

# Marketing

## INSIGHTS

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# A Lifetime in Marketing: Lessons Learned and the Way Ahead

Phil Kotler | 10.25.2024

**You can learn marketing in a week, but it takes a lifetime to master. After fifty years of teaching marketing, I am still trying to master it. Do not be fooled by my title “Father of Modern Marketing.” If I stop following the latest developments and ideas, my marketing knowledge will quickly lose value.**

I have seen many changes in the theory and practice of marketing, ever since I received my Master’s Degree in Economics at the University of Chicago in 1953. In 1960, three years after receiving my PhD in Economics from MIT, I joined the marketing department in the Kellogg School of Management at Northwestern University and was in the company of distinguished faculty such as Sidney Levy, Stewart Henderson Britt, Richard Clewett, Ralph Westfall, and others.

For my classes, I drew on material from many textbooks, which well-described marketing institutions and practices and included prescriptive advice. However, the textbooks lacked a good theory of consumer behavior, cited too few findings from academic journals, and inadequately described how companies actually made their marketing decisions.

In 1963 I started to write my own textbook titled “Marketing Management: Analysis, Planning and Control.” When my publisher Prentice-

Hall launched it in 1967, I felt that it would either be a strong winner or another losing textbook. It turned out to be successful beyond my expectations. Marketing professors told me that they adopted “Marketing Management” because it raised respect for the marketing discipline, centered marketing on creating value for the customer, contained better theory on how customers make decisions, used academic findings on marketing, explained how professional marketers made their decisions, and contained great stories of successful marketing companies.

## How Did the Marketing Mix (of Tools) Develop?

Professor Neil Borden at Harvard had listed 12 tools of marketing that influence the level of demand. Then Professor Jerry McCarthy, who published “Basic Marketing” in 1960, proposed the 4P marketing mix—namely product, price, place, and promotion. I adopted these and helped popularize the 4Ps of Marketing.

Today, I prefer to use a 7-components marketing mix, as shown in the illustration shown in Figure 1.

Creating value is the central concept of marketing. The marketing mix model includes service as separate from product. It also adds brand as supplying extra value to the customer because they can trust the brand. Furthermore, this mix recognizes incentives as an addition to price. The created value must be effectively communicated (for which the old term was “promotion”). The product and service must also be effectively distributed and delivered (for which the old term was “place”). The new model includes the old 4Ps and adds three other tools to create value.

### What Was Marketing Like in the Past?

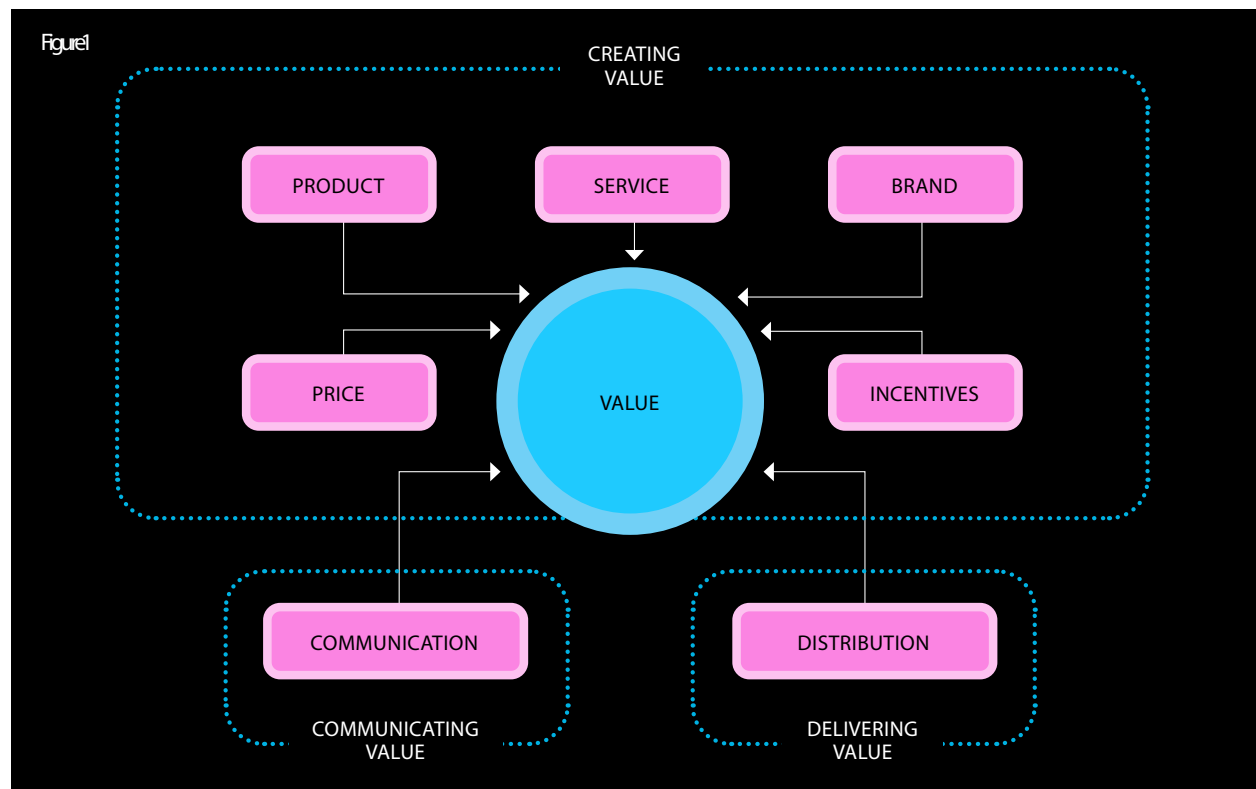
In the early 1900s, marketing appeared in some textbooks, written mainly by economists. These textbooks

described wholesaling and retailing, sales force, pricing, advertising, and promotion.

In the 1960s, marketing was a fairly simple discipline. A company would:

- Decide the product’s features and set the price,
- Seek a strong position in the distribution channels,
- Hire an agency to create advertisements and campaigns, and
- Run a strong sales force to pursue sales.

Students at business schools would choose either finance, marketing, operations, strategy, or information. Mathematically inclined students chose finance or operations. Less mathematically inclined students chose marketing. Marketing was easy to understand and supplied human interest stories.



Over time, marketing grew more sophisticated and scientific. Two important books advanced marketers' understanding of customer behavior and reminded practicing marketers of the numerous factors shaping customer attitudes and behavior.

- James F. Engel, David T. Kollat, and Roger D. Blackwell, "Consumer Behavior," 1968.
- John A. Howard and Jagdish N. Sheth, "The Theory of Buyer Behavior," 1969.

Three other books appeared to strengthen the quantitative side of marketing:

- Frank Bass, et al., "Mathematical Models and Methods in Marketing," 1961.
- Philip Kotler, "Marketing Decision Making - A Model Building Approach," 1971.
- Gary L. Lilien, Philip Kotler, and K. Sridhar Moorthy, "Marketing Models," 1992.

Ironically, where many students chose marketing because it did not require mathematical thinking, new age marketing (NAM) needs students who can comfortably apply quantitative analysis.

## The Broadening Concept Enters Marketing

In January 1969, Professor Sidney Levy and I proposed a broadened concept of marketing.[i] We said marketing activities occur everywhere in life and should not be limited to commercial marketing. Marketing planning is carried on by nonprofit organizations such as churches, colleges, museums,

performing arts organizations, city governments, social agencies and social action groups. Political parties conduct marketing campaigns. Environmental organizations such as Greenpeace, the Nature Conservancy, and the Sierra Club aim to influence more "green" behavior from citizens. Religious organizations use marketing go attract new members to their congregation. These organizations need to use marketing tools to attain their objectives. Several books were subsequently published that applied marketing thinking to broadened areas.

## The Digital Age of Marketing

Marketing went through a revolution when radio and TV appeared. Next came the computer, a marketing and financial tool during the digital revolution. The "internet" emerged and enabled social media (Facebook, Google, Instagram, etc.), which meant millions of strangers around the world could communicate with one another, and eventually buy and sell to each other. Instead of visiting stores to buy products, consumers could simply order a product and get it delivered to their home. The age of ecommerce was upon us.

Companies moved from collecting information on market segments to collecting information on individual customers. Machine learning (ML) emerged for converting consumer data into useful marketing insights for planning, customizing, personalizing and sequencing company marketing actions and responses.

For measuring their success rate on social media, companies needed to develop new metrics: click rates, click times, and conversion rates. The marketer's computer screen was packed with key metrics and current

information flows to enable predictive analytics and propose new marketing actions to improve company sales and margins. Companies also applied artificial intelligence (AI) to improve marketing operations. They prepared algorithms that promised to improve managers' marketing decisions.

The last two years have brought in ChatGPT, another AI advance. The marketer can write a prompting question and the computer will offer a full answer in text or even produce a preliminary image in a matter of minutes. ChatGPT (also called generative AI) enables copy writers, graphic artists, and other marketers to produce initial work in a much shorter time. Companies can either produce more messages in the same time period or achieve their marketing goals with a smaller staff.

## **The Digital Revolution Produces a Radically Different Breed of Customers and Marketers**

The digital revolution has created more knowledgeable and sophisticated customers, and most of them carry their mobile phones everywhere they go. They can look up any company and see product details and prices and even read the comments of consumers who have bought that product. Before purchase, customers can look up prices that different competitors would charge for the same product. If a competitor's price is lower, the consumer asks the salesperson to match the lower price. If the salesperson says no, the customer leaves. The customer might even broadcast to friends and acquaintances that a specific competitor has the lowest price in that product category.

Companies have also become more knowledgeable and sophisticated.

They have much more information about market demand, competitors' features and prices, multiple marketing channels, and forces affecting their business. Marketers instantly know about competitors who change their ads or prices, and they can quickly buy ads from Facebook or Google to announce lower prices or newer features. Companies can respond faster if they apply marketing automation to carry out the clerical work of marketing.

## **E-Commerce Continues its Rapid Growth**

Today's consumers can purchase from stores around the world. They can view a store's catalog online and place orders to be delivered to their home with the right to return the goods if not satisfied.

In-store sales are still much larger than online sales, but online sales are growing faster. During Covid, consumers avoided physical stores. Post Covid, these stores have to find new strategies to attract shoppers.

Entrepreneurs are starting digital businesses to sell products directly to consumers, completely bypassing the need to sell through retail stores. Amazon grew by creating the Kindle system that enabled them to immediately deliver any book ordered by a consumer. Direct-to-consumer marketing by startups is a threat to retail stores.

## **Features of the New Marketing**

An important step is the mapping of customer journeys. How did your current customers end up choosing your company and brand? Obviously your product or service came to the attention of some prospects who saw

ads. Prospects often talk to friends about their interest in purchasing a product, say a car. The prospect may visit some dealerships to see the cars and take a test drive. The company should ask new customers to describe their journey that brought them to the company and brand. Figure 2 presents a useful pictorial of the major influences occurring during a customer's journey.ii

The consumer passes through five stages, or the five A's (Aware, Appeal, Ask, Act and Advocate). The prospect needs to become aware of the company and its product, find it appealing, and then ask questions. These three A's are highly influenced by the company's advertising, content marketing, and direct marketing. If the company's answers to the prospect's questions are satisfactory, the prospect makes the first purchase. If the first purchase is satisfying, the prospect

is likely to buy again. This likelihood is supported by the company's direct marketing, its salesforce, and its customer relations management (CRM). If continuously satisfied, the consumer becomes a habitual customer and boasts to others, thereby becoming an advocate. Advocacy is supported by the company continuing to produce good products and good service performance. Most successful companies have a significant number of customers who are outspoken advocates. Advocates carry on unpaid marketing work on the company's behalf. Figure 3 presents a more elaborate picture of the touchpoints along the customer's journey.iii

The five A's are shown again. The customer's journey includes potential physical, digital, and virtual touchpoints. If the company fails to be present or effective at an important touchpoint, it will lose the customer.

Figure 2

MARKETING TOOLS FOR A CUSTOMER JOURNEY



Three other forces affect the customer's journey.

1. The company's language effectiveness in describing its offer. The company needs to choose words that fit the prospect's talking style. Companies need to create artificial personas with age, income, education and other features describing the intended customer for the message.
2. Effective content marketing. The company not only sends ads to touchpoints but also sends interesting stories about the company and/or sports, music, or other interesting developments to target customers. Such content shows that the company cares about the particular customer.
3. The role of influencers. Most people follow those who they admire or trust. Singer Taylor Swift has millions of followers who are influenced by what Swift says,

wears, and does. Some companies are now paying commissions to certain high influencers who bring attention to the company's products. (Two recent Journal of Marketing studies explore the effects of influencers' follower size and the language they use.)

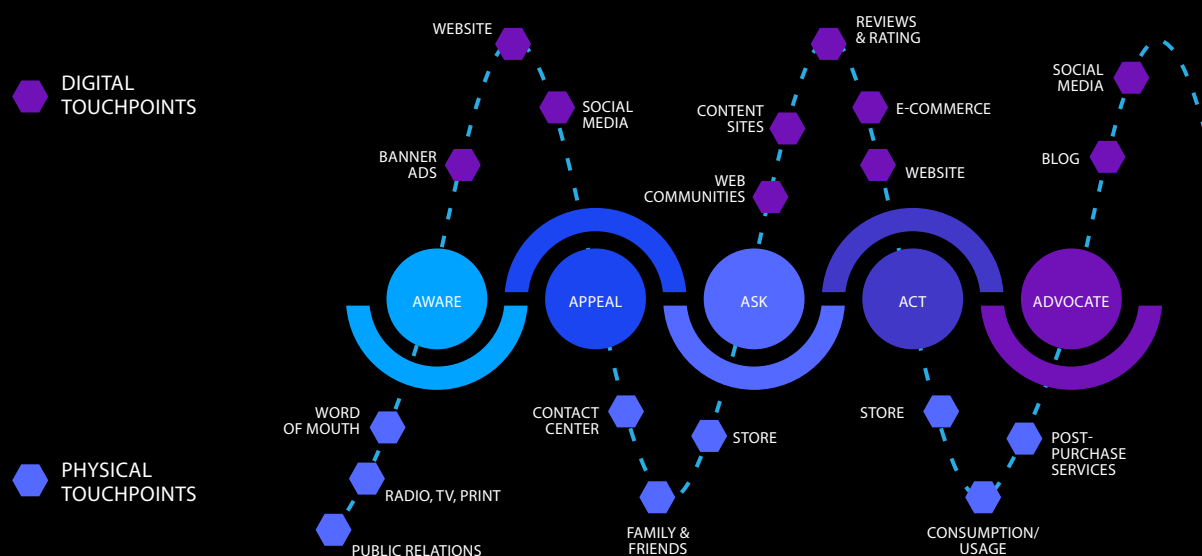
## The Next Tech is Martech

More companies are now using new marketing tools (Martech) such as voice and facial recognition. Most people can pose a question to Siri or Alexa on their smartphone and get an answer. Companies are also adding in facial recognition features. Faces reveal gender, race, age, education, and mood.

Another Martech is chatbots. A chatbot is software that anticipates common questions. A sign in the store might read: "You can ask Alexa any question you want about the new product. She will answer you." This chatbot saves the expense of a live marketer answering questions.

Figure 3

### PHYSICAL AND DIGITAL TOUCHPOINTS ALONG THE 5A CUSTOMER PATH



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Companies should test new product ideas virtually. If they design a new automobile, they can invite the prospect to experience the product virtually through special glasses. The prospect will proceed to open the car door, start the engine, and drive off. If enough prospects love the virtual experience of this new car, the company would gain confidence to actually produce this car.

Another new Martech is the virtual assistant. While the marketer is asleep, their virtual assistant is monitoring developments and initiating responses. The virtual assistant can also be a robot carrying out activities for the marketer.

Also consider sensors and the Internet of things (IOT). Product designers should make things easy to use. A new car should have the ability to back itself into a tight space. Or the owner of an autonomus vehicle may want to be driven to work, dropped off, and rely on the vehicle to park itself. Other Martech developments are described in Raja Rajamannar's book "Quantum Marketing." Rajamannar is the Chief Marketing Officer (CMO) of Mastercard, one of the leading credit card companies. In this book, he describes his experiences in using marketing and Martech in worldwide settings to win new users for Mastercard.

## **Marketers Face a New Crisis: An Overheated Planet and "Degrowth"**

Businesses and marketers aim to pursue endless business growth. Today, however, more people are questioning the wisdom of this. Economic growth produces increased pollution in the air and sea, and more carbon. More carbon produces more heat and increased heat is causing oceans to rise and climate disturbances

such as floods, fires, hurricanes, and desertification. Those living near the equator will find the heat unbearable and rush to enter cooler countries. Migration wars may grow in intensity and cause many fatalities.

Humans must practice more sustainability. There must be less waste piling up in mountains of junk. Companies and individuals must recover, recycle, and reuse their materials. Environmentalists plead for reducing the dependence on coal, oil, and gas for energy and increasing the use of solar panels and wind turbines. Replacing our fuel-driven cars with electric cars would greatly reduce pollution. The aim is to prevent the world's heat level from rising more than 1% to 2% a year. Otherwise ice from the North and South Poles will melt and produce huge floods in major coastal cities.

How does the world move from endless growth to slower growth or even to "degrowth?" Governments could urge companies and customers to focus on eating healthier foods, buying smaller cars, buying less clothing, and buying fewer new gadgets while the old ones work. Demographers warn that an earth with 8 billion people cannot possibly deliver a middle class life to most of the earth's people. Several books have made the case for degrowth and reducing the world's population, including *A Planet of 3 Billion* that the demographer Christopher Kevin Tucker published in 2019. Recently, Outerknown announced that it is making a new line of men's clothing entirely from plastic trash. When the clothes wear out, they can be fully upcycled into a brand-new shirt or jacket. Companies need to read Tim Jackson's two books—"Prosperity without Growth" and "Post Growth—Life After Capitalism"—and use circularity to guide the use

of resources. They need to recover, recycle, and reuse their materials and components, and the drive for profits must be tempered by sustainability. At the most basic level, they can take the following steps:

- Use water more carefully.
- Minimize the use of packaging and plastic.
- Use more efficient lighting, heating, and air conditioning.
- Minimize and share your driving. Use public transportation more often.

### What are The Major Tenets of Modern Marketing?

Today’s marketers are guided by several ideas:

- The company aims to satisfy or delight their target customers.
- The company selects markets in which they can be strong in the 4As (Awareness, Accessibility, Acceptability, Affordability).
- The company will build value using the seven components of the marketing mix.
- The company’s decisions take into account the 4Cs (Company, Customers, Collaborators, Competitors).
- The company will use Segmentation, Targeting, and Positioning (STP) to chose its target customers.
- The company will move its target prospects through the five A stages (Aware, Appeal, Ask, Act, Advocate).

- The company’s marketing planning process consists of moving through MR → STP → TM → VP → MP → I → C, namely Marketing Research, Segmentation/Targeting/Positioning, Target Market, Value Proposition, Marketing Plan, Implementation, and Control.
- If the company fails to attain its sales and profit goals, it should work the planning process backwards to understand which of these elements were at fault.
- **How Much Heart and Spirit Need to be Built into the Planning and Execution Process?**

Figure 4 distinguishes three different marketing aspirational levels.

**Marketing 1.0** describes a rational planning process where marketers use their mind to produce a product-

Figure 4

Marketing 1.0 MOVING TOWARD	Marketing 2.0 PURPOSE	Marketing 3.0 MARKETING
MIND	HEART	SPIRIT
PRODUCT-CENTERED	CUSTOMER-ORIENTED	VALUES-DRIVEN
ECONOMIC-VALUE	PEOPLE-VALUE	ENVIRONMENT-VALUE
PROFITS	SOCIAL PROGRESS	HUMAN HAPPINESS

- Where is your company now?
- Where do you want it to be?
- Why?
- What would steps would you take?

centered plan that creates economic value and produces satisfactory profits.

**Marketing 2.0** describes the planners developing their marketing purpose from their heart and emotions. They focus on the customers' well-being, people values, and social progress.

**Marketing 3.0** describes the planners' purpose coming from their spirit to be values-driven, respectful of the environment, and aiming to produce human happiness.

Marketers need to consider the company's current stage and whether it should move to a higher stage of market planning and aspiration.

## New Concepts in Marketing

Many new concepts continue to come into marketing. Let us start with societal marketing. This term seeks to cover all the "good" and "bad" impacts of marketing on society. To its credit, marketing has helped advance the quantity and quality of goods and services in society. It encourages the development of innovations and solutions to improve material life. Earlier societies consisted of a small upper class of royal members and a huge class of peasants and serfs. Marketing's major achievement is creating a middle class of citizens having good incomes and owning private property.

But marketing also has its "bads" from a societal point of view. Marketing glamorizes an acquisitive and accumulative orientation where "more" is better than "less." People are rated by their wealth, the quality of their homes, and the extent of their property. Admiration of millionaires and billionaires can drive people to work deviously.

Marketing constantly reminds people of what they do not have and should have. Marketing does not think well of people who want to live a simple and quiet life. Marketers want people to buy more clothes, drink more liquor, travel to more distant locations, and spend everything they earn. Marketers overstate the benefits that any product or service will deliver without mentioning any disbenefits. A new concept is social marketing (= social cause marketing). Gerald Zaltman and I proposed that marketing tools could be used to reduce social problems such as smoking, alcoholism, drug abuse, dangerous driving, overeating, and so on.<sup>iv</sup> Social marketers use the social sciences to analyze the factors contributing to harmful behavior to self and others and experiment with ways to reduce this behavior. Today there are several thousand social marketers working to reduce harmful behaviors.<sup>v</sup>

Another concept is atmospheres. Much purchasing takes place in stores or service centers. A store carries an atmosphere that will be pleasant or disturbing. A funeral home needs a quiet atmosphere, quiet colors, and a sedate mood. A department store needs bright colors, good background music, and lots of action. A psychiatrist office should have quiet colors and few distractions so that the patient can concentrate on the questions.<sup>vi</sup>

A growing concept is demarketing. "Demarketing" aims to reduce or eliminate demand. When California experienced a major water shortage in the 1970s, its government made every effort to get people to use less water. People were urged to take fewer showers and to convert their grass lawns into stone lawns. As certain commodities or resources become scarce, effort is applied to demarket the use of these scarce materials. We

may reach a point in human history where demarketing will almost be as active as marketing.vii

A recent concept—regenerative marketing—describes efforts to breathe new life into a community or organization. Consider the Sicilian capital of Palermo. Palermo has a fabled history and contains many ancient Greek and Roman ruins. Palermo's government lacks the capital to preserve these ruins that help attract tourists. Many neighborhoods in Palermo need to recapture their former glory. Regenerative marketing provides tools and concepts for bringing new purpose and energy to a neighborhood, community, or organization.viii

Another recent concept is entrepreneurial marketing.ix Most companies recruit efficient professional marketers whose job is to achieve the company's sales and profit goals. They have little time for thinking expansively about new sources of growth. Entrepreneurial marketers spot new opportunities for the company. Companies with some entrepreneurial marketers will outperform companies with only professional marketers.

## How are Companies Managing Marketing?

Marketing plays varying roles in different companies. In Procter & Gamble, marketing is the key function. P&G's Chief Executive Officer (CEO) fully understands marketing and supplies marketing with a generous budget. P&G's CMO is a key member of the senior executive group.

Other companies are frequently led by a CEO who is trained in finance, operations, or law. That CEO might

think of marketing as largely the sales force, some advertising, and some clever pricing. One CEO told me that if he could raise the product's price by 5%, his profits would be excellent. Such CEO's usually have a poor understanding of marketing.

CEOs wonder how much to spend on marketing. They hope that the CMO could supply a reliable report on marketing's ROMI (return on marketing investment). The CEO is less interested in customer awareness levels, click rates, and other key metrics that marketers use.

Today's CMOs must lead in growth, data analytics, customization, personalization, and optimization of digital campaigns. CMOs need to spend 50% of their time managing marketing personnel and 50% interacting with other company officers (CEO, CFO, CIO, etc.). A most critical relationship is that between the CMO and the Chief Financial Officer (CFO). If the CFO isn't satisfied with the marketing results, they tell the CEO, who in turn ends up less satisfied with the CMO. Or the CFO might strongly favor spending more to build the sales force and less on advertising, while the CMO wants more to be spent on advertising. It is crucial that the CMO and the CFO act as partners to develop a good measure of marketing's contribution to sales and profits.

Some companies are replacing CMOs with other titles, such as Chief Revenue Officer, Chief Growth Officer, or Chief Customer Officer. However, CMO remains the most popular designation for those leading company marketing. CMOs frequently exchange views with each other, hold CMO meetings, and publish marketing articles.

A company needs to achieve a good working relationship between customer management, product management, and brand management. This is shown in the Figure 5. When these three managers work well together, the company is likely to be highly successful.

### What Actions Can Marketers Take to Help Companies Succeed?

- Apply AI and use algorithms and ChatGPT for marketing decision making.
- Automate routine marketing processes.
- Use metrics that help management measure marketing’s impact on sales volume and margin performance.
- Develop chatbots and voice assistants (Siri, Alexa) and facial recognition.
- Use immersive marketing and virtual reality.
- Use more biometric and neuroscientific tools to understand

customers and evaluate messages and messengers.

- Employ entrepreneurial marketers along with professional marketers.
- Use customer journey mapping, touchpoint marketing, personas, content, influencers, and machine learning to identify and convert the best prospects.

### Predictions of Future Company Success

- Buyers will increasingly be able to select the best brands while relying less on advertising or salespeople. Marketing success will depend mostly on smart pricing, strong branding, owning dominant channel positions, and innovating continuously.
- Continuous creativity, innovation, and improvement will contribute greatly to company success.
- Successful companies will earn their profits by carefully recovering, recycling, and reusing their materials and components in their pursuit of sustainability in the long run.



### AUTHOR

**Philip Kotler** is known around the world as the “father of modern marketing.” For over 50 years he has taught at the Kellogg School of Management at Northwestern University. Kotler’s book *Marketing Management* is the most widely used textbook in marketing around the world. He has been honored as one of the world’s leading marketing thinkers.

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### About Journal of Marketing

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