Marketing 4.0: Redefining Marketing in the Digital Economy

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Abstract:

"Marketing 4.0: When Online Meets Offline, Style Meets Substance, and Machine-to-Machine Meets Human-to-Human" Philip Kotler, Hermawan Kartajaya, Iwan Setiawan (2017) Marketing has undergone a shift from Marketing 1.0 to Marketing 4.0. Marketing 4.0 is able to integrate offline traditional marketing with online digital marketing. Marketing 4.0 is a marketing strategy that integrates online and physical interactions between businesses and customers. It is an approach which more effectively takes into account the convergence of the offline and on line worlds of businesses and customers. The concept focuses on how, in the times of a digital economy boom, offline touch serves as a major differentiation in an increasingly online world. It also encompasses how style blends with substance, in that even as brands need to adopt flexible and adaptive styles in view of fast-changing technological developments, the brand's core, authentic character is ever more important. Marketing 4.0 is about balancing machine-to- machine (M2M) with human-to-human (H2H). As connected devices become more common place on the back of artificial intelligence and Internet of Things(IoT), resulting in greater marketing productivity, they need to go hand-in-hand with human-to-human connectivity in order to strengthen customer engagement. This study explores the conceptual understanding of Marketing 4.0 and move from marketing 1.0 to marketing 4.0, i.e. traditional to digital marketing.

Keywords: *Marketing 4.0, Traditional Marketing, Digital Marketing*

I. Introduction:

Marketing 4.0 is a marketing strategy that integrates online and physical interactions between businesses and customers. It increases marketing productivity by employing machine-to-machine connectivity and artificial intelligence, while strengthening consumer interaction by leveraging human-to- human communication. Marketing expert Philippe Kotler has defined Marketing 4.0 as a new dimension of marketing linked to connectivity and technology. In Marketing 4.0, customer data acquisition plays the leading role, and completely

transforms the buying process by focusing as much on needs as on expectations and behaviour. Between evolution, revolution and innovation marketing 4.0 destined to replace traditional marketing. Marketing strategy professor Philippe Kotler has been an authority in the field for over 50 years in his recent textbook "Marketing 4.0: The Digital Age", prefaced by Professor Pierre Volle, he describes the many digital innovations that have taken marketing into a new dimension in just a few years. The specificity of marketing 4.0 is that it uses the new technologies of the digital world to better understand consumers' decisions. It uses tools such as Big Data (processing of voluminous data), CRM (customer relationship management) and marketing automation (automation of marketing campaigns).

Marketing 4.0 takes into account not only the development of technologies but also the evolution of customers' consumption habits, more informed and more demanding. Today's consumer is more socially responsible but also more connected. He can use social networks to support a product or to denigrate it. The customer's buying journey is becoming more complex than before: they can now ask questions on blogs and forums, or address the brand directly using social networks. In this context, new generation marketing proposes innovative methods to reach the consumer. It focuses on the customer experience by activating numerous digital levers to seduce them, convince them and anticipate their behaviour.

II. Literature Review:

The available literature on marketing 4.0 is studied, analysed and described as below,

1. Jara, A. J., et. al (2012), Marketing 4.0: A New Value Added to the Marketing through the Internet of Things, Innovative Mobile and Internet Services in Ubiquitous Computing (IMIS), describes digital technology is currently being integrated with various marketing activities continuously with many new approaches, methods, tools, and practices in marketing.

2. Pellet, J.E. (2011). Le e-commerce says the first marketing method is known as marketing 1.0, a product-cantered approach. This marketing basically focuses on selling products without considering the needs and wants of the target market and is only oriented towards increasing sales

3. Kotler, P. et al, (2012). Marketing 3.0: conceptualised as marketing 2.0 should be shifted from "transactional marketing" to a new approach that can be characterized as a "marketing facilitator"

4. Erragcha et. al, (2014). New Faces of Marketing in The Era of the Web: From Marketing 1.0 To Marketing 3.0. clearly states as customers are more sensitive to problems occurring in society, which makes many organizations or companies more focused on improving the main business and trying to achieve the values desired by the community.

5. Kertajaya et. al, (2017) Citizen 4.0 describes the era of the digital economy is not enough just with digital interactions.

6. Alfirahmi et. al, (2019) describes marketing 4.0 as a marketing approach that combines online and offline interaction between marketers and customers.

7. Guven, (2020) Industry 4.0 and Marketing 4.0: In Perspective of Digitalization and E- Commerce. Marketing managers need to adapt to these changes and apply media and strategies to digital advertising.

8. Dash et al., (2020) Marketing-to Millennials: Marketing 4.0, customer satisfaction, and purchase intention. The Marketing 4.0 approach focuses on identifying the type of product and image of the product and may contribute to customer satisfaction and, consequently, increase customer purchasing intentions.

9. Suleman et al., (2020) Consumer Behaviour in the Marketing 4.0 Era Regarding Decisions about Where to Shop. Research findings have found that risk affects market attitudes and decisions.

10. Garcia-Haro et al., (2020) Marketing 4.0 and Internet Technologies in the Tourism Industry Context. Companies should respond to these comments and ideas on the social media platform to build a positive image of the tourism industry. It will cooperate with tourist products and services in a participatory manner that is shared between consumers and companies and promote and encourage international explorers to visit the tourist site.

11. Dewi, (2020) Digital marketing strategy on travel tourism businesses in marketing 4.0 era. The tourism agency industry is wrong, this time ready to rely on the pedestrian service by booking tickets and choosing travel packages, everything has changed digitally.

12. Krishnamurthy et al., (2020) Marketing 4.0: Impacts of Technological Developments on Marketing Activities. Technological advances regarding transformation and changes in the marketing mix are being evaluated. Finally, consider the broader approach to communication between technology and marketing.

III. Objectives of the study.

- To study the theoretical and conceptual background of marketing 4.0
- To understand the move of marketing 1.0 to marketing 4.0
- To study the conceptual difference between marketing 3.0 and marketing 4.0
- To analyse the implications of marketing 4.0 model.

IV. Research Methodology

This research paper is based on a descriptive and qualitative study conducted by analysing the data from secondary sources. The present study utilizes secondary data from the Internet, newspapers, publications, journals, and books to research marketing model 4.0.

V. Theoretical and Conceptual Background of Marketing 4.0

Marketing 4.0 is a marketing approach that combines online and offline interaction between companies and customers. In the digital economy, digital interaction alone is not sufficient. In fact, in an increasingly online world, offline touch represents a strong differentiation. Traditionally, marketing always starts with segmentation—a practice of dividing the market into homogenous groups based on their geographic,

demographic, psychographic, and behavioural profiles. Segmentation is typically followed by targeting—a practice of selecting one or more segments that a brand is committed to pursue based on their attractiveness and fit with the brand. Segmentation and targeting are both fundamental aspects of a brand's strategy. They allow for efficient resource allocation and sharper positioning. They also help marketers to serve multiple segments, each with differentiated offerings. However, segmentation and targeting also exemplify the vertical relationship between a brand and its customers, analogous to hunter and prey. Segmentation and targeting are unilateral decisions made by marketers without the consent of their customers. Marketers determine the variables that define the segments. The involvement of customers is limited to their inputs in market research, which usually precede segmentation and targeting exercises. Being "targets," customers often feel intruded upon and annoyed by irrelevant messages aimed toward them. Many consider one-way messages from brands to be spam. In the digital economy, customers are socially connected with one another in horizontal webs of communities. Today, communities are the new segments. Unlike segments, communities are naturally formed by customers within the boundaries that they themselves define. Customer communities are immune to spamming and irrelevant advertising. In fact, they will reject a company's attempt to force its way into these webs of relationship.

VI. Moving from Marketing 1.0 to Marketing 4.0

The moving from marketing 1.0 to marketing 4.0 is also called as move from traditional to digital. The first marketing method is known as marketing 1.0, a product oriented approach. This marketing basically focuses on selling products without considering the needs and wants of the target market and is only oriented towards increasing sales (Pellet, 2011). The economy is only based on the supply and availability of products, which are marketed by manufacturers with one-way communication using existing media such as television, radio, printed media, and also letters. Manufacturers in the marketing 1.0 focused heavily on how the best products will be produced, without thinking about whether the product can meet the expectations of potential customers or not. In Marketing 2.0, marketing activities shifted to the customer-oriented area due to the development of human needs for a product. This gives an impact on the variety of product offerings related to the growth of customers" characteristics so that in this era, customers have a variety of choices in determining purchasing decisions. From this method, customers benefit by getting product value that is more oriented to finding new target markets. Marketing 2.0 should be shifted from "transactional marketing" to a new approach that can be characterized as a "marketing facilitator" (Kotler, 2012). In marketing 2.0, customers benefit from the availability of more products to meet their needs, while form the manufacturers" side, they compete with other manufacturers who provide similar products to win the target customers. This encourages manufacturers to find out more about the customers" needs to meet the product they want to buy.

In Marketing 3.0, people are more aware of social and humanistic sides where customers are treated as humans. This is marked by changes in customers" behaviour that require a joint intervention from collaborative, cultural, and spiritual marketing (Kotler et al, 2012). In this era, customers are more sensitive to problems occurring in society, which makes many organizations or companies more focused on improving the main business and trying to achieve the values desired by the community (Erragcha et. al, 2014). In this era, the relationship between manufacturers and customers began to be established by seeing the habits, activities, and also the increasingly complex culture of society so that manufacturers create products that are desired by the community.

Manufacturers then increase their production in their main business with distinctive characteristics to be able to remain competitive in a more diverse market.

Nowadays we are in the 4.0 marketing era with various new approaches in the field of marketing. Economic activities undergo changes affected by the global technological transformation that significantly changes trends in communication and information behaviour. This makes marketing 4.0 not only focus on the internet and social media but also used to design marketing strategies that enhance the relationship between brands and customer relations. Today marketing 4.0 is one of the solutions to changes that are triggered by the market and aggressively-competing market participants with the demands of rapid technological advances along with innovation. Thus, digitization changes the decision-making process, how to obtain information, consideration, and evaluation of the products or services offered, rapid interaction with the organization, and the purchase of a product or service. A new generation looks for not only a product or service to satisfy their basic needs but also desires and attention that can satisfy their creativity and obtained values.

VII. The conceptual difference between marketing 3.0 and marketing 4.0

After the product-centric marketing 1.0 and the customer-centric marketing 2.0, the marketing 3.0 is both more human and more digital. It seeks to place values at the centre of the brand, notably by developing content marketing to talk about mission, ecology, commitment, corporate social responsibility. It no longer talks to customers but to men and women. It no longer targets a market but addresses a society that is committed, creative and in search of meaning. Marketing 3.0 also prefigures the advent of marketing 4.0: it uses digital technologies to convince the customer in a less intrusive way than with traditional advertising, in particular by implementing a content strategy (inbound marketing). Marketing 4.0 simply goes further, leveraging more data to predict consumer behaviour and deliver a more personalized experience.

VIII. Adoption of marketing 4.0

- **The ultra-connection**

  The company anticipates customers' needs upstream of the purchasing process. It creates a permanent connection through a multi-channel marketing strategy using inbound marketing (newsletters, blogs), emails, banners, targeted ads and social networks.

- **Adopting the 5A's**

  The traditional "4 P's" of the marketing mix (Product, Price, Promotion and Placement) have been replaced by the "5 A's": Aware (inform), Appeal (attract), Ask (ask), Act (act) and Advocate (recommend). The customer can be interested in several brands, get information on the internet, buy and then give his opinion on his purchase. The traditional customer journey is thus transformed by integrating the influence of social networks to reach ultra-connected consumers.

- **The importance of the user experience**

  Marketing 4.0 uses data collection to better meet the needs of customers who are more demanding (through personalized services) and more pressed for time (through mobile applications).

- **The path of multichannel**

  Digital technology is profoundly transforming the purchasing process: customers can now discover a product on the web and then buy it in store, or conversely, they can go to the store first and have the product delivered to their home. However, "classic" marketing is not dead: it is still essential to start by looking at the product, establishing its price and then defining the places where it will be available, before promoting it. Marketing is constantly innovating and is still evolving!

IX. Implications of marketing 4.0 model: Traditional to Digital Marketing

As we move from traditional to digital, marketing has undergone fundamental transformation in the way its various elements are incorporated. Let's take a look at the four most critical shifts:

From 'Segmentation and Targeting' to 'Customer Community Confirmation'

The process of traditional marketing begins with segmentation, wherein the market is homogeneously grouped based on geographic, demographic, or psychographic attributes. Then comes targeting which essentially means determining which segment(s) to serve, based on various factors including size, attractiveness, and growth potential, among others. While segmentation and targeting are critical elements in determining a brand's market strategy, they also highlight the linear nature of a brand's relationship with its customers – how brands make their decisions unilaterally, with little or no help from customers whatsoever. Customer input is limited to the insights drawn from traditional methods of market research, typically acting as precursors to the segmentation and targeting processes. The process is vertical.

This under-representation of the customer in the traditional marketing process comes across as a striking flaw when juxtaposed with the reality of today's digital economy boom. In this era of increased connectivity, socially-connected customers form horizontal webs of communities which represent the new-age segments. Communities are formed by customers on their own accord, which makes them more organic and in1mune to spamming and irrelevant advertising. For brands to be able to penetrate these com munities and get their messages across effectively, they need to fit in naturally – acting as friends, showing care and genuine concern to address customers' needs and wants. In essence, the process of segmentation. targeting and positioning is made more transparent.

From 'Brand Positioning and Differentiation' to 'Brand Characters and Codes'

Brand positioning encompasses all the activities targeted at making a brand occupy a unique position in customers' minds. The brand, traditionally identified as a name, logo, or tagline with the main purpose of distinguishing a product or service, has lately come to represent the overall experience that a company delivers to its customers. A clear positioning has long been heralded as a must-do for companies to generate strong brand equity. Positioning is typically a promise defined by brands to win over customers, often fulfilled through a strong differentiation, delivered by companies through their marketing mix – the 4 P's.

It is inevitable for traditional positioning and differentiation in marketing to also undergo a change in the connected era. Customers today are armed with abundant information, which empowers them to be the best judge of how well a brand fulfils its positioning promise. A brand's projected positioning will not have the desirable impact if it is not driven by a community-driven consensus. In this age of digital marketing, a brand needs to be dynamic and versatile in what messages it delivers and how. But what should remain consistent is the brand's character and codes, regardless of the content of the messages that it delivers. The brand's character – *its* raison d'être- is what defines its personality, it is what makes the brand stand true to its core, even if the outer imagery is flexible – think Google (with its ever-changing Doodles) or MTV – how they remain flexible with their varying designs, yet solid as brands.

**From 'Selling the 4P's to 'Commercializing the 4C's**

And finally, 4P's – the classic marketing mix elements which determine what a company offers to its customers and how. Starting with developing a product based on customers' needs and desires, to fixing a price which is usually calculated through either cost-based, competition-based, or customer value-based pricing methods. Then come place and promotion – the elements which decide the 'how to offer' part. In selecting the place, companies take care to make the product conveniently accessible to its customers, while promotion is required in the form of advertising. public relations, and sales promos – to communicate about the product to the desired target audience. The 4P's should be optimally designed and aligned in order for companies to be able to sell their products more effectively. In view of greater connectivity in the digital economy, armed with increased customer participation, we reckon the emergence of a new set of marketing mix, the 4C's – co-creation, currency, communal activation, and conversation.

Co-creation represents the already existing and even increasing customer participation in the process of new product development. Companies are increasingly engaging and inviting customers' involvement right from ideation stage, allowing the former to become more attuned to the latter's needs and wants. From tech giant Microsoft to toymaker Lego, there are many examples of successful customer-driven co-creation implemented in product innovation cycles.

By currency, we refer to the fluctuating prices with respect to market demand. In the digital era, many businesses have already adopted dynamic pricing based on market demand and capacity utilization. Ecommerce players. for example, make use of big data analytics to offer dynamic pricing to their users, aided by the massive amount of data collected on their purchasing habits. Dynamic pricing, based on data such as customers' historical purchase patterns, preferences or even proximity to store location, can help companies achieve optimized profitability by more efficiently balancing supply and demand.

Further, in a connected world, the concept of channel is fast evolving in view of the emerging trends in sharing economy. Peer-to-peer distribution model is rapidly gaining ground, giving customers almost instantaneous access to the products and services they need. This rising preference for instant delivery of products and services calls for a greater need of communal activation, wherein peers in close proximity can serve customers' needs and demands.

Finally, we reckon how promotion has transformed into conversation – it is no longer a monologue from brands delivering messages to their customers. Social media and other networking platforms have enabled customers to become more vocal in their responses to brands' messages. Customer review and rating applications, blogging platforms and online forums have become trusted sources for customers to engage in conversations to evaluate products and services from brands.

Fig. 1: Optimizing the Interchanging Role of Traditional and Digital Marketing
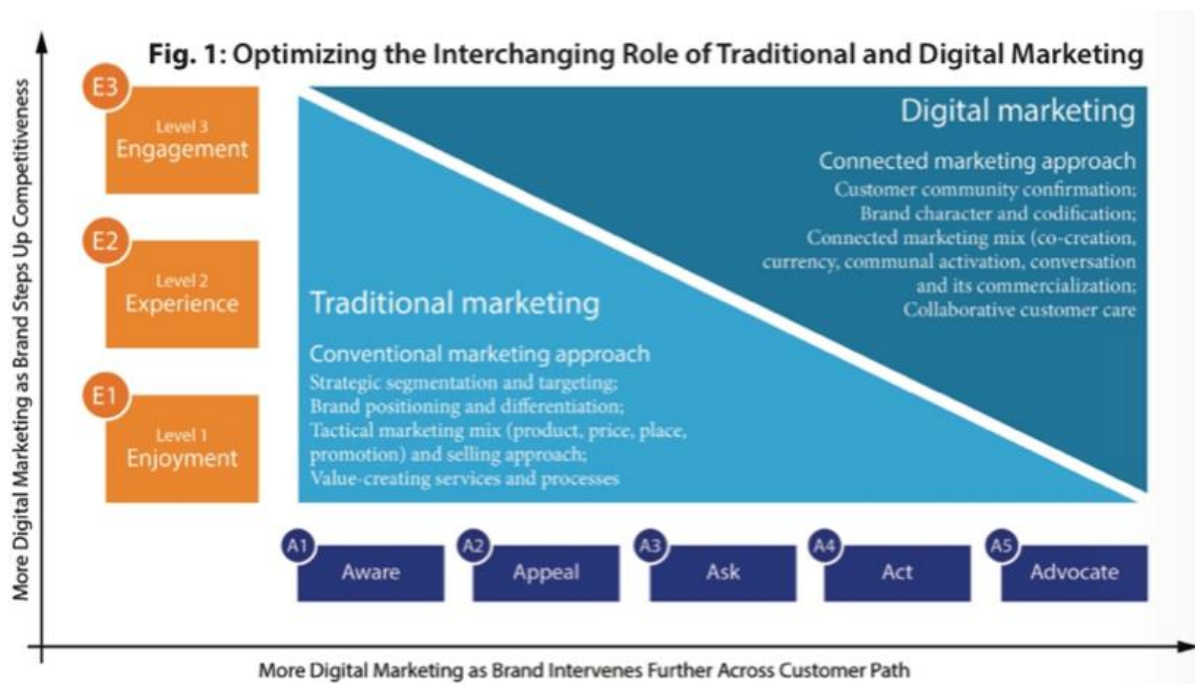
From 'Customer Service Processes' to 'Collaborative Customer Care'

Traditional customer service revolves around treating customers as kings, but in the collaborative customer care approach, they are viewed as equals. While customer service would focus solely on addressing their concerns while still attempting to stick to strict guidelines and standard operating procedures, collaborative care would put genuine effort into listening and responding to the customer, consistently following through, on terms agreed upon by both company and customer. In the connected world, this collaborative process is more relevant to customer care wherein customers are invited to participate in the process by using self-service facilities.

X.   Conclusion

Digital marketing is not meant to replace traditional marketing. Instead, the two should coexist with interchanging roles across the customer path. In the early stage of interaction between companies and customers, traditional marketing plays a major role in building awareness and interest. As the interaction progresses and customers demand closer relationships with companies, digital marketing rises in importance. The most important role of digital marketing is to drive action and advocacy. Since digital marketing is more accountable than traditional marketing, its focus is to drive results whereas traditional marketing's focus is on initiating customer interaction. Traditional marketing is still quite effective in building awareness and interest in brands, but digital marketing plays a more prominent role as customers go on to build closer relationships with brands. The essence of Marketing 4.0 is to recognize the shifting roles of traditional and digital marketing in building customer engagement and advocacy.

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