthy's four Ps concisely explained the generic practices of product management in those days: develop a product, determine the price, do the promotion, and set up the place of distribution. As business was on the upswing during those two decades, nothing more was needed from marketing other than those tactical guidelines.

It all suddenly changed when the U.S. economy—and the Western economy in general—was hit by oil shock-driven stagnation in the 1970s. The economy remained uncertain throughout the 1980s because economic growth had mostly migrated to developing countries in Asia. Generating demand during these turbulent and uncertain times was harder and required more than just the four Ps. Demand was scarce. Some products were launched to compete with one another to win buyers. Over the course of these two decades, consumers became smarter buyers. In consumers' minds, many products were seen as commodities because they had no distinct positioning. The changing environment forced marketing professionals to think harder and create better concepts.



More Ps—people, process, physical evidence, public opinion, and political power—joined the original four Ps. However, the classic model of Marketing 1.0 remained tactical in nature. Perhaps the downswing was a blessing in disguise, as marketing finally gained prominence during this period of low demand. To stimulate demand for products, marketing evolved from a purely tactical to a more strategic level. Marketers realized that to effectively generate demand, “customer” should replace “product” at the heart of all marketing activities. The customer management discipline, including





CO-CREATION:

The New Age of Innovation observed the new ways of creating product and experience through collaboration by companies, consumers, suppliers, and channel partners interconnected in a network of innovation. A product experience is never a product experience by itself. It is the accumulation of individual consumer experiences that creates the most value for the product. When individual consumers experience the product, they personalize the experience according to their own unique needs and wants.

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



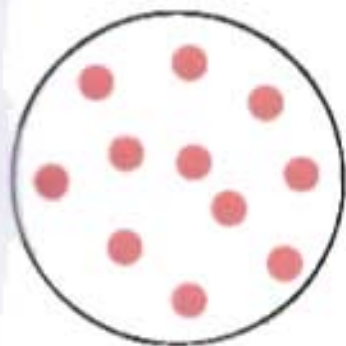
❖ The new ways of creating product and experience through collaboration of companies, consumers, suppliers, and channel partners interconnected in a global network of innovation.

We observe three key processes of co-creation.

- ❖ First, companies should create what we call a “platform,” which is a generic product that can be customized further.
- ❖ Secondly, let individual consumers within a network customize the platform to match their own unique identities.
- ❖ Finally, ask for consumer feedback and enrich the platform by incorporating all the customization efforts made by the network of consumers.

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

**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.



CHARACTER BUILDING:

For brands to be able to connect with human beings, brands need to develop an authentic DNA that is the core of their true differentiation. This DNA will reflect the brand's identity in consumers' social networks.

**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 social networks**

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



The 3i MODEL

Kotler proposes a triangle of Positioning, Differentiation and Branding as the core of Marketing. Brand Identity is about positioning your brand in the minds of the consumers. The positioning should be unique for your brand to be heard and noticed in the cluttered marketplace. It should also be relevant to the rational needs and wants of the consumers.

Brand Image is about acquiring the consumer's mind share. Your brand value should appeal to consumer's emotional needs and wants beyond product functionalities and features.

Brand Integrity is about fulfilling what is claimed through the positioning and brand value through solid differentiation. It is about being credible to your promise and establishing the trust of the consumers to your brand. The target of Brand Integrity is the spirit of the consumer.

It is the main message of this triangle: marketing shall not be regarded as telling lies for selling purposes; instead it should be regarded as keeping the promise to your customers.





brand **i**ntegrity

POSITIONING

DIFFERENTIATION

3i

BRAND

brand **i**dentify

brand **i**mage

- It is essentially about delivering the promised performance and satisfaction to your customers.
- The target of brand integrity is the spirit of the consumers.
- Marketing 3.0, marketers should target consumers' minds and spirits simultaneously to touch their hearts.

The 3i model is also very relevant for marketing in the context of social media. In the era of consumer empowerment led by abundant information and networked communities, a consonant brand-positioning-differentiation is all you need. There is no chance for inauthentic brands to survive when word-of-mouth becomes the new advertising medium and consumers believe strangers within their community more than they believe companies. Lies and hoaxes exist in social media but they will be exposed quickly by the collective wisdom of the community of consumers.

The risk is—

“one bad experience will spoil your brand integrity and destroy your brand image in the community.



The Value based matrix :

Kotler also introduces a “Value-based Matrix”. He sees a company’s mission, vision and values as the DNA, where the mission expresses the business you are in, the vision is the picture of the desirable future, and the values are considered the standards of behaviour. On the other axis are the hearts, minds and spirits of the current and future customers represented. For a company to be successful, it must practice compassion, proof sustainability and show that it creates a difference in the future. Marketing according to Kotler is about clearly defining your unique identity and strengthening it with authentic integrity to build a strong image.



In summary, a new matrix should also be introduced where, on one axis, company strives to occupy the minds, hearts and then spirit of current and future



customers. The other axis takes into account the company's mission, vision and values. While delivering satisfaction to the customers at the product level is essential, at the highest level, a brand ought to be seen as realizing aspirations and practicing compassion in some form. It must not only promise ProfitAbility and ReturnAbility to current and future shareholders, but also SustainAbility. It must also become a brand that is better, different, and that makes a difference to current and future employees.



Marketing the Mission to...

Consumers



Employees



Channel Partners



Shareholders



Consumers

In 1985's new coke story, In less than three months, New Coke was withdrawn from the market due to consumer backlash. The backlash was not at all about the new taste. In the mid-1980s, Coca-Cola was already part of the pop culture in the United States. Consumers felt a bond with the brand and its infamous secret formula. The New Coke ruined the bond and thus, consumers rejected the new product launch. In Canada, it was a different case. New Coke was well accepted because Coca-Cola did not have iconic status there. In the United States, it was a costly flop but Coca-Cola could by then be sure that consumers were guarding the brand"

- The real mistake companies made was that they did not understand their own brand mission as well as their consumers did.
- When a brand is successful the owner is the consumers. The brand mission is now their own mission.

In Marketing 3.0, creating a good mission means introducing a new business perspective that can transform the lives of consumers. We call it "Business as Unusual," borrowing the well-known phrase from the late Anita Roddick, founder of The Body Shop. We also believe there is always a good story behind a good mission. Therefore, spreading the mission to consumers involves a story that moves people. An unusual idea embedded in a mission would have to reach mainstream market adoption to make a significant impact. In other words, realizing the mission requires consumer participation. Thus, consumer empowerment is crucial.





Three Characteristics of a Good Mission

Business as
Unusual

Story that
Moves People

Consumer
Empowerment

Business as Unusual: To find an original and innovative business idea is the dream of every start-up company. Harvard Business Review creates an annual list called the “Breakthrough Ideas” to report innovative ideas circulating around the world. But, what we really need is to find the ideas before they are known to be breakthrough by others. That requires a capability known as strategic foresight. This capability is rare and has always been found in the visionary and charismatic leaders who introduced great business ideas over the past decades. Their personal mission and their brand mission are inseparable and often the same. Visionary leaders are not necessarily innovators and pioneers.

A small change in one part of the world can make big changes in other parts of the world. A business leader who captures this small change might gain significant advantage. To do this, leaders should not be operational leaders who focus on internal organization. They should be open for discovery and have outside-in mind-sets. Best way is not to stay in a single business, better to be leader in different level of the market.

Story that Moves People :

A brand possesses great characters when it becomes the symbol of a movement that addresses the problems in the society and transforms people’s lives. Most visionary leaders do not make up the stories. They simply spot the available ones floating around in everyday lives. Most stories are out there. That is what makes them sound and feel so relevant. But of course, you need to be



sensitive to be able to capture the stories.

Characters are central in a story. They symbolize how the brand is perceived by the human spirit. A plot structure shows how the character navigates among the network of humans who will rewrite their own version of the story. Metaphors are the unconscious process happening in the human spirit. Stories with compatible metaphors will gain relevancy and be perceived as truths by consumers. Stories that move people have all three of these core components: character, plot, and metaphor. Creating a good mission is a giant step for companies. Spreading it through storytelling is another

Consumer Empowerment : It is not only about getting buy-in but also about making an impact. Although the individual consumer is weak, their collective power will always be bigger than the power of any firm.

The value of consumers' collective power is rooted in the value of a network.

The network may develop with

one-to-one relationships

one-to-many relationships

many-to-many relationships

When companies broadcast their brand stories through advertising, in the consumer network, the stories are spread one-to-one from one member to the



other. Ethernet inventor Robert Metcalfe captured this in Metcalfe's Law when he argued that the power of a network of n members in a one-to-one setting is equal to n . However, Metcalfe's Law underestimates the power of networks when the relationship is one-to-many or many-to-many, that is, when consumers are having conversations with other consumers simultaneously. This is captured by Reed's Law, which is often used to explain the social media phenomenon. According to Reed, the power of a network in a many-to-many environment of n members equals 2^n . Whenever n is greater than or equal to 5, the power of the many-to-many network is always bigger than that of the one-to-one network. This simple math is the central concept of consumer empowerment

Marketing the Mission to CUSTOMERS

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

Character



Anita Roddick as a
 Passionate Reformer

Plot

To help women take good
 care of their skin and to be
 caring persons

Metaphor

Care



Walt Disney as the creator
 of entertainment

To produce happy times

Happy Families



EMPLOYEES

Insurance company AIG's bonus controversy in March 2009. Huge bonuses were paid to AIG's executives using taxpayer money that bailed the company out of bankruptcy following the financial crisis. What makes it particularly ugly for the company's image is the fact that two of AIG's six corporate values—according to its Code of Conduct—are respect and integrity. Although the executives finally returned the bonuses after a massive public outcry, they were in no way practicing respect and integrity. To make matters worse, AIG's executives charged the company with breaking trust with its employees. Jake DeSantis, an executive vice president of AIG, sent a resignation letter to the then AIG's CEO, Edward Liddy, that was also published in the New York Times :

... we in the financial products unit have been betrayed by AIG ... I can no longer effectively perform my duties in this dysfunctional environment You have now asked the current employees of AIG-FP to repay these earnings. As you can imagine, there has been a tremendous amount of serious thought and heated discussion about how we should respond to this breach of trust. As most of us have done nothing wrong, guilt is not a motivation to surrender our earnings.

Clearly a company will take a beating from both the consumers and its employees over a violation of corporate values. Some employees are ignorant of their corporate values or see them designed only for public relations. Some employees who really live up to the values are disappointed because other employees ignore them. In these cases, companies are not practicing Marketing 3.0. In Marketing 3.0, companies must convince both their customers and their employees to take their values seriously.

Employees are the most intimate consumers of the company's practices. They need to be empowered with authentic values. Companies need to use the same storytelling approach with their employees that they use with their consumers. The use of metaphors that resonate with the human spirit works for employees as well. However, storytelling to employees is harder because it is about staging authentic and consistent employment experience. One misaligned action will spoil the entire story. Consumers can identify an inauthentic brand mission



easily. Imagine how much easier it is for employees to spot fake values internally.

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:

MIND



Economic Value

The company's fundamental strength lies in our people

HEART



Social Progress

The company hires working mothers and was dubbed as one of 100 best companies for working mothers

SPIRIT



Environmental Health

Offering the opportunity to do what's right for the environment and social sustainability





Marketing Corporate Values to EMPLOYEES

- A company needs to develop a strong statement of core values.



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.
- The happiness of employees has a significant impact on their productivity.
- Companies with a social purpose can gain advantage by shaping their competitive environment.

To install values, most companies rely on formal training and informal coaching. Values training is necessary but it may have some weaknesses.

- The training can turn into preaching instead of practicing.
- Trainers and coaches might not act as role models in their everyday activities in the workplace.
- Employees might see this and realize the value talk is largely just words.
- Furthermore, employees tend to listen passively and have less opportunity to contribute. Their understanding is also limited because they have not experienced the values through practice.

SOLUTION

- First, a company should examine current corporate policies that might weaken corporate values. This is challenging because most corporate policies are more institutionalized than corporate values



themselves. Changing them requires action by the company's leaders and collaboration with all employees. Most of the time, employees have the same sense of the corporate practices that they misaligned. But unless you empower them, they will not say anything.

- Second, a company should create a mechanism that directly links actions with values.

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:

➤ 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 purposes embedded in how they make money High-impact volunteering is one way to be a Super Corp

➤ Encourage innovation behaviour

➤ Encourage employees to vote on company issues

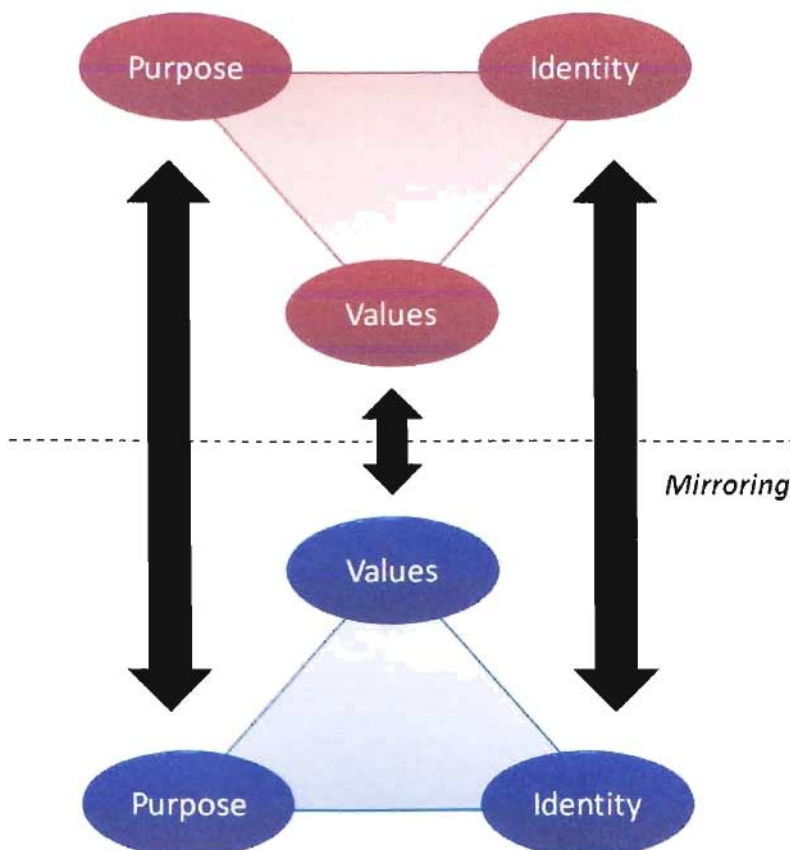


CHANNEL PARTNERS

Companies that have a difficult time managing their channel partners perhaps did not choose their partners appropriately. In Marketing 3.0, channel partner selection requires the process of mirroring the Purpose-Identity-Values. Mirroring means that companies should select potential partners that have identical Purpose-Identity-Values

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 Channel

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**.



Shareholders

A new view is emerging that the job of management is to earn a return for more than the shareholders; smart companies will focus on all the stakeholders—consumers, employees, channel partners, government, nonprofits, and the public at large—not just the shareholders. A successful company is never successful by itself. It is successful because it has built a superior network of stakeholders, all of whom have a stake in the business and its outcome. Satisfying the stakeholders—that they all feel rewarded—will often lead to higher long-run profitability than when the company just focuses on trying to maximize the short-run profits of the shareholders.

Today, natural resources are getting scarcer and may not support a strong growth in consumption in the long run. The prices of certain resources are soaring and increasing the cost burden for companies and ultimately customers. Companies need to conserve resources and energy to meet environmental challenges. Those that manage the scarcity of resources will be the ultimate winners. Being able to get a sustainable supply of natural resources is increasingly becoming a strong competitive advantage.

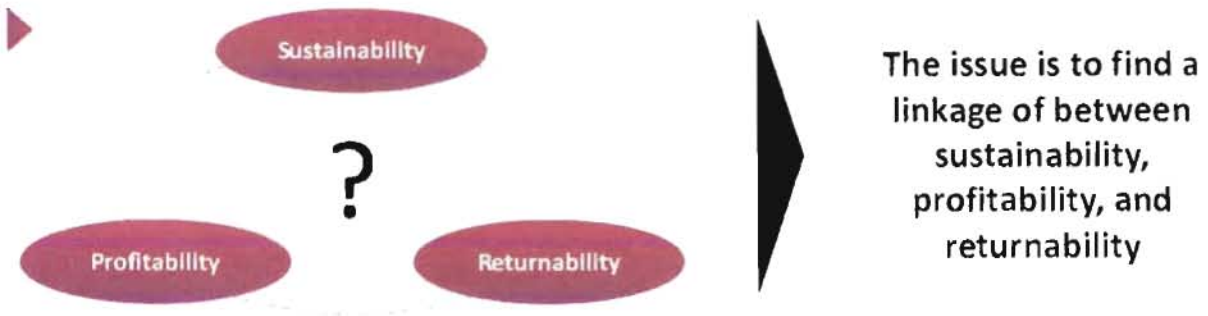
Environmental sustainability will also determine the progress of poverty alleviation. One can begin to appreciate the dilemma of sustainability: poverty should be alleviated but with limited resources. While trying to alleviate poverty with aggressive economic growth, governments in developing nations often ignore the preservation of the environment. Moreover, poor people are forced to deplete scarce natural resources—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 solution to these problems lies in environmentally-friendly innovations that are developed by social entrepreneurs in the improver area.

The two trends—polarization and resource scarcity—will strengthen the movement toward sustainability. Companies are increasingly aware of the competitive advantage they can get if they ride the wave of sustainability



⇒ *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.



THREE important metrics that can be quantified financially are:

- ⇒ Improved cost productivity
- ⇒ Higher revenue from new market opportunities g f pp
- ⇒ Higher corporate brand value

Three Missions For the Marketing 3.0 Company

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



PRACTICING SUSTAINABILITY

Sustainability is based on a simple principle: Everything that we need for our survival and well-being depends, either directly or indirectly, on our natural environment. Sustainability creates and maintains the conditions under which humans and nature can exist in productive harmony, that permit fulfilling the social, economic and other requirements of present and future generations.





Sustainability is important to making sure that we have and will continue to have, the water, materials, and resources to protect human health and our environment.

Way to make a difference is to solve one of the biggest global issues of our times: environmental sustainability. Many companies have not started to think seriously about making their processes friendlier to the environment. Some companies felt the pressure and scrutiny and knew they had to do something before being spotted and publicly embarrassed by environmentalists. At the other end were a few companies that felt that they could take advantage of this public interest by aggressively marketing green-related products and services.

Motivations for companies to think about sustainability are :

- 1.Natural resources dependence
- 2.Current exposure to regulation
- 3.Increasing potential for regulation
- 4.Competitive market for talent
- 5.Low market power in a highly competitive market
- 6.Good environmental track records
- 7.High brand exposure
- 8.Big environmental impact



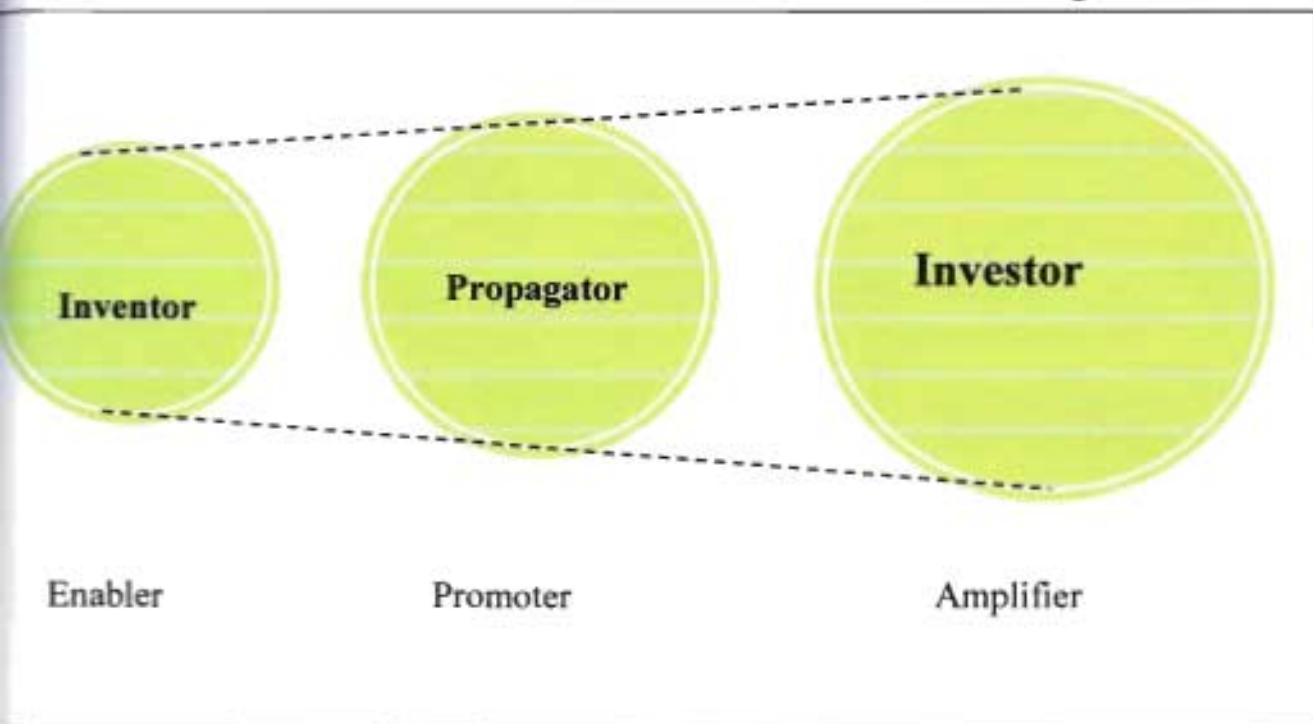


Figure: Motivation of different actors

Practicing sustainability:





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

TARGETING COMMUNITIES FOR GREEN MARKETING

It is important to recognize that the green market is far from homogeneous. The market for green products and services can be classified into four segments: trendsetters, value-seekers, standard matchers, and cautious buyers. Trendsetters are the early market whereas value-seekers and standard matchers are the mainstream market and the cautious buyers are laggards. Because each segment has different sets of beliefs toward product benefit, the marketing approach for each segment should be different. As for the cautious buyers, it is better not to pursue them. Trendsetters are the most important segments in the introduction stage of a green product. They become not only the first customers to adopt the product but also the important influencers in the market. Make them promoters who will recommend and endorse the products to their friends and families. Based on the VALS, trendsetters can be classified in the Innovators segment. They are change leaders and are the most receptive to new ideas and technologies. They are very active consumers, and their purchases reflect sophisticated tastes for upscale, niche products and services. However, green products will not take off to the growth stage if they remain in the niche market of tree huggers. As long as green products are the exclusive domain of well-off people, their benefits will be limited. To have an impact, they should be widely accepted in the marketplace. That's why major corporations are greening their mainstream brands. Take Tide Coldwater, which is formulated to wash clothes best in cold water.



Unlike the trendsetter market, which is more emotional and spiritual, the mainstream market is more rational when it comes to buying green products. The value-seeker segment buys green products if they are cost-efficient. Consumers of this type would not pay more to be green. Therefore, green products must be affordable when targeting this segment. Marketers should also be able to point out the cost-savings from using green products. People who are classified as “thinkers” in VALS are the key target market. They are open to considering new ideas. They are a type of customer who can easily be influenced away from bad decisions and toward more responsible ones. Therefore, marketers should design programs that give them options but steer them away from the bad ones. Communicating greener product options in addition to regular ones will lead value-seekers to choose the better options. However, value-seekers are also conservative, practical consumers; they look for durability, functionality, and value in the products they buy. To engage this segment, green marketers need to put an emphasis on how their product will provide more value with less environmental impact. Therefore, the marketing communication should be themed around the concept of eco-efficiency. While value-seekers are practical, the standard-matchers are more conservative. They do not buy a product that is not yet a standard in an industry. The product’s popularity is the most important reason to buy. To appeal to this segment, the green product has to reach the critical mass to be considered a standard. It is imperative to have a catalyst. For example, the rise of environmentally-friendly buildings has been largely driven by the development of green building standards. This was pioneered by the U.K. government and followed by the U.S. government. More and more countries such as Australia and India are developing their own green building standards. These trends are moving green buildings into mainstream markets.

The cautious buyers, the fourth segment, are the customers who are so skeptical that they avoid buying green products although greener business is already an accepted belief. This type of customer is too costly to pursue and convert. To lead a product across its life cycle means to lead the product across the market segment influence chain. In the introduction stage, marketers need to use green as a key source of differentiation. However, marketers need to use word-of-mouth marketing to create hype and a snowball effect to reach the growth stage. According to



Crossing the Chasm by Geoffrey Moore, there is a gap in the market—the chasm—that separates the early market from the mainstream market. Green products have to cross the chasm and become popular. Once a product reaches the maturity stage, competition intensifies and marketers need to start finding differentiators other than just being green.

Attitude towards the Environment and Durable Green

Products

The past decades are witness to the rapid economic growth through increasing consumers' consumption worldwide. This in turn causes environmental deterioration through over-consumption and utilization of natural resources. The consequences of environmental degradation are global warming, depletion of stratospheric ozone layer, pollution of sea and rivers, noise and light pollution, acid rain and desertification (Ramlogan, 1997). Grunert (1993) reported that about 40% of environmental degradation

has been brought about by the consumption activities of private households. As the environment continues to worsen, it has become a persistent public concern in developed countries. Furthermore it has also awakens developing countries to the green movement for preservation of the environment.

Creating customer satisfaction and building long-term profitable customer relationship are some of the primary objectives firms try to achieve to sustain their businesses in the competitive business world. With an increased in the social and political pressures, many firms embraced green marketing strategies and exploited these environmental issues as a source of competitive advantage. Profit driven firms are usually motivated to adopt the concept of green



marketing in their businesses provided that consumers demonstrate a high degree of environmental attitude and hence translate this into environmental friendly

Purchasing commitment. Hence many companies started to be more socially responsive in addressing pollution and waste disposal by developing environmentally friendly packaging and putting in numerous efforts to keep in-step with the environmental movement. However, some of the greatest challenges faced by these firms are changes in consumer preferences, suspicion of green advertising claim, unfavorable consumer perception of green products and the high cost invested in developing green products. As a result, it is vital to explore how consumers view the environmental issues, and how they

behave, especially in their attitudes towards green products or environmental friendly products. This paper is essentially exploratory in nature and has two objectives. The first objective is to compare the demographic of gender with attitudes towards the environment and green products. The second objective is to investigate the relationship between attitude towards the environment and green products. The paper begins by providing theoretical background of the relevant literature. Thereafter the methodology and the results from the quantitative study will be presented. The paper concludes with a

Environmental Quality in Malaysia

Malaysia experienced a short period of slight to moderate haze from July until October 2006 due to the trans-boundary pollution from neighbouring countries (Department of Environment Malaysia, 2006). The air quality status in different states differed according to the geographical locations, the industrial and commercial activities, populated areas and the traffic conditions. During that



period, Klang Valley area in Malaysia was more prone to air pollution than any other areas and the air quality was only good 23%

of the time, moderate 70% of the time and the remaining 7% at an unhealthy level.

Developing country like Malaysia faced great challenges in ensuring a balance between development and environmental sustainability. Urban air and river quality, deforestation, household waste and hazardous waste are some of the serious and worrying environmental problems faced by the country. To ensure environmental sustainability and resource management, Malaysian government allocated RM510 million for cleaning, preserving and beautifying rivers; RM530 million for coastal management; RM200

million for reforestation; and another RM70 million for the management of wildfire and protected areas as reported in The Ninth Malaysia Plan (2006-2010).

Solid waste management encountered by the government is on an upward trend with a total of 1,103,457.06 metric tones of waste generated in 2006 as compared to 548,916.11 metric tones in 2005 (Department of Environment Malaysia, 2006). Gypsum, oil and hydrocarbon, dross, heavy metal sludge, mineral sludge and e-waste are the main categories of waste produced in Malaysia. Quantity of scheduled wastes generated by industry ranked from chemicals (42.7%), electronic (21.6%),

automotive/workshop (17.2%), metal (7.1%), pharmaceutical (2.9%) and other industries (Department of Environment Malaysia, 2006). It is anticipated that if the current trend of economic growth and irresponsible consumption pattern continues, the environment degradation would worsen. Therefore, a shift towards more sustainable consumption patterns is required.



Green Marketing

Green marketing is considered one of the major trends in modern business (Kassaye, 2001; McDaniel and Rylander, 1993; Pujari and Wright, 1996). Soonthonsmai (2007) defined green marketing as the

activities taken by firms that are concern about the environment or green problems by delivering the environmentally sound goods or services to create consumers and society's satisfaction. Other definitions of green marketing as proposed by marketing scholars include social marketing, ecological marketing or environmental marketing. Harrison (1993) proposed green marketing strategy by firms through positioning the environmental benefits of green products to consumers' mindset to influence their purchasing decision. Peattie (1995) and Welford (2000) defined green marketing as the management process responsible for identifying, anticipating and satisfying the requirements of customers and society in a profitable and sustainable way. In reality, companies that pursue green marketing encounter numerous challenges mainly from the variability of demand, un-favourable consumer perception and high cost (Gurau and Ranchhod, 2005).The key concern lies in an understanding of green consumers and their characteristics to enable firms to develop a new target and segmentation strategies (D'Souza et al., 2007).



Green Consumers and Green Products

In general, green product is known as an ecological product or environmental friendly product. Shamdasami et al., (1993) defined green product as the product that will not pollute the earth or deplete natural resources, and can be recycled or conserved. It is a product that has more environmentally sound content or packaging in reducing the environmental impact (Elkington and Makower, 1988; Wasik,1996). In other words, green product refers to product that incorporates the strategies in recycling or with

recycled content, reduced packaging or using less toxic materials to reduce the impact on the natural environment. Krause (1993), in his research found that consumers were becoming more concerned about their everyday habits and the impact on the environment. The outcome of this is that some of the consumers translated their environmental concern into actively purchasing green products commitment(Martin and Simintiras, 1995).Consumers who are aware of and interested in environmental issues are called green consumers(Soonthonsmai, 2007). These green consumers usually organized petitions, boycotted manufacturers and retailers and actively promote the preservation of the planet (Fergus, 1991). Ottman (1992) reported that consumers accepted green products when their primary need for performance, quality, convenience, and affordability were met, and when they understood how a green product could help to solve environmental problems. The knowledge gap on the uses and values of green products prevents consumers in committing themselves to any purchase decisions.



Environmental Attitudes

Allport (1935) defined attitude as: “A mental and neural state of readiness, which exerts a directing, influence upon the individual’s response to all objects and situations with which it is related”. According to Schultz and Zelezny (2000), “attitudes of environmental concern are rooted in a person’s concept of self and the degree to which an individual perceives him or herself to be an integral part of the natural environment”. In conclusion, attitude represents what consumers like and dislike (Blackwell et al., 2006) and consumers’ product purchasing decisions are often based on their environmental attitudes (Irland, 1993; Schwepker and Cornwell, 1991).

There is a general belief among researchers and environmental activists that through purchasing environmentally friendly products or green products, products with recyclable packaging or properly disposing of non-biodegradable garbage, consumers can contribute significantly to improve the quality of the environment (Abdul-Muhmim, 2007). The quality of the environment depends critically on the level of knowledge, attitudes, values and practices of consumers (Mansaray and Abijoye, 1998). Attitudes are the most consistent explanatory factor in predicting consumers’ willingness to pay for green products (Chyong et al., 2006). This means that price is not the main factor in preventing

consumers from purchasing green products if they are pro-environment.

Consumers’ perceived level of self-involvement towards the protection of the environment may prevent them from engaging in environmentally friendly activities such as recycling (Wiener and Sukhdial, 1990). According to Tanner and Kast (2003), green food purchases strongly facilitated by positive attitude of consumers towards environmental protection. Personal norm is the feeling of moral obligation of consumers. It is a powerful motivator of environmental



behaviour (Hopper and Nielson, 1991; Stern and Dietz, 1994; Vining and Ebreo, 1992). The extent to which people feel obliged to recycle is related to conservation-related product attributes (Ebreo et al., 1999). These investigations suggested that environmentally friendly behaviour may be characterized as morally demanding. Consumers feel morally obligated to protect the environment and to save the limited natural resources on the earth. However, Tanner and Kast (2003) found that consumers' green food purchases were not significantly related to moral thinking.

The role played by the government in environmental protection is undeniable. In promoting sustainable consumption practices among Malaysians, the Malaysian government publicized various strategies to implement sustainable consumption and development. To educate and foster environmental awareness and concern among the public, Malaysian government also opted for social advertising (Haron et al., 2005). The most significant factor affecting nature was not the official government policy but the public awareness on the environmental problems (Chukwuma, 1998). Many people have high ecological concern but have the sentiment that the preservation of the environment is the prime responsibility of the government (Chyong et al., 2006).





10 credos of marketing 3.0

According to Kotler, the marketing game is changing again, in a fundamental way, and is moving towards an appreciation of deeper and more spiritual motivations. Customers, he says, are no longer just passive consumers, but are looking to participate in the process and participate with each other in ways that are enabled by new social tools. Marketing 1.0 focused on products, Marketing 2.0 focused on consumers; and marketing 3.0 focuses on a deeper level of communities and co-creation

Typical of the guy who brought you the "4 Ps of Marketing," Kotler boils it all down to 10 easy-to-understand credos, paraphrased below:

1. Focus on your customers and recognize the value of your competitors.
2. Be aware of change and be ready to respond to it.
3. Protect your reputation and create a definite identity.
4. Market first to patrons who will gain the most from your products.
5. Sell the best products and services at a "fair price."
6. Be accessible to customers. and make it easy for potential buyers to find you.
7. Establish, maintain and strengthen good customer relationships.
8. Recognize that all businesses are "service businesses."
9. Keep perfecting your operations, product quality, cost controls and delivery systems.
10. Always consider the ramifications of your business choices on all your constituents



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?



Conclusion

In **Marketing 3.0**, companies approach consumers as whole human beings, catering to their hearts, minds, and their spirit of being by pacifying the anxieties they are feeling about today's environmental and societal issues. It combines emotional marketing with "human spirit" marketing by tapping into and attempting to solve issues that have deep meaning and large impacts on society as a whole. Behaviors such as collaboration, creativity and cultural awareness should be encouraged and fostered in the Marketing 3.0 corporate culture. Organizations also need to market the idea of sustainability to the shareholders. They should demonstrate that sustainability results in a competitive advantage that can not only create profitability but "returnability," or the ability to bring about large financial returns in the future.

“Within 5 years , if you run your business in the same way as you do now, you’re going to be out of business”

--PHILIP KOTLER

