



PHILIP KOTLER

HERMAWAN KARTAJAYA

IWAN SETIAWAN

MARKETING

5.0

TECHNOLOGY FOR HUMANITY

MARKETING 5.0

PHILIP KOTLER
HERMAWAN KARTAJAYA
IWAN SETIAWAN

MARKETING 5.0

TECHNOLOGY FOR HUMANITY

WILEY

Copyright © 2021 by John Wiley & Sons, Inc. All rights reserved.

Published by John Wiley & Sons, Inc., Hoboken, New Jersey.

Published simultaneously in Canada.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the Publisher, or authorization through payment of the appropriate per-copy fee to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, (978) 750-8400, fax (978) 646-8600, or on the Web at www.copyright.com. Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, (201) 748-6011, fax (201) 748-6008, or online at <http://www.wiley.com/go/permissions>.

Limit of Liability/Disclaimer of Warranty: While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by sales representatives or written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Neither the publisher nor author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

For general information on our other products and services or for technical support, please contact our Customer Care Department within the United States at (800) 762-2974, outside the United States at (317) 572-3993 or fax (317) 572-4002.

Wiley publishes in a variety of print and electronic formats and by print-on-demand. Some material included with standard print versions of this book may not be included in e-books or in print-on-demand. If this book refers to media such as a CD or DVD that is not included in the version you purchased, you may download this material at <http://booksupport.wiley.com>. For more information about Wiley products, visit www.wiley.com.

Library of Congress Cataloging-in-Publication Data

Names: Kotler, Philip, author. | Kartajaya, Hermawan, 1947- author. | Setiawan, Iwan, author.

Title: Marketing 5.0 : technology for humanity / Philip Kotler, Hermawan Kartajaya, Iwan Setiawan.

Description: Hoboken, New Jersey : Wiley, [2021] | Includes index.

Identifiers: LCCN 2020046415 (print) | LCCN 2020046416 (ebook) | ISBN 9781119668510 (hardback) | ISBN 9781119668572 (adobe pdf) | ISBN 9781119668541 (epub)

Subjects: LCSH: Marketing. | Technology.

Classification: LCC HF5415 .K685 2021 (print) | LCC HF5415 (ebook) | DDC 658.8—dc23

LC record available at <https://lccn.loc.gov/2020046415>

LC ebook record available at <https://lccn.loc.gov/2020046416>

COVER DESIGN: PAUL MCCARTHY

COVER ART: © OXYGEN | GETTY IMAGES

10 9 8 7 6 5 4 3 2 1

Marketing's purpose always is to enhance people's lives and contribute to the Common Good.

—Philip Kotler

To all Asians, especially my Asia Marketing Federation brothers and sisters. We at MarkPlus, Inc. are very proud to collaborate with Philip Kotler as a knowledge lab for many books since 1998, including the Marketing X.0 series.

—Hermawan Kartajaya

Dedicated to the loving memory of my mom, Shinta, and my daughter, Keyvlin, who passed away during the writing of this book. Thank you to my family—my dad, Setiawan, my sister, Sisca, my wife, Louise, and my son, Jovin—for their endless love and care.

—Iwan Setiawan

Contents

ABOUT THE AUTHORS ix

ACKNOWLEDGMENTS xi

Part I Introduction 1

- 1 **Welcome to Marketing 5.0: Technology for Humanity 3**

Part II Challenges Marketers Face in a Digital World 17

- 2 **Generation Gap: Marketing to Baby Boomers, X, Y, Z, and Alpha 19**
3 **Prosperity Polarization: Creating Inclusivity and Sustainability
for Society 35**
4 **Digital Divide: Making Tech Personal, Social, and Experiential 51**

Part III New Strategies For Tech-Empowered Marketing 69

- 5 **The Digital-Ready Organization: One Strategy Doesn't Fit All 71**
6 **The Next Tech: It's Time for Human-Like Technologies to Take Off 89**
7 **The New CX: Machines Are Cool, but Humans Are Warm 107**

Part IV New Tactics Leveraging Marketing Tech 127

- 8 **Data-Driven Marketing: Building a Data Ecosystem for Better
Targeting 129**
9 **Predictive Marketing: Anticipating Market Demand with Proactive
Action 143**
10 **Contextual Marketing: Making a Personalized Sense-and-Respond
Experience 157**
11 **Augmented Marketing: Delivering Tech-Empowered Human
Interaction 169**
12 **Agile Marketing: Executing Operations at Pace and Scale 181**

INDEX 195

About the Authors



Philip Kotler is Professor Emeritus of Marketing at the Kellogg School of Management, where he held the S.C. Johnson & Son Professorship of International Marketing. The *Wall Street Journal* ranks him as one of the top six most influential business thinkers. The recipient of numerous awards and honorary degrees from schools worldwide, he holds an MA

from the University of Chicago and a PhD from Massachusetts Institute of Technology, both in economics. Philip has an incredible international presence—his books have been translated into more than 25 languages and he regularly speaks on the international circuit.



Hermawan Kartajaya is the founder and Executive Chairman of MarkPlus, Inc., and is one of the “50 Gurus Who Have Shaped the Future of Marketing,” according to the Chartered Institute of Marketing, United Kingdom. Hermawan is also a recipient of the Distinguished Global Leadership Award from the Pan-Pacific Business Association at the University of Nebraska–Lincoln. He is also Chairman of the Asia Council

for Small Business and a co-founder of the Asia Marketing Federation.



Iwan Setiawan is Chief Executive Officer of MarkPlus, Inc., where he helps businesses design their corporate and marketing strategies. A frequent writer and speaker, Iwan is also Editor-in-Chief of *Marketeers*. Iwan holds an MBA from the Kellogg School of Management at Northwestern University and a BEng from the University of Indonesia.

Acknowledgments

The authors would like to thank the leadership team at MarkPlus, Inc., who spent countless hours brainstorming with the authors: Michael Hermawan, Jacky Mussry, Taufik, Vivie Jericho, Ence, Estania Rimadini, Yosanova Savitry, and Edwin Hardi.

A very special thank-you to Richard Narramore at Wiley for his vision and continuous commitment to the *Marketing X.0* series. Without Richard, the books would not be possible. We would also like to thank the editorial team at Wiley—Deborah Schindlar, Victoria Anllo, Linda Brandon—for a great collaboration during the development of *Marketing 5.0*.

PART I

Introduction

CHAPTER 1

Welcome to Marketing 5.0

Technology for Humanity

We wrote our first book in the series, *Marketing 3.0: From Products to Customers to the Human Spirit*, in 2009. The book has since been published in 27 language editions around the world. As the subtitle suggests, the book describes the major shifts from product-driven marketing (1.0) to customer-oriented marketing (2.0) to human-centric marketing (3.0).

In Marketing 3.0, customers look for not only functional and emotional satisfaction but also spiritual fulfillment from the brands they choose. Thus, companies build differentiation with their values. Their products and operations aim not only to bring profits but also to provide solutions to the world's toughest social and environmental problems.

It took nearly 70 years for marketing to evolve from its product orientation to the concept of human centrality. During the decades of evolution, several marketing concepts have stood the test of time. Despite being “traditional” in nature, the segmentation-targeting-positioning concept as well as the product-price-place-promotion (4Ps) model have become universal staples for modern marketers globally.

We have always considered Marketing 3.0 to be the ultimate stage of traditional marketing. The entire building blocks of serving customers intellectually (1.0), emotionally (2.0), and spiritually (3.0) were complete. Although published a decade ago, the

book's relevance has become more evident in today's era dominated by Generation Y and Generation Z populations. Genuinely caring for the society, the youth essentially forced companies to adopt social impact in the business model.

Marketing 4.0: The Pivot to Digital

When we wrote the next book in the series, *Marketing 4.0: Moving from Traditional to Digital*, in 2016, we pivoted to “digital” as the subtitle implies. In the book, we differentiated “marketing in the digital world” from digital marketing. Marketing in the digital world does not rely solely on digital media and channels. The digital divide still exists; thus, marketing requires an omnichannel—online as well as offline—approach. The concept is partly inspired by Industry 4.0—a high-level strategy of the German government—in which physical-digital systems are used in manufacturing sectors.

Although the use of technologies in Marketing 4.0 is fairly basic, the book introduced new marketing frameworks to serve customers in the hybrid—physical and digital—touchpoints across their customer journeys. It has thus far been published in 24 language editions worldwide and inspired companies to adopt fundamental forms of digitalization in their marketing activities.

The applications of marketing technology (martech), however, are so much more than just distributing content in social media or building an omnichannel presence. Artificial intelligence (AI), natural language processing (NLP), sensor technology, and the Internet of Things (IoT) have great potential to be game-changing for marketing practices.

We excluded these technologies in Marketing 4.0 as they were not yet mainstream at the time we wrote the book. And we believe marketers were still in the transitional and adaptation period to a digital world. But the COVID-19 pandemic has indeed accelerated the digitalization of businesses. With lockdowns and physical distancing policies in place, both the markets and

marketers were forced to adapt to the new touchless and digital realities.

That is why we think this is the right time for *Marketing 5.0: Technology for Humanity*. It is time for companies to unleash the full power of advanced technologies in their marketing strategies, tactics, and operations. This book is also partly inspired by Society 5.0—a high-level initiative of Japan—which contains a roadmap to create a sustainable society supported by smart technologies. We agree that technology should be leveraged for the good of humanity. Marketing 5.0, therefore, has the elements of both the human-centricity of Marketing 3.0 and the technology-empowerment of Marketing 4.0.

It's Time for Marketing 5.0

Marketing 5.0 materializes against the backdrop of three major challenges: generation gap, prosperity polarization, and the digital divide. It is the first time in history that five generations living together on Earth have contrasting attitudes, preferences, and behaviors. The Baby Boomers and Generation X still hold most of the leadership positions in businesses and the highest relative buying power. But the digital-savvy Generations Y and Z now form the largest workforce as well as the biggest consumer markets. The disconnect between the older corporate executives who make most decisions and their younger managers and customers will prove to be a significant stumbling block.

Marketers will also face chronic inequality and imbalanced wealth distribution, which causes the markets to polarize. The upper class with high-paying jobs is growing and fueling the luxury markets. At the other end, the bottom of the pyramid is also expanding and becomes a large mass market for low-priced, value products. The middle market, however, is contracting and even vanishing, forcing industry players to move up or down to survive.

Moreover, marketers must solve the digital divide between people who believe in the potential that digitalization brings and those who do not. Digitalization brings fear of the unknown with the threats of job losses and concerns of privacy violations. On the other hand, it brings the promise of exponential growth and better living for humanity. Businesses must break the divide to ensure that technological advancement will move forward and not be welcomed with resentment. These challenges that marketers face in implementing Marketing 5.0 in the digital world will be the subject of Part 2 of the book (Chapters 2–4).

What Is Marketing 5.0?

Marketing 5.0, by definition, is the application of human-mimicking technologies to create, communicate, deliver, and enhance value across the customer journey. One of the critical themes in Marketing 5.0 is what we call the next tech, which is a group of technologies that aim to emulate the capabilities of human marketers. It includes AI, NLP, sensors, robotics, augmented reality (AR), virtual reality (VR), IoT, and blockchain. A combination of these technologies is the enabler of Marketing 5.0.

For many years, AI has been developed to replicate human cognitive abilities, especially to learn from unstructured customer data and discover insights that might be beneficial for marketers. When mixed with other enabling technologies, AI can also be utilized to provide the right offers to the right customers. Big data analytics enables marketers to personalize their marketing strategy to each customer—a process known as “segments of one” marketing. Today, such a practice is becoming more mainstream than ever.

Consider these examples of Marketing 5.0. With AI’s machine learning, companies can envision if a new product with specific features is likely to succeed with the assistance of a predictive algorithm. Hence, marketers can skip many steps in the new

product development process. In most cases, these predictions have better accuracy than backward-looking market research and produce insights faster than the time-consuming concept tests. PepsiCo, for instance, regularly launches beverage products based on in-depth analysis of customer conversations on social media.

AI can also help reveal shopping patterns useful for e-retailers to recommend the right products and content to a cluster of shoppers based on their profiles. The recommendation engines are the critical differentiation of e-commerce players and other digital businesses such as Amazon, Netflix, and YouTube. They continuously analyze past purchase histories to create a dynamic segmentation and profiling of the customers and find the hidden relationships between seemingly unrelated products to upsell and cross-sell.

Some companies across industries such as AB InDev, Chase, and Lexus leverage AI to develop advertising with minimum involvement of human personnel. AB InDev, the company behind Budweiser and Corona, monitors how various ad placements are performing and feeds the resulting insights to the creative team to generate more effective ads. Chase opted for an AI engine instead of a human copywriter to write ad copies for its digital banners. Lexus analyzed award-winning campaigns for the past 15 years, especially in the luxury markets, to create a television ad for the new ES sedan. With a script entirely written by AI, the company hired an Oscar-winning director to shoot the commercial.

The implementation of Marketing 5.0 is not just limited to back-office operations. Combined with NLP, sensors, and robotics, AI can assist marketers in performing customer-facing activities. One of the most popular applications is for customer service chatbots. Facing human resources challenges such as an aging society and rising costs, several companies also use robots or other automated means to replace frontline staff. Nestle in Japan, for instance, employs AI-empowered robots as coffee waiters. Hilton in the United States experiments with a robot concierge while Tesco in the UK aims to replace the cashiers with face-recognizing cameras.

With sensors and IoT, retailers can replicate the digital experience in the brick-and-mortar space. A face-detecting screen in a retail store, for instance, can estimate a shopper's demographic and offer the right promotions. Walgreens' digital coolers are an example of this. Augmented reality apps, such as the ones Sephora or IKEA use, allow shoppers to try on products before committing to buying them. Macy's and Target apply sensor technologies for in-store wayfinding as well as targeted promotion.

Some of these applied technologies might sound far-fetched and even intimidating for marketers. But we are beginning to see how affordable and accessible these technologies have become in recent years. An open-source artificial intelligence platform from Google and Microsoft is readily available for businesses. There are plenty of choices for cloud-based data analytics, accessible via monthly subscriptions. Marketers can also choose from a wide variety of user-friendly chatbot-builder platforms that even nontechnology persons can use.

We explore Marketing 5.0 from a high-level strategic perspective. We will cover the know-how of using advanced martech to a certain extent, but this is not a technical book. Our principle is that technology should follow strategy. The concepts in Marketing 5.0 are, thus, tools-agnostic. Companies can implement the methods with any supporting hardware and software available in the market. The key is that those companies must have marketers who understand how to design a strategy that applies the right technology for various marketing use cases.

Despite the in-depth discussion on technology, it is important to note that humanity should remain the central focus of Marketing 5.0. The next tech is applied to help marketers to create, communicate, deliver, and enhance value across the customer journey. The objective is to create a new customer experience (CX) that is frictionless and compelling (see Figure 1.1). In achieving it, companies must leverage a balanced symbiosis between human and computer intelligence.

AI has the capability of discovering previously unknown patterns of customer behavior from piles of data. Despite its computational power, however, only humans can understand other

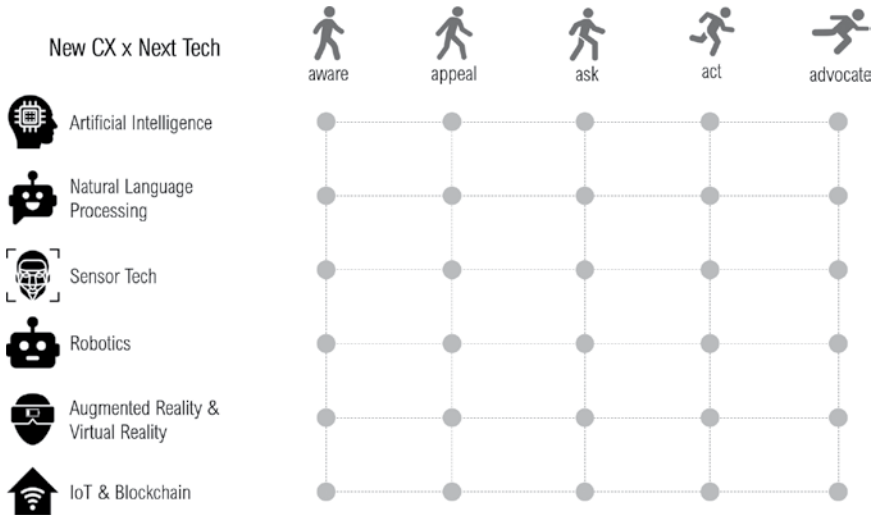


FIGURE 1.1 The Next Tech Across the New Customer Experience (CX)

humans. Human marketers are required to filter and interpret underlying motives for customer actions (see Figure 1.2). The reason for this is because human intelligence is highly contextual yet fuzzy. Nobody knows how seasoned marketers

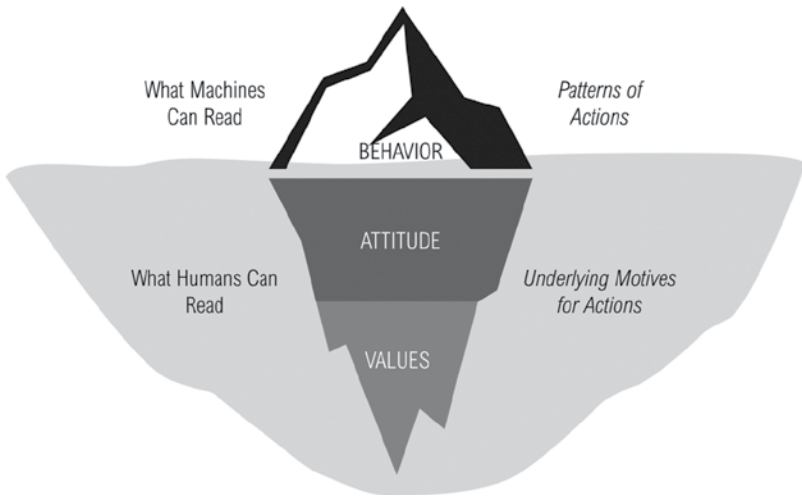


FIGURE 1.2 How Humans Add Value to Tech-Driven Marketing