

## CHAPTER TEN

# Putting It All Together

### 10 CREDOS OF MARKETING 3.0

There are three stages in the development of a relationship between marketing and values. The first is when marketing and values are *polarized*. Many businesspeople believe that marketing does not require that you adopt a set of high-minded values. If you do, living up to the values will just impose extra costs and constraints. Subsequently, a second stage arises that we call *balancing*. Businesses then do marketing in the ordinary way, donating some of their profits to social causes. Then there is the third stage, that of *integration*. This is the ultimate stage. The company wants to live out a set of values, and these values give the company its personality and purpose. Any separation between marketing and values is not acceptable.

Once we look more deeply at marketing's roots and more fully comprehend them, we discover 10 indisputable credos that integrate marketing and values. For each credo, we will mention some companies that have applied the credo in the way they do marketing. Some companies do it through their contributions to United Nations Millennium Development Goals (MDGs), the eight time-bound and measurable goals and targets agreed to by 189 world leaders in September 2000 at the United Nations Millennium Summit.<sup>1</sup>

The Millennium Development Goals are as follows.

1. Eradicate extreme poverty and hunger.
2. Achieve universal primary education.
3. Promote gender equality and empower women.
4. Reduce child mortality.
5. Improve maternal health.
6. Combat HIV/AIDS, malaria, and other diseases.
7. Ensure environmental sustainability.
8. Develop a global partnership for development.

MDGs began as a government-to-government initiative. However, corporations are starting to see the business side of the goals. Unilever, Procter & Gamble, Holcim, Philips, Vodafone, S.C. Johnson, BP, ConocoPhilips, and Rabobank to name a few, are big companies that are already making profits from incorporating the goals into their operations in developing countries. These companies demonstrate how they make a difference to the world and how the difference redounds to their monetary and nonmonetary benefit. Some of the cases in this chapter are taken from *Business for Development: Business Solutions in Support of the Millennium Development Goals* to show the linkage between Marketing 3.0 and the effort toward achieving the MDGs.<sup>2</sup>

### **CREDO I: LOVE YOUR CUSTOMERS, RESPECT YOUR COMPETITORS**

In business, loving your customers means winning their loyalty through giving them great value and touching their emotions and spirit. Remember what Donald Calne said: "The essential difference between emotion and reason is that emotion leads to actions while reason leads to conclusions."<sup>3</sup> The decision to buy and be loyal to a brand is greatly influenced by emotions.

Campbell Soup Company, for instance, changed the color of its packaging to pink during Breast Cancer Awareness Month and managed to improve demand significantly.<sup>4</sup> Since typical soup consumers are women and breast cancer is a cause many women are emotionally connected to, sales to women went up. This example shows that emphasizing emotion over reason does pay off.

Furthermore, you have to respect your competitors. It is competitors that enlarge the whole market, because without any competitors, an industry will grow more slowly. From monitoring our competitors, we can learn our own strengths and weaknesses as well as those of competitors; something that can prove very useful for our company.

The strategy of growing the market by allowing competition to happen can be done through vertical or horizontal technology transfers. Look at Unilever in Vietnam, for example.<sup>5</sup> Unilever provides training of best practices to all local suppliers. During training, suppliers learn about standard quality and the necessary technology to achieve this standard. Not only that, Unilever also provides financial support to the suppliers. By doing this, Unilever is able to maintain low cost from local suppliers and manage quality at the same time. One thing to consider is the possibility of Unilever's suppliers serving competitors. And interestingly, Unilever allows that to happen because it helps to develop the overall market.

On the other hand, horizontal technology transfer is even more difficult to comprehend. Not many companies are willing to transfer their technology to competitors directly. But this is possible when a company feels that it is incapable of growing the market alone.<sup>6</sup> Such a company wants to share the risk. It needs alliances to achieve economies of scale. A prominent example is the cooperation of seven pharmaceutical companies (Boehringer Ingelheim, Bristol-Myers Squibb, GlaxoSmithKline, Merck, Roche, Abbot, and Gilead) that collaboratively brought down the price of HIV/AIDS treatment in developing countries in pursuit of MDGs.<sup>7</sup>

Another example is when multiple telecommunications companies in the United Kingdom (Motorola, Carphone Warehouse, O2, Orange, Vodafone, T-Mobile, Tesco, Virgin Mobile, and Fresh) collaborated with Bono and Bobby Shriver to introduce a new RED mobile phone designed to help fight AIDS in Africa. Tens of millions of pounds for AIDS treatment and prevention was raised from this launch.<sup>8</sup>

*Treat your customers with love and your competitors with respect.*

### **CREDO 2: BE SENSITIVE TO CHANGE, BE READY TO TRANSFORM**

The business landscape keeps changing. Competitors will increase in number and get smarter. The same goes for customers. If you are insensitive to this and cannot anticipate these changes, your company will become obsolete and eventually die.

Before Prius, Toyota was never considered a disruptive innovator that relied on breakthrough products.<sup>9</sup> Instead, the company was known for its continuous innovation combined with its slow-but-sure decision making process. However, Toyota sensed the trends in the market and realized that it had to introduce a hybrid car quickly before it became obsolete. Thus, in introducing the Prius, it broke many of its strict Japanese management systems and acted quickly in product development.

Even Wal-Mart, the retail giant, cannot avoid transforming itself.<sup>10</sup> The world's largest retailer has been criticized for many things and attacked by many for its employment, environmental, and supply chain practices. In the past few years, the company has transformed itself into a green giant. Wal-Mart finally realized that the low price strategy that made it a winner might not work in the future as consumer behavior changed.

*When times change, change with them.*

**CREDO 3: GUARD YOUR NAME,  
BE CLEAR ABOUT WHO YOU ARE**

In marketing, brand reputation is everything. If two products are of equal quality, people will tend to purchase the one that has the stronger brand reputation. A company must make its brand name's positioning and differentiation clear to its target market.

The Body Shop is one of the world's leading examples of a values-driven business. The British company's prominent practice of community trade—buying natural ingredients from local and poor communities around the world—is probably the best sourcing know-how that attempts to eradicate poverty at the same time.

Another business practice that The Body Shop is famous for is its commitment to opposition of animal testing. The progressive company has forbidden the testing of its products on animals long before a regulation was enforced in the EU. These unusual practices are neither efficient nor make common business sense, for sure. Nevertheless, they have helped The Body Shop to become one of the United Kingdom's most successful retailers by creating a niche market for naturally-inspired products.

As a result, the world's largest cosmetic company, L'Oreal, acquired the company in a phenomenal deal worth a premium of 34.2 percent. The challenge for The Body Shop is to guard its name externally while internally influencing L'Oreal—a company that has been criticized for testing certain ingredients on animals—to strengthen its business values.

*Make your values clear and don't surrender them.*

**CREDO 4: CUSTOMERS ARE DIVERSE; GO FIRST TO  
THOSE WHO CAN BENEFIT MOST FROM YOU**

This is the principle of segmentation. You do not need to address everyone, but do make your case to those who are most ready to buy and benefit from the purchase and relationship.

Most product markets comprise four distinct tiers.<sup>11</sup>

1. A global segment that desires global products and features and is willing to pay higher prices for them.
2. A “glocal” segment that demands products of global quality but with local features at slightly lower prices.
3. A local segment that wants local products with local features at local prices.
4. A bottom-of-the-pyramid segment that can afford to buy only the cheapest products available.

The bottom-of-the-pyramid segment is the appropriate segment for local companies to challenge their multinational rivals in developing countries. It is also the appropriate segment for Marketing 3.0.

Holcim is addressing the need of the poor for affordable housing in Sri Lanka. The company collaborated with a microfinance company to build shop houses: homes that are designed to be places to run small businesses as well. Holcim sees these low-income consumers as the future market as they climb up the economic pyramid. On the other hand, this project transforms the community by providing better houses and giving poor people access to a source of income. For that reason, it helps achieve Goals 1, 2, 3, 7, and 8 of MDGs.<sup>12</sup>

*Focus on those to whom you can bring the most benefit.*

#### **CREDO 5: ALWAYS OFFER A GOOD PACKAGE AT A FAIR PRICE**

We should not sell anything of poor quality at a high price. True marketing is fair marketing, where price and product must match. Once we seek to cheat people by giving them a poor quality product but representing it as a good quality product, our customers will abandon us.

Unilever tries to bring down the price of iodized salt so that it can replace the noniodized salt heavily used in Ghana.

To improve the health of the local community, Unilever uses its global capability. With experience in consumer product marketing, Unilever brings affordability through sachet marketing. The backbone of this effort is Unilever's application of its expertise in supply chain to reduce the distribution costs. This project specifically targets Goals 1, 2, and 5 of the MDGs.<sup>13</sup>

Another example is Procter & Gamble's effort to provide safe drinking water. Like Unilever, the company is equipped with expertise in sachet marketing. With its proprietary water-treatment technology, the company delivers safe water around the world. Interestingly, the technology is in a size of a sachet to ensure affordability. Local people can pour the content of the sachet to clean 10 liters of water for drinking. With this effort, the company is helping the world to achieve Goals 5, 6, and 10 of the MDGs.<sup>14</sup>

*Set fair prices to reflect your quality.*

#### **CREDO 6: ALWAYS MAKE YOURSELF AVAILABLE, SPREAD THE GOOD NEWS**

Don't make it hard for customers who are looking for you to find you. In today's global knowledge economy, access to information technology and the Internet is imperative. But the digital divide—the socio-cultural differences between those who have access to digital technology and the Internet and those who don't—is still a challenge around the world. Companies that can straddle the divide will grow their consumer base.

Since 2005, Hewlett-Packard has been trying to bridge the divide by collaborating with partners across sectors to bring information technology to developing nations.<sup>15</sup> In pursuit of growth, the company targets the low-income communities as its future market. In the process of market creation, it progressively bridges the digital divide and provides poor people with access to technology. These consumers are the hope for companies in mature markets that seek growth.

*Help your would-be customers find you.*

**CREDO 7: GET YOUR CUSTOMERS,  
KEEP AND GROW THEM**

Once you have a customer, keep up good relations with them. Get to know your customers personally, one by one, so you have a complete picture of their needs and wants and preferences and behavior. Then grow their business. These are the principles of customer relationship management (CRM). It is about attracting the right customers who will keep buying from you because of deep rational and emotional satisfaction. They are also capable of becoming your strongest advocates through word-of-mouth marketing.

PetSmart Charities has saved the lives of millions of homeless pets through its in-store adoption centers.<sup>16</sup> The program brings visitors to the stores and improves the sales of PetSmart products. While helping the pets, the company attracts new customers and cross-sells to them at the point-of-sale. Because the company demonstrates its care for pets, consumers will be touched and become loyal.

*Look upon your customers as customers for life.*

**CREDO 8: WHATEVER YOUR BUSINESS,  
IT IS A SERVICE BUSINESS**

Service businesses are not limited to hotels or restaurants. Whatever your business, you must have a spirit of wanting to serve your customer. Service must become a service provider's calling, and never be considered a duty. Serve your customer sincerely and with complete empathy, as they will assuredly then carry away positive memories from this experience. Companies should understand that their corporate values, expressed through their products and services, should have a positive impact on people's lives.

Whole Foods sees its business as service to consumers and service to society. That is why the company tries to transform the lifestyles of consumers into healthier ones. Moreover, it is practicing the sense of service to employees as well by letting them vote on the company's strategic direction.



*Every business is a service business, because every product delivers a service.*

**CREDO 9: ALWAYS REFINE YOUR BUSINESS PROCESS IN TERMS OF QUALITY, COST, AND DELIVERY**

The task of marketers is to always improve quality, cost, and delivery (QCD) in their business processes. Always meet all your promises to customers, suppliers, and to your channels, too. Never engage in deceit or dishonesty with regard to quality, quantity, delivery time, or price.

S.C. Johnson is well-known for doing business with local suppliers. It works with local farmers to improve productivity and delivery. To maintain a sustainable supply of Pyrethrum, for instance, the company engages the local farmers in Kenya. In partnership with KickStart and the Pyrethrum Board of Kenya, the company helps the farmers with irrigation. Farmers achieve higher productivity with new irrigation pumps and therefore can better supply S.C. Johnson. Furthermore, the farmers get additional income because the pump enables them to plant other crops. While improving the supply chain of the company, S.C. Johnson contributes to Goals 1, 2, and 6 of MDGs directly and indirectly.<sup>17</sup>

*Every day, improve your business process in every way.*

**CREDO 10: GATHER RELEVANT INFORMATION, BUT USE WISDOM IN MAKING YOUR FINAL DECISION**

This principle cautions us to continually learn, learn, and learn. Your accumulated knowledge and experience will be what determines the final decision you make. Supported by his or her maturity of spirit and clarity of heart, a marketer will then be able to swiftly make decisions based on the wisdom that they inherently have.

An interesting story about Hershey Foods in *The Triple Bottom Line* by Andrew Savitz and Karl Weber describes this.<sup>18</sup> In 2001, the board members of Hershey Trust considered selling its stake in Hershey Foods because of the emergence

of a powerful competitor in the market and a likely future large increase in the price of cocoa. From a financial perspective, these would decrease the value of the trust fund that the board maintained. To guard its pursuit of maximum shareholder value, the board of trustees sold its entire stake to Wrigley.

To the board's surprise, a group of angry employees refused this acquisition. They rallied and then gathered on Chocolatetown Square to protest the sale. The board finally realized its decision was wrong. Financially, the decision was sound. However, it was not wise because it didn't consider the social impact of the decision, especially to the employees.

*Wise managers consider more than the financial impact of a decision.*

### **MARKETING 3.0: IT'S TIME TO MAKE A CHANGE!**

Is it possible to be a human-centric company and still be profitable? This book offers a positive answer to this question. The behavior and values of a company are increasingly open to public inspection. The growth of social networks makes it feasible and easier for people to talk about existing companies, products, and brands in terms of their functional performance as well as their social performance. The new generation of consumers is much more attuned to social issues and concerns. Companies must reinvent themselves and shift as swiftly as possible from practicing in the formerly safe confines of Marketing 1.0 and 2.0 into the new world of Marketing 3.0.

### **NOTES**

1. For more information about MDGs, see [www.un.org/millenniumgoals/](http://www.un.org/millenniumgoals/).
2. Cécile Churet & Amanda Oliver, *Business for Development: Business Solutions in Support of the Millennium Development Goals*, World Business Council for Sustainable Development, 2005.

3. Donald B. Calne, *Within Reason: Rationality and Human Behavior* (New York: Pantheon Books, 1999).
4. Stephanie Thompson, "Breast Cancer Awareness Strategy Increases Sales of Campbell's Soup: Pink-Labeled Cans a Hit with Kroger Customers," *AdvertisingAge*, October 3, 2006.
5. Sébastien Miroudot, "The Linkages between Open Services Market and Technology Transfer," OECD Trade Policy Working Paper No. 29, January 27, 2006.
6. Adam M. Brandenburger and Barry J. Nalebuff, *Co-opetition: A Revolutionary Mindset that Combines Competition and Cooperation... The Game Theory Strategy that's Changing the Game of Business* (New York: Currency Doubleday, 1996).
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8. Martin Hickman, "(RED) Phone Unites Rival Telecom Operators in Battle against AIDS," *The Independent*, May 16, 2006.
9. Alex Taylor III, "Toyota: The Birth of the Prius," *Fortune*, February 21, 2006.
10. Marc Gunther, "The Green Machine," *Fortune*, July 31, 2006.
11. Tarun Khanna and Krishna G. Palepu, "Emerging Giants: Building World-Class Companies in Developing Countries," *Harvard Business Review*, October 2006.
12. Cécile Churet & Amanda Oliver, *Op.Cit.*
13. Cécile Churet & Amanda Oliver, *Op.Cit.*
14. Cécile Churet & Amanda Oliver, *Op.Cit.*
15. Ira A. Jackson and Jane Nelson, *Profit with Principles: Seven Strategies for Delivering Value with Values* (New York: Currency Doubleday, 2004).
16. Philip Kotler and Nancy Lee, *Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause* (Hoboken, NJ: John Wiley & Sons, 2005).
17. Cécile Churet & Amanda Oliver, *Op.Cit.*
18. Andrew W. Savitz and Karl Weber, *The Triple Bottom Line: How Today's Best-Run Companies Are Achieving Economic, Social, and Environmental Success—and How You Can Too* (San Francisco: Jossey-Bass, 2006).

