

The perennial member of the *Thinkers 50* list of the world's top management thinkers talks about the 'Age of Turbulence,' and how marketing fits into it.

Thought Leader Interview:

# Philip Kotler

by **Karen Christensen**

**Your Marketing textbook is now in its 13th edition and is used in MBA programs worldwide. Are the 'four Ps' still a useful framework?**

Definitely, because all marketing plans must still address those four big questions: Product, Price, Place and Promotion. However, I'm currently working on the 14th edition, and my colleagues and I are developing a new framework that will involve a more holistic set of considerations. What we call 'holistic marketing' entails the development, design and implementation of marketing programs, processes and activities that recognize a wide range of interdependencies, including the work of integrated marketing (the four Ps); internal marketing (i.e., getting support from the other functional areas); performance marketing (i.e., developing metrics to indicate what you've accomplished); and relationship marketing. The concept of holistic marketing goes way beyond just the four Ps.

**You have said that the average company is only using about 10 per cent of the Internet's potential. Which 'e-avenues' are particularly under-used?**

Companies should be increasingly turning to the new media, not to replace the old media, but to find blends of the new and the old

that work well together. Tools that should be considered include webinars, blogs, podcasts, and most importantly, mining the social networks, where so much dialogue takes place (both favourable and unfavourable). We haven't yet figured out how to use these new avenues and vehicles profitably; we're still in the experimentation phase. Most companies are still using traditional media for the bulk of their promotions, but they should also be carrying out experiments to determine where they can mine some 'gold' in the new media.

**You are credited with creating the concept of 'social marketing,' which seeks to discourage unhealthy consumer behaviour. Are you pleased with the results so far?**

Very pleased, but social marketing involves much more than that. The purpose is really to encourage *positive* behaviour and the maintenance of such behaviour, and to show people that while they are free to make their own choices, some choices are counterproductive to their goals. Social marketing ideas have been widely applied to well-known causes like 'say no to drugs', and 'eat healthier food', but they can also be applied to broader social causes. My colleagues and I just published a book called *Up and Out of Poverty*, where we



## Normal vs. New-Normality Economies

Feature	Normal Economy	New-Normality Economy
Economic Cycles	Predictable	Absent
Upturns/Booms	Definable (Avg. 7 years)	Unpredictable, Erratic
Downturns/Recessions	Definable (Avg. 10 months)	Unpredictable, Erratic
Potential Impact of Issues	Low	High
Overall Investment Profile	Expansive, Broad	Cautious, Focused
Market Risk Tolerance	Acceptance	Avoidance
Customer Attitudes	Confident	Insecure
Customer Preferences	Steady, Evolving	Apprehensive, Flight to safety

## The Top Ten Innovation Mistakes Companies Make in a Turbulent Economy

1. Fire talent.
2. Cut back on technology.
3. Reduce risk.
4. Stop product development.
5. Allow boards to replace growth-oriented CEOs with cost-cutting CEOs.
6. Retreat from globalization.
7. Allow CEOs to replace innovation as a key strategy.
8. Change performance metrics.
9. Reinforce hierarchy over collaboration.
10. Retreat into walled castles.

present dozens of cases of the application of social marketing planning and implementation that have reduced the incidence of certain diseases and other problems faced by low-income citizens.

**You believe that we have entered into an Age of Turbulence, marked by 'interlocking fragility' in the world economy. What are some of the key elements of this new age?**

There has always been turbulence, so that is nothing new. What is new is *heightened* turbulence resulting from the global interconnectedness of countries and supply chains. Nowadays, one country can sneeze and everyone else gets a cold, which is exactly what happened with the recent financial meltdown. Two key factors – globalization and digitization – are amongst the elements that feed into this idea of increased turbulence and fragility. I want to distinguish this from the concept of the business cycle, which is more of a Sine Curve. The business cycle is an element of the turbulence, but even after the economy starts to turn upward, turbulent conditions will continue to plague us. Unfortunately, there is no end in sight. Creative destruction is part of capitalism, and many companies will rise and fall on the degree to which they provide real value.

**You have said that turbulence often leads to all the wrong responses from management. Like what?**

One wrong move is to do nothing – to continue with the way you've always done things. A second bad response is to panic, which often leads people to behave so conservatively that they forget that, as a wise person once said, 'a crisis is something that shouldn't be wasted'. Crises produce all sorts of new opportunities. The third wrong response is to just cut budgets across the board by some fixed percentage. Let's say a service-focused com-

pany cuts its service budget by 20 per cent. This basically removes the key factor that led people to prefer this company over others in the first place. If there must be cuts to budgets and hiring, they must be done with great selectivity and care.

**Until now, many business leaders have operated with a 'playbook' based on two market conditions: bull market and bear market. Is this approach suitable for the Age of Turbulence?**

These playbooks will always be of some use, depending on whether the business cycle is going up or down, but as I've indicated, we are now also dealing with all kinds of unexpected disturbances. Just one disruptive technology entering an industry can have the effect of an earthquake: the 'plates' can move and suddenly an industry can find itself destroyed. Look at what happened to **Kodak** when we all stopped buying film for our cameras.

Luckily, there are things you can do in the face of such disruptions. One is to have an early warning system in place, because you'll be in a better position if you can detect early signs of trouble. Such a warning system would survey all of the external forces that could potentially damage your company. The second thing you can do is scenario planning. A lot of value can come from thinking about what you would do if an extremely pessimistic scenario took place. Not that this will actually occur, but what would you do if, in fact, things actually got that bad? Suppose a competitor was to invent a better-quality product and sell it at half your price. What would you do? Another way to stretch your team's thinking is to have them consider a highly *favourable* scenario, and what they would do in that case. Such exercises have long been used by the military, and they can help companies think about what they would do under different 'what if' conditions.

The third thing organizations need is flexible budgets. Instead

## Consumer Behaviour in Times of Crisis

- 1. Move toward lower-priced products and brands.** Consumers replace national brands with store brands and even generic brands. This has a major effect on national and international premium brands, especially the weaker, higher-priced brands.
- 2. Reduce or postpone discretionary purchases such as cars, furniture, major appliances and expensive vacations.** Companies that make or sell discretionary products and services are forced to budget downward, reduce inventory and lay off workers. Suppliers and employees are left with less purchasing power and reduce their own purchases accordingly.
- 3. Cut back on driving and start buying more from suppliers closer to work or home.** Consumers will spend more time eating home-made meals and relying on in-home entertainment from TV and the Internet.

of every department having a firm budget, regardless of what happens, each department should be prepared to say what they would cut if they *had* to cut 20 per cent from their budget, and what amount of money they would ask for if things suddenly got so good that they could capitalize on some amazing opportunities. These three tools – early warning systems, scenario planning, and flexible budgeting – can provide a strong defense against the surprise developments that affect every industry.

**Today's consumers continue to receive traditional advertising messages, but they also survey their peers on Facebook, Twitter and MySpace. Will word-of-mouth marketing eclipse traditional marketing at some point?**

There is no doubt that a company's commercial messages – as expressed through ads and other means – are becoming a smaller fraction of the 'buzz' about any particular company or product, but this doesn't necessarily mean that firms should stop their advertising campaigns. Perhaps advertising used to have a 50 per cent influence on brand choice and now it has a 20 per cent influence. The real implication is that companies must monitor what is being said in the social media about their products and services, as well as those of their competitors. If you don't have the resources in-house, you can hire external firms to do this for you. One of four things will happen. First, you may find that *all* the talk is negative, in which case your company may be doomed. Second, there may be no talk about your company; that isn't very good either – it's what we call 'benign neglect'. The third possibility is that mixed feelings are being expressed: some people are speaking very highly about your offerings and others are dismissing them. The fourth and best-case scenario would be what happened with the i-Phone, where everyone raved about the product to their friends, leading

## Ten Major Shifts in the Marketing Mindset

1. From marketers thinking about customers to *everyone in the company* thinking about customers.
2. From 'selling to everyone' to trying to be the best at serving well-defined target markets.
3. From organizing by products to organizing by customer segments.
4. From emphasizing tangible assets to emphasizing intangible assets such as brands, customer equity, channel loyalty and intellectual property.
5. From building brands through advertising to building brands through integrated marketing communications and performance that satisfies.
6. From making everything inside the company to buying more goods and services from outside.
7. From making profit on every sale to building long-term customer value.
8. From aiming for more market share to aiming for more share of each customer's wallet.
9. From being local to being 'glocal' – both global and local.
10. From focusing on shareholder benefits to focusing on *stakeholder* benefits.

them to purchase it. I do believe that over time, the effects of person-to-person talk and person-to-whole network talk will grow relative to the amount of promotional messaging that is under a company's control.

**Many companies see marketing as a department, but you've described it as "a total company philosophy and practice." Please explain.**

I see marketing as the potential growth engine of a company. To understand this, let me step back for a moment. Marketing grew out of the sales department, because sales people didn't want to write brochures or ads or do marketing research; they wanted to be in their customers' offices, selling. So sales departments added a marketing researcher and an advertising manager. Over time, more people were added until marketing became a separate function.

Now, in some companies – **Procter & Gamble** is one of them – marketing departments are given a certain level of responsibility for the company's growth. It is the marketing department that identifies and tests proposed market opportunities and outlines a path of growth. If your marketing group is lucky enough to have a bold thinker at the helm, this department can even manage

## Kotler's List of the Most Innovative Marketing Strategies

IKEA	USAA Insurance	Nike
Southwest Airlines	Barnes & Noble	Absolut Vodka
Wal-Mart	Charles Schwab	Amway
Amazon.com	FedEx	eBay
Dell	Starbucks	Disney
Toyota	Sony	Swatch
Enterprise	Virgin	
Rent-a-Car	Ben & Jerry's	
Progressive	The Body Shop	
Insurance	Harley Davidson	

## In your view, which new marketing trend or concept has the most traction?

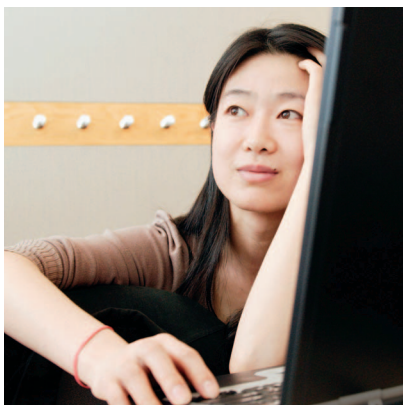
I'm fascinated with the concept of 'co-creation', whereby companies invite their customers to be their partners in evolving their offerings. For example, **Harley Davidson** has 'enthusiasts' who hang around and watch the engineers develop the next motorcycle, or even tinker with it themselves. And **Lego** has enthusiasts helping invent new offerings or building new sculptures with the blocks. This goes way beyond a company just inventing its next offering and then testing it with customers; that should be done regardless. Co-creation goes a step further by inviting enthusiastic customers to partner in the evolution of a company's offerings. I believe this is the wave of the future. **R**

new product development efforts. **Larry Light**, the former chief marketing officer at **McDonald's**, helped it get back on a growth track through a program of renovation, innovation and marketing. If you can get that level of talent in your marketing department, it can be entrusted with defining the future growth path for your company.

**Philip Kotler** is the S.C. Johnson Distinguished Professor of International Marketing at the Kellogg Graduate School of Management. His latest book is *Chaotics: The Business of Managing and Marketing in the Age of Turbulence* (AMACOM, 2009). *The Wall Street Journal* and *The Financial Times* have named him one of the top ten most influential business thinkers of our time.

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