

Springer Business Cases

Philip Kotler
Waldemar Pfoertsch
Uwe Sponholz
Maximilian Haas *Editors*

H2H Marketing

Case Studies on Human-to-Human
Marketing


 Springer

Springer Business Cases

Editorial Board Members

Mehtap Aldogan Eklund, Department of CBA - Accountancy, University of Wisconsin–La Crosse, La Crosse, WI, USA

Karuna Jain, Shailesh J Mehta School of Management, Indian Institute of Technology Bombay, Mumbai, India

Dilip S. Mutum , School of Business, Monash University Malaysia, Subang Jaya, Malaysia

Henry Shi, Faculty of Arts, Business, Law and Economics, University of Adelaide, Adelaide, Australia

Marianna Sigala, Department of Business Administration, University of Piraeus, Athens, Greece

Springer Business Cases is a book series featuring the latest case studies in all areas of business, management, and finance, from around the world. The well-curated case collections in each of the books represent insights and lessons that can be used both in the classroom as well as in professional contexts. The books also place a focus on regional and topical diversity as well as encouraging alternative viewpoints which bring the knowledge forward. Both teaching cases as well as research cases are welcome.

Philip Kotler • Waldemar Pfoertsch •
Uwe Sponholz • Maximilian Haas
Editors

H2H Marketing

Case Studies on Human-to-Human
Marketing



Springer

Editors

Philip Kotler
Kellogg Graduate School of Management
Northwestern University
Evanston, IL, USA

Waldemar Pfoertsch
CIIM Business School
University of Limassol
Limassol, Cyprus

Uwe Sponholz
THWS – Technical University of Applied
Sciences Würzburg-Schweinfurt
Schweinfurt, Germany

Maximilian Haas
1&1 Telecommunication SE
Karlsruhe, Germany

ISSN 2662-5431

ISSN 2662-544X (electronic)

Springer Business Cases

ISBN 978-3-031-22392-1

ISBN 978-3-031-22393-8 (eBook)

<https://doi.org/10.1007/978-3-031-22393-8>

© The Editor(s) (if applicable) and The Author(s), under exclusive license to Springer Nature Switzerland AG 2023

This work is subject to copyright. All rights are solely and exclusively licensed by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

The publisher, the authors, and the editors are safe to assume that the advice and information in this book are believed to be true and accurate at the date of publication. Neither the publisher nor the authors or the editors give a warranty, expressed or implied, with respect to the material contained herein or for any errors or omissions that may have been made. The publisher remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.

This Springer imprint is published by the registered company Springer Nature Switzerland AG
The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

Foreword I

We are living in a remarkable time for any business or organization; there are times of intense challenges and magnificent opportunities as well as there exists the need for dramatic change. It is not a time to stand still and have complacency for corporations and educational institutions. The Covid-19 pandemic, the disruption of the global supply chains, the trends of deglobalization, and political leaders, which are using war as means, are rocking the world. Academics and leaders must stand up and make their points.

Human-to-Human marketing is a response to these developments and especially the current growth of mega-trends calls for a rethinking of marketing. After the publication of the H2H Marketing textbook in 2021, now the case study collection is available and elaborates various forms of applications for the highly needed new concept to make our planet a better place. Philip Kotler, Uwe Sponholz, Maximilian Haas, and Waldemar Pfoertsch were instrumental to put this collection together.

The book introduces the new marketing paradigm and its application in the case study of the US retailer, *Whole Foods Markets*. The readers will have the opportunity to learn about the newly needed H2H mindset in today's marketing world. A great case study is also the Danish food service solution, *The Good Kitchen*, which caters to senior citizens in the municipality of Holstebro and focuses on the application of Design Thinking and Service-Dominant Logic to improve the daily life of elderly people in the respective community.

The next case study is about *Elobau*, an electro-mechanical controlling company with 850 employees from Southern Bavaria. They manufacture in a climate-neutral manner and operate under some main principles. The focus on human beings and environmental sustainability are their top priorities. The case gives also great insights into the company's situation and new strategic marketing options.

Another important issue in our current marketing world is trust. Particularly, through the increased use of online shopping and social media, marketers need to understand the expanded need for reliable relationships in all human interactions. This is crucial for any brand-building activities. In the publication, in the case study of branding, the branded viscose garment *Liva*, multi-layered marketing principles are applied. *Liva* wants to stand for the high-quality fabric made using natural cellulosic fibers of the Aditya Birla Group from India. The case study illustrates to the reader current challenges and approaches to overcome them.

The transformation of the customer experience is described in the *Medtronic* case. The company is the world's leading medical technology company with a revenue of over \$30 billion and the case concentrated on the diabetes patient's treatment system and the company's relationship with its clients. The company established a unique H2H pathway to overcome many obstacles and make the life of patients, suffering from diabetes type 1, better.

In the case study of electrical conglomerate *Siemens*, the leadership of the company combines its industry expertise and know-how technology to generate new businesses together with the customers through the use of a value co-creation methodology. They not only digitalized their processes and procedures but also offer digital transformation for industry, infrastructure, and mobility solutions. Their one common goal is to build mutual trust with customers—from suppliers and partners to end users.

The last case in this collection is the story about Patagonia, which applied a human-centered approach to marketing from the beginning. The case illustrates the company's philosophy and practice by explaining the H2H Marketing Model. After the publication of this case, the founder of Patagonia, Yvon Chouinard announced that he will place his privately owned company into a foundation and make the earth, "the only shareholder."

This case study collection will give the reader a wide array of insights into the new possibility to apply the innovative H2H marketing approach and exemplifies with small and large companies what kind of challenges and opportunities arise with the application of the concept. This publication gives you insights into the newest current thinking around the problems of marketing theory and practice as well as solutions and describes ways forward and provides a diverse exploration of the position of marketing in the face of challenges for societal transformation.

Cyprus International Institute
of Management (CIIM)
Nicosia, Cyprus

Theodore Panayotou

University of Limassol (UoL)
Limassol, Cyprus
January 2023

Foreword II

In today's healthcare industry, patients expect more from their care. Daily disease management for conditions like diabetes or heart disease should never get in the way of a person leading a full life. At Medtronic, we strive to meet patients, providers, and other key stakeholders where they are with reimagined product design, experiences, and distribution channels that extend beyond traditional hospital settings and fit their lifestyles.

The work done by our Diabetes team in EMEA to transform the patient journey clearly shows how "Human-to-Human Marketing" can change and improve lives while delivering real, sustainable business results. Profs. Kotler's, Pfoertsch's, Sponholz's, and Haas's collection is a poignant example of how this kind of altruistic, people-centered approach to working has proven benefits in other industries, as well as the potential to fundamentally change the world we live in.

Medtronic
Minneapolis, MN, USA

Geoff Martha

Preface

Before 2021, relatively few executives considered competencies in human-oriented management, sustainability, or workforce resilience as critically important to their business. Today after Corona pandemic and Ukraine invasion, top executives tell a different tale. Human-to-Human (H2H) Marketing became relevant for all kinds of enterprises. The largest demand comes from Far East countries. Enterprises from India, Japan, Vietnam, and Iran are asking for more insights and examples. Therefore, the Case Study Collection book introduces us to the theme of human integrity and honor in the context of the marketplace on various examples. In our previously published H2H Marketing book, we emphasized that human values of trust and service to others are the foundations of H2H Marketing. Now we are introducing the real-life examples.

In H2H Marketing, we focused on redefining the role of marketing by reorienting the mindset of decision-makers and integrating the concepts of Design Thinking, Service-Dominant Logic, and Digitalization. We considered these changes not just technological advances that have made it necessary to revisit the way everybody thinks about marketing. Today, customers and marketers as human decision-makers are changing, too. Therefore, having the right mindset, the right management approach, and highly dynamic implementation processes are key to creating innovative and meaningful value propositions for all stakeholders and a better world.

This Case Study Collection book is essential reading for the following groups:

- Executives who want to bring new meaning to their lives and organizations,
- Managers who need inspirations and evidence for their daily work to handle the change management needed in response to the driving forces of technology, society, and ecology,
- Professors, trainers, and coaches who want to apply the latest marketing principles,
- Students and trainees who want to prepare for the future,
- Customers of any kind who need to distinguish between leading companies,
- Employees of suppliers and partners who want to help their firms stand out.

We reviewed the status quo of marketing and outlined its evolution to the new H2H Marketing and brought forward examples of implementation. They

demonstrate the suitability of the new marketing paradigm with the H2H Marketing Model. As described in the textbook, H2H marketing incorporates Design Thinking, Service-Dominant Logic, and the latest innovations in Digitalization.

With these selected case studies, we demonstrate the application of the new concept. Many of these cases applied the concept, before the publication of our book. Leaders like John Mackey from Whole Foods Market or Marc Benioff from Salesforce developed their own concepts for applying a new H2H Mindset, Trust, and Brand Management. They nurtured the evolution of the operative Marketing Mix to a dynamic and iterative H2H Process. They offered a way for marketing to find meaning in a troubled world.

We are grateful to collect these examples of advanced H2H Marketing and prepare the opportunity to apply these challenges for classroom settings in business schools and executive training. All figures in this text come from the original H2H Marketing publication if they have not a dedicated source.

We would like to thank the various collaborators for proving us with their way of preparing insights into the new marketing situation, which could lead to a more human-oriented marketing approach and a better world. Special thanks goes to the contributors for this case collection *Fabio Guido Ulderico Ancarani*, Professor of Marketing at the University of Bologna and Associate Dean for Executive Education; *Alberto Andolina*, Vice President Customer Marketing & Intl Transformation, Diabetes at Medtronic; *Federico Gavioli*, Vice President EMEA Diabetes at Medtronic; *Daniela Posada*, Performance Manager for Vodafone in Germany; *Agnes Wei Sum Lei*, Technology Excellence at Siemens Healthineers; *María Elena Corzo Ramos*, SAP Waldorf, Germany; *Saurabh Gupta*, Regional Sales Manager Regional Sales Manager Ceasefire Industries Pvt Ltd., India; *Charlotte Schatz*, Manager Global Brand & Business Development Hugo Boss AG Metzingen, Germany; the writers of the Foreword *Theodore Panayotou*, Director & Dean of Cyprus International Institute of Management (CIIM) and Rector-designate of the prospective University of Limassol, *Geoff Martha*, Chairman and CEO Medtronic Minneapolis, USA, and many more.

Evanston, IL
Limassol, Cyprus
Schweinfurt, Germany
Karlsruhe, Germany
January 2023

Philip Kotler
Waldemar Pfoertsch
Uwe Sponholz
Maximilian Haas

Contents

Part I H2H Marketing

- 1 The New Paradigm: H2H Marketing 3**
Philip Kotler, Waldemar Pfoertsch, Uwe Sponholz,
and Maximilian Haas
- 2 Case Study: Whole Foods Market—Combining Multiple
Elements of H2H Marketing 55**
Daniela Posada and Waldemar Pfoertsch
- 3 Case Study: The Good Kitchen (Det Gode Køkken)—Applying
Design Thinking and Service-Dominant Logic 71**
Saurabh Gupta and Waldemar Pfoertsch

Part II H2H Mindset

- 4 H2H Mindset in H2H Marketing 81**
Philip Kotler, Waldemar Pfoertsch, Uwe Sponholz,
and Maximilian Haas
- 5 Case Study: New Challenges at *elobau*—Can Purpose
Orientation and Sustainability Create New Strategic Options? 93**
Waldemar Pfoertsch

Part III H2H Management

- 6 H2H Brand Management and Trust 117**
Philip Kotler, Waldemar Pfoertsch, Uwe Sponholz,
and Maximilian Haas
- 7 Case Study: Liva Branding for Success—Can Ingredient Branding
Change the Dynamics in the Indian Textile Value Chain? 125**
Maximilian Haas and Waldemar Pfoertsch

Part IV The H2H Process

8 Rethinking Operative Marketing: The H2H Process 143
Philip Kotler, Waldemar Pfoertsch, Uwe Sponholz,
and Maximilian Haas

9 Case Study: H2H Marketing—In the Heart of Siemens’ Success . . . 155
Agnes Lei and Waldemar Pfoertsch

**10 Case Study: Medtronic and the Transformation of the Customer
Experience 167**
Alberto Andolina, Federico Gavioli, and Fabio Ancarani

Part V H2H Marketing Future

**11 Establishing Resonance Between Companies, People,
and the Environment 181**
Philip Kotler, Waldemar Pfoertsch, Uwe Sponholz,
and Maximilian Haas

**12 Case Study: Patagonia—A Human-Centered Approach to
Marketing 195**
Charlotte Schatz and Waldemar Pfoertsch

Editors and Contributors

About the Editors

Philip Kotler is the leading authority in marketing. He was the S.C. Johnson & Son Distinguished Professor of International Marketing at the Kellogg School of Management, Northwestern University, Evanston, Illinois. He received his master's degree at the University of Chicago and his PhD degree at MIT, both in economics. He did post-doctoral work in mathematics at Harvard University and in behavioral science at the University of Chicago.

Professor Kotler is the author of more than 90 books, many articles such as: *Marketing Management: Analysis, Planning, Implementation and Control*, the most widely used marketing book in graduate business schools worldwide; *Principles of Marketing*; *Marketing Models*; *Strategic Marketing for Non-profit Organizations*; *The New Competition*; *High Visibility*; *Social Marketing*; *Marketing Places*; *Marketing for Congregations*; *Marketing for Hospitality and Tourism*; *The Marketing of Nations*; *Kotler on Marketing*, *Building Global Bio Brands*, *Attracting Investors*, *Ten Deadly Marketing Sins*, *Marketing Moves*, *Corporate Social Responsibility*, *Lateral Marketing*, and *Marketing Insights from A to Z*. He has published over one hundred articles in leading journals, several of which have received best-article awards. Professor Kotler was the first recipient of the American Marketing Association's (AMA) "Distinguished Marketing Educator Award" (1985). The European Association of Marketing Consultants and Sales Trainers awarded Kotler their prize for "Marketing Excellence." He was chosen as the "Leader in Marketing Thought" by the Academic Members of the AMA in a 1975 survey. He also received the 1978 "Paul Converse Award" of the AMA, honoring his original contribution to marketing. In 1989, he received the Annual Charles Coolidge Parlin Marketing Research Award. In 1995, the Sales and Marketing Executives International (SMEI) named him "Marketer of the Year." Professor Kotler has consulted for such companies as IBM, General Electric, AT&T, Honeywell, Bank of America, Merck, and others in the areas of marketing strategy and planning, marketing organization, and international marketing.

He has been a Chairman of the College of Marketing of the Institute of Management Sciences, a Director of the American Marketing Association, a Trustee of the Marketing Science Institute, a Director of the MAC Group, a former member of the

Yankelovich Advisory Board, and a member of the Copernicus Advisory Board. He has been a Trustee of the Board of Governors of the School of the Art Institute of Chicago and a Member of the Advisory Board of the Drucker Foundation. He has received honorary doctoral degrees from the Stockholm University, University of Zurich, Athens University of Economics and Business, DePaul University, the Cracow School of Business and Economics, Groupe H.E.C. in Paris, the University of Economics and Business Administration in Vienna, Budapest University of Economic Science and Public Administration, and the Catholic University of Santo Domingo. Philip is one founding member of The Sarasota Institute, a think tank located in Sarasota, Florida

He has traveled extensively throughout Europe, Asia, and South America, advising and lecturing to many companies about how to apply sound economic and marketing science principles to increase their competitiveness. He has also advised governments on how to develop stronger public agencies to further the development of the nation's economic well-being. Mail: pkotler@aol.com

Waldemar Pfoertsch is a Senior Professor of Marketing at the CIIM Business School of the University of Limassol, Cyprus. He is a Professor Emeritus for International Business at the Pforzheim University, Germany, and a part-time Professor at EPOKA University in Tirana, Albania. He lectures about H2H Marketing, B2B Marketing, and Industrial Brand Management. He is a lecturer at the Mannheim Business School, Tongji SEM, Shanghai, and TUM (Technical University Munich), Heilbronn. He also teaches at ITM, Sweden, Indian Institute of Management Calcutta (IIMC), and Graduate Business School of ESAN, Lima, Peru. From 2007–2010, he was a Professor of Marketing at China Europe International Business School (CEIBS), Shanghai. His other teaching positions have been at the Executive MBA Program at the University of Illinois, Chicago. He was a Visiting Associate Professor at the Kellogg Graduate School of Management, Northwestern University and a Lecturer for Strategic Management at the Lake Forest Graduate School of Management. From 2001, he has taught online with the University of Maryland University College Graduate School. At the start of his career, he was a Research Assistant at the Technical University of Berlin.

Dr. Pfoertsch has extensive experience in management consulting in USA, Europe, and China. In his years at UBM/Mercer Consulting Group, Arthur Andersen Operational Consulting, and LEK Consulting, he worked throughout Europe, Asia, and North America, assisting companies in developing international strategies. His earlier positions include sales and strategy positions at Siemens AG in Germany/USA and being he was an Economic Advisor to the United Nations Industrial Development Organization (UNIDO) in Sierra Leone, West Africa. His research interests have evolved around the globalization of high-tech companies and their marketing and branding efforts. His newest research is focusing on Human-to-Human marketing of industrial companies. Mail: waldemar@pfoertsch.com

Uwe Sponholz is a Professor for Service Engineering, Innovation Management and Design Thinking, B2B Marketing and Sales as well as Strategic Management at

FHWS - University of Applied Sciences Würzburg-Schweinfurt. He also teaches at Christ University, Bangalore, India and other foreign universities. As Dean of the Faculty of Business and Engineering at FHWS, he was a strategic driver of the internationalization of the university and the introduction of innovative teaching methods. Today, in addition to his teaching duties, he is responsible for the degree program management of the MBA Business with Europe and the management of two laboratories (Creative Cube and VR Laboratory).

His professional career began at the Institute for Trade Research at the University of Cologne, initially as a researcher, later as a head of department of the newly founded consulting division of the institute. He then moved to Alliances Management Consultants in Paris, a small consulting firm specializing in providing strategic advice to large service providers. From there he went to FAG in Schweinfurt, where he was significantly responsible for the development and implementation of a global service concept.

For years, he has supported companies with design thinking workshops and consulting projects. He is also shareholder and founding partner of in-cito management consulting and Bodystance GmbH. He uses the second company to test his conceptual ideas of H2H Marketing. Mail: usponholz@in-cito.de

Maximilian Haas worked as a research assistant at the Pforzheim Business School before starting to work as a consultant for Ingredient Branding and Business Development. He graduated in 2019 in International Business at Pforzheim University. His interests lay mainly in branding and international business. He is a guest lecturer at the University of Ljubljana, School of Economics and Business and currently works as a Product Manager Mobile for 1&1 Telecommunication SE in Karlsruhe, Germany. In his role as a product manager, he creates new product concepts for churn prevention and customer retention campaigns. Mail: maximilian.g.haas@gmail.com

Foreword Contributors

Theodore Panayotou the Director and Dean of CIIM, is a 2007 NOBEL Peace Prize Contributor, and former a Harvard faculty member. He is a Professor of Economics and Ethics at CIIM. Formerly a Visiting Professor at Tel Aviv University and a former Member of the Cyprus President's Council of the National Economy. Professor Panayotou taught Economics for 25 years at Harvard University where he served as a Director of the Environment and Sustainable Development Program at the Centre for International Development. Before joining Harvard in 1986, Dr. Panayotou was a senior economist with the Rockefeller Foundation (New York), based in Southeast Asia (Thailand) in the years 1978–1985. He advised Presidents and Premiers in over 20 countries including China, Mexico, Russia, the USA, and several countries in Eastern Europe, Central America, and Southeast Asia, and served as consultant to companies, governments, the UN, and the World Bank.

Dr. Panayotou has a BA in Economics from the University of Athens, an MA in Economics (Development Economics) from York University (Canada), and a PhD in Economics (Environmental and Resource Economics & Management) from the University of British Columbia (Canada). Dr. Panayotou has published more than a hundred journal articles, monographs, and books on the subjects of economic development, environmental management, climate change, sustainability, and competitiveness. His most recent book “Environment for Growth” is published by Harvard University Press. He is considered a world authority on economic instruments and innovative financing mechanisms, transferable development rights, and on sustainable and experiential tourism.

In early 1990s, Dr. Panayotou was one of the first economists to introduce and test the idea of an Inverted-U relationship between environment degradation and economic development (known as Environmental Kuznets Curve) and explore the role of economic policies, and the capacity to absorb innovation and technological change. In the years 1995–97 leading to the Kyoto Protocol, Dr. Panayotou contributed to the development of Joint Implementation, emissions trading, and the Clean Development Mechanism, and trained thousands of policy makers in governments and international organizations in the economics of climate change through his Climate Change Workshops at Harvard and around the world.

In the early 2000s in cooperation with Professor Jeffrey Sachs of Harvard (now at Columbia), Dr. Panayotou estimated econometrically and valued the economic impacts of climate change on different regions of the world and proposed a scheme of Compensation for Meaningful Participation in Climate Change Control. In 2010, he served as an advisor to the High Level Advisory Group on Climate Change Financing (AGF) of the UN Secretary General chaired by the Norwegian Prime Minister and co-authored the Group’s Report on Climate Change Financing, endorsed by the UNFCCC COP 16 in Cancun in December 2010. At the same time, he served as advisor to the COP16 host, the Government of Mexico (President and Minister of Finance), on Climate Change Economics and Policy. Mail: theo@ciim.ac.cy

Geoff Martha is firmly establishing Medtronic as the undisputed global leader in healthcare technology. As chairman and CEO, Geoff leads the \$32 billion company and its 90,000 employees in pursuit of fulfilling the Medtronic Mission to use technology to improve human welfare. Since becoming CEO in 2020, he is regularly recognized as a driven and innovative executive, including as a top CEO in healthcare technology by the Healthcare Technology Report and as one of Modern Healthcare’s most influential people in healthcare.

The Medtronic Mission—to alleviate pain, restore health, and extend life—has inspired its researchers and engineers to create some of the most meaningful medical technologies in the history of healthcare: a pacemaker the size of a vitamin pill, the world’s first hybrid closed-loop diabetes pump, neurostimulators for pain and brain disorders, and more. Under Geoff’s leadership, Medtronic is leveraging the latest advances in cutting-edge technology to transform healthcare, including manufacturing processes, robotics, data, machine learning, and artificial intelligence.

Recognizing the power of partnerships and innovative collaborations, Geoff has accelerated Medtronic's strategic acquisitions, boldly pursued novel R&D funding models, and embraced new ways to partner across industries and global borders.

Geoff assumed his role as CEO as the COVID-19 pandemic rocked communities around the world. As part of his commitment to lead with purpose, Geoff quickly mobilized the company and took action to help global healthcare professionals and partners continue to treat patients and protect themselves. In addition to accelerating the development of remote solutions, he made the unprecedented move to open source the company's intellectual property, making proprietary ventilator designs available to manufacturers around the world. The move helped address growing global demand for ventilators, resulted in new partnerships, and broke down barriers across industries to enhance care. In 2021, the Ireland-U.S. Council awarded him with the Global Achievement Award to recognize his role in overseeing Medtronic's significant contributions to the fight against the pandemic.

FORTUNE Magazine named Medtronic among the top 15 companies for its 2020 "Change the World" list, recognizing its swift efforts during the pandemic, and listed the company on its list of Most Admired Companies in 2021 and 2022. During Geoff's tenure as CEO, Medtronic has also placed #10 on DiversityInc's 2022 Top 50 Companies for Diversity; Drucker Institute's 2020 Management Top 250 list; and the Dow Jones Sustainability North America Index, as one of the world's leading companies in sustainability. Since joining Medtronic in 2011, Geoff has remained an ardent supporter of Medtronic-sponsored philanthropic and diversity initiatives. He is a member of the Medtronic Foundation Board of Directors and serves as Medtronic's Executive Sponsor to FIRST Robotics. Geoff also led the Medtronic African Descent Network—an internal resource group focused on recruitment, engagement, retention, and development for employees of African descent.

Prior to becoming CEO of Medtronic, Geoff held various leadership roles on the company's executive committee, including SVP, Strategy and Business Development; Chief Integration Officer; and Executive Vice President, Restorative Therapies Group. Notably, he led the acquisition and subsequent integration of Covidien, the largest acquisition in the history of the medical technology industry. Before joining Medtronic, Geoff spent 19 years in a variety of business development, strategic marketing, and sales management roles at GE Healthcare and GE Capital.

Geoff is an active member of the global business community, sitting on the Business Roundtable, the Business Council, the World Economic Forum's International Business Council, as well as the U.S.-China Business Council's Board of Directors. In 2021, he served as co-chair of the Taskforce on Health and Life Sciences for B20, a G20 engagement group. He is a member of the Board of Trustees for the Asia Society, a leading educational organization dedicated to promoting mutual understanding and strengthening partnerships among peoples, leaders, and institutions of Asia and the U.S. in a global context. He is also a member of the Executive Committee of the board of directors for the Minnesota Business Partnership. Passionate about socio-economic issues, Geoff serves on the Board of Directors for several nonprofit organizations including Children's HeartLink, which provides access to care for children around the world with congenital heart

defects, the Northside Achievement Zone (NAZ), a Minneapolis-based community collaborative that works to end generational poverty and build a culture of achievement so low-income children of color graduate college and are career-ready, and the YMCA of the North, which works to nurture the potential of every child and teen, ensuring everyone has the opportunity to become healthier, more confident, connected, and secure. He is also part of OneTen, a coalition of cross-industry leaders committed to breaking down systemic barriers for Black Americans.

Geoff received a bachelor's degree in Finance as a member of the Scholar's Program from Pennsylvania State University, graduating with highest honors. He was a captain of the Penn State men's hockey team and later inducted into its Hockey Hall of Fame. In 2016, the University awarded him the Penn State Hockey Distinguished Alumni Award. He is also a member of Penn State's College of Liberal Arts Development Council. Twitter (@GeoffMartha) and LinkedIn (linkedin.com/in/geoff-martha).

Case Study Contributors

Fabio Guido Ulderico Ancarani is a Professor of Marketing at the University of Bologna and an Associate Dean for Executive Education and short-term programs at BBS, where he is also a Director of the Executive Master in Sales and Marketing. Professor Ancarani has served as a member of the board of Directors of Fondazione BBS. Professor Ancarani has been a Visiting Scholar at the Smith School of Business, University of Maryland and a Visiting Professor at ESCP-EAP in Paris. He also took his ITP (International Teachers Program) at the Stockholm School of Economics. He has been an Assistant and Associate Professor at Bocconi University. He teaches courses on marketing management, strategic marketing, pricing and customer value management, marketing metrics and performance. Professor's Ancarani research interests are focused mainly on strategic marketing, customer value analysis and measurement, pricing, value management. He has published the Kotler, P., Keller, K., Ancarani, F., Costabile, M. (2012 and 2017), *Marketing Management*, Pearson, 14th–15th Italian edition and the Kotler, P., Pfoertsch, W., Sponholz, U.; Ancarani, F., *H2H Marketing* Italian edition. In professional activities, Prof Ancarani serves as an advisor for marketing and management consultant for top international and national companies, on topics such as development of marketing competences, marketing strategies, and marketing planning. Mail: fabio.ancarani@sdbocconi.it

Alberto Andolina is a Vice President Customer Marketing & Intl Transformation, Diabetes at Medtronic. After an MBA from The International Institute for Management Development (IMD), he started as Regional Business Director for Diabetes and then was promoted to Senior Marketing manager & strategy Diabetes EMEA. He is an engaging leader, driven by a strong passion for strategic change and inspired by the opportunity to improve healthcare provision in more effective, cost-efficient, and accessible ways. Mail: Alberto.Andolina@medtronic.com

Federico Gavioli is a Vice President EMEA Diabetes at Medtronic EMEA. Before, he worked as a product manager at Leica Biosystems and General Electric Europe Diagnostic Cardiology, Xray and Surgery. He also was a marketing Manager for 3M. He has a profound knowledge of customer needs in the medical industry and leads various change initiatives. Mail: federico.gavioli@medtronic.com

Daniela Posada is a CRM/Marketing Data Specialist with 7 years of experience in the retail, beauty, and telecommunications industry. Her passion is analyzing data to help find ways to solve problems. She works as a Performance Manager for Vodafone in Germany. She has an MBA from Pforzheim Business School and an engineering degree from Escuela de Ingeniería de Antioquia, Medellín, Colombia. Mail: danielach90@gmail.com

Agnes Wei Sum Lei is working in Technology Excellence team at Siemens Healthineers. She has commercial experience in business development, global & regional strategic planning, and in-market sales & client relationship management. She has a proven track-record in global leading technology and healthcare firms to drive innovation and execute business plans with strong analytical skills and excellent team leadership. She graduated from the Professional Master Program in Management & Innovation at the Technical University of Munich and has a bachelor's degree in chemical engineering from the Hong Kong University of Science and Technology. Mail: agneswslei@gmail.com

María Elena Corzo Ramos is working at SAP as a cloud solution provider. She graduated from the professional Master Program in Management & Innovation at the Technical University of Munich and has a bachelor's in international business from Tecnológico de Monterrey, Mexico. Mail: elenaczrm@gmail.com

Saurabh Gupta has an MBA in International Business Management from the Pforzheim Business School and specializes on Business Analytics & Project Mgmt. He is now a Regional Sales Manager at Ceasefire Industries Pvt Ltd., the largest supplier for safety solutions in India. Mail: shv009ger@gmail.com

Charlotte Schatz is a Manager Global Brand & Business Development at Hugo Boss AG Metzingen, and founder & business owner of somskat, a slow fashion label, that offers sustainable and timeless pieces—responsible, transparent, and saving precious resources, made in Europe. She has a Master of Arts in Creative Communication and Brand Management from Pforzheim University. Mail: charlotte.schatz@online.de

Part I

H2H Marketing



The New Paradigm: H2H Marketing

1

Philip Kotler, Waldemar Pfoertsch, Uwe Sponholz,
and Maximilian Haas

To overcome the current trust crisis of companies and other institutions like governments, NGOs, and the media, we offer a new Human-to-Human (H2H) Marketing Model. The H2H Marketing Model is based on the current developments in marketing, specifically the emergence of Design Thinking and the Service-Dominant Logic, as well as Digitalization. These three influencing factors provide the theoretical framework on which the new H2H Marketing is built. H2H Marketing consists of three different layers: a normative layer (the H2H Mindset), a strategic layer (H2H Management), and an operative layer (the H2H Process). Each layer of H2H Marketing builds on and integrates the findings of the three influencing factors of Design Thinking, Service-Dominant Logic, and Digitalization. With its four character traits, human-centeredness, service orientation, agility and experimentalism, and empathic interest in other perspectives, the H2H Mindset is the prerequisite for the implementation of H2H Marketing by individual marketers and organizations.

The strategic layer, H2H Management, consists of different concepts that aim to manage trust (H2H Trust Management) and the brand (H2H Brand Management) for companies embedded in highly interconnected ecosystems. In H2H Trust Management, brand activism serves as a development accelerator of the CSR concept and

P. Kotler
Kellogg School of Management, Northwestern University, Evanston, IL, USA

W. Pfoertsch (✉)
CIIM Business School, University of Limassol, Limassol, Cyprus
e-mail: waldemar@pfoertsch.com

U. Sponholz
THWS – Technical University of Applied Sciences Würzburg-Schweinfurt, Schweinfurt, Germany
e-mail: uwe.sponholz@thws.de

M. Haas
I&I Telecommunication SE, Karlsruhe, Germany

moves from “greenwashing” to “walk the talk” regarding sustainability and social responsibility. Knowing that only experiential and reputational trust is manageable, H2H Trust Management includes Customer Experience Management (CXM) and Reputation Management and integrates both parts into one Trust Model. CXM uses the new 5A model walking along the customer journey to design and manage the experience at every touchpoint along this journey from a customer’s point of view. Proactive expectation management is key for Reputation Management and represents the next generation of Public Relations.

The last core concept of H2H Management is H2H Brand Management. The identity-based, holistic brand management approach, which is widely used today, is further developed based on the findings of Design Thinking, Service-Dominant Logic, and Digitalization to serve as an anchor of trust for people and communities. Brands in H2H Marketing are seen as a service for the customer and the brand and its brand meaning are co-created. Companies must be aware of their limited options to determine the brand meaning and identity and should see brand management as a guiding, rather than a dictating, activity.

On the operative level, H2H Marketing relies on the iterative H2H Process, which also integrates the findings of the three influencing factors. The H2H Process is iterative and flexible like the Design Thinking process and always starts with a human problem. Based on deep insights on the customer and an understanding of the problem that is to be solved, a value proposition is developed. The value proposition is tested and communicated using Content Marketing which follows the inbound marketing principles. The last step of the process consists of making the value proposition accessible to customers in a way that creates a seamless customer experience across all touchpoints by leveraging omnichannel integration. The customer has then the best opportunity to co-create their own value, and becomes a creator itself.

Various companies already rely on H2H principles and use components of H2H Marketing and the number of new H2H companies is growing steadily. H2H Marketing aims to accelerate this development and help companies contribute to solving pressing issues of our time by doing good for themselves and others.

A New Kind of Company Is Emerging

Many authors, academics, and practitioners alike point it out: During the last two decades and in a vastly accelerated fashion during the last 5 years, new groups of successful companies with special character traits have emerged, companies that care more about the end customer, their employees, the environment, and other stakeholders. They do not only aim to generate revenues but see themselves as a collaborator, a mature counterpart at eye level for solving problems for the mankind. These are companies that are moving away from being only responsible to their shareholders, realizing that both the other stakeholders and the companies themselves are better off when all stakeholder groups are taken into consideration. These companies understand that value is not something created by them to be consumed

and destroyed by the customer. They understand that business is not merely transactional, but that it is a co-creative process, in which corporations together with their customers and business partners co-create value.

These firms, which Sisodia, Sheth, and Wolfe call *Firms of Endearment* (FoEs), share a common character trait, namely, caring deeply (“endearing”) about the customer and the other stakeholder groups. In their book of the same name, the authors summarize positive results from companies like 3M, Adobe Systems, and Autodesk that human marketing based on collaboration, empathy, and respect can “. . . earn a place in the customer’s heart and she will gladly offer you a bigger share of her wallet. Do the same for an employee and the employee will give back with a quantum leap in productivity and work quality. Emotionally bond with your suppliers and reap the benefits of superior offerings and responsiveness. Give communities in which you operate reasons to feel pride in your presence, and enjoy a fertile source of customers and employees.”¹

For the authors, endearing behavior toward interest groups of a company is not just another Corporate Social Responsibility charade, but also rather the very essence of their approach to doing business. Firms of Endearment overcome the “me first, others second” thinking and adopt a stakeholder approach where the interests of all parties are respected and taken into account. Typical character traits of Firms of Endearment are as follows:

- They pay higher wages than their competitors and invest more time and money into the education of their employees.
- Suppliers are treated as collaborative partners, not as inferior vassals. They get support to boost their business and grow together.
- FoEs create an emotional bond with customers, employees, and the communities they are operating.
- Lower employee turnover is characteristic.
- FoEs are driven by long-term goals and do not fall victim to short-term, rash actions.

These FoEs like CarMax, Chipotle, Cognizant, and Costco have a win-win situation. By contributing to the outcome of improving the lives of others, they, in turn, receive strong financial rewards.²

In addition to that, a further shift has taken place, moving from a Goods-Dominant Logic to a Service-Dominant Logic. This has changed the nature of the relationship between the company and its customers. The thinking shifted from viewing business interactions as something transactional toward an ongoing relationship with the customer, which in the best of cases never ends. Tien Tzuo is the founder and CEO of the billing SaaS company Zuora and before that he had a leading role in building [salesforce.com](https://www.salesforce.com) (he was employee number 11). He even goes

¹Sisodia et al. (2014).

²Sisodia et al. (2014), op. cit.

so far as to call this evolution the “subscription economy.” In this world, he states, companies should aim at turning customers into “subscribers,” meaning loyal customers that on an ongoing basis can derive and create value out of the service offered by the company.³ Understanding its own offering as a service instead of a product moves the emphasis of value creation away from the firm toward the customer. In the old logic, the company created the value, and it was the customers who consumed destroyed it. Today value is co-created; the customer is the deciding factor, as he derives the value by using the offering.

And with the effects of connectivity and the emergence of new platforms and ecosystems, not only the collaboration with customers is getting more important but also the collaboration with other parties of the company’s moving ecosystem or “interaction field” as Erich Joachimsthaler in his new book calls it.⁴ In it, he describes the three digital business models that companies can adopt to leverage the positive effects of digitalization. The first and least complex model is the “digital interface” model, where companies add a digital feature or interface to the existing offering, for example, creating a digital sales channel for products that were before sold in person only.

As the second evolutionary step, Joachimsthaler sees platform ecosystems like the Chinese e-commerce giant Alibaba, Tencent, Google, Yandex, etc. This type of company can generate tremendous velocity (“multidimensional, constantly accelerating, explosive and smart growth”⁵) by using the network effects the platform creates as well as the learning effect that comes from analyzing and making use of the data the platform interactions provide. But according to the author, companies need one more effect to be an interaction field company with a business model with increased resilience and velocity: virality. This effect is achieved by companies that turn their customers into loyal customers by providing real value for them. To get to this point, companies usually must transcend their initial offering and deliver value that goes beyond typical market offerings. With each step that companies get closer to becoming an interaction field company, also the H2H orientation increases.

One great example that Joachimsthaler presents is Deere & Company, which in addition to their machines offers a unique information service to their customers. Many of the John Deere customers deliver useful data that is obtained via sensors on the machines back to the company. The Deere tractors are constantly connected to the company via the cloud and communicate farming results and other data to the Deere & Company platform. On this platform, other participants can access the aggregated data to learn more about Deere machines, geographic differences in farming results and effectiveness, and other topics. The users of the platform can be clients looking for more information on a new tractor model they are interested in or others that may not be direct customers of Deere but work in the same industry and benefit from the offering. With this example, the author shows the possibilities

³Tzuo and Weisert (2018).

⁴Joachimsthaler (2020).

⁵Joachimsthaler (2020), op. cit., p. 3.

that even old-economy, industrial companies must transform their business in a way that delivers exceptional value for end users and benefits the company at the same time.⁶ What we like especially about these interaction field companies is that they put their customers at the center of their activities and offerings and view them as an equal partner in value exchange. Both parties do their part in providing value to the other side.

With H2H Marketing we want to even go one step further and move from customer-centricity to human-centeredness on all levels. With H2H Marketing we propose a framework for the implementation of this philosophy on a normative (H2H Mindset), strategic (H2H Brand and Trust Management), and operative level (H2H Process). The goal is not to make other concepts obsolete but to add to the discussion and evolution of marketing. Amazingly various companies and brands are already following H2H principles (implicitly) on their own or are selectively using some elements. But what exactly is it that makes these companies special? And why is it relevant? In the following, we will give you an overview of the complete H2H Marketing Model, its crucial components, and how it can be integrated into business practice.

Marketing Can Be a Force for Good But the Reality Often Looks Different

We believe marketing can change the world for the better. During the last decades, marketing experienced many revolutionizing changes that added to the quality of life for many people. However, changes have not all been for the better. Due to some unethical practices of overzealous profit-minded marketers, the current image of marketing, as perceived by employees and customers, has deteriorated to a point where “most people associate negative words, such as ‘lies,’ ‘deception,’ ‘deceitful,’ ‘annoying,’ and ‘manipulating,’ with marketing.”⁷ Public scandals, like falsified market research results, add further aggravation to this bad image.⁸

Marketing departments suffer from a poor image and bad reputation in both areas: inside of companies and in public. Traditional marketing embraces practices that can be referred to as wasteful, inane, or unethical marketing. There are an increasing number of companies realizing that a different marketing approach is needed. It should be more human and more stakeholder than purely shareholder oriented. In addition, marketing in practice more and more is being reduced to the communication function, losing its active role in innovation, which has constantly gained importance for business success. And not only marketing practice but also marketing theory needs significant renewal. The Service-Dominant Logic (S-DL) marks a milestone in the development of marketing theory. This innovative theoretical

⁶Joachimsthaler (2020), op. cit.

⁷Sheth and Sisodia (2005).

⁸See also Kotler (2017).



Fig. 1.1 The complete H2H Marketing Model

concept integrates several approaches into a possible modern grand theory serving as a theoretical foundation of marketing. Two additional factors that call for a new marketing approach are (1) digitalization with its ubiquitous effects on customer behavior, business models, and the scope of the marketing role in general and (2) Design Thinking. It provides both a mindset and a useful toolbox to create human-centered innovations and solutions for customers. H2H Marketing responds to both: major trends, tools, and methods affecting marketing practice and the development of a modern marketing theory. It is the new, overarching framework proposed to confront current developments and present challenges. The H2H Marketing Model (see Fig. 1.1) consists of two fundamental layers. The first layer provides the conceptual framework (the H2H Marketing Model) with the three impact concepts Design Thinking (DT), Service-Dominant Logic (S-DL), and digitalization (D). The second layer represents the implementation of conceptual thinking in marketing.

This layer itself covers three parts: first, the H2H Mindset as a prerequisite for successful implementation of H2H Marketing; second, H2H Management providing strategic planning, alignment, and control of H2H Marketing; and, finally, the execution of the H2H Process to put H2H Marketing into practice. The H2H Marketing Model on the first layer constitutes the theoretical framework. It is built upon three determining factors: Service-Dominant Logic, Design Thinking, and Digitalization. It analyzes the new dynamics that digitalization has brought to

Fig. 1.2 The H2H Marketing components corresponding different management layers



marketing. Customer behavior has changed, value propositions need rethinking, and firms experience a transformed relationship with their customers. With the S-DL, the model also includes the theoretical foundation of H2H Marketing, which revolutionizes the understanding of value creation, the role of the firm, and the necessity to manage and operate collaborative networks. With the S-DL comes the recognition that value is always co-created and that firms can only provide value propositions, not “built-in” value in their products or services. These paradigm shifts in the understanding of markets and economic actors, and the role of the firm in co-creating value, are a part of the fundamental pillars of H2H Marketing. Design Thinking as the second influencing factor of the framework provides the basis for a human-centered, experiential mindset and methodology for confronting marketing’s claimed importance to meaningful innovations and real contribution in practice.

While the H2H Marketing Model stands for the influence and repercussions of Design Thinking, Service-Dominant Logic, and Digitalization on marketing, the next layer provides a model for a human response to it: H2H Marketing. It consists of three components that are strongly interconnected and represent different management layers (see Fig. 1.2) to form the basis of H2H Marketing. The H2H Mindset (normative) is the central prerequisite for the implementation of strategic and operative management. It appears on both the individual level as a personality trait and the organizational level as corporate culture.

It is the firm’s organizational guideline for personal thinking and acting for everybody in the company and unites typical character traits of a design thinker (experimental, empathic, human-centered) with the service understanding of the S-DL and the connectivity thinking and “human touch” in a digitized world. This mindset sets up for a successful application of H2H Marketing: the strategic directions (H2H Management) and the operative execution (H2H Process).

H2H Management does not forget about the strategic importance of the classical Segmenting-Targeting-Positioning (STP) approach. It emphasizes the orchestrated handling of the brand, the experience of humans involved, and the reputation of the brand or firm in the relevant communities. In a time of democratized brands, where companies are losing influence over their own brand, H2H Management embraces this development by emphasizing co-creating the brand together with the customers. The management of trust calls for a renewing impulse as well. Customer Experience

Management (CXM) strikes out in a new direction, as it becomes increasingly important to deliver a seamless experience across all customer touchpoints, whether digital or physical. Finally, the Reputation Management provides tools to foster and protect reputation, a strategically important task in a highly transparent, low trust world. Corporate Social Responsibility (CSR) needs rethinking, because in today's world, the traditional self-adulation—publicly proclaiming and showcasing a broad range of superficial assistance, short-term engagements, and philanthropic endeavors—is not enough anymore: action is needed.

The H2H Process complements the H2H Mindset and the strategic H2H Management tools with a highly flexible and iterative approach that can be used variably to implement human-centered marketing operationally. Its specialty in comparison to the 4P marketing mix is its iterative character and that the starting point is always a human problem that needs to be solved. In addition, it explicitly integrates the marketing process with H2H Management and connects marketing with engineering and business development. With the new marketing paradigm, the journey through H2H Marketing does not end with the improved implementation of advanced marketing thinking. It offers an outlook into the future of marketing where sustainable business is the prime focus, and it helps by suggesting how companies can partake in the social transformation of capitalism—the reason why we believe that Digitalization, Design Thinking, and Service-Dominant Logic are crucial for every marketer. The emergence of these three influencing factors and the effect they have on doing business and marketing was the impetus for the creation of the H2H Marketing Model (see Fig. 1.3). That is why they selected them as the three pillars of the theoretical framework underlying H2H Marketing.

From the beginning, Design Thinking provided a useful tool for highly innovative companies, which were open to the new mindset of the concept. After all, the context is deeply rooted in solving human problems as well as the connection between the organizational cultures. Design Thinking can be implemented as a human-centered mindset as well as in the form of the Design Thinking process, which can boost teams' ability to encounter creative and innovative solutions to human problems. Design Thinking is very relevant for H2H Marketing, as it especially had an important influence on the H2H Mindset and the iterative character of the H2H Process.

The Service-Dominant Logic is the “grand theory” for marketing, even though reception in Europe has been lagging. We are integrating its fundamental premises and axioms here and applying its central concepts. The stated change of the mindset of S-DL has become of great importance for H2H Marketing because it fundamentally changed how the customers are viewed. Today's understanding is that customers are equal partners who co-create value together with companies.

For a better understanding of digitalization, we particularly focused on the changes in the behavior of market participants. To not be negatively affected by digitalization, marketing needs to undergo its own digital transformation. The transformations should not be seen as a threat but as an opportunity: digitalization allows marketing to gain in-depth knowledge of the Homo Digitalis and his changed buying behavior. They offer a powerful opportunity to design and enable seamless



Fig. 1.3 Three influencing factors inside the H2H Marketing Model

customer experiences along the whole customer journey. If marketing uses these findings creatively and in an interdisciplinary manner based on competencies in data management and analysis for its own company’s value proposition, then the importance of marketing can increase again.

Interestingly, not only are companies from the industrialized world engaged in H2H Marketing; we are seeing impressive developments in developing countries. For example, Grab Holdings Inc. is a ride-hailing company based in Singapore. Besides transportation, the company offers food delivery and digital payment services via mobile apps and many other services. Their solutions make life simpler. At the beginning of 2020, they were active in 9 Southeast Asian countries and covered 240 cities. They have now more than a billion happy users. Other examples are MercadoLibre online retail from Latin America, KakaoTalk from Korea, Zalo from Vietnam, and DigiPay, a digital money transfer solution for Africa.

Apart from these three influencing factors, also other developments motivated us to create the H2H Marketing Model. One of them is the topic of sustainability.

The Sustainable Management Challenge

The “Fridays for Future” movement places sustainability as a serious and urgent problem of humanity at the center of the media and thus at the center of political and social discussions. The youth criticize that current representative of the older generation in politics and economy talks far too long about problems such as growing inequality, climate change, and a dramatic decline in biodiversity but does not act. Young people thus address one of the core problems: Although there are enough figures, data, and facts to prove the abovementioned problems, there is no change in people’s behavior. This may be due to the world’s dominant industrial worldview, which believes in limitless economic growth and postulates a positive relationship between rising incomes, rising consumption, and happiness.⁹

Although efforts can be made to buy more “sustainable products,” these products also require their own resources in production and distribution and cannot compensate for the negative ecological balance of higher consumption levels. It could be that people believe that technology will somehow solve whatever human and social problems that arise in the future. Marketing plays a contributing role, since it fuels hyper-consumption, taking advantage of the “head-in-the-sand” tactic used by people. In this context, marketing is more of a causal factor than a solution. Lately, more voices are calling for marketing to play a vital role within the framework of sustainability, but marketing research itself is hardly involved in such a discussion.^{10,11,12} If marketing has been successful in influencing human behavior to hyper-consume, it can also be instrumental in encouraging more sustainable behavior. Changing the currently dominating egocentric and consumption-oriented mindset is a challenge that marketing can take on as a higher goal. H2H Marketing puts the human being and the solution of relevant human problems (H2H problems) at the center of its attention to tackle what is lacking presently: credibility, honesty, integrity, empathy for each other, vulnerability, and constructive dialogue as well as sustainability and other problems.^{13,14}

Broadening the responsibility scope of businesses will be crucial in the quest of solving one of mankind’s most important projects: the transition to sustainability. Its advocates have created a sense of urgency and managed to demand immediate attention. Other than steps that individuals can take, people are increasingly looking toward companies to tackle bigger problems, because trust in government has diminished overall. Regarding sustainability, Apte and Sheth add an important dimension to the spectrum of brand activism and H2H Marketing. They describe that while some companies are catching up to the sustainability movement, others

⁹Heath and McKechnie (2019).

¹⁰Kemper et al. (2019).

¹¹McDonagh and Prothero (2014).

¹²Jones et al. (2008).

¹³Rittel and Webber (1973a).

¹⁴Buchanan (1992).

resist because they view “sustainable growth” as a contradictory concept.¹⁵ For brands like Patagonia, Timberland, and Jack Wolfskin, their “green” approach is widely recognized. This is not so much the case for Walmart or Procter & Gamble. They offer some sustainable products, but for most of their product offerings and practices, they are heavily criticized. At first glance, growth and sustainability seem to be two mutually exclusive goals. The two authors on the other hand make a case for sustainable growth with the conviction that achieving revenue growth while remaining true to sustainability principles is very much in the realm of what’s feasible. They argue that the business world needs positive examples, something they call sustainability champions, which proves this feasibility. In their work, they outline three different strategies to create sustainable growth:

- *1st strategy: “Decouple revenue growth from the depletion of virgin natural resources.”*¹⁶

By establishing a circular economy, where firms care about products after they have been used, the use of resources can be lowered. For new products, firms can use renewable resources (IKEA) or material that has been recycled (Nike).

- *2nd strategy: “Businesses can produce fewer and better products.”*¹⁷

In times of the shared economy, firms can adjust their business models and incentivize customers to share (Airbnb, Uber, Grab, DriveNow), rent, or lease products. This can create new revenue streams while also making the business more sustainable (GE, Siemens Gamesa).

- *3rd strategy: “Redefine growth.”*¹⁸

Is financial growth in the traditional sense all there is? Growth has many facets, like societal growth or the growth of well-being on a personal level. Firms should set growth goals considering other perspectives than just financial ones. Like the authors of *Firms of Endearment*, Apte and Sheth view the collaborative engagement of all stakeholder groups as the only sustainable source of competitive advantage. For them, sustainability is not an add-on, but a necessity expressed in their assessment of the current situation: “The scope and magnitude of challenges that business faces, currently and in the future, are enormous. The world’s physical resources are limited and becoming ever costlier. The advantage of scale and automation are declining, New innovations are copied at a faster pace, and societal problems are growing at alarming rates. Incremental change will not address these challenges. What is required is a transformational change in business strategies, practices, and tactics with triple-bottom-line thinking.”¹⁹

¹⁵ Apte and Sheth (2016).

¹⁶ Apte and Sheth (2016), op. cit., Foreword section, para. 7.

¹⁷ Apte and Sheth (2016), op. cit., Foreword section, para. 9.

¹⁸ Apte and Sheth (2016), op. cit., Foreword section, para. 10.

¹⁹ Apte and Sheth (2016), op. cit., Preface section, para. 3.

Customer Priorities Are Shifting: Will Business Follow?

Developments and findings of recent years show without a doubt that customer priorities are shifting. Especially, the younger generations in the USA request sustainable product and service offerings. This will have a strong impact in the coming years. The millennials are demanding sustainability and prioritize the improvement of the environment and 75% claim they will change their purchasing behavior.²⁰ Moreover, these sustainability-conscious customers are willing to pay a premium for sustainable products:

- Many markets (e.g., Europe, USA) have reached high maturity levels making sustainable growth inside traditional, narrow paradigms almost impossible.
- As the emerging economies are catching up to higher living standards, the number of required resources to satisfy their ever-growing demand is rising and poses an imperative for sustainable business practices, because the planet's resources are limited.²¹

However, what can companies do? Companies can change the direction of their business concept: from shareholder orientation to stakeholder focus. Companies have a direct impact on their consumers and customers. Their employees are the ones who deliver the solutions and services. With these groups, the company is in constant and direct interaction. The government has an indirect impact on various administrative layers local, regional, or national. Companies are paying taxes and follow regulations. Nevertheless, media and other intermediaries are impacted indirectly. In addition, there are nongovernmental organizations (NGOs), which get affected by a company's operations. Communities are enablers. They provide infrastructure, basic services, etc. Investors provide a financial basis, and the suppliers deliver the necessary components and materials. The sole focus on the investors is too narrow. Companies need a broader scope and have to engage with each of the nine stakeholder groups. With this approach, a 360° stakeholder model could be created (see Fig. 1.4).²² The principle to success lies in the credo "maximizing benefits for all stakeholders as a source of competitive advantage."²³ And this goes both ways: A community is one of the enablers for the firm's success, but business is also giving back by providing jobs, educational programs, or other contributions.

In line with these authors, we believe that the movement toward sustainability will enable companies to reach a competitive advantage if they apply sustainability thinking in the right way—systematically and holistically. This is if they adopt it as a

²⁰ Adapted from Nielsen (2018).

²¹ Apte and Sheth (2016), op. cit.

²² The approach of the 360° stakeholder model was first introduced by Apte and Sheth (2016), op. cit.

²³ Apte and Sheth (2016), op. cit.

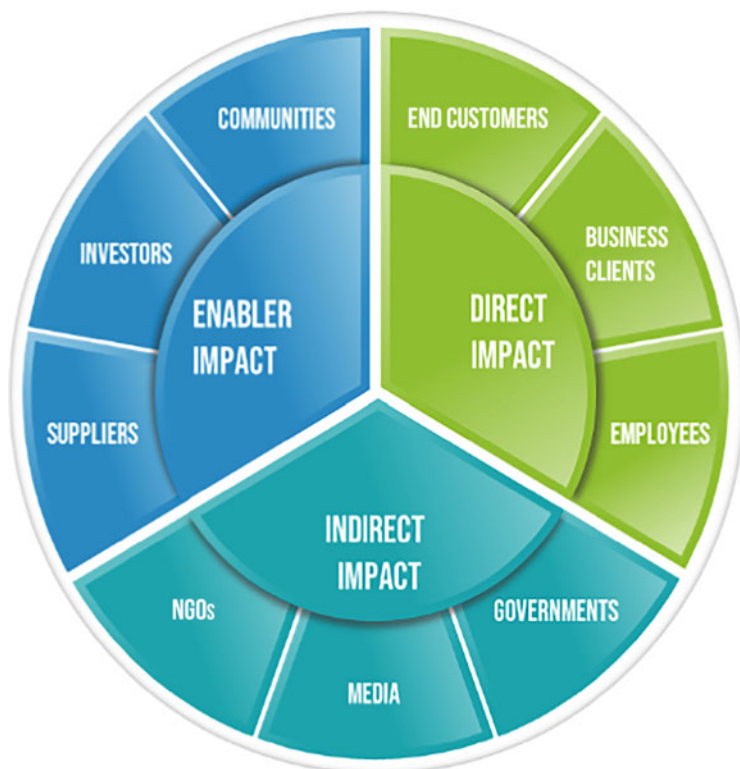


Fig. 1.4 The 360° stakeholder model

crucial part of their organization and provide the basis for a more human-oriented marketing approach, the H2H Marketing. Companies can directly affect their business clients, end customers, and employees. They can make conscious choices about their value propositions, processes, and relationships. Indirectly, they can influence media, governments, NGOs, etc. through lobbying, financial, and moral contributions. Additionally, they also can have an enabler impact on their suppliers, investors, and communities. We agree with the authors that businesses that embrace sustainability will contribute positively to their stakeholders, which is why we incorporate this thinking in our approach.

The H2H Mindset

One thing is clear: Sustainability is one of the monumental challenges of the twenty-first century and will only be solved through a combined effort by citizens, governments, and businesses. Sustainability due to its complexity must be tackled holistically; one-dimensional approaches are not enough. The stakeholder view on

business can provide the foundation for this. For the H2H Mindset, it is the starting point.

H2H builds on these core values of integrity, empathy, and collaboration and adds further dimensions: The H2H Mindset, which enables companies to become human-centered; the H2H Management, which provides useful tools to strategically manage trust and brand; as well as the H2H Process used to put the new paradigm into action. Let's examine the four characteristics of the H2H Mindset in more detail.

Human-Centeredness

In the H2H orientation of H2H Marketing, customers are not seen as abstract elements but are rather taken for what they are—human beings. Human beings make decisions with all their rational and irrational behavior, emotions, needs, and wishes. This makes it necessary to put oneself in their position and inevitably think inside a human-centered frame. People must not be degraded to a passive role as recipients. Human-centeredness in H2H Marketing is quintessential to the whole approach. Design Thinking and the H2H Process always have their starting points in a human problem (H2H problems). A person with the H2H Mindset has internalized that his actions and thoughts are oriented toward meaningfulness for himself and others. Additionally, with a human focus, marketing can confront a “dehumanization” process caused by digitalization and automation.²⁴ Digitalization may provide an abundance of data and easily accessed information, but adequate use and interpretation are only possible with human involvement.

Service Orientation

The H2H Mindset emphasizes the importance of service orientation of the S-DL, where service means using your own knowledge and skills to the benefit of others.²⁵ It thus goes beyond the traditional concept of services, since not only services but also products, software, brands, etc. are used as a vehicle transporting knowledge and skills from one person to another. On the contrary, a strict product mindset was identified as a common obstacle on the way from a product to a platform and service provider.²⁶ Service orientation following the S-DL has a strong collaborative and integrative character. The S-DL unifies the many forms and specializations of marketing, integrating, for example, B2C, B2B, A2A, and Service Marketing, as well as Customer Experience Management, Customer Relationship Management, and Digital Marketing—an integrative impulse strongly advocated also by H2H Marketing. All these forms have their right to coexist and provide valuable

²⁴See, e.g., Precht (2018).

²⁵Vargo and Lusch (2004).

²⁶Zhu and Furr (2016).

suggestions on how to design marketing for a specific context, something Gummesson addresses when he said: “The time now seems ripe for integration, for focusing on the commonalities—but to remain contextually grounded, keeping the specificity of practical application and change in sight.”²⁷ A further impetus for collaboration and a stronger focus on co-production and co-creation of value is provided by digitalization connecting everything and everyone, empowering customers in their role. Engaging with customers should be viewed as a dialogue among equals and not from a superior firm perspective that considers the customer to be inferior.²⁸

Agility and Experimentalism

As discussed before, digitalization has dramatically increased the speed of change, and it will continue to do so in the future. For companies, this means that they need new management principles, organizational structures, and processes. Above all, people need new skills and abilities to keep pace with the speed of digitalization. Repercussions of the changes can be seen in the delegation of tasks. They get less and less delegated to individuals and are handled by self-organizing teams able to tackle the risen complexity of the tasks. High autonomy of employees is increasingly considered a must, due to the increasing speed of change. There is simply not enough time for complex decision-making processes with many approval loops and outdated employee role models seen in flat hierarchies. Employees in this context have more freedom of decision and can find more purpose in their work than before, which, on the other hand, goes along with higher personal responsibility and willingness to adapt to changes.²⁹ An agile mindset, as introduced by Hofert, can form the basis for these developments. “An agile mindset is flexible and always capable of updating itself when new information and experiences make it necessary. The more agile a person’s mindset is, the more effectively it can act in different situations.”³⁰ In her work, Hofert proposes four statements that show the basic assumptions underlying the agile mindset. These assumptions are flexible and open for elaborations—the reader may add own ideas to the list:³¹

- “Digitalization demands flexibility from us.”
- “Flexibility means that everyone must take responsibility.”
- “Small organizational units (teams) are more flexible than larger ones.”
- “Without strict hierarchical structures, people can be more innovative.”

²⁷Gummesson (2011).

²⁸Payne et al. (2008).

²⁹Bathen and Jelden (2014).

³⁰Hofert (2018).

³¹For the following see Hofert (2018), op. cit., p. 20.

A person with an agile mindset perceives change as something fundamentally positive and not threatening. This mindset is characterized by the courage to embrace the “trial and error” motto, making mistakes and learning from them, an approach deeply rooted in the iterative Design Thinking process and expressed in the H2H Mindset characteristic experimentalism.

Empathic Interest in Other Perspectives

Change in perspective is an essential element to the H2H Marketing understanding, as was laid out before. Instead of only examining a problem from our own point of view, several perspectives should be considered. This way of thinking is inherent to Design Thinking and the H2H Process. In Design Thinking, this means that the design challenge should be viewed from a variety of different points to consciously decide on a perspective under which the problem should first be solved. The change of perspective in H2H Marketing involves the observation and analysis of a problem from various perspectives, namely, from those of all stakeholders. Regarding the sequence, it is important to always start from the perspective of the user or the bearer of the problem. For this change of perspective to succeed, an employee with an H2H Mindset must be equipped with enough empathy to understand the problem. The stimulation of empathy, especially in an emotional sense, is a decisive element when it comes to developing solutions that are desirable for the user and profitable and technically feasible for the provider.³²

As the basis for H2H Marketing, we now saw that having an H2H Mindset means the following:

- To consider in all thoughts and actions the good of the people involved and their sense of purpose, and to remember that value cannot be created unilaterally but can only be offered in the form of a value proposition
- To act in a service-oriented way, using skills and knowledge for the benefit of others
- Being adaptable and reflective, recognizing arising problems and changes, and contributing quickly and pragmatically their solution solving
- To listen empathetically to the people involved and to understand their situation

Equipped with this mindset, organizations are set to now move on from the normative level to the strategic layer: the management of the brand and trust.

³²Brown (2008).

H2H Management: Putting Trust and Brand in Focus

Trust has become the ultimate currency for marketing in today's world. In this section, we will focus on the strategic level of H2H Marketing, by putting special emphasis on trust management. Then we will illustrate the new thinking in brand management, basing both on the new theoretical framework—the H2H Marketing Model.

Today, we are living in a reputation economy³³ where trust is the lead instrument for doing business (see also Ted Talk “How to build (and rebuild) trust” by Frances Frei).³⁴ The world is experiencing emotional, polarizing debates, with trust in governments declining dramatically in recent years. The Covid-19 crisis has further increased this development. In a turbulent world of turmoil, people are increasingly looking to companies and their leaders for guidance and orientation. Leading companies and their CEOs are expected not only to navigate business topics but also to address social, economic, and political issues.³⁵ The company brand plays a special role because it can serve as a trust anchor, as a point of orientation. It can contribute to establishing a trusting relationship between companies and customers, which is a top priority of H2H Marketing. Strategic H2H Marketing is divided into two main pillars: trust management and brand management. They give companies the tools to create trust through various levers such as brand activism (an outgrowth of CSR), Customer Experience Management, and reputation management. Trust has a positive impact on many different areas and is the breeding ground for loyalty and brand advocacy, which are essentials in the connectivity age where companies have lost direct control over their brands.³⁶

The Big Trust Crisis: An Opportunity for Companies to Thrive

“We’re in a full-blown trust crisis.”³⁷ This statement is not only an opinion; it can be backed by reliable data. In 2020, the Edelman Trust Study found the sharpest decline in general trust ever measured in the USA.³⁸ The Covid-19 crisis increased the importance of trust in traditional media and many governments around the world. The phenomenon of disinformation is not new, but the distribution of media has changed radically due to new technologies. The role of the “gatekeeper” that professional journalists should have by conducting fact checks has weakened.

³³ Sarkar and Kotler (2018).

³⁴ The TED Talk can be viewed directly on the TED website via the following link: https://www.ted.com/talks/frances_frei_how_to_build_and_rebuild_trust

³⁵ See, e.g., Edelman (2019, p. 13).

³⁶ Sarkar and Kotler (2018), op. cit.

³⁷ Sarkar and Kotler (2018), op. cit., THE TRUST CRISIS section, para. 7.

³⁸ Edelman (2020).

Furthermore, today's public not only acts as mere consumers of information but is actively involved as information producers, e.g., with blog posts or social media.

Similar to developments in branding, we can also speak of democratization in the area of information production. With such developments, it does not come as a surprise that the "loss of truth," with 59% of respondents agreeing, was identified as the main reason of the downward trend of trust in media in the 2018 Edelman Trust Study. These societal changes in trust are accompanied by rising accountability from employers and expectations for businesses to lead the change. Building trust is the highest valued expectation (69% of respondents) people have for CEOs, while 64% state that "CEOs should take the lead on change rather than waiting for the government to impose it."³⁹ In 2019 this figure rose even further, from 64 to 76% with 71% of employees agreeing that CEOs should take a clear stand on employee-driven as well as industry issues, political events, and national crises. The employer is seen as a "trusted partner for change," which verifies the importance of firms getting active on societal, political, and economic issues. The newest data shows that trusting a company to do the right things ranks among the top five buying criteria with 81% of consumers surveyed expressing its importance.⁴⁰

This demand for commitment needs to be recognized by firms. Those who embrace these developments by actively engaging in brand activism can reap strategic and economic benefits from it, while others that stay quiet may suffer negative consequences. "In a highly polarized world, it's no longer good enough to be neutral."⁴¹ That is why brand activism in the sense of tackling societal, economic, and ecological issues is a key component of H2H Trust Management. Reputation management and customer experience are two additional pillars that are used in H2H Marketing to establish and manage trust. Let's examine these components of H2H Trust Management one by one in the following:

Brand Activism

To consistently place people at the center of entrepreneurial activity means actively addressing their problems. For this, it is not enough to perceive Corporate Social Responsibility (CSR) as a compulsory exercise. It is not sufficient any longer to do good only for not looking bad. Far too long, CSR was used for public proclamations and showcasing. A broad range of superficial assistance to social projects was given. This outdated approach to CSR may have worked in the past but is not suited for today's world.⁴² In 2018, brand activism was presented as a mature development of CSR to respond to new customer demands: "Brand Activism consists of business efforts to promote, impede, or direct social, political, economic and/or

³⁹Edelman (2018).

⁴⁰Edelman (2019, p. 8).

⁴¹Sarkar and Kotler (2018), op. cit., Preface, para. 5.

⁴²Kotler et al. (2013).

environmental reform with the desire to improve society.”⁴³ The integration of brand activism into H2H Trust Management follows the idea of strengthening reputation through activism for the good of society. At the same time, brand activism fits into our H2H Marketing Model because of its correlation to H2H Brand Management. This kind of new thinking is urgently needed as research indicates that 66% of the American consumers surveyed consider it “important for brands to take public stands on social and political issues [. . .],”⁴⁴ with social media being the medium of choice to demonstrate the firm’s position on these issues.

These developments come with an imperative for firms to act, which may trouble marketers and executives. But once understood, the new dynamics of brand activism can open a way to connect with the customers inside their communities, an area that usually is completely out of the firm’s reach. It allows brands to engage in purpose- and meaning-driven dialogue with customers, which comes with a major benefit—the interaction takes place in a social, nonintrusive way. As the Sprout study shows, “Brands have an invitation from their audiences to get involved and the space to do it via social [. . .].”⁴⁵ The 2017 Cone Communications CSR study takes it even one step further declaring that firms do “not only [have] the invitation, but the mandate to step up to solve today’s most complex social and environmental issues.”⁴⁶ Marketers should ask themselves “Does my firm live up to its mandate?” and “Is my firm actively engaged in activities that foster the greater good?”. Some firms may experience a strong desire to get started but fear the consequences of brand activism going wrong.⁴⁷ For those in doubt of brand activism, a look at the risk-reward ratio may be of help. Sprout Social found that the rewards for the brand outweigh the risks, as it was discovered that when consumers’ personal beliefs align with what brands are saying, 28% will publicly praise a company. When individuals disagree with the brand’s stance, only 20% will publicly criticize a company.⁴⁸ Therefore, clear positioning on critical issues can serve as an effective driver of brand advocacy since research indicates that positive brand advocacy will outweigh the negative. Brand activism puts the focus not on vision statements but on concrete action. The term “activism” might indicate short-term thinking. We use it more in the sense of social involvement. Firms should look for wicked problems to tackle, putting human needs and desires at the center of attention.⁴⁹ Customers will recognize and remunerate companies that focus on helping society and enable firms to thrive with the trust they gain along the way.⁵⁰

⁴³Sarkar and Kotler (2018), op. cit., BRAND ACTIVISM: A WORKING DEFINITION section, para. 8.

⁴⁴Sprout Social (2017).

⁴⁵Sprout Social (2017), op. cit., p. 2.

⁴⁶Cone Communications (2017).

⁴⁷Sarkar and Kotler (2018) and Sprout Social (2017), op. cit., p. 2.

⁴⁸Sprout Social (2017), op. cit., p. 4.

⁴⁹Rittel and Webber (1973b).

⁵⁰Kotler et al. (2013), op. cit.

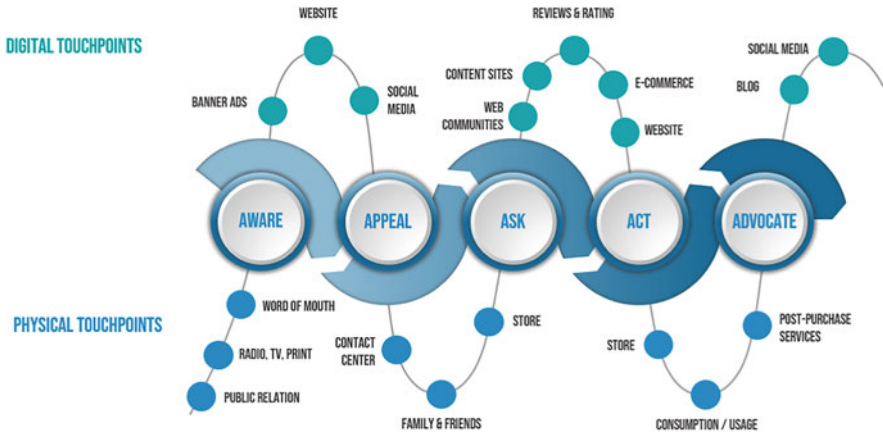


Fig. 1.5 Physical and digital touchpoints along the 5A customer/creator path

Optimizing Results with Customer Experience Management

The well-cited article “Welcome to the experience economy”⁵¹ describes the evolution from a service to an experience economy in which the customer experience receives increasing attention as commoditization of goods and services is leading to the erosion of business models. Now, more than 20 years later, good Customer Experience Management (CXM) is more critical than ever. With new channels online and offline, and the connected customer constantly switching between them, the customer experience has become more complex and dependent on a growing number of influencing factors.⁵² Effective CXM is crucial for fostering experiential trust, one of the manageable trust components. Following the 5As framework (Aware, Appeal, Ask, Act, Advocate), several digital and physical touchpoints along the customer path can be identified. Figure 1.5 provides an overview of typical touchpoints.⁵³

The constant switching and interplay between on- and offline channels and touchpoints that are controlled by the firm and those that lie outside of the firm’s influence sphere create demanding challenges for firms who want to provide a seamless experience across all channels and touchpoints.⁵⁴ The touchpoints shown in Fig. 1.5 display the shifts in customer behavior that lead to the new customer path. For example, individual purchasing decisions increasingly are being determined based on the opinion of others, which manifests in the touchpoints of the ask

⁵¹ Pine and Gilmore (1998).

⁵² Heinemann and Gaiser (2016).

⁵³ The touchpoints have been adapted from Hansen (2018). The 5A customer path concept is taken from Kotler et al. (2017).

⁵⁴ Heinemann and Gaiser (2016), op. cit.

phase, e.g., web communities and reviews/ratings. Potential customers use the enhanced transparency of brands that the Internet provides to revise product and service offerings thoroughly. This transforms the structure of the customer journey from a linear path into a customer cycle with iterative feedback loops.⁵⁵ This is reflected in the 5A customer path that is not necessarily linear. Steps may get skipped. For example, a customer might act out of an impulse without researching deeper, thus skipping the ask phase, while others might advocate a brand without buying it (e.g., luxury cars).⁵⁶

It's important to keep in mind how crucial the interconnectedness of all steps is. A pleasant experience with a brand after the purchase including usage, consumption, and post-purchase services can create advocates, which in turn publicly praise and defend the brand through positive word of mouth. Finally, it influences the probability of being in the initial consideration set of brands.⁵⁷ Marketers must identify the customer touchpoints and the channels used to create an integrated experience and allocate resources where they are needed most.

Reputation Management

Reputation has gained significance in the past years, especially due to unprecedented transparency⁵⁸ and the trust crisis that firms, governments, and media alike are suffering.⁵⁹ The Reputation Institute in its 2019 RepTrak[®] 100 study assesses the situation as follows: “[. . .] companies are on trial in the court of public opinion. It’s a time of ‘reputation judgment day’ when companies are scrutinized on all aspects of their company—ethics, leadership, values, and beyond.”⁶⁰ In the “reputation economy,” reputation and trust gained from taking on “the biggest and most urgent problems facing society”⁶¹ are an essential condition for success. Trust and reputation cannot be viewed separately, as recent analysis shows. The Edelman Trust Barometer study found that trust serves as a protective shield against reputational damage, by softening the impact of bad news while boosting positive reaction to good news.⁶² These findings point toward a clear assessment of the importance of building trust and reputation. Reputation has crucial strategic significance and is a task for the upper management where it should form a part of the overarching business strategy.

⁵⁵Heinemann (2014).

⁵⁶Kotler et al. (2017), op. cit.

⁵⁷Court et al. (2009).

⁵⁸Wüst (2012).

⁵⁹Sarkar and Kotler (2018), op. cit.

⁶⁰Reputation Institute (2019).

⁶¹Sarkar and Kotler (2018), op. cit., BRAND ACTIVISM: A WORKING DEFINITION section, para. 11.

⁶²Adapted from Edelman (2011).

Reputation is the aggregation of the stakeholders' images that result from congruencies and discrepancies between expectations and the firm's offerings. Furthermore, images are more volatile as they are easily influenced by external factors, while managing reputation as the evaluated sum of all images requires a long-term commitment.⁶³ Depending on the stakeholders, images of the same firm can vary substantially. While an armaments manufacturer may be an excellent firm in economic terms, thus a good image in the eyes of financial analysts, the public image of the firm and its products may be the opposite. Therefore, firms should identify the exact stakeholders, their needs, expectations, and influence on the overall reputation to understand them and take actions to meet their demands.

For this purpose, the persona concept⁶⁴ can be of good use, creating a stereotypical persona for each stakeholder group. In the form of a persona, firms can condense target groups of a service or product and stakeholder groups into concrete exemplary avatars that consider the social environment, expectations, and desires of the different stakeholders. The concept is not scientifically grounded but is rather a useful method for better understanding customers and other stakeholder groups.⁶⁵ "Although there is no common understanding in the literature about the utilization of personas, all methodological approaches pursue the objective of obtaining a deeper understanding of users."⁶⁶ In line with the S-DL, the exploration of the background of the personas can help to understand how the stakeholder groups co-create value with the firm. "Effective personas are based on the kind of information you can't get from demographics, survey data, or suppositions, but only from observing and interviewing individual people in their own environments."⁶⁷

Getting this crucial context information can help in active expectation management and can be translated into integrated reputation management. In such a model, the identity values are the starting point, in the forms of norms and actions of the company that are communicated to the stakeholders via communication specialists.⁶⁸ Communication plays a decisive role in the process, and it is recommended to organize it in "[...] a stakeholder relations team whose permanent task is to translate external expectations into internal measures and processes. Stakeholder management thus becomes a strategic task of corporate management."⁶⁹ In summary, it can be said that reputation management is communication and expectation management of internal and external stakeholders and shapes reputation over a long period of time. Reputation needs values, norms, morals, and ethics as a basis for which the H2H Mindset provides guidance. It helps to translate these values and norms into words and deeds that put focus on action, not on mere words. And

⁶³Wüst (2012), op. cit.

⁶⁴Adlin and Pruitt (2009).

⁶⁵Häusling (2016).

⁶⁶Schäfer and Klammer (2016).

⁶⁷Adlin and Pruitt (2009), op. cit., p. 98.

⁶⁸Wüst (2012), op. cit.

⁶⁹Wüst (2012), op. cit., p. 40.



Fig. 1.6 Reputation as a magnet for stakeholders

although reputation is difficult to measure and quantify in financial terms, it definitely has an impact on the goodwill of a firm and therefore on its actual market value.⁷⁰ “A good reputation acts like a magnet. It attracts us to those who have it.”⁷¹ This magnet effect on different stakeholders (as shown in Fig. 1.6) can explain the economic value-creating function of reputation.⁷² For example, a good reputation will have positive consequences for the firm’s ability to raise capital from investors, which then can be used for creating real economic value through innovations and investment into market growth.

H2H Brand Management

H2H Marketing follows a highly integrative and collaborative approach. Consequently, the brand cannot be viewed separately but rather integrated into the subsystem of H2H Marketing. In the B2B Brand Management publication, we defined it as a “holistic brand approach.” Now, the impact of the three influencing factors of the H2H Marketing Model on the H2H Brand Management will be explored, and concrete strategic tools will be presented to face today’s challenges in brand management. The future of marketing and brand management is human-

⁷⁰See also Adlin and Pruitt (2009), op. cit.

⁷¹Fombrun and Van Riel (2004).

⁷²The concept of reputation being a magnet for different stakeholder groups was adapted from Fombrun and Van Riel (2004), op. cit.

centric. In Marketing 3.0 human-centric marketing was introduced.⁷³ Today, this is still considered the next evolutionary step after customer-centric marketing. The human-centric orientation is growing in importance in increasingly “inhuman” times, characterized by artificial intelligence, automation, robotics, etc., and brands need to adapt to this by becoming more human. “Human-centric marketing [. . .] is still the key to building brand attraction in the digital era as brands with a human character will arguably be the most differentiated.”⁷⁴

The newly proposed H2H Brand Management combines holistic brand management, which constitutes the starting point, with the influences from the Service-Dominant Logic, digitalization, and Design Thinking. H2H Brand Management is closely linked to the H2H Process, constantly integrating, and reacting to human insights, value propositions, content, customer access, and trust. At the operational level, the goal is the consistent implementation of the brand identity in collaboration with the customers and the integrated networks and communities. This co-creation of the brand is one of the essential innovations incorporated into H2H Marketing. Furthermore, companies need to adjust to the new networked world where the control over the perception of the brand only partially lies in their hands while the word of mouth from friends and family or online community rating systems (the f-factor) are becoming increasingly important for purchasing decisions and brand perception.⁷⁵

To understand the identity-based brand approach that goes back to Meffert and Burmann,⁷⁶ a look at its principles is needed. The identity-based concept goes beyond the outside-in view. Instead of only finding customer needs and orienting the firm accordingly, the inside-out perspective, which analyzes the self-image of the brand from the point of view of all internal target groups, is also integrated. This self-image is the brand identity, consisting of the attributes that in the eyes of the internal target groups are characteristic to the brand. Opposite to the brand’s identity is the brand image as illustrated in Fig. 1.7.⁷⁷

The brand identity can be actively developed and formed; the brand image, on the other hand, emerges time-delayed and only indirectly because of the brand identity management. The first step in creating a strong brand is the creation of a brand promise, condensing the brand identity to tangible, comprehensible statements about its utility. It should fulfill two functions: customer needs (brand needs) and differentiation from the competition. Under brand behavior, the product and service provision of the brand is understood as the behavior of brand representatives in direct contact with customers and all other contacts with the customer, e.g., advertisement.⁷⁸

⁷³ Kotler et al. (2010).

⁷⁴ Kotler et al. (2017), op. cit., p. 109f.

⁷⁵ The f-factor as a concept was introduced in Kotler et al. (2017), op. cit.

⁷⁶ Meffert and Burmann (1996).

⁷⁷ Burmann et al. (2015), op. cit., p. 30.

⁷⁸ Burmann et al. (2015), op. cit.



Fig. 1.7 Brand identity and brand image in the identity-based branding concept

Inversely, the customer’s brand experience, which is the sum of interactions between customer and brand, is reflected in the resulting brand image. For the here proposed brand management to be successful, strong brand authenticity is needed to deliver brand experiences that fulfill the customer’s needs across all touchpoints. This means that the brand promise that was given and the actual brand behavior need to be in line. Otherwise, a bad brand image and word of mouth are to be expected.⁷⁹

In the case of discrepancies between image and identity, adjustments must be applied to maintain consistency. An essential function of H2H Marketing is to build a brand that provides orientation and safety to stakeholders as an anchor in an increasingly dynamic, networked world. This is grounded on the understanding of customer processes and the resulting opportunities to gain insights that inspire and convince customers emotionally and cognitively (“digital anthropology”).⁸⁰ In this sense, H2H Brand Management is the ultimate form of communicative interaction.

Brands as a Service and the Co-creation of Brand Meaning

Parallel to the change from G-DL to S-DL thinking, branding has also experienced a shifting logic. Branding is at present considered a collaborative, co-creation process.^{81,82} Branding in its early years was highly goods- and output-oriented, and brands served as identifiers for customers to recognize goods visually. The customer had a passive role, as a mere recipient of value-in-exchange, the embedded brand

⁷⁹ See also Kotler et al. (2017), op. cit.

⁸⁰ Kotler et al. (2017), op. cit. See also Burmann et al. (2015), op. cit.

⁸¹ Rossi (2015).

⁸² For the excursus on the evolving brand logic, if not noted differently. The shown figure is adapted from. The Age of Transcendence notion is based on Sisodia et al. (2014).

value in the goods sold; thus together with the brand, he remained an operand resource—“resources on which an operation or act is performed to produce an effect.”⁸³

Thinking shifted from viewing customers as operand resources, i.e., passive recipients, to being considered as operant resources, active co-creators of brand value. This led to the determination that brand value changed from value-in-exchange to value-in-use perception of the customers. Abolishing the value-in-exchange perspective also had implications for strategic marketing. While before the point of sale received major attention, now service and relationship building came into the spotlight, with the brand value being determined in use after the purchase. This created the effect that “the time logic of marketing exchange becomes open-ended.”⁸⁴

With this shift came a new understanding of viewing brands as a service to customers. Today’s brands are identifying, informative, and symbolic and have social interaction functions.⁸⁵ The various kinds of services brands offered to customers can be distinguished as follows:

The Brand as a Service for Facilitating Information Processing

This kind of service is based on the identifying as well as the information function of brands. Products marked with a brand can be identified and distinguished more easily from other goods. This function has its origins in the time of strong product focus following the G-DL. S-DL constitutes a service to the customer, facilitating information processed during the purchasing process. In this context, the brand also offers an information function. Customers with previous experiences can use their knowledge (operant resource) to simplify information gathering and processing faced with complex market offerings.⁸⁶

The Brand as a Service to Influence the Customer’s Self-concept

This kind of service goes back to the symbolic aspect of the brand, which can emerge from the firm’s marketing measures or be determined by external actors, the customers, the media, other organizations, etc. These co-created associations go beyond the functional value into the internal symbolic needs of the customers. The symbolic function is best seen in luxury goods. A customer buys a luxury car, not

⁸³Vargo and Lusch (2004), op. cit., p. 2.

⁸⁴Ballantyne and Aitken (2007).

⁸⁵For the following see Drenchner et al. (2013).

⁸⁶Drenchner et al. (2013), op. cit.

primarily for the functional benefit of transportation but rather for the symbolic association of the brand that the customer wants to transfer onto herself.⁸⁷

The Brand as a Service for Building and Maintaining Social Relationships

With the network perspective, brands now have a social interaction function, bringing customers together in different community groups. This can range from classic brand communities, where people share the same pleasure for a brand, to anti-brand communities, which collectively oppose a brand, to non-brand-focused communities, which shun brands altogether.⁸⁸ Thus, the brand's service in terms of the S-DL lies in creating opportunities for the customers to socially interact and build relationships, whatever they may be.⁸⁹

At the beginning of this section, the concept of identity-based brand management, connecting the self-concept of the firm with the perspective of the customers, was introduced. In S-DL brand logic, this identity-based model needs to undergo adaptations, because it "implicitly treats the brand as an asset fully controllable by the firm."⁹⁰ It does not acknowledge the influence of the customers and their sociocultural environment; it considers the customers only as operand resources. Ballantyne and Aitken confirm this by pointing out that the identity-based approach "ignores the value-in-use derived from a product by a customer over time, and the word-of-mouth communicative effects generated from within brand communities."⁹¹ Additionally, there is an impetus for further developing identity, as the brand image is considered "dynamically constructed through social interaction."⁹²

We support the work of Jan Drengner⁹³ that proposes a holistic way of viewing brand management in accordance with the S-DL. On one side, the brand is seen as part of a firm's value proposition; on the other side, it is seen as the sociocultural context and interaction space of brands and customers that determine brand meaning. Under brand meaning, in this context, we understand it as the sum of individual experiences, associations, feelings, and behavior that generates a mental projection with an underlying meaning in the mind of the customer.^{94,95} To take these new considerations into account, we embrace a concept based on the S-DL that we call

⁸⁷Drengner et al. (2013), op. cit.

⁸⁸See also Kotler et al. (2017), op. cit.

⁸⁹Drengner et al. (2013), op. cit.

⁹⁰Drengner et al. (2013), op. cit., p. 144.

⁹¹Ballantyne and Aitken (2007), op. cit., p. 365.

⁹²Ballantyne and Aitken (2007), op. cit., p. 365.

⁹³Drengner et al. (2013), op. cit.

⁹⁴Sherry (2005).

⁹⁵Tarnovskaya and Biedenbach (2018).

socioculturally integrated brand management in which not the brand image is of interest, as in the identity-based model, but rather the brand meaning. The brand identity in its intended meaning is still the starting point. The brand must offer a value proposition to the customers, who by using their operant resources attribute meaning to it. Customers with a similar sociocultural background use similar operant resources to create value out of the value propositions. This may attribute coinciding meanings to a brand. The brand meaning is thus influenced by the sociocultural environment, co-created under use of the customers' resources, and individually determined.⁹⁶ This implies boundaries in possibilities to influence brand meaning. An advertisement may have its limits when it comes to creating brand meaning, whereas trusted sources such as word of mouth coming from friends, colleagues, or family are considered more reliable.

In times of co-created brand meaning, new forms of communication are needed. H2H Marketing thus takes the identity-based holistic brand management as its foundation, which then is expanded to include the findings of the S-DL. Brand identity should be designed and communicated in a reasonable way. It should also be clear that the brand image, respectively, brand meaning, is co-created considering the sociocultural context of the customers. Thereby, the brand becomes a service and fulfills a variety of functions.

Brand Management in the Connectivity Age

For customers, digital advancement has two consequences. Firms can overwhelm customers with endless outbound marketing communication by sending emails, tailored online ads, etc. On the other hand, customers utilize more ways to search for information and are active via inbound marketing. They block intrusive communication measures and comb through a vast number of resources to find transparent information. A commoditization transforms value proposition models in many sectors. At the same time, overexposure to stimuli overstrains customers and makes them look for other sources they can trust which they find in friends, colleagues, and family. With these new developments comes a new customer path, as shown in Fig. 1.8.⁹⁷

In the pre-connectivity era, the understanding of people's buying process was characterized by the four As: Customers become aware of a brand; then develop an attitude toward it, either positive or negative; decide how to act with purchase decision; and, finally, consider if they should buy again and act again. The 4A model is a typical funnel-shaped process since with every step, the number of customers decreases.⁹⁸ With connectivity, fundamental shifts in customer behavior

⁹⁶Drengner et al. (2013), op. cit.

⁹⁷Kotler et al. (2017), op. cit.

⁹⁸Kotler et al. (2017), op. cit.

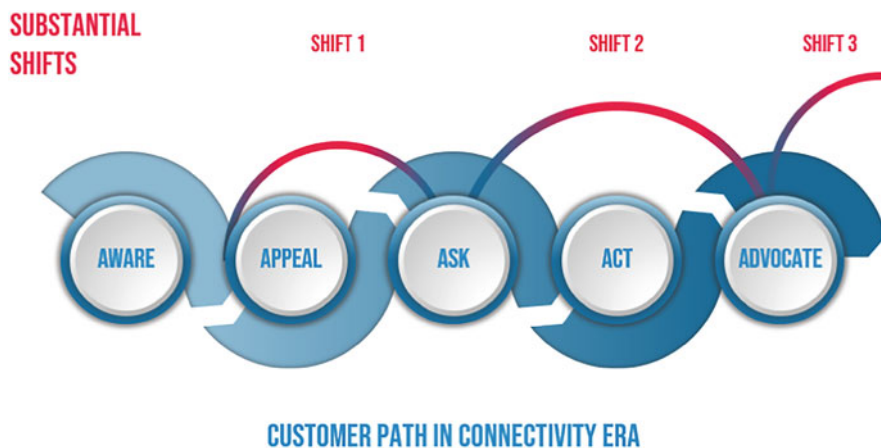


Fig. 1.8 Shifts in consumer behavior that lead to a new customer/creator path

took place (see Fig. 1.8), which created the need for a new customer path (the five As) to adequately map the buying process. Let's have a look at these shifts.⁹⁹

- Shift 1 denotes liking or disliking a brand (the attitude) used to be defined individually, while today, the social context of the individual becomes a deciding factor. In the connectivity era, the initial appeal of a brand is influenced by the community surrounding the customer to determine the final attitude. Many seemingly personal decisions are social decisions.
- Shift 2 represents the changed meaning of loyalty and the target setting companies derive from it. While loyalty before was seen in the repurchase of a brand, in the connectivity era, loyalty is ultimately defined as the willingness to advocate a brand.
- Shift 3 is found in the growing connectedness among customers' ask-and-advocate relationships, which rely on other customers to find out more about specific brands. The feedback they get positively or negatively affects the appeal of the brand.

These three shifts lead us to the new customer path consisting of the five As.¹⁰⁰ The path starts with the aware phase, in which customers know a brand because of experience, marketing communications, and/or the advocacy of others. In the appeal phase, the customer then processes these impressions and develops an attraction toward certain brands. He then tries to find out more in the ask phase about the brands he is attracted to by, for example, getting into contact with other customers or studying online reviews. If convinced, the customer may take the next step with act.

⁹⁹For more details on the mentioned shifts in customer behavior, see Kotler et al. (2017), op. cit.

¹⁰⁰For detailed information on the 5A customer path, please refer to Kotler et al. (2017), op. cit.

This does not only include the purchase of the product but also other interactions such as filing a complaint in case of a negative experience or post-purchase services. The advocate level is the last phase and is considered the highest goal in modern marketing by the creators of the 5A approach. The high valuation of brand advocacy stems from customers increasingly turning to their social environment for information, rather than to the firms. This process is described as the “democratization of branding”; as Kemming and Humborg go on to state, “Technology-driven empowerment of consumers, such as the production of brand meaning by (micro) blogging, interaction in social networks or producing and disseminating brand advocacy, leads to new power relationships in both the commercial and non-commercial realms of branding.”¹⁰¹ Already in 2010, they had recognized the mode of action and the importance of brand advocacy inside social networks. The influence that firms can have on brand communities and interpersonal communication is limited, which is where the loyal advocates of a brand come into play. When questions about a brand arise, there should be brand advocates stepping in to have a positive influence on the brand image and purchase decisions.

Firms themselves have a certain influence on the aware and ask phases, as well as exclusive influence on the brand appeal, while act and advocate are outside of the direct reach of the brand’s influence. Along the way from awareness to advocacy, there are catalysts that marketers can leverage to break up bottlenecks between the steps, as is shown in Fig. 1.9.¹⁰²

First Catalyst: Increasing Attraction

Brands with a human touch can make a brand more appealing to customers since they are not perceived as robots without feelings but as “a person with mind, heart and human spirit.”¹⁰³ In concordance with what the S-DL dictates, brands should treat customers as an operant resource on an equal footing, as “equal friends.”¹⁰⁴ In addition to that, brand activism, meaning taking a clear stand on current social, political, environmental, or economic issues, can strongly affect the brand appeal. The further focus should lie on the differentiation from competitors, for example, by offering customization or exceptional experiences. “The more bold, audacious, and unorthodox the differentiation is, the greater the brand’s appeal is.”¹⁰⁵

¹⁰¹ Kemming and Humborg (2010).

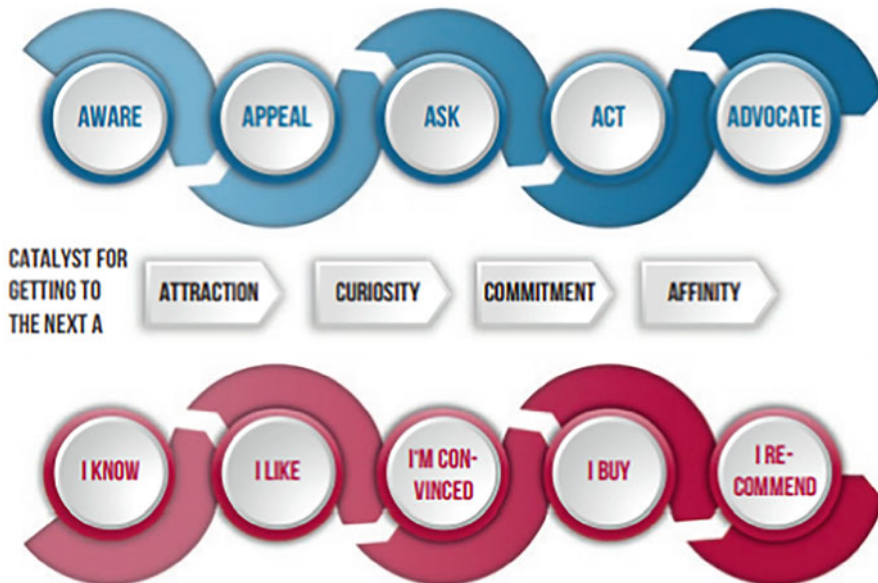
¹⁰² Kotler et al. (2017), op. cit.

¹⁰³ Kotler et al. (2010), op. cit.

¹⁰⁴ Kotler et al. (2017), op. cit., p. 81.

¹⁰⁵ Kotler et al. (2017), op. cit., p. 83.

5A CUSTOMER PATH



KEY CUSTOMER IMPRESSION

Fig. 1.9 The 5A customer/creator path in detail

Second Catalyst: Optimizing Curiosity

Curiosity is the result of a discrepancy between the current and the desired state of knowledge. The true potential of creating curiosity lies in offering interesting information without being too revealing and thus demystifying the brand.¹⁰⁶ An effective way to do so is found in Content Marketing which will be discussed later.

¹⁰⁶ Kotler et al. (2017), op. cit.

Third Catalyst: Increasing Commitment

At this point, the customers may be convinced of a brand, but there is still a way to go until the actual purchase takes place. For this to happen, firms need to provide a seamless experience along all touchpoints. As end and industrial customers are constantly switching between online and offline channels, an integrating approach toward channel management is necessary, which can be found in Omnichannel Marketing.^{107,108}

Fourth Catalyst: Increasing Affinity

To successfully transition from the sole purchasing act to turning customers into loyal advocates, firms need to engage with their customers beyond the typical touchpoints. This can mean building a rewards and loyalty program and interaction on social media or using gamification to get into closer contact. Without question, the post-purchase phase is where, for customers, the moment of truth arrives: Does the product or service I purchased stand up to the pre-purchase promises given by the brand? The answer to the question has a strong effect on whether the customer develops an affinity toward a brand.¹⁰⁹

To conclude, there is an enormous increase in the importance of the customers' social context in purchasing decisions, whereby brands must give up a part of their power. This makes it more important for companies to leverage phenomena and tools like word of mouth, brand advocacy, and brand communities to benefit from these developments. The loss of control is a wake-up call for marketers, showing that it is no longer they who sit in the driver's seat. Or in the form of a subtler hint, "Brand management should rather be a guiding activity, not a controlling one."¹¹⁰

Rethinking Operative Marketing: The H2H Process

The classic 4P marketing mix has guided marketing thinking for many years. In the world of digitalization with newly restructured relationships and changing forms of communication, it may no longer be appropriate for today's business challenges.¹¹¹ The H2H Marketing presented here with its flexible iteration process brings new possibilities for a hyper-competitive world, in which outbound orientation and marketing measures without customer focus have ceased to have a positive

¹⁰⁷Haderlein (2012).

¹⁰⁸Heinemann (2014), op. cit.

¹⁰⁹See, e.g., Vargo and Lusch (2016), op. cit.

¹¹⁰Rossi (2015), op. cit., p. 1886.

¹¹¹Constantinides (2006).

impact.¹¹² One of the fundamental differences to the previous marketing mix is the process character of the strategic and operative marketing and the explicitly necessary iterations between the process phases. Furthermore, the process is based on the S-DL principle of integration.¹¹³ Digital marketing, Content Marketing, Service Marketing, B2C and B2B Marketing, brand, and marketing mix, as well as communicative and physical channels in the form of the omnichannel concept, all form part of it. Finally, based on the influencing factors of the H2H Marketing Model, phases and new focal points that are not or only implicitly incorporated into the 4P marketing mix are included in the process. In the following, it will be explained in detail how the H2H Process ties into the H2H Marketing Model and which new focal points are derived for its phases.

The H2H Process introduced here follows a structure of five steps:

1. Find an H2H problem.
2. Gather deep insights.
3. Develop a value proposition.
4. Inform, advise, and entertain with valuable content.
5. Enable and manage access with networks.

In the following, step-by-step instruction will be provided on how H2H Marketing can be successfully implemented on an operative level using the iterative and flexible H2H Process (see Fig. 1.10). However, before entering into the details of the process, it is necessary to make a few remarks on the nature of the H2H Process. Being iterative, by definition, the process can be (re)initiated at any point depending on the respective setting of tasks. In the case of a start-up company, for example, the entire process can be completed to fill all fields of the H2H Canvas and thus develop a functioning business model. On the other hand, in case a new value proposition is to be developed to solve an already identified H2H problem, it is sufficient to start with the development of the value proposition. There are also the possibility and encouragement to iterate back into past phases, to put newly gained knowledge to the test and to find a new design angle.

Besides the iterative H2H Process character, all findings from the H2H Marketing Model are incorporated into the H2H Process. The identification of a complex human problem as the starting point for the development of a value proposition and the strategic positioning of a company are new in marketing and represent one of the core principles of H2H Marketing. With this, conventional differentiation strategies based on cost leadership and differentiation through performance features do not become obsolete, only secondary.

¹¹²Halligan and Shah (2018).

¹¹³Vargo and Lusch (2004), op. cit.

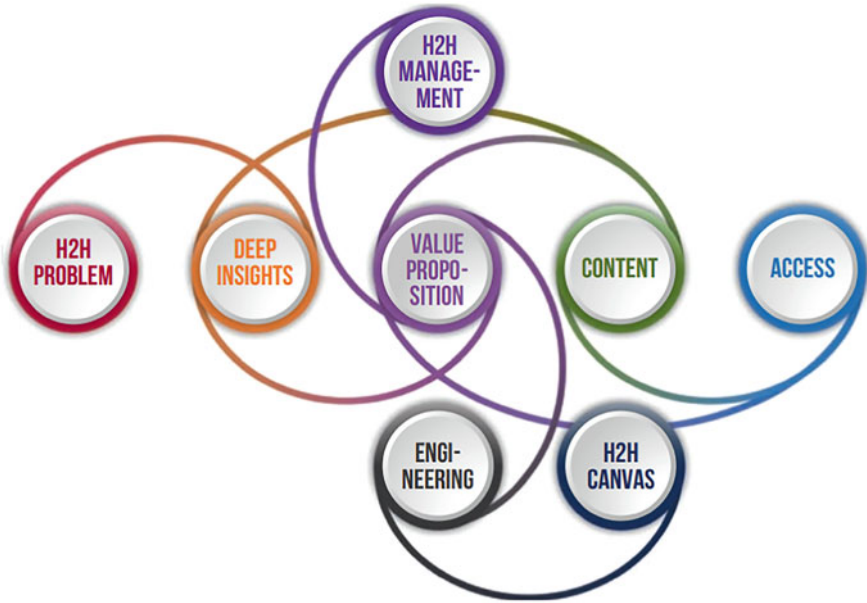


Fig. 1.10 The iterative H2H Process

Always Start the Process with a Briefing

Every H2H Process starts with a briefing, regardless of whether the process is run through completely or only partially. A good briefing has always been and remains an important prerequisite for the later success of a project. In marketing, briefings are common practice especially when awarding contracts to external service providers, but this should also establish itself internally in H2H Marketing.

Initiate the Process with an H2H Problem

H2H Marketing always starts with a human problem that is to be solved. As such, the “initial problem” can either be found (passive problem search) in which an employee or business partner encounters a problem in his environment that he is not yet aware of or the search for a problem can be initiated by the company itself. With growing connectivity, new ways of studying customers and product users have emerged, one of them being netnography, which combines ethnographic research with the online world, its communities, and tribal structures. Developed by Robert Kozinets, netnography motivates interested market researchers to immerse themselves deeply

in the sociocultural environment of people in their online communities to better understand their behavior.¹¹⁴ For marketers, it offers an effective way of studying and getting deep insights about communities revolving around their product or brand.¹¹⁵ With abundant and easily accessible data, netnography is a potent tool to identify problems and offers inspiration for product and service innovation.¹¹⁶

Another form of finding an H2H problem is trend scouting, which aims at detecting trends in an early developmental stage. It includes focusing on both megatrends, which are easy to track, and smaller trends, that are harder to identify but can have strong relevance for firms.¹¹⁷ In comparison to other methods of innovation research, trend scouting is not as straightforward and can feel counterintuitive to the researcher, as it is not based on insights from the past, but rather tries to detect a direction for the present and future.¹¹⁸

Big data, if used correctly, can also be a treasure trove for marketers. A particularly interesting way to utilize big data analytics is presented in social listening, also referred to as social media monitoring: “The aim of Social Listening is to capture what is being reported about the company, its brands and products on social media. For this purpose, unstructured data from various social media and possibly other Internet sources (Twitter, Facebook, blogs, forums, news pages, etc.) are [...] systematically collected and processed.”¹¹⁹

For firms, it is a way of obtaining authentic, unfiltered market research information that with traditional market research methods can be hard to capture. “Customers are more comfortable and open to tell their fellow customers what they think and do. The natural conversations in the customers’ own environments help them articulate their deepest anxieties and desires.”¹²⁰

Obtaining Human Insights

Once an H2H problem has been identified, empathic, ethno- and netnographic, as well as quantitative methods are used to provide deep insights into the emotional and cognitive structure of people. Besides the task to understand (potential) customers, marketing still has the task to understand the marketplace and must deliver key figures like market potential, market volume, market shares, and market growth rates among others. But here we focus on the qualitative task to generate human insights. These insights should help to examine whether the identified H2H problem really is a problem that prevents people from achieving their personal objectives. In this

¹¹⁴Kozinets (2015).

¹¹⁵Özbölük and Dursun (2017).

¹¹⁶Heinonen and Medberg (2018).

¹¹⁷Rohrbeck (2014).

¹¹⁸Judt and Klausegger (2010).

¹¹⁹Rumler and Ullrich (2016). Translation from German to English.

¹²⁰Kotler et al. (2017), op. cit., p. 111.

phase, both approaches are up for discussion and are important, exploring a problem based on already existing goods and services and exploring it independently from existing goods and services. The human insights phase should include the following steps to achieve the above objectives:

- Achieve a shared understanding of the task in the team and together with the supervisor through a briefing.
- Explore the problem together and achieve a shared understanding of it.
- Gain deep insights from people who may share the problem, using qualitative and quantitative methods.
- Condense the collected findings and realizations to groups of persons and specific problem aspects, for which solutions are to be found later.

The human insights phase ensures that H2H Marketing is both insights- and data-driven and only develops, communicates, and provides access to service based on these valuable insights. In doing so, H2H Marketing will not only operate at the back end of innovation. It explicitly tries to participate at the fuzzy front end of innovation. The term was first brought up by Smith and Reinertsen¹²¹ and refers to the phase at the start of the innovation process between recognizing the emergence of an opportunity and initiating the first developmental steps. This phase is characterized by uncertainty and risks, which is part of the reason why managers usually limit themselves to only concentrating on the back end of innovation.¹²²

Although innovation management provides tools to assess risks and help in decision-making, the fuzziness inherent to the front end of innovation requires executives to be willing to take risks and to experiment, which goes to show how Design Thinking can play a crucial role in innovation management.¹²³ “The early front-end activities include the identification of a problem or opportunity and the accompanying screening and evaluation processes. [...] General Motors also called this the ‘bubble-up-process’, where the strategic decisions for the new product development are made.”¹²⁴ This is where H2H Marketing can step in and get involved. In the first steps of the process, H2H Marketers have the intent to condense deep customer insights from methods like social listening, netnography, and trend scouting, which provide a useful aid to get to know more about the customers’ real needs. In contrast to that, traditional approaches to research hardly yield relevant results as “customers do not always tell marketers what they really think and do. In fact, they are not always able to articulate what they really think and do, even if they want to.”¹²⁵ Design Thinking, both as a mindset and as a set of tools, further helps in developing human-centered, problem-solving ideas and concepts at the front end of

¹²¹Smith and Reinertsen (1991).

¹²²Gassmann and Schweitzer (2014).

¹²³Gassmann and Schweitzer (2014), op. cit.

¹²⁴Gassmann and Schweitzer (2014), op. cit., p. 5.

¹²⁵Kotler et al. (2017), op. cit., p. 111.

innovation. Chen and Venkatesh found that design-driven companies use end-user profiles, similar to the persona concept of H2H Marketing, as a form of visualizing a typical customer and to validate a new, disruptive design, instead of relying mainly on the traditional research on end-users, which does not uncover latent needs, being limited to the sphere of the already known.¹²⁶ Design Thinking can be integrated holistically into the early front-end activities of recognizing an opportunity, as well as the later front-end activities of making use of the opportunity, creating and evaluating concepts and ideas, along the whole front end.¹²⁷ “Design Thinking, can help the fuzzy front end to innovate faster, with rapid prototyping and iterations, for a better market fit and generally create more radical innovations.”¹²⁸

And not only Design Thinking but also the other components of the H2H Marketing Model provide fertile ground for front-end innovation (see Fig. 1.11).¹²⁹ Digitalization makes it possible to study consumers in social structures of the Internet via netnography, for example, and enables firms to access completely new ideas and trends that can be derived from the online world.¹³⁰ Moreover, the S-DL, with the understanding of co-created value emphasizing the importance of the customer’s perspective, facilitates the identification of new trends and market needs with a strong orientation on the individual customer.¹³¹ With a high degree of uncertainty and many undefined factors at the beginning of the innovation process, the playing field of possible concepts, trends, and ideas is vast. Through flexible iterations that do not necessarily need to be carried out sequentially, the “scope of action” gets condensed throughout the process.¹³²

(Pre-)Develop a Value Proposition

The next logical step is creating a value proposition for the identified users of a possible solution. The value proposition is the core part of the H2H Process and follows the co-creation postulate of the S-DL, actively integrating the customer into the development of the value proposition.¹³³

It should have become clear from the discussion of the S-DL that value can only be generated with the value proposition by the customer herself in her context. Therefore, the focus shifts from the offering to the value creation process with the customer, in which the customer perspective on a recognized problem is

¹²⁶Chen and Venkatesh (2013).

¹²⁷Gassmann and Schweitzer (2014), op. cit.

¹²⁸Leifer and Steinert (2014).

¹²⁹Gassmann and Schweitzer (2014), op. cit.

¹³⁰Eser et al. (2014).

¹³¹Payne et al. (2008).

¹³²Gassmann and Schweitzer (2014), op. cit.

¹³³Vargo and Lusch (2008).

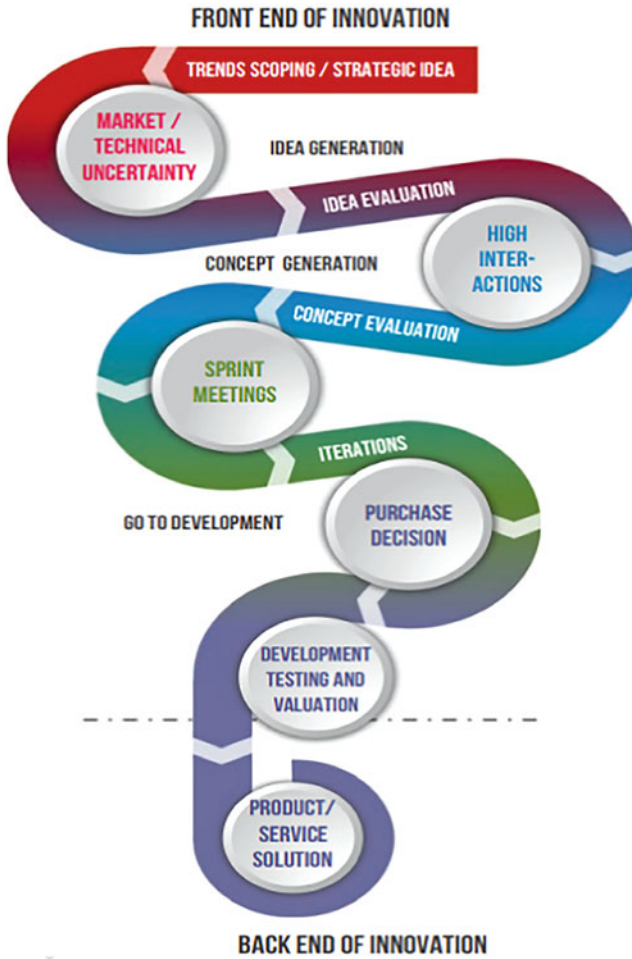


Fig. 1.11 H2H Marketing at the front end of innovation

incorporated via the exchange of knowledge and skills into a tailored value proposition, the use of which in turn leads to the solution of the problem.

The basis for the value proposition is the Value Proposition Canvas,¹³⁴ which is further developed by H2H Marketing and complemented with the co-creation principle of the S-DL (see Fig. 1.12). H2H Marketing follows the principle that the competencies of a company and the customer are determined by its key resources

¹³⁴ Osterwalder et al. (2014).



Fig. 1.12 The H2H Canvas

and activities. However, hardware, software, and services function are vessels for the transportation of skills and knowledge for the benefit of the customer and are, thus, part of the service offered to the customer.¹³⁵ The customer can but does not have to be involved in the development of the value proposition.

Inform, Advise, and Entertain with Valuable Content

Content Marketing seems to be on everyone's lips these days and finds versatile uses in both B2B and B2C companies. Moreover, while the concept of convincing customers with helpful content is not new, digitalization developments manifesting in constant connectivity, new information behavior, and the rise of social media and other new channels have fuelled its popularity. With classic outbound marketing not yielding the positive results it once did, firms must find other ways of reaching their customers, relying more and more on useful content to convince them. Content Marketing consists of producing and distributing useful content that informs, gives tips and recommendations, entertains, or gives new creative ideas, whereby the company positions itself as an expert in a certain subject area. The aim is to acquire new customers and increase customer loyalty by building a trust-based relationship with them. The catchy phrase "communicating without selling" describes the "art and science of regularly sharing valuable information with your target audience that aligns with and reinforces your brand."¹³⁶ The special thing about Content

¹³⁵ See, e.g., Vargo and Lusch (2016).

¹³⁶ Harad (2013).



Fig. 1.13 The Lean Content Marketing cycle

Marketing is the change of perspective, away from the focus on your own products and services toward a focus on the needs and interests of your customers; it constitutes a “cultural change from ‘selling’ to ‘helping’.”¹³⁷

For practical implementation of Content Marketing, the Lean Content Marketing approach (see Fig. 1.13)¹³⁸ is used. Lean Content Marketing builds on the idea of the lean start-up¹³⁹ and follows the principle of “Build, Measure, Learn.”¹⁴⁰ At first, a company starts with small content units and waits for user feedback, which it then analyzes. In a constantly repeating loop, new content is then created and adapted, always based on the findings of the market feedback. The goal is to create efficient content, not cheap, as is often mistakenly assumed under the term lean. It provides valuable assistance to the target group and helps the firm to engage and learn more about them. It offers a way to quickly implement a Content Marketing strategy and learn more about customers step by step which may seem counterintuitive to marketers in the beginning.

¹³⁷Holliman and Rowley (2014).

¹³⁸von Hirschfeld and Josche (2018).

¹³⁹Ries (2011).

¹⁴⁰von Hirschfeld and Josche (2018, p.12).

Access: Making the Value Proposition Available to Customers/Creators

After having built a value proposition based on human insights which has been communicated to the customer via Content Marketing, the last step of the H2H Process now consists of making the value proposition accessible to customers.

Direct contact with the customer is of immense strategic importance today because, without it, companies can't compete against larger dealers and platforms.¹⁴¹ To make the value proposition available to customers, companies must demonstrate flexibility and design the channel architecture according to the customer's wishes. The customer decides when and where he wants to buy something, not the company. As connectivity speeds up the world, customers in what is termed the *Now Economy* demand fast delivery of products and immediate satisfaction of their needs and desires, wherever and whenever they want. And while some prominent B2C companies like Airbnb, Uber, and Amazon Prime have already recognized this trend and have aligned themselves to customer wishes, there is still a lot of catching up to do, especially in the B2B area.¹⁴² In addition to the immediate gratification that customers expect, we have seen the rise of new channel structures and moving patterns along them because of combining once separated channels, leading many firms to turn to Omnichannel Marketing. This aims to align and integrate online and offline channels for a seamless customer experience across all touchpoints.¹⁴³

Omnichannel Management in H2H Marketing is defined as the following: "Omnichannel Management uses and interconnects all available communication and sales channels to enable simultaneous use of multiple channels on both the customer and vendor sides, because the customer acts as creator. The customer is at the heart of the strategy [emphasis added], can actively manage the purchasing process and has complete control over transparency and data integration."¹⁴⁴

This definition also shows the difference between multichannel and omnichannel models. Multichannel retailing means that a customer can purchase products on different sales channels, stationary and online. However, there is no integration of the channels, and the communication and the transactions that take place via the channels are dictated by the company, following an inside-out, resource-based view. The omnichannel, on the other hand, places the human being in the center, recognizes her as a competent individual empowered to determine the rules of the game, by deciding when and where to pass through which steps of the customer path, and therefore takes the market-based view following the outside-in philosophy. To achieve a workable integration in the sense of the omnichannel, holistic brand management that consistently unites the online and offline world is a key

¹⁴¹Kegelberg (2018).

¹⁴²Spanier (2017).

¹⁴³Mehn and Wirtz (2018).

¹⁴⁴Mehn and Wirtz (2018), op. cit., p. 12.

prerequisite. Thinking should no longer follow a dualistic mindset that distinguishes between online and offline, but instead, *no-line thinking*, i.e., without differentiation, should be embraced, in the same way as customers are already doing today.^{145,146}

It can be concluded that H2H Marketing promotes the integration of touchpoints and channels to enable a seamless customer experience. The foundation for this is the customer path, which should be analyzed and visualized along all touchpoints across all channels (no-line). The most important touchpoints and the most popular customer paths should be identified and integrated without any disconnect. With such an integrated omnichannel solution, channel hopping, meaning the constant switching between different information and distribution channels, then should be possible.¹⁴⁷ Omnichannel integration should follow the guiding principle of H2H Marketing, putting the human being into the focus and aligning the channels and touchpoints in complete accordance with his needs and wishes.

The H2H Process as Operative Process of H2H Marketing

New marketing activities, in a world of outbound and inbound marketing, need to have a process character and must react instantly to fast-changing environments. Marketing for start-ups differs significantly from marketing for incumbent companies, not only because of different financial situations but also because of different priorities. The full value of the flexible, iterative H2H Process appears obvious in this context. Firstly, a start-up will focus on the search and the comprehensive understanding of an H2H problem. Secondly, it will focus on the development of a value proposition to solve this problem together with collaboration partners and the customers. There will not be a lot of time for Content Marketing or branding. In contrast, an incumbent company might focus on digital Content Marketing because the company concludes that there is a major issue in Content Marketing. The good news here is any company in any situation can use the H2H Process and iterate forward and backward. The whole process is lean and experimental by nature. Any idea, no matter what phase (customer insights, value proposition design, content, branding, etc.), can be tested, and the learning process of the lean concept will allow all kinds of companies in all kinds of situations a fast improvement of their marketing. We must stress again that the successful application of the H2H Process will depend on the corporate mindset of the companies who try to apply it (Fig. 1.14).

And that is where the pieces of the H2H Marketing Model come together. To be especially successful, the model should be applied holistically, based on an understanding of the three influencing factors and the H2H Mindset as the basis for action. Brand and trust can be managed with this mindset and operative marketing

¹⁴⁵ Kreutzer (2018).

¹⁴⁶ Heinemann and Gaiser (2016).

¹⁴⁷ Heinemann and Gaiser (2016), op. cit.

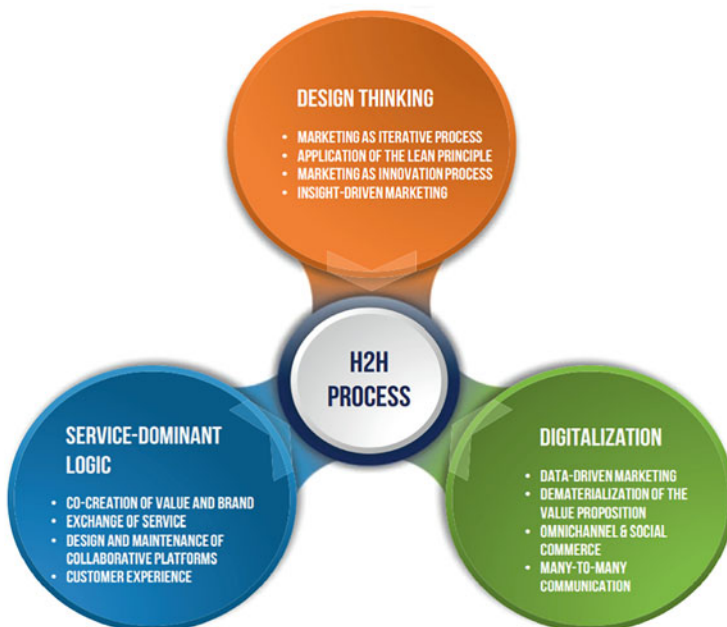


Fig. 1.14 The H2H Process inside the H2H Marketing Model

implemented accordingly using the H2H Process. What kind of results this new way of marketing can yield, we can see in companies that are following the H2H Mindset and/or are implementing other elements of it?

Stepping away from industrial champion to technology-driven company, *Siemens* combines its industry expertise in the field and technology know-how to generate new businesses together with the customers via a value co-creation methodology. This customer-centric approach is widely adopted across business entities including Siemens Healthineers, Siemens Energy, and Siemens Advanta. Nevertheless, they all serve one common goal: building mutual trust with customers—from suppliers, partners to end-users. The key success factors of working directly with business partners on specifically tailored solutions are to allow quick prototypes for implementation and modification to fit the customers' business needs. This methodology enables Siemens to visualize complex business problems clearly and react with quick solutions which are tailored and customer validated.¹⁴⁸

Another company that embraces co-creation with its customers is the toy company *LEGO*. Recognizing this potential of integrating its customers into the product innovation process, the company launched a worldwide platform, which allows customers to upload their own LEGO sets and concepts, share ideas, support certain product ideas, and network with each other. Customer creations must collect 10,000

¹⁴⁸Siemens AG (2017).

up-votes in a specified timeframe to be reviewed by LEGO to then become a product of LEGO's portfolio potentially. The platform counts 1.5 million members who have submitted more than 30,000 concepts. Dozens of co-created kits have been put on the shelves of retail stores around the world.^{149,150} For the fans, it is not only about having a direct line of communication. They also can fulfill a childhood dream and gain a reputation within the community but also receive royalties on the sale of the product. Creators receive media coverage, the opportunity to participate at the launch, and a rock star treatment in the process. The community is not characterized by rivalry but rather by co-creation, where new project ideas get supported, eagerly anticipated, and purchased to share the success.¹⁵¹ This open innovation approach led to a decrease of time to market and multiple community-created bestsellers. It enables LEGO to connect with its communities and create loyal brand advocates. It can be considered a win-win situation. LEGO can benefit from a never-ending stream of fresh ideas and concepts. The customers can be co-creation partners actively involved in further building the LEGO story and engaging in communities with other customers. This creates a level of engagement, positive word of mouth, and brand advocacy that could never have been achieved with traditional marketing measures.

Also in emerging economies, H2H Marketing is being used. The Indian industry conglomerate *Aditya Birla Group* created the ingredient brand Liva for its viscose business which helped to create a human connection with the end-user and step out of the shadow of B2B anonymity.¹⁵² Before the brand introduction, the level of awareness for viscose in fashion among Indian consumers was minimal. Consumers didn't know for which applications the material could be used and which benefits it offers. By creating the consumer brand Liva, the company created an emotional connection with customers. Once customers learned about the properties of viscose staple fiber (soft feeling, luxurious look, being good for the environment), the demand for viscose-based clothing grew dramatically. In the years before the introduction of Liva, demand for viscose in India was stagnant, and the company was not able to grow its viscose revenues for years (the stagnant market inhibited revenue growth because the Aditya Birla Group was already the only relevant player in the Indian viscose market and thus could not grow by gaining more market share). In the years following the introduction of Liva and other ingredient brands, however, the company consistently achieved double-digit revenue growth year after year. Part of this success story is also the stakeholder orientation of the company. Together with the ingredient brand Liva, also the Liva Accredited Partner Forum was created. This forum provides a platform for all value chain actors, from spinners, weavers, clothing manufacturers to retail brands. The purpose of the forum is to improve the

¹⁴⁹Qian (2020).

¹⁵⁰For detailed information on the open innovation platform, see the official LEGO Ideas website: <https://ideas.LEGO.com/>

¹⁵¹Davis (2017).

¹⁵²Aditya Birla Group (2015).

knowledge exchange among all value chain actors and foster cooperation. Another reason for the creation of the forum is to ensure a good quality of the end product. Only accredited partners are allowed to use and commercialize the Liva Viscose Staple Fibre. In return, members receive technical support to improve and ensure the quality of the final product, as well as marketing support to boost demand (which helps both the clothing brands and the Aditya Birla Group which provides the fiber basis). As such, the forum is a win-win situation for both the members and the Aditya Birla Group. Sellers can find buyers for their products more easily and cooperation between the value chain actors can grow.¹⁵³

LEGO, Siemens, and the Aditya Birla Group are just some of the examples of companies that are already applying H2H principles. Companies like Whole Foods, 3M, Airbnb, Patagonia, elobau, The Good Kitchen, and many others work on making business more human-centered. These are companies that commit themselves to the H2H Marketing philosophy and can make a positive contribution to solving social problems by becoming proactive change agents. We believe that this is just the beginning and that we will see more and more H2H companies in the future. Therefore, we welcome every effort going into this direction and are convinced that it will contribute to solving pressing issues of our time.

Questions for Understanding

1. Why do we take trust as the key currency of successful marketing?
2. How did Amazon achieve such a powerful position in the mind of millions of customers?
3. How do you explain the empirically proven diminishing importance of marketing departments? What is the status in your company or in companies you know?
4. Are you able to name three companies with highly esteemed marketing departments and three with unadmired marketing departments? What differentiates them?
5. What is the difference between the interpretations of marketing as ___?
 - (a) Function
 - (b) Management approach
 - (c) Mindset
6. Why is the shareholder value concept a possible driver of a limited view on marketing and its tasks and responsibilities?
7. Should marketing enable a company and its employees to take over a market or a resource-based view?
8. Why is the role of the C-level management so crucial for the corporate mindset in a company?

¹⁵³Information about the Liva Accredited Partner Forum was derived from the official LAPF website accessible via the following link: <https://www.lapfconnect.com/ABOUT-US/ABOUT-US.aspx>

9. For which corporate tasks should marketing be responsible according to you? What is the reality in most companies you know?
10. How do you differentiate unethical, inane, and wasteful marketing? What are the motivation and marketing orientation of H2H Marketing?
11. What do you understand as permission marketing? How does it fit into H2H Marketing and the term “value”? How do you explain the value of banner ads and other disturbing means to your customers? How is the “push” and “pull” discussion in marketing related to this concept?
12. Why does inbound marketing not necessarily need sales? Discuss this with your colleagues and try to challenge your own sales functions.
13. Try to find your own examples of corporations, which have started applying H2H Marketing partially, and send them to us so that we can grow our database. Why do you think that we ask for a partial and not complete implementation of H2H Marketing?
14. Which stakeholder plays an increasing significant role for “Firms of Endearment”? How do you explain this to a CEO who has to deliver short-term profits to her shareholders?
15. Please, compare the concepts of Corporate Social Responsibility and Firms of Endearment. What are the main differences and what are the main communalities for you?
16. How do you explain higher profits of the companies listed in the Firms of Endearment? Compare your answer with the discussion of sustainability and profit?.
17. Why is a conscious handling of resources key to modern marketing?
18. What is triple-bottom-line thinking?
19. What are the three impact categories in the 360° stakeholder model? Why is it important for a company to differ these impact types related to the topic of sustainability?
20. How do you explain the development of marketing theory shown in Fig. 1.5? What drives the change of the theoretical concepts and their application in business?
21. H2H Marketing considers a certain paradigm as the next significant step in the development of marketing theory. Which is it? Why do you think that this paradigm might be the next essential paradigm for marketing (or why not)?
22. What is the major challenge of marketing organizations today?
23. What are the reasons for you that marketing departments increasingly suffer from a poor reputation in their own organizations? What are the core competencies of marketing? How does marketing contribute to the value proposition of companies? Why do marketing departments lack in transparency regarding their processes and contributions to value creation compared with their adjacent sales departments?
24. What are the consequences of an increasing connectivity on end customer behavior, and what are the consequences on existing business models mainly based on the sales of products and services?

25. What is “experience innovation” and how does it differ from “traditional innovation”? Try to find examples for both and compare them. What is the relation between experiences and value for the customer? What is the change in perspective moving from the supply of products and services to the co-creation of experiences?
26. What is the “fuzzy front end of innovation”? How can H2H Marketing contribute to this early stage of innovation? Why is traditional marketing often only engaged at the “back end of innovation”?
27. What is the vital role of traditional marketing in the existing industrial paradigm and how does it clash with the efforts to contribute to sustainability? How might marketing contribute to a mindset shift of suppliers and customers?

References

- Aditya Birla Group. (2015). *Aditya Birla Group's Grasim launches new fibre brand 'Liva'*. Retrieved from <https://www.adityabirla.com/media/press-reports/ABG-Grasim-launches-new-brand-Liva>
- Adlin, T., & Pruitt, J. (2009). Putting personas to work: Using data-driven personas to focus product planning, design, and development. In A. Sears & J. A. Jacko (Eds.), *Human-computer interaction: Development process* (1st ed., pp. 95–120). CRC Press.
- Apte, S., & Sheth, J. (2016). *The sustainability edge: How to drive top-line growth with triple-bottom-line thinking*. Rotman-UTP.
- Ballantyne, D., & Aitken, R. (2007). Branding in B2B markets: Insights from the service-dominant logic of marketing, p. 364. *Journal of Business and Industrial Marketing*, 22(6), 363–371. <https://doi.org/10.1108/08858620710780127>
- Bathen, D., & Jelden, J. (2014). *Marketingorganisation der Zukunft*. Report. Retrieved from <https://www.marketingverband.de/marketingkompetenz/studien/marketingorganisation-der-zukunft/>
- Brown, T. (2008). Design thinking. *Harvard Business Review*, 86(6), 84–92. Retrieved from <https://hbr.org/2008/06/design-thinking>
- Buchanan, R. (1992). Wicked problems in design thinking. *Design Issues*, 8(2), 96–100.
- Burmann, C., Halaszovich, T., Schade, M., & Hemmann, F. (2015). *Identitätsbasierte Markenführung*, 2nd edition., Springer Fachmedien retrieved from <http://link.springer.com/10.1007/978-3-658-07506-4>
- Chen, S., & Venkatesh, A. (2013). An investigation of how design-oriented organisations implement design thinking. *Journal of Marketing Management*, 29(15/16), 1680–1700. <https://doi.org/10.1080/0267257X.2013.800898>
- Cone Communications. (2017). *2017 Cone Gen Z CSR study: How to speak Z*. Report (p. 35). Retrieved from <http://www.conecomm.com/research-blog/2017-genz-csr-study>
- Constantinides, E. (2006). The marketing mix revisited: Towards the twenty-first century marketing. *Journal of Marketing Management*, 22(3/4), 407–438. <https://doi.org/10.1362/026725706776861190>
- Court, D., Elzinga, D., Mulder, S., & Vetvik, O. J. (2009). The consumer decision journey. *McKinsey Quarterly*, 3, 1–11. Retrieved from <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/the-consumer-decision-journey>
- Davis, J. (2017). How Lego clicked: The super brand that reinvented itself. *The Guardian*. Retrieved from <https://www.theguardian.com/lifeandstyle/2017/jun/04/how-lego-clicked-the-super-brand-that-reinvented-itself>
- Drengner, J., Jahn, S., & Gaus, H. (2013). Der Beitrag der Service-Dominant Logic zur Weiterentwicklung der Markenführung. *Die Betriebswirtschaft*, 73(2), 143–160. Retrieved

- from [https://www.edelman.com/sites/g/files/aatuss191/files/2018-10/2018_Edelman_Trust_Barometer_Global_Report_FEB.pdf](https://www.academia.edu/12178909/Der_Beitrag_der_Service-Dominant_Logic_zur>Weiterentwicklung_der_Markenf%C3%BChrung</p>
<p>Edelman. (2011). <i>2011 Edelman trust barometer: Global report</i> (p. 35).</p>
<p>Edelman. (2018). 2018 Edelman trust barometer: Global report. Report (p. 29). Retrieved from <a href=)
- Edelman. (2019). *2019 Edelman trust barometer special report: In brands we trust?* Report. Retrieved from https://www.edelman.com/sites/g/files/aatuss191/files/2019-06/2019_edelman_trust_barometer_special_report_in_brands_we_trust.pdf
- Edelman. (2020). *2020 Edelman trust barometer: Global report*. Report. Retrieved from <https://cdn2.hubspot.net/hubfs/440941/Trust%20Barometer%202020/2020%20Edelman%20Trust%20Barometer%20Global%20Report-1.pdf>
- Eser, D., Gaubinger, K., & Rabl, M. (2014). Sprint radar: Community-based trend identification. In O. Gassmann & F. Schweitzer (Eds.), *Management of the fuzzy front end of innovation* (pp. 275–280). Springer International.
- Fombrun, C. J., & Van Riel, C. B. M. (2004). *Fame & fortune: How successful companies build winning reputations* (p. 3). Pearson Education.
- Gassmann, O., & Schweitzer, F. (2014). Managing the unmanageable: The fuzzy front end of innovation. In O. Gassmann & F. Schweitzer (Eds.), *Management of the fuzzy front end of innovation* (pp. 3–14). Springer.
- Gummesson, E. (2011). 2B or not 2B: That is the question, p. 190. *Industrial Marketing Management*, 40(2), 190–192. <https://doi.org/10.1016/j.indmarman.2010.06.028>
- Haderlein, A. (2012). *Die digitale Zukunft des stationären Handels: Auf allen Kanälen zum Kunden*. mi-Wirtschaftsbuch.
- Halligan, B., & Shah, D. (2018). *Inbound-Marketing: Wie Sie Kunden online anziehen, abholen und begeistern* (D. Runne, Trans.). Wiley-VCH.
- Hansen, N. L. (2018, January 25). Dear CxO... Just focus on the customer journey! *Blog Post*. Retrieved from <https://www.linkedin.com/pulse/dear-cxo-just-focus-customer-journey-nicolaj-l%C3%B8ve-hansen/>
- Harad, K. C. (2013). Content marketing strategies to educate and entertain, p. 18. *Journal of Financial Planning*, 26(3), 18–20. Retrieved from <https://www.onefpa.org/journal/Pages/Content%20Marketing%20Strategies%20to%20Educate%20and%20Entertain.aspx>
- Häusling, A. (2016). Serie agile tools. *Personalmagazin*, 10, 36–37. Retrieved from <https://www.haufe.de/download/personalmagazin-102016-personalmagazin-381028.pdf>
- Heath, T., & McKechnie, S. (2019). Sustainability in marketing. In K. Amaeshi, J. N. Muthuri, & C. Ogbechie (Eds.), *Incorporating sustainability in management education: An interdisciplinary approach* (pp. 105–131). Springer International. https://doi.org/10.1007/978-3-319-98125-3_6
- Heinemann, G. (2014). *SoLoMo – Always-on im Handel: Die soziale, lokale und mobile Zukunft des Shopping*. Springer Gabler.
- Heinemann, G., & Gaiser, C. W. (2016). *SoLoMo – Always-on im Handel: Die soziale, lokale und mobile Zukunft des Omnichannel-Shopping* (3rd ed.). Springer Gabler.
- Heinonen, K., & Medberg, G. (2018). Netnography as a tool for understanding customers: Implications for service research and practice. *Journal of Services Marketing*, 32(6), 657–679. <https://doi.org/10.1108/JSM-08-2017-0294>
- Hofert, S. (2018). *Das agile Mindset: Mitarbeiter entwickeln, Zukunft der Arbeit gestalten* (p. VIII). Springer Gabler.
- Holliman, G., & Rowley, J. (2014). Business to business digital content marketing: Marketers' perceptions of best practice, p. 269. *Journal of Research in Interactive Marketing*, 8(4), 269–293. <https://doi.org/10.1108/JRIM-02-2014-0013>
- Joachimsthaler, E. (2020). *the interaction field: The revolutionary new way to create shared value for businesses, customers, and society*. PublicAffairs.

- Jones, P., Clarke-Hill, C., Comfort, D., & Hillier, D. (2008). Marketing and sustainability. *Marketing Intelligence and Planning*, 26(2), 123–130. <https://doi.org/10.1108/02634500810860584>
- Judt, E., & Klaussegger, C. (2010). Bankmanagement-Glossar: Was ist Trendscouting? *bank und markt*, 3, 46. Retrieved from <https://www.kreditwesens.de/bank-markt/ergaenzende-informationen/archivdaten/trendscouting-id12805.ht>
- Kegelberg, J. (2018). Auslaufmodell Omnichannel – Die Plattformökonomie integriert den Handel. In I. Böckenholt, A. Mehn, & A. Westermann (Eds.), *Konzepte und Strategien für Omnichannel-Exzellenz: Innovatives Retail-Marketing mit mehrdimensionalen Vertriebs- und Kommunikationskanälen* (pp. 373–383). Springer Gabler.
- Kemming, J. D., & Humborg, C. (2010). Democracy and nation brand(ing): Friends or foes? p. 193. *Place Branding and Public Diplomacy*, 6(3), 183–197. Retrieved from https://www.researchgate.net/publication/47378882_Democracy_and_nation_branding_Friends_or_foes
- Kemper, J., Hall, C., & Ballantine, P. (2019). Marketing and sustainability: Business as usual or changing worldviews? *Sustainability*, 11(3), 780. <https://doi.org/10.3390/su11030780>
- Kotler, P. (2017). *Criticisms and contributions of marketing*. Retrieved from <https://www.marketingjournal.org/criticisms-and-contributions-of-marketing-an-excerpt-from-philip-kotlers-autobiography-philip-kotler/>
- Kotler, P., Hessekiel, D., & Lee, N. R. (2013). *GOOD WORKS!: Wie Sie mit dem richtigen Marketing die Welt – und Ihre Bilanzen – verbessern* (N. Bertheau, Trans.). GABAL.
- Kotler, P., Kartajaya, H., & Setiawan, I. (2010). *Die neue Dimension des Marketings: Vom Kunden zum Menschen* (P. Pyka, Trans.). Campus.
- Kotler, P., Kartajaya, H., & Setiawan, I. (2017). *Marketing 4.0: Moving from Traditional to Digital*. Wiley.
- Kozinets, R. V. (2015). *Netnography: Redefined*. Sage.
- Kreutzer, R. T. (2018). Holistische Markenführung im digitalen Zeitalter – Voraussetzung zur Erreichung einer Omnichannel-Exzellenz. In I. Böckenholt, A. Mehn, & A. Westermann (Eds.), *Konzepte und Strategien für Omnichannel Exzellenz: Innovatives Retail-Marketing mit mehrdimensionalen Vertriebs- und Kommunikationskanälen* (pp. 111–147). Springer Gabler.
- Leifer, L. J., & Steinert, M. (2014). Dancing with ambiguity: Causality behavior, design thinking, and triple-loop-learning, p. 141. In O. Gassmann & F. Schweitzer (Eds.), *Management of the fuzzy front end of innovation* (pp. 141–158). Springer International.
- McDonagh, P., & Prothero, A. (2014). Sustainability marketing research: Past, present and future. *Journal of Marketing Management*, 30(11–12), 1186–1219. <https://doi.org/10.1080/0267257X.2014.943263>
- Meffert, H., & Burmann, C. (1996). Identitätsorientierte Markenführung. In H. Meffert, H. Wagner, & K. Backhaus (Eds.), *Arbeitspapier Nr. 100 der Wissenschaftlichen Gesellschaft für Marketing und Unternehmensführung e.V.* Wissenschaftliche Gesellschaft für Marketing und Unternehmensführung.
- Mehn, A., & Wirtz, V. (2018). Stand der Forschung – Entwicklung von Omnichannel-Strategien als Antwort auf neues Konsumentenverhalten. In I. Böckenholt, A. Mehn, & A. Westermann (Eds.), *Konzepte und Strategien für Omnichannel-Exzellenz: Innovatives Retail-Marketing mit mehrdimensionalen Vertriebs- und Kommunikationskanälen* (pp. 3–35). Springer Gabler.
- Nielsen. (2018). *Sustainable shoppers buy the change they wish to see in the world*. Report. Retrieved from <https://www.nielsen.com/wp-content/uploads/sites/3/2019/04/global-sustainable-shoppers-report-2018.pdf>
- Osterwalder, A., Pigneur, Y., Smith, A., Bernarda, G., & Papadakos, P. (2014). *Value proposition design*. Wiley.
- Özböyük, T., & Dursun, Y. (2017). Online brand communities as heterogeneous gatherings: A netnographic exploration of Apple users. *Journal of Product and Brand Management*, 26(4), 375–385. <https://doi.org/10.1108/JPBM-10-2015-1018>
- Payne, A. F., Storbacka, K., & Frow, P. (2008). Managing the co-creation of value. *Journal of the Academy of Marketing Science*, 36(1), 83–96. <https://doi.org/10.1007/s11747-007-0070-0>

- Pine, B. J., II, & Gilmore, J. H. (1998). Welcome to the experience economy. *Harvard Business Review*, 76(4), 97–105. Retrieved from <https://hbr.org/1998/07/welcome-to-the-experience-economy>
- Precht, R. D. (2018). *Jäger, Hirten, Kritiker: Eine Utopie für die digitale Gesellschaft* (6th ed.). Goldmann.
- Qian, J. (2020). LEGO: The marketing strategy behind the toy industry titan. *ContactPigeon [blog post]*. Retrieved from <https://blog.contactpigeon.com/LEGOmarketing-strategy/>
- Reputation Institute. (2019). *Winning strategies in reputation: 2019 German RepTrak® 100*. Report (p. 5). Retrieved from <https://insights.reputationinstitute.com/website-assets/2019-germany-reptrak>
- Ries, E. (2011). *The lean startup: How today's entrepreneurs use continuous innovation to create radically successful businesses* (1st ed.). Crown Business.
- Rittel, H. W., & Webber, M. M. (1973a). Dilemmas in a general theory of planning. *Policy Sciences*, 4(2), 155–169.
- Rittel, H. W. J., & Webber, M. M. (1973b). Dilemmas in a general theory of planning. *Policy Sciences*, 4(2), 155–165. <https://doi.org/10.1007/BF01405730>
- Rohrbeck, R. (2014). Trend scanning, scouting and foresight techniques. In O. Gassmann & F. Schweitzer (Eds.), *Management of the fuzzy front end of innovation* (pp. 59–73). Springer International.
- Rossi, C. (2015, May 27–29). *Collaborative Branding* (Conference paper). In Paper presented at the MakeLearn & TIIM Joint International Conference, Bari. Retrieved from https://www.researchgate.net/publication/282763907_COLLABORATIVE_BRANDING
- Rumler, A., & Ullrich, S. (2016). Social-Media-Monitoring und -Kontrolle, p. 100. *PraxisWISSEN Marketing*, 1, 94–112. <https://doi.org/10.15459/95451.7>.
- Sarkar, C., & Kotler, P. (2018). *Brand activism: From purpose to action* (Kindle ed.). Idea Bite Press. Retrieved from www.amazon.com
- Schäfer, A., & Klammer, J. (2016). Service dominant logic in practice: Applying online customer communities and personas for the creation of service innovations, p. 259. *Management*, 11(3), 255–264. Retrieved from https://econpapers.repec.org/article/mgtyoumng/v_3a11_3ay_3a2016_3ai_3a3_3ap_3a255-264.htm
- Sherry, J. F. (2005). Brand meaning. In A. M. Tybout & T. Calkins (Eds.), *Kellogg on branding: The marketing faculty of the Kellogg School of Management* (pp. 40–69). Wiley.
- Sheth, J. N., & Sisodia, R. S. (2005). Does marketing need reform? p. 10 in Marketing renaissance: Opportunities and imperatives for improving marketing thought, practice, and infrastructure. *Journal of Marketing*, 69(4), 1–25. <https://doi.org/10.1509/jmkg.2005.69.4.1>
- Siemens AG. (2017). *Factsheet: Value Co-Creation – Working with customers to develop digital fields of business*.
- Sisodia, R. S., Sheth, J. N., & Wolfe, D. (2014). *Firms of endearment: How world-class companies profit from passion and purpose* (2nd ed., p. 7). Pearson Education.
- Smith, P. G., & Reinertsen, D. G. (1991). *Developing products in half the time*. Van Nostrand Reinhold.
- Spanier, G. (2017). The now economy: 'Uber's children'. *Business Transformation*, pp. 12–13. Retrieved from <https://www.raconteur.net/business-transformation-2017>
- Sprout Social. (2017). *Championing change in the age of social media: How brands are using social to connect with people on the issues that matter*. Report (p. 3). Retrieved from <https://media.sprout-social.com/pdf/Sprout-Data-Report-Championing-Change-in-t>
- Tarnovskaya, V., & Biedenbach, G. (2018). Corporate rebranding failure and brand meanings in the digital environment. *Marketing Intelligence and Planning*, 36(4), 455–469. <https://doi.org/10.1108/MIP-09-2017-0192>
- Tzuo, T., & Weisert, G. (2018). *Subscribed: Why the subscription model will be your company's future—And what to do about it*. Penguin Random House.
- Vargo, S. L., & Lusch, R. F. (2004). Evolving to a new dominant logic for marketing. *Journal of Marketing*, 68(1), 1–17. <https://doi.org/10.1509/jmkg.68.1.1.24036>

- Vargo, S. L., & Lusch, R. F. (2008). Service-dominant logic: Continuing the evolution. *Journal of the Academy of Marketing Science*, 36(1), 1–10. <https://doi.org/10.1007/s11747-007-0069-6>
- Vargo, S. L., & Lusch, R. F. (2016). Institutions and axioms: An extension and update of service-dominant logic. *Journal of the Academy of Marketing Science*, 44(1), 5–23. <https://doi.org/10.1007/s11747-015-0456-3>
- von Hirschfeld, S. T., & Josche, T. (2018). *Lean Content Marketing: Groß denken, schlank starten. Praxisleitfaden für das B2B-Marketing* (2nd ed.). O'Reilly.
- Wüst, C. (2012). Corporate reputation management – die kraftvolle Währung für Unternehmenserfolg. In C. Wüst & R. T. Kreuzer (Eds.), *Corporate reputation management: Wirksame Strategien für den Unternehmenserfolg* (pp. 3–56). Springer Gabler.
- Zhu, F., & Furr, N. (2016). Products to platforms: Making the leap. *Harvard Business Review*, 94(4), 72–78. Retrieved from <https://hbr.org/2016/04/products-to-platforms-making-the-leap>

Philip Kotler is the leading authorities in marketing. He was the S.C. Johnson & Son Distinguished Professor of International Marketing at the Kellogg School of Management, Northwestern University, Evanston, Illinois. He received his Master's Degree at the University of Chicago and his PhD Degree at MIT, both in economics. He did post-doctoral work in mathematics at Harvard University and in behavioral science at the University of Chicago.

Professor Kotler is the author of more than 90 books many article such as: Marketing Management: Analysis, Planning, Implementation and Control, the most widely used marketing book in graduate business schools worldwide; Principles of Marketing; Marketing Models; Strategic Marketing for Non-profit Organizations; The New Competition; High Visibility; Social Marketing; Marketing Places; Marketing for Congregations; Marketing for Hospitality and Tourism; The Marketing of Nations; Kotler on Marketing, Building Global Bio Brands, Attracting Investors, Ten Deadly Marketing Sins, Marketing Moves, Corporate Social Responsibility, Lateral Marketing, and Marketing Insights from A to Z. He has published over one hundred articles in leading journals, several of which have received best-article awards.

Professor Kotler was the first recipient of the American Marketing Association's (AMA) "Distinguished Marketing Educator Award" (1985). The European Association of Marketing Consultants and Sales Trainers awarded Kotler their prize for "Marketing Excellence". He was chosen as the "Leader in Marketing Thought" by the Academic Members of the AMA in a 1975 survey. He also received the 1978 "Paul Converse Award" of the AMA, honoring his original contribution to marketing. In 1989, he received the Annual Charles Coolidge Parlin Marketing Research Award. In 1995, the Sales and Marketing Executives International (SMEI) named him "Marketer of the Year".

Professor Kotler has consulted for such companies as IBM, General Electric, AT&T, Honeywell, Bank of America, Merck and others in the areas of marketing strategy and planning, marketing organization and international marketing.

He has been Chairman of the College of Marketing of the Institute of Management Sciences, a Director of the American Marketing Association, a Trustee of the Marketing Science Institute, a Director of the MAC Group, a former member of the Yankelovich Advisory Board, and a member of the Copernicus Advisory Board. He has been a Trustee of the Board of Governors of the School of the Art Institute of Chicago and a Member of the Advisory Board of the Drucker Foundation. He has received honorary doctoral degrees from the Stockholm University, University of Zurich, Athens University of Economics and Business, DePaul University, the Cracow School of Business and Economics, Groupe H.E.C. in Paris, the University of Economics and Business Administration in Vienna, Budapest University of Economic Science and Public Administration, and the Catholic University of Santo Domingo.

Phil is one founding member of The Sarasota Institute, a think tank located in Sarasota, Florida.

He has travelled extensively throughout Europe, Asia and South America, advising and lecturing to many companies about how to apply sound economic and marketing science principles

to increase their competitiveness. He has also advised governments on how to develop stronger public agencies to further the development of the nation's economic well-being.

Waldemar Pfoertsch is Senior Professor of Marketing at the CIIM Business School of the University of Limassol, Cyprus. He is Professor Emeritus for International Business at the Pforzheim University, Germany, and part-time professor at EPOKA University in Tirana, Albania. He lectures about H2H Marketing, B2B Marketing and industrial Brand Management. He is lecturer at the Mannheim Business School, Tongji SEM, Shanghai, and TUM (Technical University Munich), Heilbronn. He also teaches at ITM, Sweden, Indian Institute of Management Calcutta (IIMC), and Graduate Business School of ESAN, Lima Peru. From 2007 to 2010 he was professor of marketing at China Europe International Business School Shanghai (CEIBS). His other teaching positions have been at the Executive MBA Program at the University of Illinois, Chicago He was visiting Associate Professor at Kellogg Graduate School of Management, Northwestern University and Lecturer for Strategic Management at Lake Forest Graduate School of Management. From 2001, he has taught online with the University of Maryland University College Graduate School. At the start for his career, he was Research Assistant at the Technical University of Berlin.

Dr. Pfoertsch has extensive experience in management consulting in USA, Europe and China. In his years at UBM/Mercer Consulting Group, Arthur Andersen Operational Consulting and LEK Consulting, he worked throughout Europe, Asia and North America, assisting companies in developing international strategies. His earlier positions include sales and strategy positions at Siemens AG in Germany/USA and being he was an Economic Advisor to the United Nations Industrial Development Organization (UNIDO) in Sierra Leone, West Africa. His research interests have evolved around the globalization of high-tech companies and their marketing and branding efforts. His newest research is focusing Human-to-Human marketing of industrial companies.

Uwe Sponholz is Professor for Service Engineering, Innovation Management and Design Thinking, B2B Marketing and Sales as well as Strategic Management at THWS—Technical University of Applied Sciences Wuerzburg-Schweinfurt. He also teaches at Christ University, Bangalore India and other foreign universities. As dean of the Faculty of Business and Engineering at FHWS, he was a strategic driver of the internationalization of the university and the introduction of innovative teaching methods. Today, in addition to his teaching duties, he is responsible for the degree program management of the MBA Business Transformation and the management of two laboratories (Creative Cube and VR Laboratory).

His professional career began at the Institute for Trade Research at the University of Cologne, initially as a researcher, later as head of department of the newly founded consulting division of the institute. He then moved to Alliances Management Consultants in Paris, a small consulting firm specializing in providing strategic advice to large service providers. From there he went to FAG in Schweinfurt, where he was significantly responsible for the development and implementation of a global service concept.

For years he has supported companies with design thinking workshops and consulting projects. He is also shareholder and founding partner of in-cito management consulting and Bodystance GmbH. He uses the second company to test his conceptual ideas of H2H Marketing.

Maximilian Haas worked as research assistant at Pforzheim Business School before starting to work as a consultant for Ingredient Branding and Business Development. He graduated 2019 in International Business at Pforzheim University. His interests lay mainly in branding and international business. He is guest lecturer at the University of Ljubljana, School of Economics and Business and currently works as Product Manager Mobile for 1&1 Telecommunication SE in Karlsruhe, Germany. In his role as product manager, he creates new product concepts for churn prevention and customer retention campaigns.



Case Study: Whole Foods Market— Combining Multiple Elements of H2H Marketing

2

Daniela Posada and Waldemar Pfoertsch

Eating healthier has positioned itself in the minds of consumers in recent years. More and more people are interested in the food they eat, its origin, the effects it has on their health, etc. The market is changing and so are consumers. New behaviors and interests are emerging more quickly and are adding to already existing food attributes. For consumers it is no longer enough that a product is labelled “sugar-free” or “low-fat.” The new attributes consumers are increasingly looking for also include “non-GMO (genetically modified organism),” “hormone-free,” or “fair trade-sourced.” This shows that the discussion around food is becoming more nuanced. It now not only focuses on health effects of food (for instance, on low fat or salt levels) but also on sustainability aspects reflected in the newly emerging attributes.¹

A successful implementation of these trends is demonstrated by Whole Foods Market with its efforts of becoming a leader in healthy, organic food while offering products and services that benefit its consumers, employees, suppliers, and the community. It is the result of a marketing strategy focused on various stakeholder groups and not solely on shareholders.

The case study was prepared by Daniela Posada, MBA Candidate at Pforzheim Business School, under the supervision of Professor Waldemar A. Pfoertsch, Professor International Business, as a basis for class discussion rather than an illustration of either effective or ineffective handling of an administrative situation.

¹See Steingoltz et al. (2018).

D. Posada (✉)
Vodafone, Düsseldorf, Germany

W. Pfoertsch
CIIM Business School, University of Limassol, Limassol, Cyprus
e-mail: waldemar@pfoertsch.com

But before we examine the unique marketing approach of Whole Foods, let us first have a look at the bigger picture. The US supermarket industry includes warehouse grocery stores, supercenters, traditional supermarkets, limited assortment stores, military commissaries, and e-commerce for food and consumables. In 2018, the US supermarket industry generated approximately \$700 billion in sales and a net profit margin after taxes of 1.2%. There were more than 38,000 supermarkets in the USA with a total of 4.8 million employees.²

The USA offers the biggest market for organic food with organic food sales accounting to US\$50 billion in 2020 growing at 4.5% annually (organic food sales worldwide sum up to US\$106 billion).³

The Whole Foods Market Value Proposition

Whole Foods Market is an organic and natural foods supermarket in the USA. It was founded in Austin, Texas, by John Mackey, Renee Lawson Hardy, Craig Weller, and Mark Skiles, four businessmen who saw a great potential for the natural food industry in a supermarket format. Whole Foods was the first national “certified organic” grocery in the USA. Today April 1, 2022, it has over 517 stores in the USA, Canada, and the UK with over 91,000 employees. Its aim is to provide its customers with high-quality, fresh, and organic products by setting a new standard in the market for food retailers. Whole Foods’ business value is focused on going beyond company profits by creating a culture and experience for all its stakeholders. Its motto, “Whole Foods, Whole People, Whole Planet,” clearly expresses the company purpose. This unique proposition has led the company to be successful in the food industry.

As the global marketing director for Whole Foods Market Scott Simons puts it, “Values and value are inseparable”⁴; company values are essential. The following core values show the company’s commitment to its stakeholders and how to achieve the goal of becoming “America’s Healthiest Grocery Store.”⁵ According to the book *Firms of Endearment: How World-Class Companies Profit from Passion and Purpose*, the main rule for transforming the market is to focus on stakeholders and not only on shareholders as what Whole Foods Market is doing. “The organizations who recognize that doing good is good business are becoming the ultimate value creators.”⁶

These companies see suppliers as partners, consider corporate culture to be the greatest asset, actively align with their stakeholders’ interests, and have a purpose that goes beyond making money.

²See The Food Industry Association (FMI) (2019).

³See Statista (2020).

⁴See Dupre (2014).

⁵See Whole Foods Market (2022).

⁶See Sisodia et al. (2014, p. 6).

Competition

Food retailing is a highly competitive industry. The competition includes local and international supermarkets, restaurants, home deliveries, food trucks, etc. The key factors are price, food quality, customer service, and convenience. The main two competitors of Whole Foods Market are Walmart and Kroger companies, with a market share of 17.3% and 8.9%, respectively. Walmart and Kroger rank first and second in overall and organic US food and beverage purchases in 2016, while Whole Foods with a market share of 1.7% is in position number 9 in the organic food market.⁷

Kroger

Kroger has a wide portfolio with 2863 grocery retail stores in 35 states including supermarkets, digital shopping, warehouse stores, and multi-department stores. They also produce private label products in 35 food production facilities. With annual sales of more than US\$132.1 billion, Kroger is one of the world's largest retailers and offers organic in dairy, meat, snacks, and many other aisles in the Kroger Co. Family of Stores.⁸

Kroger offers competitive pricing along with an attractive display of products, and it has expanded its business to high-quality organic food for an affordable price by launching its own brand of premium-quality Simple Truth Organic products. They are USDA organic certified – natural and organic products.

Walmart

Walmart is the largest grocery retailer in the world with 4769 stores in the USA and 10,593 stores worldwide generating annual sales of US\$573.2 billion and 2.3 million employees.⁹ In 2017, Walmart announced an expansion to organic foods in its supermarkets. It partnered with Wild Oats (a former subsidiary of Whole Foods) to offer low-cost organic foods in 2000 stores across the USA. Today, they offer 1600 organic food items at least 25% lower, on average, than national organic brands.¹⁰

⁷See Statista (2020).

⁸See The Kroger Corporation (2022).

⁹Walmart Corporation (2022).

¹⁰See Huddleston (2015).

The Whole Foods Brand

Although Whole Foods Market was considered one of the 20 most valuable brands in the world, the brand is synonymous with quality and organic but also with high prices. With new competitors entering this category, Whole Foods Market had to rethink a way to emphasize what makes them different.

In 2014, a “Values Matter” brand campaign was launched, with two 31-s television spots. Much emphasis was placed on the fact that Whole Foods production is locally grown, and a call was made for sustainability-conscious shopping.¹¹ Whole Foods was not going to enter the supermarket price battle, and with competitors in the market like Walmart, this battle would be lost. Instead, they wanted to make their values known and have their customers to identify with them. Focusing on informing customers about the sustainability standards of the seafood market, animal welfare ratings, and the new “responsible farming” is the brand strategy the company has been managing in recent years according to Whole Foods’ media. Today the company is ranked as no. 35 in Brand Finance Best Retail Brands 2021.¹²

End Customers Analysis

As the data shows, the 50–64-year-old segment is the one that has accepted and adopted the brand’s value proposition, making most of its purchases in its stores. In contrast, the segment of people between 30 and 49 years old (millennials) is more diverse, although 43% make their purchases of organic dairy products in Whole Foods’ stores which only account for 26% of their basket. This could be explained by high prices of organic products which lead the customer to decide for the cheaper nonorganic alternatives.¹³

New characteristics, such as the quality of the products or chemicals used in the harvest, are gaining value and consumers are still sensitive to price. Although it is true that they are willing to pay a higher amount compared to nonorganic products, price remains one of the great differentiators in this industry, mainly for this consumer segment.

A YouGov-related study¹⁴ reveals that 60% of American adults aged 22–37 say that they are more concerned about what they eat. In addition, 51% indicate that they

¹¹ See Griswold (2014).

¹² Brand Finance (2021).

¹³ See Statista (2020).

¹⁴ YouGov is a British international Internet-based market research and data analytics firm, headquartered in the UK, with operations in Europe, North America, the Middle East, and Asia-Pacific. <https://yougov.co.uk/>

buy more organic food than 5 years ago and 80% agree that quality is the most relevant aspect of their buying decision.¹⁵

Human-to-Human (H2H) Concept

Whole Foods Market is a business with high servitization by applying service-dominant logic and in which digitalization is merged with marketing. As a result, a new value proposition is provided to customers. The way how the Whole Foods focuses its operation business on customers instead on products is the mindset change of the market that made the company become a leader of the industry. They consider the customers as creator for delicious food.

As early as 2013, Whole Foods formed a software partnership with Atlanta-based Infor Inc., a global provider for cloud software products for companies in industry-specific markets.¹⁶ In the partnership, Whole Foods automates its merchandising, supply chain, and inventory systems. In 2016, *The Wall Street Journal* reported that the Infor partnership was enabling Whole Foods to reduce its inventory management systems from 12 to 1. All cost savings measures combined, Whole Foods was well on its way to reducing costs by \$300 M by 2017.¹⁷

Beside improving Whole Foods operations, digitalization was used to adapting consumer preferences. When the online shopping became part of everyday life, Whole Foods offered online purchasing and delivery. In 2014, they formed a cooperation with delivery startup, Instacart. The partnership gave customers the opportunity to get Whole Foods products delivered within 1 h.¹⁸ The digital platform and physical delivery system enhanced convenience for creator customers and continued the digitizing of their business model. Today, Whole Foods deliveries are executed by Amazon Prime.

For Whole Foods Market, the customer journey does not finish when she exits the store after purchasing. Instead, the data she stays at the company is transformed into valuable information that is then used to co-create new services. They see their end customers as operant resources and value creators. Thanks to the information recorded, the company is optimizing customer purchasing processes, relationships, and recommendations for co-creation.

¹⁵More detail in YouGov (2019).

¹⁶See Kepes (2015), and Infor Inc. <https://www.infor.com/about>

¹⁷See Brat (2016).

¹⁸Additional info under <https://media.wholefoodsmarket.com/whole-foods-market-and-instacart-partner-to-offer-one-hour-delivery-across>

The H2H Mindset at Whole Foods Market

Mindset is a person's dynamic logic of thought that triggers individual and group actions. It is also co-determined by the context. Two specific pillars of Whole Foods are crucial to the company's and the employees' behavior: stakeholder integration and the company culture and leadership.

Stakeholder Integration Is at the Heart of Whole Foods

Whole Foods is a prime example of an H2H firm because it puts the human first. And in the case of Whole Foods, this is not just an empty catchphrase but put into action by applying a stakeholder approach. Whole Foods understands the interconnectedness of all business processes and that thinking in trade-offs does not help the company and its customers. Instead of gaining at the expense of other stakeholder groups, the company focuses on creating more value for everybody involved. Or to put it metaphorically, instead of viewing business as a zero-sum game where everybody is competing over getting a bigger piece of the pie, Whole Foods aims at growing the pie itself, thus benefitting everybody involved.¹⁹ Some examples for stakeholder integration include the following:

Suppliers

Local, regional, and national suppliers are Whole Foods Market's main allies in ensuring an exceptional shopping experience for its end customers. Therefore, they always think about creating win-win relationships that allow them to achieve joint objectives. Helping to improve the quality of farms has a direct impact on the quality of the products the company sells and consequently on the experience of the end consumer.²⁰ One of its most important programs is the Whole Trade Guarantee, which focuses on the responsible supply of products in an environmentally friendly way without reducing quality.²¹

Employees

With a culture of innovation and empowerment taking place in their workplace, Whole Foods employees are highly motivated to be creative and to work freely in the company. Centralized decisions assume that all consumers act and think alike, so a decentralized structure allows each store to make its own decisions based on the

¹⁹See, e.g., Mackey and Sisodia (2014).

²⁰Whole Foods Market (2019).

²¹HBS Digital Initiative (2016).

characteristics of its market and gives each store greater autonomy. The hereby implicated higher responsibility of its employees creates the additional benefit, that they feel much more valued as an individual.^{22, 23}

Community

They engage the local community by offering local and regional activities to educate them on environmental, social, and sustainability issues. They are also committed to make the world a better place to live by supporting “the Whole Planet Foundation Micro-Lending Operation” and food bank events. The understanding of stakeholder orientation at Whole Foods is condensed in its “Declaration of Interdependence.”²⁴ It is noteworthy that this declaration dates back to 1985, the early days of Whole Foods.²⁵

From the beginning, stakeholder orientation was deeply ingrained in the company DNA, long before it became a more popular model. At Whole Foods all business activity is seen as interconnected processes which cannot be viewed separately. This means that the action of one stakeholder group has inevitable effects on the other groups. From this starting point, the company derived the conclusion that business should not be a zero-sum game where one side gains at the expense of others. Instead, the focus lies on winning together by creating value for every stakeholder group involved (Fig. 2.1).²⁶

Open-Minded Company Culture

Whole Foods has established an open-minded company culture which helps in challenging the status quo and responds rapidly to changes. As discussed before, digitalization has dramatically increased the speed of change and it will continue to do so into the future. For companies, this means that they need new management principles, organizational structures, and processes. Above all, people need new skills and abilities to keep pace with the speed of digitalization. Repercussions of the changes can be seen in the delegation of tasks. They get less and less delegated to individuals and are handled by self-organizing teams able to tackle the risen complexity of the tasks. High autonomy of employees is increasingly considered a must, due to increasing speed of change. There is simply not enough time for complex decision-making processes with many approval loops and outdated employee role models seen in flat hierarchies. Employees in this context have more freedom of

²²See Mackey and Sisodia (2014).

²³Whole Foods Market (2019).

²⁴Whole Foods (n.d.).

²⁵Whole Foods Market (n.d.).

²⁶See Mackey and Sisodia (2014).

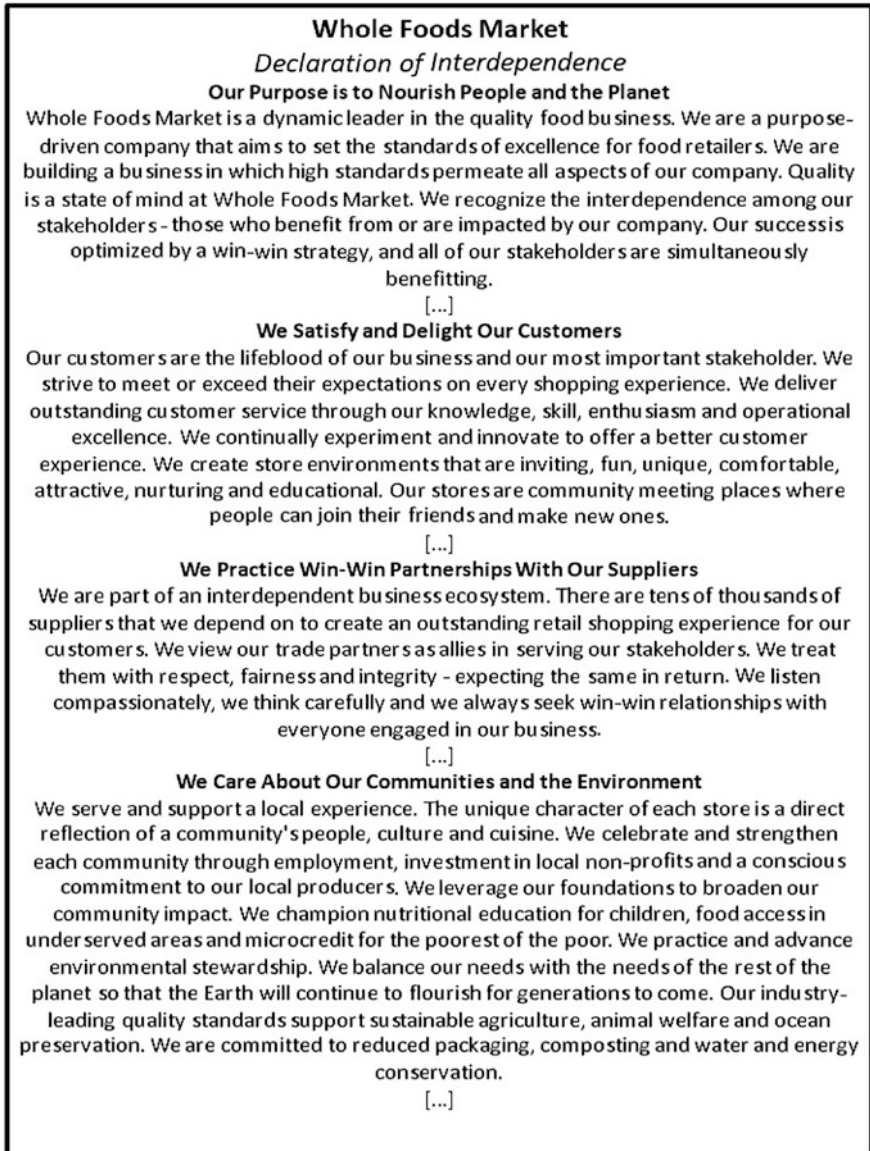


Fig. 2.1 The Whole Foods declaration of interdependence [Excerpts taken from Whole Foods (n.d.)]

decision and can find more purpose in their work than before, which, on the other hand, goes along with higher personal responsibility and willingness to adapt to changes.²⁷

A person with an *agile mindset* perceives change as something fundamentally positive and not threatening. This mindset is characterized by the courage to embrace the “trial and error” motto, making mistakes and learning from them, an approach deeply rooted in the iterative Design Thinking process and expressed in the H2H Mindset characteristic *experimentalism*.²⁸

At Whole Foods this mindset is deeply embedded. Instead of a pure top-down approach for important decisions, the company relies on insights from their employees. The focus lies on competing over the best ideas, regardless of the employee’s position in the internal hierarchy.²⁹

Further a clear purpose is present at Whole Foods. This is instilled by putting priority on creating shared value for everybody instead on only focusing on growing profits. Whole Foods CEO John Mackey highlights that for him making a profit is a means not an end. Without being profitable a company cannot survive like a human body that needs oxygen to stay alive. This does not mean that a human’s purpose is to be found in breathing. And similarly, for Mackey, a company’s purpose lies in creating value for all its stakeholders—a vision that needs to be sustained by profits that are created in the process.³⁰

Also, the consciousness for company values among consumers is rising. The data indicates that almost half of the US consumer base (42%) prefers to buy their food from companies with which they share similar values.³¹ The overarching purpose of “nurturing the world” transcends traditional business goals. And what is special is, for John Mackey, purpose is not a tool to create more growth and profits. Rather he states: “Purpose is important intrinsically, in its own right. Whether it makes a profit or not, purpose is important. However, purpose engaged in thoughtfully will also increase the bottom line, but it’s an end in itself. Treating people kindly is an end in itself. It’s not either/or. It’s not a trade-off. Purpose and profit, not purpose or profit.”³² This attitude highlights the commonalities between the Whole Foods and H2H Mindset. A single human, with his emotions and thoughts, matters and should be treated accordingly. With the healthier products that Whole Foods is offering, it also tackles important wicked problems: Widespread obesity and its related health issues as well as mental and physical well-being are two of the more obvious examples.

²⁷ See Bathen and Jelden (2014).

²⁸ For more information on the concept of the “agile mindset,” please refer to Hofert (2018).

²⁹ See also Winfrey (2020).

³⁰ Mackey (2020).

³¹ Statista (2016).

³² Chotiner (2021).

The following core values show the company's commitment to its stakeholders and how to achieve the goal of becoming "America's Healthiest Grocery Store"³³:

- We Sell the Highest Quality Natural and Organic Foods.
- We Satisfy and Delight Our Customers.
- We Promote Team Member Growth and Happiness.
- We Practice Win-Win Partnerships with Our Suppliers.
- We Create Profits and Prosperity.
- We Care About our Community and the Environment.

We share the conviction of the authors of *Firms of Endearment*, namely, that the main rule for transforming the market is to focus on stakeholders and not only on shareholders. "The organizations who recognize that doing good is good business are becoming the ultimate value."³⁴ These companies see suppliers as partners, consider corporate culture to be the greatest asset, actively align with their stakeholders' interests, and have a purpose that goes beyond making money.

Brand Management at Whole Foods

Although Whole Foods Market consistently ranks among the most valuable brands of the world, in 2014 it faced a great challenge. The brand is synonymous with quality and organic but also with high prices. With new competitors entering this category, Whole Foods Market had to rethink a way to emphasize what makes them different. The products being organic and of high quality was not enough anymore. To not fall behind, in 2014 Whole Foods launched the "Values Matter" brand campaign, with two 31-s television spots. Much emphasis was placed on the fact that Whole Foods production is locally grown, and a call was made for sustainability-conscious shopping.³⁵

Whole Foods is not going to enter the supermarket price battle and with competitors in the market like Walmart; this battle would be lost. Instead, they want to make their values known and have their customers to identify with them. Focusing on informing end customers about the sustainability standards, animal welfare ratings, the origin of the products, or the working conditions of suppliers is the brand strategy that helped the company stay ahead of the competition.³⁶

³³See Whole Foods Market (2019).

³⁴Sisodia et al. (2014, p. 6).

³⁵Griswold (2014).

³⁶Whole Foods Market Media (2014).

Criticism After Takeover by Amazon

In 2017, Amazon acquired the food market for \$13.7 billion.³⁷ Two years later, consumers, employees, and suppliers are experiencing changes not only at the corporate level but also at the store level.

Whole Foods was behind its competitors in technology. The competitors, with better infrastructure, could offer the same products at a better price. That is how Whole Foods started to give up space in the market. In 2016, its sales fell by 2.5% and by 2017 the trend remained negative with 1.5%.³⁸ The acquisition by Amazon was a strategic move in a market where its conditions were changing.

Centralized Purchasing from Suppliers

One of the biggest challenges in the organization was to maintain an efficient cost structure at the national level with local brands. Despite being the launch pad for small entrepreneurs, who saw their sales grow dramatically, this meant a complex purchasing system. Having products that did not attract traffic to their stores with important spaces on their shelves and having national strategies that did not reach all stores were some of the problems of its very decentralized structure.³⁹ With the arrival of Amazon, one of the first changes was to centralize the purchasing process. This means that all suppliers must go through the WFM headquarters in Austin, Texas, and not through the store representative as it was previously the case. This allowed the organization to simplify its operations and centralize purchasing decisions. Whole Foods also centralized its merchandising and now takes care of the displays and setup in all stores.⁴⁰

Fresh Food Delivery

Food is the nightmare of online platforms like Amazon, which is not only difficult to deliver but also expensive to store. Consumers who buy food online want it fast and fresh at their doorstep and Amazon has struggled to deliver on that promise. Whole Foods' stores provide a more cost-effective way to store and deliver fresh food. In addition, consumers will be more confident if their food comes from a well-known retailer as Whole Foods Market than from an e-commerce company. Thus, customers/co-creator can buy Whole Foods products on Amazon and use Alexa smart speaker assistant to create that order.⁴¹

³⁷ See Banker (2019).

³⁸ See Forbes (2017).

³⁹ See Hirsch (2018).

⁴⁰ See Hirsch (2018).

⁴¹ See Hirsch (2018).

Reducing Prices

Prices have been a major concern for many consumers when deciding where to buy organic food. They are willing to pay more for fresh, quality produce, but that does not mean they are not price sensitive. A huge percentage of the US population cannot afford to buy all or a significant part of their groceries on Whole Foods' stores. The perception of an overpriced brand affordable only to the rich has become the mind of many consumers: "Whole Foods, Whole Paycheck," they say. To counteract this problem, Amazon began reducing prices on select items and offered special discounts for Prime members.⁴²

The strategy seems to have worked, and according to YouGov, a British international Internet-based market research and data analytics firm, the perception of value has improved considerably over the past 2 years.⁴³ This has allowed the company to be more competitive in a market where competitors such as Kroger Co. and Walmart Inc. have established a low price level, even for the organic food segment. Lower prices could help to attract new customers, especially those who already buy from Amazon.

Amazon Prime Members

Amazon has amplified its benefits for its Prime members to rise traffic from Whole Foods' stores. Its main goal is to convert 100 million Prime members into Whole Foods customers through special discounts and 5% cash back on Amazon-branded credit card. Besides, Whole Foods' stores have lockers where Prime customers can drop off and pick up Amazon orders.⁴⁴

Although everything seems to look perfect, employees have complained about recent changes to the extent that they are beginning to ask themselves what Amazon has done with the old Whole Foods Market.

The employees are mainly used to sell Amazon Prime memberships. New employee training must now include sections on the benefits of Prime for users and offers. They feel constantly pushed to put Amazon Prime tasks above anything else. Cashiers, for example, are trained to ask each customer about Prime membership. The goal is to have 35% of purchases on Amazon Prime.⁴⁵

Questions for Discussion

1. How can Whole Foods achieve its goal of reducing consumerism in order to reduce its negative environmental impact?

⁴²See Levy (2019).

⁴³See YouGov (2019).

⁴⁴See Levy (2019).

⁴⁵See Sainato (2019).

2. In what ways does Whole Foods add value to society? How did they add value to the organization?
3. How has Whole Foods expanded while also attempting to remain H2H focused? How did they strike a balance between the many demands in their organizational strategy and operational processes?
4. What is the issue with combining online and offline shopper strategies? And how did they resolve the problem?
5. Employees say working conditions have deteriorated due to the pressure to sell premium products. Sometimes their responsibilities increase significantly, but their salary doesn't. This leads to dissatisfaction, which, combined with less time spent on other tasks, can greatly affect future customer service. How would you solve this challenge?
6. Does the goal of integrating the Amazon Prime strategy into the offline market really fit the customer-centric business philosophy?
7. What is your suggestion for Whole Foods' future strategy?

References

- Banker, S. (2019, June 25). *How Amazon changed whole foods*. Retrieved from Forbes: <https://www.forbes.com/sites/stevebanker/2019/06/25/how-amazon-changed-whole-foods/#6a68ec8678dd>
- Bathen, D., & Jelden, J. (2014). *Marketingorganisation der Zukunft*. Report. Retrieved from <https://www.marketingverband.de/marketingkompetenz/studien/marketingorganisation-der-zukunft/>
- Brand Finance. (2021). *Brand finance best retail brands: 2021*. Retrieved from <https://www.brandingthebrands.com/The-Brand-Rankings.aspx?rankingID=236&year=1362>
- Brat, I. (2016, February 14). Whole foods works to reduce costs and boost clout with suppliers. *The Wall Street Journal*, p. 1. Retrieved from <https://www.wsj.com/articles/whole-foods-works-to-reduce-costs-and-boost-clout-with-suppliers-1455445803>
- Chotiner, I. (2021, February 22). The whole foods C.E.O. John Mackey's "conscious capitalism". *The New Yorker*. Retrieved from <https://www.newyorker.com/news/q-and-a/whole-foods-ceo-john-mackeys-conscious-capitalism>
- Dupre, E. (2014, November 12). *Whole foods market relies on storytelling to feed its customers' trust*. DMN Data. Strategy. Technology, p. 1. Retrieved from <https://www.dmnews.com/marketing-channels/multi-omnichannel/blog/13042734/whole-foods-market-relies-on-storytelling-to-feed-its-customers-trust>
- Forbes. (2017, November 7). Whole foods: A year to forget. *Forbes*.
- Griswold, A. (2014, October 20). Whole foods desperately wants customers to feel warm and fuzzy again. *Slate*. Retrieved from <https://slate.com/business/2014/10/whole-foods-ad-campaign-can-values-matter-marketing-erase-the-whole-paycheck-image.html>
- HBS Digital Initiative. (2016, November 18). *How technology is reinventing the supermarket: Whole foods in the digital age*. Retrieved from HBS Digital Initiative: <https://digital.hbs.edu/platform-rcmtom/submission/how-technology-is-reinventing-the-supermarket-whole-foods-in-the-digital-age/>
- Hirsch, L. (2018, June 15). A year after Amazon announced its acquisition of Whole Foods, here's where we stand. *CNBC*, p. 1. Retrieved from CNBC: <https://www.cNBC.com/2018/06/15/a-year-after-amazon-announced-whole-foods-deal-heres-where-we-stand.html>
- Hofert, S. (2018). *Das agile Mindset: Mitarbeiter entwickeln, Zukunft der Arbeit gestalten*. Springer Gabler.

- Huddleston, C. (2015, June 1). *Best things to buy organic at Walmart*. Retrieved from Kiplinger: <https://www.kiplinger.com/article/spending/T050-C011-S001-best-things-to-buy-organic-at-walmart.html>
- Kepes, B. (2015, December 31). The strangest of bedfellows: Infor and Whole Foods partner. *Computerworld*. Retrieved from <http://www.computerworld.com/article/2997059/software-as-a-service/the-strangest-of-bedfellows-infor-and-whole-foods-partner.html>
- Levy, A. (2019, September 2). *What's going on with Amazon's whole foods' pricing?* Retrieved from The Motley Fool: <https://www.fool.com/investing/2019/09/02/whats-going-on-with-amazons-whole-foods-pricing.aspx>
- Mackey, J. (2020). *The brand view: Conscious Leadership*. Printed in Interbrand: Best Global Brands 2020, pp. 22–24. Retrieved from https://learn.interbrand.com/hubfs/INTERBRAND/INTERBRAND_Best_Global_Brands%202020_Retail_Desktop.pdf
- Mackey, J., & Sisodia, R. (2014). *Conscious capitalism: Liberating the heroic spirit of business*. Harvard Business Review Press.
- Sainato, M. (2019, July 16). Whole Foods workers say conditions deteriorated after Amazon takeover. *The Guardian*.
- Sisodia, R., Sheth, J. N., & Wolfe, D. (2014). *Firms of endearment: How world-class companies profit from passion and purpose* (2nd ed.). Person Education.
- Statista. (2016). *Shopping preferences of specialty food consumers in the United States in 2016*. Retrieved from <https://www.statista.com/statistics/301330/us-specialty-food-consumers-shopping-preferences/>
- Statista. (2020). *Organic Food Industry in the U.S.—Statistics & facts*. Retrieved from <https://www.statista.com/topics/1047/organic-food-industry/>
- Steingoltz, M., Picciola, M., & Wilson, R. (2018). Consumer health claims 3.0: The next generation of mindful food consumption. *Executive Insights*, 20(51), 1–6. Retrieved from <https://www.lek.com/sites/default/files/insights/pdf-attachments/2051-Healthy-Food-Claims.pdf>
- The Food Industry Association (FMI). (2019). *Supermarket facts*. Retrieved from <https://www.fmi.org/our-research/supermarket-facts>
- The Kroger Corporation. (2022). Retrieved from <http://www.thekrogerco.com/>
- Walmart Corporation. (2022). Retrieved from <https://corporate.walmart.com/>
- Whole Foods. (n.d.). *Declaration of interdependence*. Retrieved from <http://www.wholefoodsmarket.com/mission-values/core-values/declaration-interdependence>
- Whole Foods Market. (2019). *Our mission & values*. Retrieved from Whole Foods Market: <https://www.wholefoodsmarket.com/mission-values/core-values>
- Whole Foods Market. (2022). Retrieved from <https://media.wholefoodsmarket.com/about>
- Whole Foods Market. (n.d.). *Our purpose: Our purpose is to nourish the people and the planet*. Retrieved from <https://media.wholefoodsmarket.com/about>
- Whole Foods Market Media. (2014). *Whole foods market brand campaign FAQ*. Retrieved from Whole Foods Market: <https://media.wholefoodsmarket.com/news/whole-foods-market-brand-campaign-faq>
- Winfrey, G. (2020). Learning leadership takes time. Just ask whole foods CEO John Mackey. *Inc.* Retrieved from <https://www.inc.com/magazine/202102/graham-winfrey/john-mackey-whole-foods-conscious-leadership-business-book.html>
- YouGov. (2019). *Whole Foods Market*. Retrieved from YouGov: https://today.yougov.com/topics/consumer/explore/brand/Whole_Foods_Market

Daniela Posada is a CRM/Marketing Data specialist with 7 years of experience in the retail, beauty and telecommunications industry. Her passion is analyzing data to help find ways to solve problems. She works as Performance Manager for Vodafone in Germany. She has an MBA from Pforzheim Business School and an engineering degree from Escuela de Ingeniería de Antioquia, Medellin, Colombia.

Waldemar Pfoertsch is Senior Professor of Marketing at the CIIM Business School of the University of Limassol, Cyprus. He is Professor Emeritus for International Business at the Pforzheim University, Germany, and part-time professor at EPOKA University in Tirana, Albania. He lectures about H2H Marketing, B2B Marketing and industrial Brand Management. He is lecturer at the Mannheim Business School, Tongji SEM, Shanghai, and TUM (Technical University Munich), Heilbronn. He also teaches at ITM, Sweden, Indian Institute of Management Calcutta (IIMC), and Graduate Business School of ESAN, Lima Peru. From 2007 to 2010 he was professor of marketing at China Europe International Business School Shanghai (CEIBS). His other teaching positions have been at the Executive MBA Program at the University of Illinois, Chicago He was visiting Associate Professor at Kellogg Graduate School of Management, Northwestern University and Lecturer for Strategic Management at Lake Forest Graduate School of Management. From 2001, he has taught online with the University of Maryland University College Graduate School. At the start for his career, he was Research Assistant at the Technical University of Berlin.

Dr. Pfoertsch has extensive experience in management consulting in USA, Europe and China. In his years at UBM/Mercer Consulting Group, Arthur Andersen Operational Consulting and LEK Consulting, he worked throughout Europe, Asia and North America, assisting companies in developing international strategies. His earlier positions include sales and strategy positions at Siemens AG in Germany/USA and being he was an Economic Advisor to the United Nations Industrial Development Organization (UNIDO) in Sierra Leone, West Africa. His research interests have evolved around the globalization of high-tech companies and their marketing and branding efforts. His newest research is focusing Human-to-Human marketing of industrial companies.



Case Study: The Good Kitchen (Det Gode Køkken)—Applying Design Thinking and Service-Dominant Logic

3

Saurabh Gupta and Waldemar Pfoertsch

The Danes, like people in most developed countries, recognized that the aging of their population created new demands and many challenges. In 2007, one of these challenges was providing the more than 125,000 senior citizens with daily meals who relied on government subsidies for food. Danish municipalities delivered affordable meals to people who suffered from a reduced ability to function, due to illness, age, or other conditions. Many of the seniors had nutritional challenges and a poor quality of life because they simply did not eat enough. It was estimated that 60% of Denmark's seniors in assisted living facilities or residential care units had *poor* nutrition and 20% were *malnourished*. The results were both health problems and low quality of life for the elderly and a greater economic burden on the government. The problem only looked to intensify as the number of senior citizens was growing and future generations of seniors expected greater choice and better service.

Therefore, a local design agency was hired to design a new meal service for the Municipality of Holstebro. Everyone, in the beginning, thought it was an issue of menu design. As the project progressed, however, this view shifted. The agency used tools like journey mapping and found that there are emotional needs both at the

The case was prepared by Saurabh Gupta under the supervision of Professor Waldemar A. Pfoertsch, Senior Marketing Professor at the CIIM Business School, University of Limassol, as a basis for class discussion rather than an illustration of either effective or ineffective handling of an administrative situation. Copyright © 2023 by the authors. 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, or otherwise—without the permission of the authors.

S. Gupta (✉)

Ceasefire Industries Pvt Ltd., Noida, Uttar Pradesh, India

W. Pfoertsch

CIIM Business School, University of Limassol, Limassol, Cyprus

e-mail: waldemar@pfoertsch.com

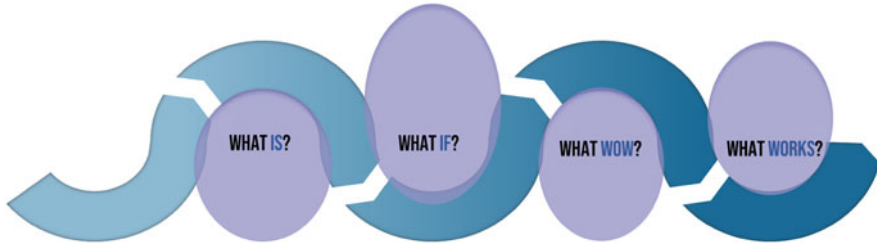


Fig. 3.1 Design thinking process in “The Good Kitchen case” [Adapted from Lieadtka (2013)]

elderly side and the provider side (people who make the food) which made this dilemma. Therefore, they tried to convince the government that the scope was bigger than the question of how could we improve the menu. The result was the design of a wholly new meal service that offered higher quality, more flexibility, and increased choice. This dramatic reframing of the opportunity emerged from the user-centered design approach that Lotte Jepsen from Hatch & Bloom brought to the process at the elderly care facility of The Good Kitchen (Det Gode Køkken).

Solution 1: Design Thinking Approach

In terms of human-to-human mindset, design thinking can be explained as “a human-centered approach to innovation, where people behaviors are examined with deep lens to find their actual needs, finding insights that guide the design of the solutions, prototyping solutions, validating those solution prototypes with actual customers and iterating until finding the best fit.”

Therefore, the capabilities or character traits in the context of human-to-human mindset in design thinking process are:

- (a) Human centeredness
- (b) Agility and being keen on experimentation
- (c) Empathetic interest in other perspectives
- (d) Collaboration

The design and idea agency implemented a four-stage design thinking process to come to the solution of the problem (Fig. 3.1):

The four stages were the following:

1. *What is:* This step is concerned with *understanding* and *observing* the stakeholder’s needs and problems and identifying the obstacles. To do so, the

agency used the *ethnographic approach* and a *journey mapping* design tool to understand the functional and emotional needs of the senior citizens.

The findings were at the beginning very surprising:

- (a) A lot of unarticulated needs of the elderly were emotional needs.
 - (b) Focus on emotional needs, employees, and company preparing food for the elderly was needed too. Working in a public service kitchen was a low-status job, and the employees were demoralized and unmotivated to prepare the same low-cost boring meals repeatedly.
 - (c) The food-preparing employee wanted to prepare good food, but there were economic and logistic constraints.
 - (d) Employees preparing food and senior citizens both were experiencing feelings of disconnection and alienation.
 - (e) Elderly people expected help only from family and friends and any kind of government assistance was embarrassing.
 - (f) Having the food alone reminded the senior citizens that their family was not around them which contributed directly to the loss of appetites leading to the nutritional problem.
 - (g) Unavailability of personal food preferences and choices made the condition worse.
 - (h) The elderly had a good sense of the kitchen and had preferences of food according to the seasonal changes.
2. *What if*: At this stage, the agency tried to *define* the current possibilities and *ideate* possible solutions after analyzing the positives and negatives from the first stage. For this purpose, they used two design tools—*co-creation* and *brainstorming*. The agency listed a broader group of stakeholders like public officials, volunteers, experts in elderly issues, kitchen workers, and employees of residential care facilities. The design tool brainstorming was then applied with these stakeholders using the ethnographic research and thus developed insights and design criteria to form idea generation. Facilitators used analogies as trigger questions to help shift the participant's mental model of food services. The *idea* of the stage was the following:
- (a) Kitchen = restaurant
 - (b) Cooks = chefs in restaurant
 - (c) Delivery and vehicles = waiters
 - (d) Food description = enticing and mouth-watering like in restaurants
3. *What wows*: They started afterward by taking the possible ideas like menu designs, restaurant concept, etc. and tried to find what could be wowing and valuable. For this purpose, the agency used the design tool *co-creation* again. This workshop was much more hands-on and involved *prototyping*. The participants came with three different versions of the menu. The agency then used the design tool, *visualization*, to make these options more real to the participants. The agency then took steps to test the three different versions of the menu using the design tool visualization with the senior citizens.
4. *What works*: This process involved *testing the prototypes*, i.e., the three different versions of the menu with actual customers. The learning from these sets of

Table 3.1 Human-to-human mindset characteristics in the design thinking process of “The Good Kitchen case”

Characteristics of H2H mindset: design thinking	Relevant measures implemented in “The Good Kitchen” case
1. Human centeredness	The dual focus on employees and the elderly on their emotional needs
2. Experimentation	Public service kitchen as actual restaurant service, three different menus (prototypes), visualization description of the menu through photos rather than only written information, new communication channels and comment cards, newsletters as feedback mechanisms
3. Empathy	Involvement of all stakeholders, focus on emotional needs of kitchen employees and elderly, feedback mechanisms, i.e., comment cards, co-creation, the concept of the restaurant, chefs, and waiter for motivation
4. Collaboration	Workshops and co-creation with all stakeholders to answer what is, what if, what wows, and what works, involving identifying problems, idea generation, prototyping, testing, finding a solution and other packaging ideas

experiments and testing resulted in a secondary project with some quick packaging and design changes that allowed for some more modular meals where different components of the prototypes were separated. The agency provided a name that matched everyone’s aspirations—“The Good Kitchen.” A new uniform to kitchen employee was also decided upon. To keep the clients and kitchen staff in close touch and to make everyone involved aware of the real people they were serving or being served by, new communication channels and feedback mechanisms were created that involved newsletters and comment cards. Later, guest menus and kitchen specialties were added in “The Good Kitchen.”

The application of design thinking and the human-to-human mindset improved the situation at The Good Kitchen and changed the conditions for the various stakeholders for the better. Relevant measures implemented in “The Good Kitchen” are shown in Table 3.1.

Application of the Service-Dominant Logic Approach at The Good Kitchen

The approach of service-dominant logic (S-DL) is innovative conceptual thinking in business and other areas which was and is still relevant at The Good Kitchen activities. S-DL introduces a new way for synthesizing and articulating view of exchange and value creation. It is centered on the service idea—the application of competences for the benefit of another. Since it is considered as the basis of all social and economic exchange and characterizes, it is very suitable for this kind of activities, which exemplifies the purpose and nature of organizations, markets, and

Table 3.2 The axioms of service-dominant logic

Axiom 1	Service is the fundamental basis of exchange
Axiom 2	Value is co-created by multiple actors, always including the beneficiary
Axiom 3	All social and economic actors are resource integrators
Axiom 4	Value is uniquely and phenomenologically defined by the beneficiary
Axiom 5	Value co-creation is coordinated through actor-generated institutions and institutional arrangements

Table 3.3 Using S-DL to define service ecosystem and point of view

Design thinking steps	Service ecosystem	Point of view
Interviews	Service	The Good Kitchen would provide service and food menus to the elderly in government-assisted homes like a restaurant to recover from malnutrition, enjoy the food, and improve their appetite
Observations	Actors	
Journey mapping	Institutions	
Workshops	Networks	
	Beneficiaries	

Adapted from Vargo et al. (2022)

society. It is based on five foundational premises, called axioms which are mentioned in Table 3.2. In The Good Kitchen project, all of them were considered in analysis and implementing process and influence the outcome.

During the project it was visible that the capabilities and character traits in the context of human-to-human mindset required service-dominant logic thinking, which can be characterized as the following:

- (a) Service orientation.
- (b) Customer-based view (resource-based view + market-based view).
- (c) Value is created by the customer; companies only offer the value proposition.
- (d) Co-creation of value as a result.

This S-DL model was applied in the design thinking process of “The Good Kitchen.” After the design thinking process, a service ecosystem was defined based on the five axioms of the service-dominant logic, which in turn led to the point of view that was based on the view of the customer. Table 3.3 explains the service ecosystem that leads to this point of view.

In the case of “The Good Kitchen,” *service* in the service ecosystem refers to the previous low-cost similar meals and new meal services with feedback comment cards and guest menus. *Actors* in the service ecosystem refer to the kitchen employees and delivery vehicles for delivering foods and elderly citizens in government-assisted homes who receive the services. *Networks* refer to the communication and feedback channels through which the different actors keep in touch with for customer-centric service deliveries, in this case, food choices and preferences of

the elderly, i.e., through newsletters and comment cards. *Beneficiaries* refer to the senior citizens who avail of the service. Equally important are *the institutions* that affect the delivery of services, in this case, the public kitchen service and the government. The results from ethnographic research and journey mapping helped the agency to structure a large amount of data and pieces of information (operant resources) to come to a point of view, a new value proposition based on customer view.

Service-Dominant Logic and Human-to-Human Mindset

Other important aspects of the “The Good Kitchen case” were the characteristics of the H2H mindset in the applied S-DL approach and the relevant measures implemented here (see Table 3.4).

Digitization Approach

The Good Kitchen (Det Gode Køkken) applies all measures of Web 2.0 and communicates via email, WhatsApp, etc. Also, transaction via online ordering was implemented. They are using digitization with a mindset that refers to converting data and information into digital form in such a way that the digital information can be used and managed to create new individualized value propositions. It also gives the opportunity to the creation of new business models that provide higher transparency and empower customers. In the context of human-to-human mindset, The Good Kitchen is utilizing the character traits of digitization:

- (a) Interconnected thinking
- (b) Agility
- (c) The priority of human over machine

In “The Good Kitchen” case, digitization was used to collect data and information from the major stakeholders, i.e., government-assisted homes, public service kitchen, etc. These pieces of information were beneficial in all the workshops to

Table 3.4 H2H mindset characteristics in S-DL process of “The Good Kitchen case”

Characteristics of H2H mindset: S-DL approach	Relevant measures implemented in “The Good Kitchen” case
1. Service orientation	Experiences and emotional needs of elderly citizens
2. Customer-based view	Journey mapping, interviews, observations with the elderly in government-assisted homes, i.e., resource integration
3. Value co-created with the customer	Customers benefitting from healthier and tastier food, improving their quality of life
4. Co-creation of the value proposition	Newsletters and feedback comment cards

co-create new value propositions, i.e., solutions to the emotional needs of elderly citizens and employees of the kitchen and circumstances and new food menus. Availability of visual food menus in digital format, online ordering, messages, and feedbacks to the kitchen employees would be more effective in interconnecting the kitchen employees and elderly citizens and also in understanding the changing food preferences of the elderly.

Conclusion

The Key Results There was a shift in the perception of kitchen employees themselves in their work. The relationship between kitchen employees and professionals increased greatly. These factors led to higher satisfaction and more motivation for work in kitchen employees. As a result, elderly citizens were happier with the food.

Other Results Before 60% of elderly in nursing homes or under supervision were getting the wrong diet, and 20% suffered from malnutrition, and after the implementation of “The Good Kitchen,” sickness absence in the same elderly citizens went down by 9%, job applications for the kitchen employee more than tripled, subscriptions to “The Good Kitchen” increased tenfold, and the elderly found a new zest for life. The results showed happier seniors with better nutrition and motivated employees with more pride in their work.

DT, S-DL, and digitization enable the empathetic interests of the customer and other stakeholders and provide solutions based on human centeredness. In the age of transcendence, with the changing needs of customers and clients, the experience of the customer has become more important, and agility and experimentation have become more important for businesses. This is possible when beneficiaries of services and goods and all other stakeholders collaborate, integrate resources, and co-create value. The perspectives of the customer form the basis for co-designing and co-producing the new value propositions. These aspects are character traits of human-to-human mindset, and thus, “The Good Kitchen” case also reflects the same character traits in all the three approaches.

Questions for Discussion

1. What role does design thinking play in the new H2H Marketing? What lessons can we draw from this and other examples?
2. Why were the results in this situation so astounding, and why do we often fail to see the design thinking results in other cases?
3. Where would you put the concept to use? Can you provide specific examples?
4. What immediate advantages do you anticipate?
5. How do service-dominant logic and the human-to-human mindset influence The Good Kitchen’s results?
6. Is digitalization always required, or are there other technological alternatives?
7. How do you keep the good results going and achieve a positive outcome for people involved?

References

- Lieadtka, J. M. (2013). *Design thinking & strategy—Good kitchen case study* [Video]. Retrieved from https://www.youtube.com/watch?v=_gxBBVDzQO8
- Pfoertsch, W. A., & Sponholz, U. (2019). *Das neue Marketing-Mindset: Management, Methoden und Prozesse für ein Marketing von Mensch zu Mensch*. Springer Gabler.
- Vargo, S. L., Peters, L., Kjellberg, H., et al. (2022). Emergence in marketing: An institutional and ecosystem framework. *Journal of the Academy of Marketing Science*, 51, 2–22. <https://doi.org/10.1007/s11747-022-00849-8>

Saurabh Gupta has an MBA International Business Management from the Pforzheim Business School and specializes on Business Analytics, & Project Mgmt. He is now Regional Sales Manager Regional Sales Manager Ceasefire Industries Pvt Ltd., the largest supplier for safety solutions in India.

Waldemar Pfoertsch is Senior Professor of Marketing at the CIIM Business School of the University of Limassol, Cyprus. He is Professor Emeritus for International Business at the Pforzheim University, Germany, and part-time professor at EPOKA University in Tirana, Albania. He lectures about H2H Marketing, B2B Marketing and industrial Brand Management. He is lecturer at the Mannheim Business School, Tongji SEM, Shanghai, and TUM (Technical University Munich), Heilbronn. He also teaches at ITM, Sweden, Indian Institute of Management Calcutta (IIMC), and Graduate Business School of ESAN, Lima Peru. From 2007 to 2010 he was professor of marketing at China Europe International Business School Shanghai (CEIBS). His other teaching positions have been at the Executive MBA Program at the University of Illinois, Chicago He was visiting Associate Professor at Kellogg Graduate School of Management, Northwestern University and Lecturer for Strategic Management at Lake Forest Graduate School of Management. From 2001, he has taught online with the University of Maryland University College Graduate School. At the start for his career, he was Research Assistant at the Technical University of Berlin.

Pfoertsch has extensive experience in management consulting in USA, Europe and China. In his years at UBM/Mercer Consulting Group, Arthur Andersen Operational Consulting and LEK Consulting, he worked throughout Europe, Asia and North America, assisting companies in developing international strategies. His earlier positions include sales and strategy positions at Siemens AG in Germany/USA and being he was an Economic Advisor to the United Nations Industrial Development Organization (UNIDO) in Sierra Leone, West Africa. His research interests have evolved around the globalization of high-tech companies and their marketing and branding efforts. His newest research is focusing Human-to-Human marketing of industrial companies.

Part II

H2H Mindset



H2H Mindset in H2H Marketing

4

Philip Kotler, Waldemar Pfoertsch, Uwe Sponholz,
and Maximilian Haas

In Chap. 1 we already touched on the key characteristics of the H2H Mindset and its importance for the implementation of H2H Marketing as a whole. In this chapter we now will have a more detailed look at it, discussing its origins, relevance, and practical implementation. To recap on the four characteristics of the H2H Mindset (human-centeredness, service orientation, agility and experimentalism, empathic interest in other perspectives), the reader may go back to Chap. 1, as they will not be explained again in the present chapter.

Earlier we established that the basis of H2H Marketing is the H2H Mindset. It is the first requisite, has normative character, and defines the grounding of the new concept. It is a fundamental requirement for the second component of strategic side (H2H Management) and the third component with its operational side (H2H Process) for eventual success. This mindset should not only be shared by employees of marketing departments and other executives; it should be anchored deeply inside the organization.

We will first have a look at the term mindset itself and then examine an already existing marketing mindset found in market and customer orientation. Looking for a proper definition of “mindset,” two characteristics appear to be evident: firstly, a filter function determining how we perceive the world around us and what we expect

P. Kotler
Kellogg School of Management, Northwestern University, Evanston, IL, USA

W. Pfoertsch (✉)
CIIM Business School, University of Limassol, Limassol, Cyprus
e-mail: waldemar@pfoertsch.com

U. Sponholz
THWS – Technical University of Applied Sciences Würzburg-Schweinfurt, Schweinfurt, Germany
e-mail: usponholz@in-cito.de

M. Haas
I&1 Telecommunication SE, Karlsruhe, Germany

from ourselves and others and, secondly, a behavior control function influencing the behavior toward others and us based on the perception of the world resulting from the filter function.¹ The business coach Svenja Hofert proposes a definition, which combines both functions and will serve as a definition in the H2H Marketing approach. She states: “The mindset is a person’s changing logic of thought that triggers [her] actions or non-actions and is co-determined by [her] environment. It is the attitude of the mind that leads to something being (not) perceived, seen, heard, understood, felt, analyzed, interpreted, communicated in a certain way—and from this (non-)action being derived.”² The definition displays that a mindset is modifiable, not necessarily static but rather shapeable. Stanford professor Carol Dweck, in this context, presented the distinction between fixed mindset and growth mindset.³ She describes that a fixed mindset is found in “people who view talent as a quality they either possess or lack,” while someone with a growth mindset “enjoy [s] challenges, strive[s] to learn, and consistently see[s] potential to develop new skills.”⁴ With this distinction, she makes clear that people can change their mindset if they are willing to do so and that it is advantageous for companies to have employees with a growth mindset. Hofert, in this context, speaks of an agile mindset. Important to mention is that the idea of an absolute growth mindset is not realistic; it is a common misconception Dweck rectifies by pointing toward the mixed nature of the mindset, always consisting of a fixed share and a growth share, only differing in the proportional distribution of both. The individual mindset depends on the context and in the specific business situation. This implies that a company with its normative management can affect the mindset of its employees. This concept of the growth mindset, together with Hofert’s definition, is taken as the basis for the mindset understanding of H2H Marketing. Mindset, thus, is understood as thinking and acting logic that determines how individuals or people as a collective in organizations perceive the world and which actions they derive from their perception.

From Market Orientation to the Customer-Based View that Integrates Design Thinking, Service-Dominant Logic (S-DL), and Digitization

With companies already having established customer and market orientation, a mindset for marketing was defined.⁵ When hearing the term marketing thinking, a common association is “putting the customer first.” While customer orientation focuses strictly on the customer, market orientation adds the perspective of the

¹ See, e.g., Brooks and Goldstein (2008). See also Schulz (2011).

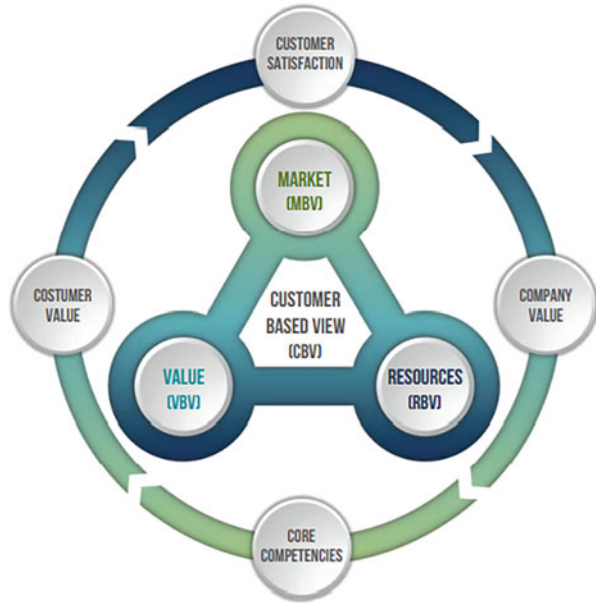
² Hofert (2018). Translated from German to English.

³ Dweck (2006).

⁴ How Companies Can Profit from a “Growth Mindset”, Para. 1. (2014). Harvard Business Review. Retrieved from <https://hbr.org/2014/11/how-companies-can-profit-from-a-growth-mindset>

⁵ Kumar et al. (2011).

Fig. 4.1 Integration of different perspectives into the customer-based view



firm and its competitors. Market-oriented perspective stands in contrast to resource orientation, the importance of which can be shown with the concept of core competencies. This is a concept that is central not only to resource but also to market-oriented corporate management and showcases that there is not necessarily a contradiction between the two views. The difference lies only in the direction it is viewed from. The resource-based view (RBV) first looks for strategically relevant competencies inside the firm and then checks whether these competencies can be turned into customer value. The market-based view (MBV) on the other hand defines the needed competencies from the perspective of the market and, from this, derives consequences for the company. In conclusion, in the MBV, the market defines how a strategically superior position should be reached, while in the RBV, the own resources determine how this position can be reached.⁶ An interesting approach to this issue can be found in the work of Matzler, Stahl, and Hinterhuber, who propose an integrative model called the customer-based view (CBV), adding the value-based view (VBV), in an attempt to combine the three perspectives (see Fig. 4.1).⁷ The VBV gives priority to the interests of the equity investors and customers—maximizing the value of the company—and the customers become key objectives for corporate management. The model of Matzler et al. is based on the assumptions that the company value is a function of customer satisfaction and that the ability to create customer value is determined by the resources a company is equipped with and the efficiency with which it uses them. The core competencies that are necessary

⁶Nolte (1998).

⁷Matzler et al. (2009).

for this can only be financed if the shareholders are willing to do so due to the development, i.e., positive development of the company value, thus integrating the VBV.

The integration of value and the idea that customer value depends on the application of core competencies fits perfectly into the S-DL used in H2H Marketing. The concept should not be confused with the shareholder value model. It postulates that superior shareholder value only can be realized based on customer satisfaction and that the shareholder value must be invested partly into the development of core competencies to co-create customer value. An example to illustrate the CBV model could be the following: A company decides to increase the development of new knowledge and skills. The resulting new knowledge and skills enable the firm to provide superior customer value resulting in competitive advantage. Optimally, this competitive advantage is then transformed into above-average return on capital, which then would attract and provide enough financial resources for the exploitation of new opportunities and development of new skills and knowledge.⁸

Dürr Group, one of the world's leading mechanical and plant engineering firms, implements and mastered the CBV, even though it could be not aware of the existence of this concept. MEGTEC and Universal were founded in the USA and had a similar structure in terms of the company's size and revenues to Dürr, were merged into Dürr Group, and follow the same principles initiatively. Dürr is providing its customers outstanding knowledge and skills. This led to superior market position and is strongly correlated to a better customer value proposition. Consequently, Dürr provided its stockholder great returns, and its stakeholders benefited from the core competencies and the business attitude. Consequently, the CBV not only ties together two opposing views, but it also shows a possible way of how the influence of customer orientation on the company value can be operationalized and thus measured via the customer satisfaction as an indicator: "In the customer-based view [...], resources and specific skills are sources of economic rents when they lead to unique and valuable offers that are recognizable to customers. [...] Enterprises must be able to [...] develop competencies and skills in a company-wide learning process to create higher value for the customer than their competitors."⁹

While the MBV prioritizes the market and the RBV puts emphasis on the firm and its resources, the CBV integrates those differing perspectives in an innovative way. While it integrates the views on a conceptual level, it needs clear instructions for how the relationship between the different stakeholders should be managed. For this purpose, the SPICE stakeholder model introduced by Sisodia et al.¹⁰ in their book *Firms of Endearment* can serve as guidance.

In this model, all stakeholder groups are interdependent. There is not only a bond between the firm and its stakeholders; the stakeholders are among themselves

⁸Matzler et al. (2009), op. cit.

⁹Matzler et al. (2009), op. cit., p. 27.

¹⁰Sisodia et al. (2014), op. cit.



Fig. 4.2 The interconnected SPICE stakeholder model

connected (see Fig. 4.2).¹¹ Sisodia et al.¹² see the successful alignment of the interests of all parties as the ultimate goal for a sustainable, endearing business. A brilliant example of the understanding of the interconnectedness of stakeholder relationships is the *Declaration of Interdependence* by Whole Foods Market. Businesses like Whole Foods Market understand that with interdependent stakeholder groups, sustainable success is only possible through collaborative efforts, which helps their partner grow and creates a competitive advantage. This guiding principle of creating value together rather than at the expense of each other corroborates the idea of the CBV, and together they represent the foundation for the understanding that underlies the H2H Mindset. This approach is also consistent with the service-dominant logic. Although the S-DL would argue that the firms alone cannot create value for the customer, its FP4 stating that “operant resources are the fundamental source of strategic benefit”,¹³ is in congruence with the statement of Matzler stressing the importance of development of knowledge and skills for obtaining and maintaining competitive advantage.¹⁴ One of the facilitating companies for the development of customer-based view (CBV) application is HubSpot from Boston. HubSpot is a developer and marketer of software products for inbound marketing, sales, and customer service. Marketing, sales, and service

¹¹ Adapted from Sisodia et al. (2014), op. cit.

¹² Sisodia et al. (2014), op. cit.

¹³ Vargo and Lusch (2016), op. cit., p. 8.

¹⁴ Matzler et al. (2009), op. cit.



Fig. 4.3 Integrating the CBV and the three influencing factors of H2H Marketing

software can help companies grow because “good for business” should also mean “good for the customer.” They offer a marketing hub, which grows traffic, convert leads, and prove Return on Investment with all-in-one marketing software and provide all the tools necessary to run complete inbound marketing campaigns. They also have a Sales Hub for every part of the sales process, which includes a full suite of sales tools for the team to shorten deal cycles and increase close rates. In addition, they offer a Service Hub and customer relations service management, which turn happy customers into growth. They helped companies like the video communication application Zoom, VooV, and DingTalk to flourish.

Thinking about market orientation as an already existing mindset, one may ask why there would be a need for a new mindset. The answer is found in the influencing factors of the H2H Marketing Model: the H2H Mindset is the product of an already existing mindset in the shape of market orientation integrated into the CBV, adapted to the new developments of design thinking, the S-DL, and digitalization. This “modernization” (as shown in Fig. 4.3) of the mindset has its starting point in the integrated model of the CBV and the stakeholder view expansion of the SPICE stakeholder model.

This foundation is then amplified by considering the three influencing factors of the H2H Marketing Model and the imperative for changes in the mindset that they imply. There are key consequences that the three influencing factors of the H2H Marketing Model have for the H2H Mindset and its character traits (see Fig. 4.4).

Companies can influence the H2H Mindset of their employees through two major means:

1. *Pay attention to the H2H Mindset of new employees during the recruiting process.*



Fig. 4.4 Determining factors of the H2H Mindset inside the H2H Marketing Model

The task is to find out whether a potential employee has the personality trait to grow his personal mindset. Furthermore, the company should check with a test like the NEO Personality Inventory¹⁵ whether a potential employee already has characteristics of the H2H Mindset.

2. *Develop and establish a corporate culture (or corporate mindset) that enables existing employees to live their H2H Mindset.*

Practically, this means that companies that want to use H2H Marketing must have both: employees with an H2H Mindset and a corporate culture, which enables and facilitates the employees to use this mindset for the implementation of the H2H Marketing. The aspects we examined do not stand alone but are to be regarded as interconnected. It is a mindset that is not only beneficial for the marketing department but for every employee who wants to master the challenges of digitalization. The core message is that the more there are people who have the H2H Mindset, the better H2H Marketing can be implemented. Putting the human at the center of attention in the H2H Mindset is a critical prerequisite for the success of the following strategic and operative sides of H2H Marketing. We already discussed Whole Foods and other companies as real-life examples of the H2H Mindset.

¹⁵Costa and McCrae (2008).

Let us add another company with a different focus—Inditex, from Spain. Founded by Amancio Ortega in 1975, Inditex has become the largest textile company in the world. It has more than 7400 locations in 96 countries with a turnover of \$30 billion in 2019. Its retail stores operate under brands such as ZARA, Bershka, OYSHO, PULL&BEAR, Stradivarius, UTERQÛE, ZARA HOME, and Massimo Dutti. It designs and produces almost all of its products and ships them directly to stores twice a week, thus staying in step with fashion trends straight from the catwalk. In 2001, the company adopted a “social strategy” that includes dialogues with all key stakeholders, an internal code of conduct, and social audits of all suppliers. Their overriding aim is to create beautiful, ethical, quality products and to create fashion that is “right to wear.”

The previously discussed case study of The Good Kitchen (Det Gode Køkken) from Denmark combines all determining factors of the Human-to-Human Mindset. In this case, all three factors DT, SD-L, and D are directed to the empathetic interests of the customer. The Good Kitchen is a part of the food services from Holstebro Municipality, Denmark, provided to the local senior citizens living at home. They solved in an innovative way one of the big welfare challenges with the rapidly growing number of seniors: How do we ensure that senior citizens can still eat what they want when the local authority delivers the food when they are no longer able to cook their own food? With a design-driven innovation process that involves senior citizens, drivers, kitchen staff and management teams, programmers, and designers, the issue was solved. They came up with a user-friendly digital tablet-based ordering system which ensures the drivers can easily obtain and deliver orders for senior citizens in the municipality. With the new perspective, a creative solution based on human-centeredness was found. These aspects are character traits of Human-to-Human Mindset, and, thus, “The Good Kitchen” case also reflects the same character traits in all the three approaches. One of the most interesting examples of the implementation of the H2H Mindset is the German company elobau, which in the following will be discussed in detail.

Questions for Understanding

1. How do the three influencing factors of the H2H Marketing Model influence the H2H Mindset?
2. Find some companies on your own, which show some application of the H2H Mindset and its key characteristics?
3. Why do we state that H2H Mindset is a precondition for a successful implementation of H2H Marketing? What is your opinion?
4. What is the difference between the individual and the organizational H2H Mindset? How are they interrelated?
5. What is the meaning behind the concepts of RBV, MBC, and VBV? How does the CBV integrate each of them?
6. What is the SPICE stakeholder model and how can companies implement it?

References

- Brooks, R., & Goldstein, S. (2008). The mindset of teachers capable of fostering resilience in students. *Canadian Journal of School Psychology, 23*(1), 114–126. <https://doi.org/10.1177/0829573508316597>
- Costa, P. T., & McCrae, R. R. (2008). *The revised NEO personality inventory (NEO-PI-R)*. Sage.
- Dweck, C. S. (2006). *Mindset: The new psychology of success*. Random House.
- Hofert, S. (2018). *Das agile mindset: Mitarbeiter entwickeln, Zukunft der Arbeit gestalten* (p. 8). Springer Gabler.
- Kumar, V., Jones, E., Venkatesan, R., & Leone, R. P. (2011). Is market orientation a source of sustainable competitive advantage or simply the cost of competing? *Journal of Marketing, 75*(1), 16–30. Retrieved from <https://www.researchgate.net>
- Matzler, K., Stahl, H. K., & Hinterhuber, H. H. (2009). Die Customer-based View der Unternehmung. In H. H. Hinterhuber & K. Matzler (Eds.), *Kundenorientierte Unternehmensführung: Kundenorientierung – Kundenzufriedenheit – Kundenbindung* (6th ed., pp. 4–31). Gabler.
- Nolte, H. (1998). Aspekte ressourcenorientierter Unternehmensführung. In H. Nolte (Ed.), *Aspekte ressourcenorientierter Unternehmensführung* (pp. III–VIII). Rainer Hampp. Retrieved from <http://hdl.handle.net/10419/116857>
- Schulz, M. (2011). *New mindsets for service-orientated marketing: Understanding the role of emotions in interpersonal relationships*. Doctoral thesis. Retrieved from <https://ourarchive.otago.ac.nz/handle/10523/1928>
- Sisodia, R. S., Sheth, J. N., & Wolfe, D. (2014). *Firms of endearment: How world-class companies profit from passion and purpose* (2nd ed., p. 7). Pearson Education.
- Vargo, S. L., & Lusch, R. F. (2016). Institutions and axioms: An extension and update of service-dominant logic. *Journal of the Academy of Marketing Science, 44*(1), 5–23. <https://doi.org/10.1007/s11747-015-0456-3>

Philip Kotler is the leading authorities in marketing. He was the S.C. Johnson & Son Distinguished Professor of International Marketing at the Kellogg School of Management, Northwestern University, Evanston, Illinois. He received his Master’s Degree at the University of Chicago and his PhD Degree at MIT, both in economics. He did post-doctoral work in mathematics at Harvard University and in behavioral science at the University of Chicago.

Professor Kotler is the author of more than 90 books many article such as: Marketing Management: Analysis, Planning, Implementation and Control, the most widely used marketing book in graduate business schools worldwide; Principles of Marketing; Marketing Models; Strategic Marketing for Non-profit Organizations; The New Competition; High Visibility; Social Marketing; Marketing Places; Marketing for Congregations; Marketing for Hospitality and Tourism; The Marketing of Nations; Kotler on Marketing, Building Global Bio Brands, Attracting Investors, Ten Deadly Marketing Sins, Marketing Moves, Corporate Social Responsibility, Lateral Marketing, and Marketing Insights from A to Z. He has published over one hundred articles in leading journals, several of which have received best-article awards.

Professor Kotler was the first recipient of the American Marketing Association’s (AMA) “Distinguished Marketing Educator Award” (1985). The European Association of Marketing Consultants and Sales Trainers awarded Kotler their prize for “Marketing Excellence”. He was chosen as the “Leader in Marketing Thought” by the Academic Members of the AMA in a 1975 survey. He also received the 1978 “Paul Converse Award” of the AMA, honoring his original contribution to marketing. In 1989, he received the Annual Charles Coolidge Parlin Marketing Research Award. In 1995, the Sales and Marketing Executives International (SMEI) named him “Marketer of the Year”.

Professor Kotler has consulted for such companies as IBM, General Electric, AT&T, Honeywell, Bank of America, Merck and others in the areas of marketing strategy and planning, marketing organization and international marketing.

He has been Chairman of the College of Marketing of the Institute of Management Sciences, a Director of the American Marketing Association, a Trustee of the Marketing Science Institute, a Director of the MAC Group, a former member of the Yankelovich Advisory Board, and a member of the Copernicus Advisory Board. He has been a Trustee of the Board of Governors of the School of the Art Institute of Chicago and a Member of the Advisory Board of the Drucker Foundation. He has received honorary doctoral degrees from the Stockholm University, University of Zurich, Athens University of Economics and Business, DePaul University, the Cracow School of Business and Economics, Groupe H.E.C. in Paris, the University of Economics and Business Administration in Vienna, Budapest University of Economic Science and Public Administration, and the Catholic University of Santo Domingo.

Phil is one founding member of The Sarasota Institute, a think tank located in Sarasota, Florida.

He has travelled extensively throughout Europe, Asia and South America, advising and lecturing to many companies about how to apply sound economic and marketing science principles to increase their competitiveness. He has also advised governments on how to develop stronger public agencies to further the development of the nation's economic well-being.

Waldemar Pfoertsch is Senior Professor of Marketing at the CIIM Business School of the University of Limassol, Cyprus. He is Professor Emeritus for International Business at the Pforzheim University, Germany, and part-time professor at EPOKA University in Tirana, Albania. He lectures about H2H Marketing, B2B Marketing and industrial Brand Management. He is lecturer at the Mannheim Business School, Tongji SEM, Shanghai, and TUM (Technical University Munich), Heilbronn. He also teaches at ITM, Sweden, Indian Institute of Management Calcutta (IIMC), and Graduate Business School of ESAN, Lima Peru. From 2007 to 2010 he was professor of marketing at China Europe International Business School Shanghai (CEIBS). His other teaching positions have been at the Executive MBA Program at the University of Illinois, Chicago. He was visiting Associate Professor at Kellogg Graduate School of Management, Northwestern University and Lecturer for Strategic Management at Lake Forest Graduate School of Management. From 2001, he has taught online with the University of Maryland University College Graduate School. At the start for his career, he was Research Assistant at the Technical University of Berlin.

Dr. Pfoertsch has extensive experience in management consulting in USA, Europe and China. In his years at UBM/Mercer Consulting Group, Arthur Andersen Operational Consulting and LEK Consulting, he worked throughout Europe, Asia and North America, assisting companies in developing international strategies. His earlier positions include sales and strategy positions at Siemens AG in Germany/USA and being he was an Economic Advisor to the United Nations Industrial Development Organization (UNIDO) in Sierra Leone, West Africa. His research interests have evolved around the globalization of high-tech companies and their marketing and branding efforts. His newest research is focusing Human-to-Human marketing of industrial companies.

Uwe Sponholz is Professor for Service Engineering, Innovation Management and Design Thinking, B2B Marketing and Sales as well as Strategic Management at FHWS—University of Applied Sciences Würzburg-Schweinfurt. He also teaches at Christ University, Bangalore India and other foreign universities. As dean of the Faculty of Business and Engineering at FHWS, he was a strategic driver of the internationalization of the university and the introduction of innovative teaching methods. Today, in addition to his teaching duties, he is responsible for the degree program management of the MBA Business with Europe and the management of two laboratories (Creative Cube and VR Laboratory).

His professional career began at the Institute for Trade Research at the University of Cologne, initially as a researcher, later as head of department of the newly founded consulting division of the institute. He then moved to Alliances Management Consultants in Paris, a small consulting firm specializing in providing strategic advice to large service providers. From there he went to FAG in

Schweinfurt, where he was significantly responsible for the development and implementation of a global service concept.

For years he has supported companies with design thinking workshops and consulting projects. He is also shareholder and founding partner of in-cito management consulting and Bodystance GmbH. He uses the second company to test his conceptual ideas of H2H Marketing.

Maximilian Haas worked as research assistant at Pforzheim Business School before starting to work as a consultant for Ingredient Branding and Business Development. He graduated 2019 in International Business at Pforzheim University. His interests lay mainly in branding and international business. He is guest lecturer at the University of Ljubljana, School of Economics and Business and currently works as Product Manager Mobile for 1&1 Telecommunication SE in Karlsruhe, Germany. In his role as product manager, he creates new product concepts for churn prevention and customer retention campaigns.



Case Study: New Challenges at *elobau*—Can Purpose Orientation and Sustainability Create New Strategic Options?

5

Waldemar Pfoertsch

On July 3, 2021, the influential business newspaper *Handelsblatt*¹ declared Michael Hetzer, CEO, Speaker of the Board of Management, and Chairman of the Advisory Board, as new role model for steward-ownership transition. Michael had moved the family-owned company into two foundations owing and managing the successful sensor and control panel manufacturer *elobau*. Already in 2010, he had made *elobau* carbon neutral and encouraged employees to develop a new compensation scheme—a human-oriented way of leading motivated people in and outside the company.

As a family-run foundation company with around 950 employees worldwide, *elobau* develops and manufactures sensors for electromechanical applications in agricultural equipment and commercial vehicle systems. The quality products are characterized by a very high level of vertical integration and are manufactured in a climate-neutral manner in the southern Bavarian region of Allgäu. *elobau* operates under the maxim “focus on human” and sustainability is their top priority. That is

This case was prepared by Professor Waldemar Pfoertsch at Cyprus International Institute of Management. It is intended to be used as a basis for class discussion rather than an illustration of an either effective or ineffective handling of a management situation. It provides analysis and questions that are intended to present alternative approaches to deepening students’ comprehension of business issues and energizing classroom discussion.

Copyright © 2023 by Waldemar Pfoertsch. 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, or otherwise—without the permission of the author.

¹See Müller (2018).

W. Pfoertsch (✉)
CIIM Business School, University of Limassol, Limassol, Cyprus
e-mail: waldemar@pfoertsch.com

why the company publishes an economic report for the sustainability and common good.²

On December 9, 2020, *elobau* was recognized as an environmentally conscious industrial company by Minister-President Winfried Kretschmann and Environment Minister Franz Untersteller of Baden-Württemberg. They presented to CEO Michael Hetzer the “Landes-Umweltpreis” for medium-sized companies in the White Hall of the New Palace in Stuttgart.

Since 1991, Michael Hetzer has guided *elobau* to become a leading solution provider for modular operating systems for agricultural and off-road vehicles, transforming the company to a purpose-oriented one. He has achieved everything a sustainable and socially conscious company could accomplish, transferred the ownership of the company to a foundation, and has had many years of continuous revenue growth and public recognition.

At this point, a couple of factors are complicating Michael’s future options, and he faces dilemmas to solve—in particular, the company’s high success in sustainability, which has been steadily improving since 2014. After 5 years of preparation, in 2014, *elobau* joined the German Sustainability Code. Since 2016, the company has been providing annual sustainability reports and established a double foundation system as the new ownership structure. In 2016–2017, the certificate for the Economy for the Common Good³ was issued. In 2017, in addition, the company was certificated for greenhouse gas compensation by Vision Wald.⁴ In 2018, a Climate Neutral Certificate was issued because all buildings and production processes are carbon neutral and it is considered as a purpose company. During 2018–2019, a corporate carbon footprint analysis was conducted, and EMAS (Eco-Management and Audit Scheme) Certificate according to EN ISO 14001 were purchased to offset the environmental damages. Already in 2013, the company was ranked 23rd in Great Places to Work® Europe. In 2015, *elobau* was on the list of best employers of Germany.

Ironically, with such an illustrious history of achievements, the dilemma to face at this time is to figure out what else the management could initiate to continue the road to success.

Company Background

The company was founded in 1972 by Fritz Hetzer, father of Michael Hetzer. In the beginning, *elobau* supplied contactless sensor technology with a single product, a magnetic proximity switch (see [Appendix 1](#)) on a dry reed contact basis for agricultural hay distribution equipment to a nearby tractor company named Fendt. In the following years, many new innovations were introduced, from safety switch to

²*elobau* (n.d.).

³See Economy for the Common Good (n.d.).

⁴See Waldvision (n.d.).

operator control equipment (see Product Overview in [Appendix 2](#)). The product offering expanded to off-highway equipment and other industry applications. In 1996, the first contactless joystick for machine operation control was introduced. Intensive innovation and digitalization of machine control established the reputation of *elobau* for components and solutions for agro-industrial and heavy-duty off-highway vehicles. Among the extensive product line are components and systems for equipment control, machine safety, and level measurement. A comprehensive and constantly growing range of standard products was developed and integrated into customized solutions for various industrial applications. With the company growing continuously, in 2008, in its hometown Leutkirch, a second production plant was added. Since 2015, the tooling division (*Werkzeugbau*) was transferred to a new facility in Probstzella, Thuringia.

All *elobau* products, safety sensors, safety relays, joysticks and joystick grips, push button switches, tilt switches, angle sensors, and float level sensors, are made in Germany. Nearly all development and production processes are performed in-house, which speeds up production development processes and allows flexible response to customers' individual requests. Over the last 45 years, it has become one of the most important employers in the small city of Leutkirch and Probstzella. With 9 subsidiaries and about 40 distribution partners/agents around the world, they can guarantee customers a speedy and flexible order processing and delivery service.

The components of the company product range can be organized in four main areas (see in [Appendix 3](#) distribution in percent of 2016/2017 revenues):

- Sensors
- Machine safety
- Level measurement
- Operator controls

These components are the basis for integrated solutions for application in selected industries. With constant daily improvements, engineers work on getting closer to customers' requirements and giving value offers to customers and all members of the company.

From 2010 to 2016, the company was transformed into two foundations. The formerly family-owned corporation is now owned by *elobau foundation* and managed by *Hetzer foundation*. The purpose of this structure is so that the *elobau group* stands on solid ground for the future and cannot be interfered with by an outsider. The management had the right mindset, in that they believed that the value of the company is not only created by the owner but by everybody in the company. The foundation structure that was established makes sure that family tradition and legacy of the company continues with the participation of all who have a stake in the future of the company. This is grounded in the belief that the entrepreneurial spirit is kept alive by every person regardless of his or her position in the corporation. Michael Hetzer calls himself a "Menschenfreund" (philanthropist), and his human-oriented corporate culture is testament to this. However, when Hetzer started the process of transferring ownership, there was heavy resistance on many levels. The workers

were not used to carrying so much responsibility, and the customers did not care about environmentally friendly products when he started the sustainability projects in 2009. Now in 2020, after many public recognitions, eco-friendly solutions are in the middle of customer focus, with sustainability solutions having become very popular with customers.

Global Market and Competition

The global industrial controls market is huge and dominated by large players. Its size is expected to reach \$173.96 billion in 2025, from \$117.37 billion in 2017, growing at a compound annual growth rate (CAGR) of 5.3% from 2018 to 2025.⁵ Industrial control systems are being applied in automation equipment, machines, and components. These components, systems monitor, control, and perform manual and automatized industrial tasks and processes and improve product quality and reliability. Large companies that are players, like ABB, GE, Mitsubishi Electric Factory Automation, Siemens, Honeywell International, Emerson Electric, and Schneider Electric, are operating in the lucrative segments of the global market. The smaller segments are catered by local and specialist suppliers such as WayCon, SICK, Zettler, and Variomh. They are highly specialized and focus on specific niches and applications.

“Industrial control systems are being adopted by organizations from various industries due to their increase in focus on attaining energy efficiency in manufacturing processes.”⁶ The global market for control systems on agricultural and off-highway vehicles reached 850,000 units in 2019.⁷ This includes connected units deployed on various off-highway vehicles across construction, mining, agriculture, and forestry sectors. The construction sector accounts for the largest share, driven by OEM systems offered by heavy equipment manufacturers. Agriculture and mining moreover each account for a similar number of connected units deployed on machines and vehicles used in agricultural and mining operations, respectively. The remainder is represented by the forestry sector. The overall market is growing at a compound annual growth rate (CAGR) of 17.8%.⁸

Competition is very fierce in the various segments and niches. The large companies compete with their system approaches and the small ones with their adaptability and innovation capability. Proximity and reaction time to customer requests are very important, because some of the segments are highly fragmented by application or regional requirements.

To meet goals related to efficiency and emission reductions, integrated and smarter systems are required by use of sensors and other electronics. A future

⁵ Allied Market Research (2021).

⁶ Ditto.

⁷ Research and Markets (2021).

⁸ Ditto.

trend is hybrid off-highway vehicles. Some have been introduced into the market and have shown significant gains in performance and considerable reductions in operating costs. Suppliers including *elobau* are working on new solutions.

Structure of the Company

The company *elobau group* is owned by a management holding (*elobau management GmbH*) which is owned 99% by *elobau foundation*, a nonprofit endowment trust, and 1% by the for-profit family *Hetzer foundation*. The voting rights are exercised reciprocally, so the family foundation determines the leadership, but the profit stays with the company and nonprofit foundation. In 2016, Michael Hetzer, the initiator of this structure, provisioned the company to these foundations for two reasons. Firstly, this ensures the company's long-term independence, thus guaranteeing continuity and autonomy. Secondly, this structuring offers an opportunity to work actively in the nonprofit sector and thus further strengthen the great sense of social responsibility that has always been present in the company. This steward-ownership with a foundation-owned structure secures a stakeholder and human-to-human orientation.

The *elobau foundation* is a cooperative, supportive, accompanying, and individually active institution and civil society partner. With the firm conviction that social change usually originates from individual initiatives but can generally only be implemented in partnership-based cooperation, the *elobau foundation* sees itself as an instigator, facilitator, and initiator of innovative solution models to constantly changing social challenges. Supported and internal projects include the fields of education, environmental protection, and integration. Emphasis is placed on results and efficacy in achieving the goals set. These are also achieved through cooperation with other foundations, nonprofit organizations, and other nonprofit institutions.

The operative company is *elobau GmbH & Co. KG*⁹ where R&D, marketing, production, etc. take place. They have two locations in Leutkirch and Probstzella. The sales organization has its own legal structure in *sensales GmbH & Co. KG* with eight subsidiaries in Austria, France, Japan, Scandinavia, Brazil, Switzerland, the USA, and the UK. Currently, they also have 42 agents/partners around the world. In addition, *elostore GmbH & Co. KG* takes care of the online sales 24 h a day all around the globe (see [Appendices 4 and 9](#)).

In 2019, *elobau* decided on a digital transformation path. With the subsidiary *elostore*, they started building a digital sales channel for a selected product range of *elobau* products. With the young and committed team, everything was done to make online shopping something special. Because at *elostore* there is a strong focus on the

⁹GmbH & Co. KG means Limited Liability Company & Limited Partnership. The most important advantage of this organization form is the limited liability (min. 50,000 euros). It has tax policy advantages that can be used to design options for the distribution of profits.

customer's needs, the aim is to provide a simple procedure and to ensure a fast purchasing process.

The *elo.Deli GmbH & Co. KG* is in charge of the company cafeteria under the brand name of "Esszimmer" (dining room), which supplies fresh, regional, and bio food to the employees, the community, and public guests.

All parts of the organization are supported by the *elobau Energie GmbH & Co. KG*, which is responsible for energy management and the maintenance of the facilities. Their goal is energy-neutral production, which means that energy is created by regenerative sources. They are part of the initiative *elobau goes green*. An integrated environmental and energy management system (DIN EN ISO 14001 and DIN EN ISO 50001) forms the essential basis for optimizing. The company established several internal measures, particularly in energy efficiency. The company's commitment is based on the specially developed "elobau goes green" initiative, which implements the *elobau* environmental policy. The complete compensation of the company's CO₂ emission of the manufacturing process and of the products is sought. Measures such as the preparation of an energy balance analysis, the design of the new logistics center as an energy-plus building, and the support of various environmental and nature conservation projects (e.g., renaturation of a moor) underline the company's ecological focus.

To ensure a climate-neutral company with climate-neutral production, the subsidiary *elobau Energie* was founded, which provides the necessary energy from renewable energy sources. A solar park in Saxony with an output of 2.4 MW makes a significant contribution to the company's climate neutrality. This can save around 1300 tons of CO₂ per year. The solar system on Plant 2 in Leutkirch generates an additional 240 kW. In addition, micro gas turbines, which are operated 100% with biogas, supply electricity and heat to be fed directly into the plants.

In addition to energy generation, energy saving is also a major issue at *elobau*. For example, the waste heat from the injection molding machines is fed into the heating circuit. In 2012 *elobau* decided to have the company certified according to the Stop Climate Change standard to further expand climate protection and to have it confirmed by independent third parties. The carbon dioxide, which cannot be avoided or reduced, is completely offset. For this reason, *elobau* became a partner of Vision Wald, a model project in Costa Rica. The underlying calculations of the manufacturing process are made available to suppliers on request. The CO₂ neutrality of the products of *elobau* makes it easier for the processing companies to manufacture climate-neutral or ecologically high-quality products.

Revenue Development

From 2010 to 2018, *elobau* doubled its revenue from 50 million euros to more than 115 million euros. For the 2018 financial year, *elobau GmbH & Co. KG* was able to generate sales growth of 17.2 million euros in absolute terms and 17.0% in relative terms. Revenue growth in the double-digit percentage range was achieved in all divisions—controls (+22%), sensors (+10%), level sensors (+12%), and machine

safety (+20%). The sales target for *elobau* of around 106.0 million euros for 2018 was clearly exceeded. The degree of target achievement was 109%. Existing customer relationships were further expanded, and new interesting customers were won. In 2018, around 1.23 million euros were realized with new customers. In the agricultural engineering, construction machinery, and conveyor technology as well as food and packaging technology sectors, business relationships were expanded significantly. The order backlog at the end of 2018 was significantly higher than at the same time in the previous year. The order book was at a historically high level and further increases in sales can be expected for 2019 and 2020. The company profit jumped from about 1 million euros in 2010 to 4 million euros in 2018 (see [Appendix 5](#)). From this year on, all reporting of financial performance is part of the foundation reporting.

Personnel

In 2020, the company employed 950 people and is continuously hiring. In the last 10 years, *elobau* was nominated and received numerous awards as best employer (see [Appendix 6](#)). Currently, they have more than 20 open positions in Germany, the USA, and other locations. According to the study “Great Place to Work 2019,” more than 85% of the employees are very happy with the situation and conditions. All employees get a market-conform basic remuneration, including 13th month salary and voluntary profit sharing. They have flexible working hours and a life-working-time account. They have modern working environment and individual training opportunities. Every employee participates in the company pension schemes and capital formation benefits and gets a “benefit card” for free gas and more. In addition, there are support with childcare during the holidays and social counseling in the company when needed. A Corporate Health Management scheme is in place and the company offers free water and coffee and fresh fruit every day. During the year, there are various company celebrations like family day.

These all developed from the start of the company, with incremental and radical changes happening over time. Ten years ago, the interest on the employees concentrated on salary increase with the company aiming for output percentage increase. Every morning, when the workers started their job in production, they had to aim to assemble more control units than was required of the per day quota in the agreed standard. If they succeeded, up to 30% of the basic wage was added. The calculation was simple: more units, more percentages, more money. But it did not work out—neither for employees nor for the company. The remuneration system in the manufacturing departments was not the appropriate method because it was hard to understand how many percent had been added or not. Also, since the final number was totaled at the end of the month, employees who had to stay at home sick a day or so were penalized because the lost workday was hard to make up, no matter how hard they worked on the other days. The result was regularly visible in the employee surveys—only around 60% of the participants from production were satisfied with their income. Also, the management did not like the old bonus wage system, because

it led to the practice “that the employees primarily processed attractive, efficient orders and the unpopular but urgent ones were left behind.”

As a result, in April 2015, the management hired a consulting company to moderate the process over 1.5 years. The outcome was a new remuneration system based on transparency, fairness, quality awareness, motivation of employees, and delivery reliability, to replace a monthly fixed wage. Additional bonuses should, for example, reward high-quality work and general company success and include social skills. In addition, they considered 20 anchor points that should serve to assess soft skills, such as self-reliant action, communication, and reliability. Once a year these are assessed in an employee interview. In January 2017, 95% of the colleagues signed the new contracts, and today, the gap between poor and high earners has narrowed significantly with everyday life in the company very different from what it used to be. “We are now taking on more responsibility, helping each other and working together more often instead of just doing it alone. And because there are no more percentages, we can afford to do jobs in a more customer-oriented manner.”¹⁰ The new remuneration system (see details in [Appendix 7](#)) will not stand still; colleagues are considering adopting the concept to changing requirements. Presently, employee satisfaction is at a 92% level. The sick leave rate is 3.78% (industry average: 5.3%) and the turnover rate stands at 3.26% average. Length of service of employees is 8.03 years and 87% of employees would recommend *elobau* as an employer.¹¹

Innovation and Service Orientation

Innovation is at the heart of *elobau*. Since the early beginning of the company, new product development and innovative processes characterized the existence of this company. In the meantime, new standards in terms of design, ergonomics, and functionality have been set, which were implemented by qualified and self-sufficient employees who are forward-thinking and acting.

The company-wide implemented sustainable cycle thinking requires holistic thinking. Design thinking, scrum, coaching, user testing, R&D, and prototyping were applied on a daily basis, which finally leads to the foundation of an incubator for innovative products and services for sustainable agriculture. Since 2019, HelloSolution¹² is assisting start-up with the expertise from *elobau* by developing new business ideas for the next agricultural revolution. From many of these innovations, the holding company *elobau* also gains lots of benefits. According to the company’s motto, if you want to become fit for the future, people must first and foremost start building bridges with one another. This always requires a change of posture, role, and perspective, which could be achieved through the change of the mindset.

¹⁰Ditto.

¹¹Great Place to Work (2017).

¹²See HelloSolution (n.d.).

Sustainability

Sustainability is a matter close to the heart of everybody within the *elobau* organization. Most importantly, they understand that sustainability requires holistic thinking. To preserve the Earth as the basis of life for our children, there is no way around a circular economy. “We want to pave the way for this necessary change in our industries,” said Dr. Thilo Ittner, Managing Director.¹³

On the way to becoming a sustainable company, in 2013, a first milestone was achieved with the introduction of an energy management system according to ISO. Also, a photovoltaic system with solar panels went into operation. One year later, the gas heating systems in the works in Leutkirch were expanded to include micro gas turbines, which produce heat and electricity and had a 95% energy efficiency. This established the basis to make the company production climate neutral. Then this was followed by the support of a reforestation project in South America and the start of the partnership with VisionsWald for CO₂ compensation. The completion of the first building with the energy-plus standard followed in 2016. In the same year, the first electric vehicles for the company fleet were purchased. This led to the fulfillment of the German Sustainability Code. The company then revised its carbon footprint in accordance with the international Greenhouse Gas (GHG) Protocol (see [Appendix 8](#)).

The bike leasing campaign was started by providing every employee an electrical bike. This led to the Green Fleet Award from TÜV SÜD. At the end of 2017, the new construction of the plant in Probstzella was nominated for the Sustainable Building Award, and huge progress could be achieved in the production and assembly of the product, for example, a modular armrest control unit, developed in-house with plastic parts consisting of approximately 75% bio-based plastics. In order to meet the sustainability requirements at the product level, *elobau* developed a modular, standardized vehicle operating system. The company nominated Stefan Teichmann as coordinator for sustainability. According to his judgment, sustainability is already deeply rooted in the corporate DNA. At the same time, all employees are working intensively on processes in the various corporate areas with regard to holistic sustainable action and continuous improvement. With development-accompanying simulation processes, the company avoided resource-intensive development loops. This allowed to optimally design components from the point of view of material and strength and save resources by reducing weight. The shortened development times and the avoidance of unnecessary field tests also contribute to this. Simulation processes were also supported optimizing the means of production.

elobau has the goal to achieve an improved ecological balance and at the same time added value for customers through repair-friendly products and long spare parts availability. In addition, they invest more than 10% of our sales in research and development. They want to provide food for thought in our industries with innovative, sustainable products. It is worth noting that *elobau* categorically refuses to supply the armaments industry.

¹³*elobau* (2017).

They prefer to work with business partners on a long-term basis and on eye level. Their declared goal is long-term partnerships with preferred suppliers who want to go all the way with them. At *elobau*, sustainability does not stop on the company premises. Since 2012, they have also been evaluating product suppliers according to ecological and social aspects. Since 2017, they were evaluating all service providers. They made sure that small- and medium-sized companies could pass the rating by not only asking schematic management systems questions or asking for certificates. Customer-oriented, partnership-based thinking is a matter of course. They advise their customers on complex problems and find cost-effective solutions that were precisely tailored to their needs. As a family company run by a foundation, they do not think and plan in quarterly figures, but in the long term. Four different business areas and the limitation of the turnover of individual customers to 10% of the total turnover ensure economic independence. This makes them a stable and reliable partner for all customers with a long-term perspective.

Digitalization

Digitalization is a part of *elobau* from the beginning. The invention of the electric noncontact sensors was digitalized with the introduction of the digital control units, which is documented through the application of the company's patents. The DE-PAT.3703857 was granted on August 3, 1988. Now, the digital product offerings consist of a large selection of proven products from the areas of control elements, machine safety, and sensor technology.

In 2019, the *elobau* company decided on a digital transformation. With a separate subsidiary, *elobau* started to build one digital sales channel for a selected product range of *elobau* products to make shopping something special, because at *elo.store* the focus is always on the customer.

In May 2021, Nick Traenkle Head of Processes and Digital Transformation at *elobau* postulated: "The digitalization was made by humans and therefore it has to be for humans."¹⁴ The human being at the center of the digital transformation is an integral part of the *elobau* corporate culture. For him digital transformation is not an end, but digitizing processes to relieve employees of tiresome tasks or to save time. And above all, the fear of digital transformation from employees must be taken away, and at *elobau* all employees are trained in the field of digital fitness.

The digitalization of the business model evolved recently as effect of the covid pandemic. A first step was the introduction of the online shop *elo.store*.¹⁵ Buyers benefit from both faster delivery times and discounts. In addition, information on the current inventory and delivery times is anytime available. "With *elo.store* we want to better meet the needs of small and medium-sized companies. *elo.store*'s infrastructure is optimized for the processing of small orders and passes on the benefits gained

¹⁴Traenkle (2021).

¹⁵Go online at the *elobau* online store <https://elo.store/>

here in the form of discounts directly to the customer,” said Michael Hetzer, Managing Director of *elobau* and *elostore*.¹⁶ For many years, larger suppliers and customers are connected through EDI (Electronic Data Interchange)¹⁷ systems.

On June 15, 2021, *elobau* opened *eloLounge*—its own virtual showroom. To mark the opening, the *eloLounge Days* took place from June 15 to 17, 2021. Over the 3 days, there were presentations covering the whole *elobau* world. The 100 m record holder Julian Reus was also among the speakers.

The *eloLounge* will remain accessible after the pandemic to combine the benefits of mobile work with the trade fair experience. The supporting program of the virtual in-house exhibition included presentations from every aspect of *elobau*: around the areas of off-highway, industrial applications, sustainable entrepreneurship, and personal development. “We consciously decided against just replicating our trade fair stand,” explains Managing Director Ruediger Koehler; “Our trade fair stand works well in the context of a trade fair. However, since the trade fair experience as a whole is omitted, our aim was to create a new experience. Whether we succeeded with the combination of architecture, design of the showroom and the lecture program, however, is for our visitors to decide for themselves.”¹⁸

Trade fairs are still very important for *elobau*. Because over the years, these are the regular points of contact where *elobau* as a company and in addition new products can be touched and become tangible. “With the discontinuation of the trade fairs during the corona pandemic, this point of contact was not possible anymore. However, this gave *elobau* the opportunity to focus on the development of a virtual platform,” mentions Marnie Roeder, Head of Marketing. “However, the opening of the *eloLounge* does not mark the end of the project. The space will be constantly updated and expanded so that the next version of *eloLounge Days* will also be a new event.”¹⁹

Other Stakeholders

elobau does not consider themselves as an isolated island; on the contrary, they feel very close to their homeland Allgäu, the most southern part of Bavaria adjacent to the Alps. The *elobau* foundation is continuously supporting financially regional, nonprofit initiatives in the main areas of environmental protection, education, and culture. In recent years, they backed clubs in their hometown Leutkirch, such as cineclub, Larifari, the ALSO-Festival Leutkirch, as well as the Theaterfestival Isny. They bolstered the soccer clubs FC Leutkirch and Leutkircher Puckstiere and donated to the water lifesaving organization DLRG Leutkirch. In cooperation with

¹⁶Announcement retrieved from <https://der-maschinenbau.de/markt-trends-technik/elobau-startet-neuen-online-shop/>

¹⁷For more information visit https://en.wikipedia.org/wiki/Electronic_data_interchange

¹⁸*elobau* (2021).

¹⁹Visit elolounge.com for more information.

the Wilde Argen Foundation and the interregional renaturation project of the marshland Haubacher Moos near Isny, as the company is actively committed to environmental protection in the region.

Over the years, a dense network of educational partnerships with various cooperation partners has also emerged. This includes schools, universities, training institutions, and workshops for the disabled. The management is also concerned with helping people, who, through no fault of their own, are in need, which is why the *elobau* Social Fund Allgäu e.V. was launched. In an emergency, the social fund provides quick and unbureaucratic help in the form of financial support.

elobau, at its heart, has a human-to-human (H2H) Mindset, characterized by human-centeredness, service orientation, agility and experimentalism, and the empathetic interest in humans. For everybody in this organization, the purpose of doing something good is more important than profit. Fortunately, in Germany, *elobau* is not alone. Companies like Alnatura as well as corporations like Bosch or ZEISS follow similar concepts. The fact that arte.tv selected *elobau* to feature as a prime example of medium-sized companies cements the success story of the *elobau* foundation company.²⁰

Questions for Discussion

1. How do *elobau*'s purpose orientation and sustainability generate new strategic options? What criteria would you use to assess *elobau*'s H2H Marketing?
2. Are role models for steward-ownership transition necessary in today's market? What do you find most impressive about *elobau*'s transformation?
3. How can a small sensor and solution vendor have such power in the industry? What should management do next to maintain a competitive advantage?
4. What is the responsibility that comes with being one of the most important employers in the little town of Leutkirch and Probstzella? What does it mean to be named one of Germany's finest employers?
5. What are your thoughts on the company's organizational structure's complexity?
6. Can success be defined solely by revenue growth, or would you add other criteria, and what would this mean for the company's management?
7. Is there an imbalance for stakeholders as a result of the drive for sustainability and profitability?

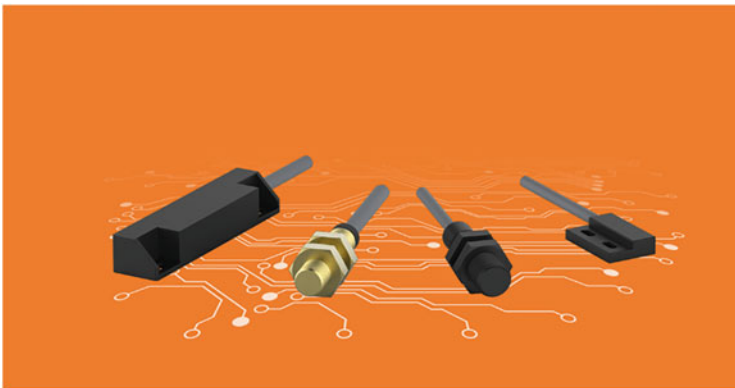
Appendixes

Appendix 1

²⁰arte re (2021).



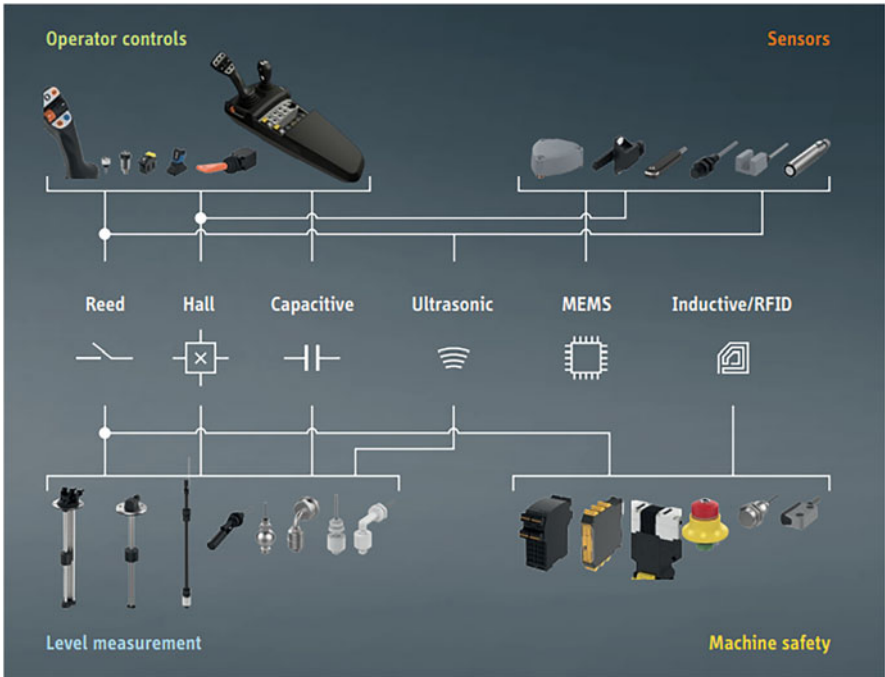
elobau analog proximity electrical switch 171271AA TÜV and UL listed²¹ and image movie from 2019 https://www.youtube.com/watch?v=LqWw_2B9SuI



Digital proximity switches <https://www.elobau.com/en/products/sensor-technology/proximity-switches/magneto-resistive-sensors/>

²¹Source: <https://www.elobau.com/en/products/sensor-technology/proximity-switches/magneto-resistive-sensors/>.

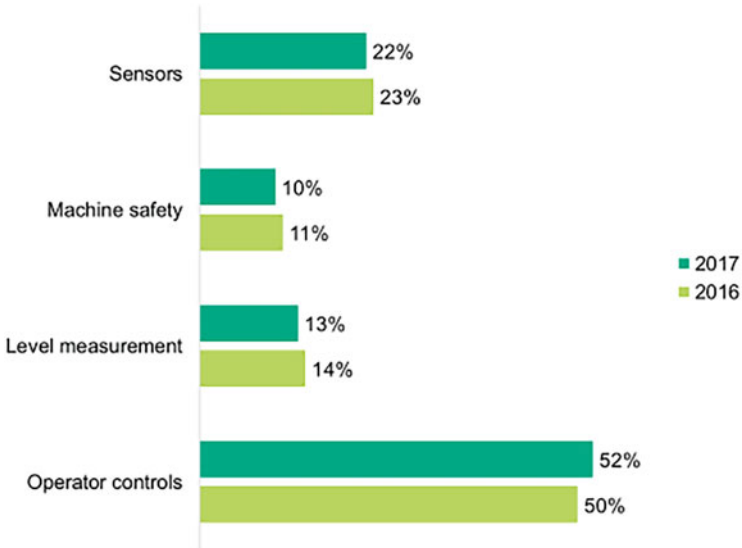
Appendix 2



Elobau Product overview and its interrelationship²²

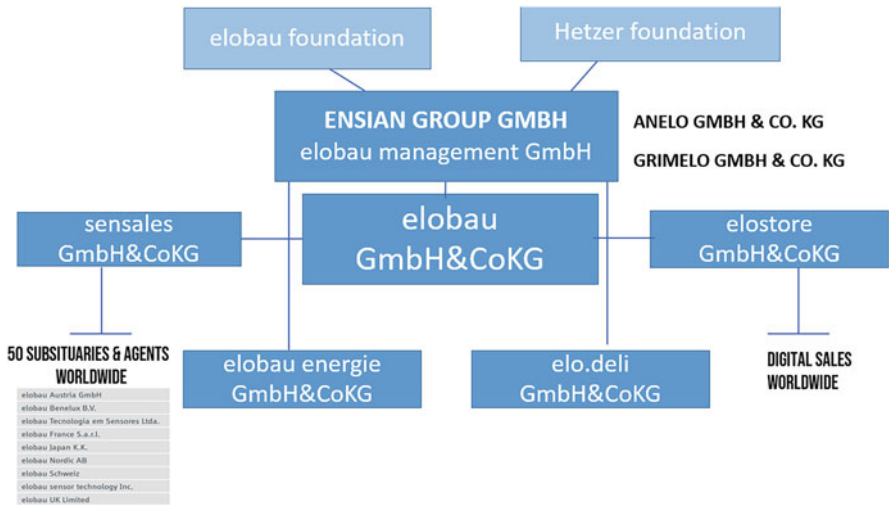
Appendix 3

²²See <https://www.elobau.com/en/elobau-product-range/>.



Distribution in percent of 2016/2017 revenues²³

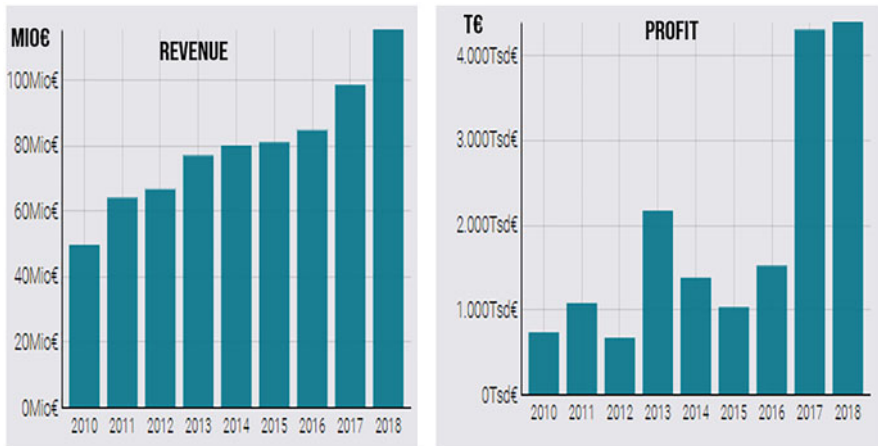
Appendix 4



Organizational Structure 2020

²³ From the Sustainability Report [elobau-report-sustainability-economy-for-the-common-good-2016-17.pdf](#).

Appendix 5



Revenue and Profit development 2010–2018
G&V

	1.1.2018 - 31.12.2018	1.1.2017 - 31.12.2017
	EUR	EUR
1. Umsatzerlöse	115.384.959,36	98.432.376,98
2. Erhöhung oder Verminderung des Bestandes an fertigen und unfertigen Erzeugnissen	678.055,44	295.639,51
3. Gesamtleistung	116.063.014,80	98.728.016,49
4. sonstige betriebliche Erträge	344.656,29	241.001,80
davon Erträge aus Währungsumrechnung	109.417,47	67.123,91
5. Materialaufwand	43.860.705,57	36.252.570,95
a) Aufwendungen für Roh-, Hilfs- und Betriebsstoffe und für bezogene Waren	37.107.642,55	31.677.074,19
b) Aufwendungen für bezogene Leistungen	6.753.063,02	4.575.496,76
6. Personalaufwand	36.418.295,18	31.603.126,66
a) Löhne und Gehälter	30.099.067,87	26.267.259,71
b) soziale Abgaben und Aufwendungen für Altersversorgung und für Unterstützung	6.319.227,31	5.335.866,95
davon für Altersversorgung	261.330,55	248.170,46
7. Abschreibungen	397.120,66	157.512,49
a) auf immaterielle Vermögensgegenstände des Anlagevermögens und Sachanlagen	397.120,66	157.512,49
8. sonstige betriebliche Aufwendungen	30.638.805,14	25.996.746,28
davon Aufwendungen aus Währungsumrechnung	55.247,70	217.039,51
9. Erträge aus Beteiligungen	1.000,00	1.000,00
10. sonstige Zinsen und ähnliche Erträge	130,00	0,00
11. Zinsen und ähnliche Aufwendungen	57.077,17	19.264,89
davon aus Abzinsung	7.400,00	0,00
12. Steuern vom Einkommen und vom Ertrag	647.678,21	647.158,62
13. Ergebnis nach Steuern	4.389.119,16	4.293.638,40
14. sonstige Steuern	3.999,12	510,22
15. Jahresüberschuss	4.385.120,04	4.293.128,18

Source: <https://www.northdata.de/elobau+GmbH+%26+Co.KG,+Leutkirch+i.+Allg%C3%A4u/Amtsgericht+Ulm+HRA+620742>

Appendix 6

2019

Beste Arbeitgeber Allgäu - Platz 1

<https://bit.ly/2UU7vgx>

2019

Beste Arbeitgeber Baden-Württemberg 2019 - Platz 5

<https://www.greatplacetowork.de/presse/pressemitteilungen/attraktive-arbeitgeber-in-baden-wuerttemberg-ausgezeichnet/>

2019

Beste Arbeitgeber Deutschland 2019 - Platz 18

<https://www.greatplacetowork.de/ausgezeichnete-arbeitgeber/deutschlands-beste-arbeitgeber/deutschlands-beste-arbeitgeber-2019/>

2019

Focus Business-Ranking Top Arbeitgeber 2019

https://www.focus.de/finanzen/karriere/berufsleben/focus-business-ranking-das-sind-die-top-arbeitgeber-deutschlands_id_10349040.html

2019

Leading Employer Deutschland 2019

Excerpts of best employer awards²⁴

Appendix 7

Elobau New Salary System (Production)²⁵

An elobau production employee salary consists of up to five different components: basic salary, market bonus, FMK share, quality bonus and a profit-sharing bonus. The amount of the basic salary depends solely on the employee's function. For this

²⁴See [News | elobau ranks 14th amongst Germany's top employers | elobau](#).

²⁵Müller (2018).

purpose, he is classified according to his qualifications and tasks in one of five categories, from production assistant to specialist to manager. These are again divided into different levels. All employees can see how much money is being paid for which level.

The Market Premium

is given to employees with special qualifications. Among other things, it considers how much specific specialists are sought and what they are paid in the region. The company examines this once a year and adjusts the premium if necessary.

The Anchor Points Part

assesses, among other things, the social behavior of an employee. Decisive for this are 20 principles or anchor points. It says, for example: “We do unpopular work”, “We act in the interests of the entire production chain and don’t just look at our order steps” or “We communicate clearly with one another”. If an employee acts accordingly, he can increase his basic salary by up to ten percent. He assesses his behavior together with the department head in the annual employee interview. He can bring up to two other people of his choice to the meeting.

The Quality Bonus

is given if the company had to spend little money on complaint costs in one year. To do this, the sum is compared with an index value. If it is lower, all production employees, from production assistants to skilled workers, receive the same reward.

A Success Bonus

the company pays its employees additionally if business for *Elobau* is doing well. In the past, everyone received a certain percentage of their respective wages, but today, everyone receives the same amount. Last year, the company paid its employees a performance bonus and a quality bonus of 1350 euros each.

Appendix 8

Corporate carbon footprint *elobau group* according to Greenhouse Gas Protocol (GHG)²⁶

²⁶See Sustainability Report dito.

Scope	CO ₂ factor	Quantity 2018 [kWh/(kg passenger.km)]	GHG emissions 2018 2019-01-20 [kg CO2e]	Quantity 2019 [kWh/(kg passenger.km)]	GHG emissions 2019 2020-08-18 [kg CO2e]	Deviation
Scope 1	Klimaktiv					
Scope 1	Heating oil consumption for tool construction [kWh] (stationary combustion)	0.87	0	0	0	-8.6%
Scope 1	Evaporation by cooling and refrigeration systems					
Scope 1	Fleet diesel [liters] (mobile combustion)	2.53	66.24	166.156	62.865	5.30
Scope 1	Fleet petrol [liters] (mobile combustion)	2.26	5.68	11.95	7.731	157.967
Scope 1	Fleet natural gas [kg] (mobile combustion)	2.62	701	1.836	1.823	12.72
Scope 2	Green electricity for Leonding plant 1 + 2; Probadzella and PV plant Frautroth	0.000	3.116.938	0	3.127.038	6.023
Scope 2	Vehicle fleet Electricity external charging points [kWh] (mobile combustion)	0.421	0	0	3.127.592	0
Scope 3	Indirect emissions from upstream and downstream processes					
Scope 3.1	Purchased goods (L'Oréal to Green*)	repair	381,430,952	8,167,613	7,785,072	4,073
Scope 3.1	Fuel and energy-related emissions upstream chain	repair	179,666,346	179,666,346	6,696,166	6,696,166
Scope 3.3	Petrol [liters] (upstream chain of fossil fuels)	0.04	5,368	2,545	773	196,319
Scope 3.3	Diesel [liters] (upstream chain of fossil fuels)	0.601	66,124	39,760	62,865	3,665
Scope 3.3	Fleet natural gas [kg] (mobile combustion)	0.640	701	449	1,323	37,801
Scope 3.3	Vehicle fleet electricity charging station external [kWh] (mobile combustion)	0.084	0	0	9,556	847
Scope 3.3	Heating oil [twh] (upstream chain of fossil fuels)	0.050	0	0	0	800
Scope 3.3	Green electricity [kWh] (upstream chain of renewable energy sources)	0.034	3,185,184	199,403	3,121,168	107,446
Scope 3.3	Bio gas [kWh] (upstream chain of renewable energy sources)	0.036	1,365,429	142,460	1,465,568	52,877
Scope 3.3	Power supply micro gas turbine plant 1 [kWh credit]	-0.068	81,874	-5,833	59,079	-4,017
Scope 3.3	Power supply micro gas turbine plant 2 [kWh credit]	-0.068	50,241	-6,437	73,836	-5,079
Scope 3.4 + 3.9	Up- and downstream transport	repair	54,396	54,396	248,105	45,840
Scope 3.5	Waste (flat-rate transport factor for unfilled waste)	0.021	248,417	5,217	248,105	5,210
Scope 3.6	Business trips, flights	repair	189,453	48,662	270,387	89,235
Scope 3.7	Communiting of employees [sum]	4,074,829	764,871	4,572,645	836,037	836,037
Scope 3.7	Not specified (leased like a car with a combustion engine)	0.209	284,701	59,389	246,532	51,510
Scope 3.7	Ride-along / passenger	0.000	245,581	0	286,889	0
Scope 3.7	Motorcycle or similar	0.127	23,259	2,861	25,009	3,184
Scope 3.7	Public transport	0.0095	14,064	977	13,417	932
Scope 3.7	By pedelec / E-bike	0.0020	22,974	119	28,643	143
Scope 3.7	Electric car	0.0058	12,640	104	10,359	176
Scope 3.7	Passenger car with combustion engine	0.0086	3,362,034	701,200	3,739,655	780,079
Scope 3.7	On-foot / by bike	0.000	124,286	0	131,241	0

Appendix 9

Subsidiaries	Business area	Head office	Ownership share
elobau management GmbH	Management	Germany	100%
elobau GmbH & Co. KG	Production	Germany	100%
anelo GmbH & Co. KG	Systems	Germany	100%
elobau Energie GmbH & Co. KG	Energy park	Germany	100%
sensales GmbH & Co. KG	Sales	Germany	100%
elobau Austria GmbH	Sales	Austria	100%
elobau Benelux B.V.	Sales	The Netherlands	100%
elobau Tecnologia em Sensores Ltda.	Sales	Brazil	100%
elobau France S.a.r.l.	Sales	France	100%
elobau Japan K.K.	Sales	Japan	100%
elobau Nordic AB	Sales	Sweden	100%
elobau Schweiz	Sales	Switzerland	100%
elobau sensor technology Inc.	Sales	USA	100%
elobau UK Limited	Sales	England	100%
grimelo GmbH & Co. KG	Properties	Germany	100%
elo.Deli GmbH & Co. KG	Organic canteen	Germany	100%

Subsidiaries²⁷

References

- Allied Market Research. (2021). *Industrial controls market*. Retrieved from <https://www.alliedmarketresearch.com/industrial-control-robotics-market>
- arte re. (2021). *arte re: Mehr Sinn statt Gier – Kapitalismus neu gedacht*. Tv documentary. Retrieved from <https://www.youtube.com/watch?v=0zNYTNiXoVs&t=9s>
- Economy for the Common Good. (n.d.). *Companies*. Website. Retrieved from <https://www.ecogood.org/apply-ecg/companies/>
- elobau. (2017). *Sustainability*. Company website. Retrieved from <https://www.elobau.com/de/nachhaltigkeit/>
- elobau. (2021). *eloLounge opening announcement*. Retrieved from <https://www.linkedin.com/feed/update/urn:li:activity:6810097367631581184/>
- elobau. (n.d.). *Sustainability*. Corporate website. <https://www.elobau.com/en/sustainability/>
- Great Place to Work. (2017). *Fortune 100 best companies to work For® 2017*. Retrieved from <https://www.greatplacetowork.com/best-workplaces/100-best/2017>
- HelloSolution. (n.d.). *Über uns*. Company website. Retrieved from <https://hellosolution.de/>

²⁷ See corporate website [About elobau | elobau - flexible, sustainable and responsible | elobau](#).

- Müller, A. (2018, September 30). Die Nachfolge richtig regeln – Modelle für Familienunternehmen 2.0: Viele Familienunternehmer wollen den Einfluss der Sippe bewahren und trotzdem zukunftsfähig sein. Stiftungen und radikalere Methoden können helfen. *Handelsblatt*. Retrieved from <https://www.handelsblatt.com/unternehmen/mittelstand/eigentum-drei-unternehmen-drei-wege-in-die-zukunft/23132408-2.html?ticket=ST-1590561-feo4TKMHhSUNOme0DjLz-ap6>
- Research and Markets. (2021). *The global off-highway vehicle telematics market*. Retrieved from <https://www.researchandmarkets.com/reports/4791110/the-global-off-highway-vehicle-telematics-market>
- Traenkle, N. (2021). *Allgäu digital podcast*. Retrieved from <https://ne-np.facebook.com/allgaeudigital/videos/1-nick-traenkle-head-of-processes-and-digitalization-bei-elobau-im-allg%C3%A4u-digital/736669343517333/>
- Waldvision. (n.d.). *Waldvision – Ideen für eine ökologischer Waldwirtschaft*. Retrieved from <https://waldvision.de/>

Waldemar Pfoertsch is Senior Professor of Marketing at the CIIM Business School of the University of Limassol, Cyprus. He is Professor Emeritus for International Business at the Pforzheim University, Germany, and part-time professor at EPOKA University in Tirana, Albania. He lectures about H2H Marketing, B2B Marketing and industrial Brand Management. He is lecturer at the Mannheim Business School, Tongji SEM, Shanghai, and TUM (Technical University Munich), Heilbronn. He also teaches at ITM, Sweden, Indian Institute of Management Calcutta (IIMC), and Graduate Business School of ESAN, Lima Peru. From 2007-2010 he was professor of marketing at China Europe International Business School Shanghai (CEIBS). His other teaching positions have been at the Executive MBA Program at the University of Illinois, Chicago He was visiting Associate Professor at Kellogg Graduate School of Management, Northwestern University and Lecturer for Strategic Management at Lake Forest Graduate School of Management. From 2001, he has taught online with the University of Maryland University College Graduate School. At the start for his career, he was Research Assistant at the Technical University of Berlin.

Dr. Pfoertsch has extensive experience in management consulting in USA, Europe and China. In his years at UBM/Mercer Consulting Group, Arthur Andersen Operational Consulting and LEK Consulting, he worked throughout Europe, Asia and North America, assisting companies in developing international strategies. His earlier positions include sales and strategy positions at Siemens AG in Germany/USA and being he was an Economic Advisor to the United Nations Industrial Development Organization (UNIDO) in Sierra Leone, West Africa. His research interests have evolved around the globalization of high-tech companies and their marketing and branding efforts. His newest research is focusing human-to-human marketing of industrial companies.

Part III

H2H Management



H2H Brand Management and Trust

6

Philip Kotler, Waldemar Pfoertsch, Uwe Sponholz,
and Maximilian Haas

H2H Management itself consists of a series of concepts that aim to manage trust in highly interconnected ecosystems. It builds on the holistic brand management as formulated by Kotler, P., Kartajaya, H., and Setiawan in *Marketing 3.0*, *Marketing 4.0*, and *Marketing 5.0*, which determines reputation as a magnet for all stakeholders and creates the basis for human-centric marketing. H2H brand management combines three components: holistic brand management, brand-formative design (BFD), and collaborative branding (CB). BFD is a new multidimensional communicative means, integrating and creating feelings, emotions, associations, or wants with consumers. CB on the other hand helps companies to mobilize consumers' resources, engaging them in creative co-creation processes.¹

With the introduction of the service-dominant logic, “the focus of branding switched from the brand image as the primary driver of brand value to the customer as a significant actor in the brand value creation process.” External and internal customers were “now seen as participants in the increasingly interactive co-creation of the brand. Thinking shifted from viewing customers as operand resources, i.e., passive recipients to being considered as operant resources, active co-creators of

¹Kotler et al. (2021).

P. Kotler

Kellogg School of Management, Northwestern University, Evanston, IL, USA

W. Pfoertsch (✉)

CIIM Business School, University of Limassol, Limassol, Cyprus

e-mail: waldemar@pfoertsch.com

U. Sponholz

FHWS – University of Applied Sciences Würzburg-Schweinfurt, Schweinfurt, Germany

e-mail: usponholz@in-cito.de

M. Haas

1&1 Telecommunication SE, Karlsruhe, Germany

brand value. This led to the determination that brand value changed from value-in-exchange to value-in-use perception of the customers”.²

Brand meaning must stick to a human problem and must be co-created. In our daily lives, we want to be surrounded by trustworthy brands. Yet only very few executives act in a sophisticated way. Many don't know all the specific features and only some are able to apply them. One of the best applications of H2H brand management can be found in the concept of B2B2C branding, mostly known as Ingredient Branding.³ It is an effective and proven strategy that assists B2B companies in stepping out of the shadows of anonymity and becoming visible to the end customer. Brands that are well-known today have exemplified that with the help of Ingredient Branding, differentiation can be achieved. Ingredient Brands can distance themselves from competitors and enable revenue and profitability growth. Large companies such as *Intel*, *Huawei*, and *Microsoft* have gained a competitive advantage. Also, smaller companies like *W. L. Gore & Associates (textiles)*, *SCHOTT (glass)*, or *RECARO (seating)* applied the Ingredient Branding principle successfully which contributed immensely to their current success. More recent examples include bicycle helmets with *Mips* protection system from Sweden and the North American company *Apeel*, which offers plant-based protection on the surface of fruits and vegetables. Both companies apply Ingredient Branding to add scalability to their business models at a level which would not be attainable through a traditional branding approach.

In general, three major archetypes of InBranding (short for Ingredient Branding) can be distinguished. In 1991, *Intel* started its first large InBranding initiative by launching the *Intel Inside* co-op marketing program, making it the most prominent archetype of B2B2C branding. With the program, Intel offered computer manufacturers to share the expenses for advertisements that included the *Intel* logo and promote the brand offerings to the end user. The original equipment manufacturer (OEM) program was a full success. In the year of the program launch, 300 OEMs signed up and mutually benefitted from it. In addition to the OEM communication channels, Intel also invested heavily in direct communication with the end customer in the following years.

The efforts paid off: Intel started as one of the 45 computer processor component manufacturers that in the customer's eyes were not visible and easily replaceable. Large companies like *IBM*, *Siemens*, *Motorola*, *Hitachi*, and *Texas Instruments* offered their processors. Today Intel's brand equity has surpassed the OEMs' brand equity by far and is ubiquitous in the computer market, and many of them have left this business area. Today the component is the important driver of the purchasing decision, while the manufacturer of the PC has become secondary. The example of Intel shows the typical InBranding case: A B2B component producer struggles to show to the end consumer the value that he with his component adds to

²Kotler et al. (2021, p. 134).

³See the basic framework of the branding strategy here: Kotler and Pfoertsch (2010); see also https://www.researchgate.net/publication/251150141_Basics_of_Ingredient_Branding

the final product. For the consumer the benefit of the component becomes invisible, and consequently, the producer of the component is in danger to be replaced by a competitor as the component is not yet a relevant factor in the purchasing decision. Intel started InBranding because it had problems commercializing its new processor product. Intel was not able to communicate the value of the offering to its direct customers (the computer OEMs), as well as the final customers. They were confused and wondering if it offered new benefits to its predecessor version and if it was compatible with their computers. To counter this, Intel used its Intel Inside campaign to educate its direct as well as final customers on the benefits of Intel processors. This had the effect that final customers would go so far as to only buy computers with the Intel ingredient.

In contrast to this typical case of InBranding, *Tetra Pak* managed to establish a B2B InBrand. With its food packaging products, *Tetra Pak* offers clear benefits over its competitors, like longer storage time and facilitating transport. These benefits are mainly relevant for the B2B customers (wholesale and retailers), who benefit tremendously from products that now can be stored longer, while for the end consumer, the brand of the packaging producer can also benefit from the special features of this packaging.⁴

We are talking about B2B InBranding here because an ingredient (the Tetra Pak packaging) is marketed to value chain actors various links down the value chain. Communication bypasses the intermediary steps of the value chain (like food processors and producers) and is aimed directly at the critical value chain actors: the retailers and wholesalers.

This example shows that InBranding is not limited to end-consumer applications and can also be used in applications that offer value far down the value chain, still in the B2B realm (Fig 6.1).

The example of *Huawei* and *Leica* is another special one. Since 2016, Huawei has an exclusive partnership with the world-renowned German camera brand Leica. The Huawei P9 was the first Huawei smartphone using cameras supplied by Leica, branding it as “Co-Engineering” (see Fig. 6.2). On the contrary to the usual sequence of how things unfold, in this case, it was the OEM and host brand (Huawei) who made the first step toward the component supplier (Leica). Because the OEM took the initiative in creating a partnership to leverage the premium brand image of the component producer, we call this Reverse InBranding. Usually, an unknown ingredient producer wants to make use of a widely known OEM to make his components known and to build brand equity. In this case, it is the other way around.⁵

The cooperation of the two companies creates various benefits for both sides: Huawei profits from the premium, high-quality image that Leica has in the photography world. Also, it gives Huawei a clear differentiating factor, as Huawei is the only smartphone manufacturer that is using Leica cameras (it’s an exclusive partnership). And for Leica, the cooperation opened the smartphone market; as Leica CEO

⁴For the source and more information about the program, see Tetra Pak (n.d.).

⁵See Teo (2016).

 **Tetra Pak**[®]
PROTECTS WHAT'S GOOD



Fig. 6.1 Tetra Pak packaging used to protect milk and juice



Fig. 6.2 Huawei using Leica as differentiating factor for its cell phones

Oliver Kaltner explains, “The technology partnership with HUAWEI offers Leica Camera an excellent opportunity to introduce its proven optical expertise into a new product segment and to unlock exciting business areas in the field of mobile devices. Smartphones make a very important contribution to the world of photography and open an important door for Leica to new target groups and fields of application”.⁶

⁶See Leica (2016).



Fig. 6.3 Three archetypal approaches to ingredient branding

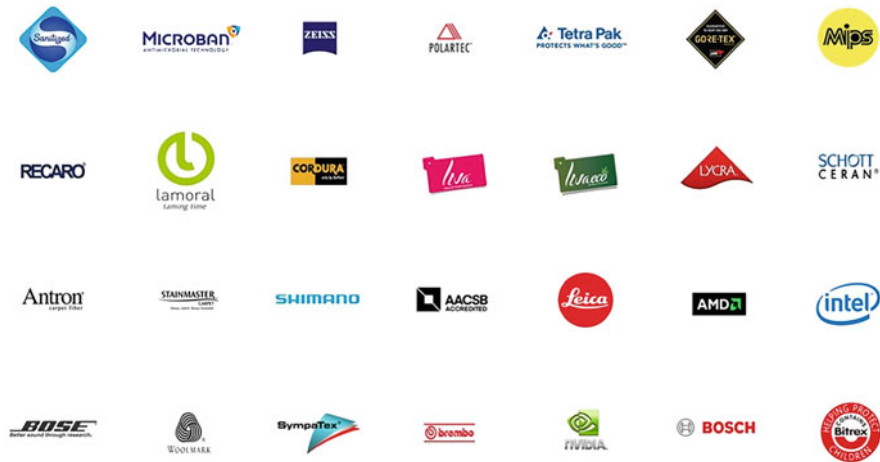


Fig. 6.4 The universe of Ingredient Branding [selected brands from Kotler and Pfoertsch (2010)]

This goes to show that InBranding⁷ is relevant for players on both ends of the value chain, not only the supplier side but also the OEM side.

Each of the introduced brands represents an archetypal approach to InBranding (see Fig. 6.3). Though it is convenient to simply subsume existing InBrands under one of these three approaches, it should be stressed that they only provide general guidance when you navigate through different InBranding applications.⁸

The InBranding landscape is diverse, spanning many different industries and applications (see Fig. 6.4, which shows a selection of successful InBrands). In fact,

⁷InBrands are the short form of Ingredient Brands.

⁸Source and more details in Kotler and Pfoertsch (2010, 408 p.).

there are countless variations of the three approaches presented above. This sometimes may leave you struggling to adequately categorize InBrands that you stumble upon.⁹

To show you some more insights, we would like to introduce the case study of *Liva* from the *Aditya Birla Group*, India, to you.

Questions for Understanding

1. How do you develop (or repair) trust? What can we learn about trust from Aditya Birla Group?
2. What are the two most important pillars of H2H Management?
3. H2H Trust Management is divided into three approaches to management. Can you identify them?
4. What is the primary goal for holistic H2H management?
5. Why are we talking about a trust issue now? Who are the key players in society in terms of trust, and why do firms have a chance to close the trust gap that people are experiencing today?
6. Why is “trust” a better Key Performance Indicator (KPI) than “customer satisfaction”?
7. How can InBranding foster trust between a B2B firm and its customers?
8. Why is trust important for a company’s reputation?

References

- Kotler, P., & Pfoertsch, W. (2010). *Ingredient branding: Making the invisible visible*. Springer.
- Kotler, P., Pfoertsch, W., & Sponholz, U. (2021). *H2H marketing: The genesis of human-to-human marketing*. Springer.
- Leica. (2016). *HUAWEI and Leica Camera announce long-term technology partnership for the reinvention of smartphone photography* [Press Release]. <https://en.leica-camera.com/Company/Press-Centre/Press-Releases/Press-Releases-2016/Press-Release-HUAWEI-and-Leica-Camera-announce-long-term-technology-partnership-for-the-reinvention-of-smartphone-photography>
- Teo, J. (2016, September 18). Huawei P9: The flagship smartphone co-engineered with Leica [Article]. *Asia 361*. Retrieved from <https://asia361.com/2016/09/18/huawei-p9-flagship-smartphone-co-engineered-leica/>
- Tetra Pak. (n.d.). *Protects what’s good*. Retrieved from <https://www.tetrapak.com/about-tetra-pak/the-company/our-identity-and-values/protects-whats-good>

⁹Ditto.

Philip Kotler is the leading authorities in marketing. He was the S.C. Johnson & Son Distinguished Professor of International Marketing at the Kellogg School of Management, Northwestern University, Evanston, Illinois. He received his Master's Degree at the University of Chicago and his PhD Degree at MIT, both in economics. He did post-doctoral work in mathematics at Harvard University and in behavioral science at the University of Chicago.

Professor Kotler is the author of more than 90 books many article such as: *Marketing Management: Analysis, Planning, Implementation and Control*, the most widely used marketing book in graduate business schools worldwide; *Principles of Marketing*; *Marketing Models*; *Strategic Marketing for Non-profit Organizations*; *The New Competition*; *High Visibility*; *Social Marketing*; *Marketing Places*; *Marketing for Congregations*; *Marketing for Hospitality and Tourism*; *The Marketing of Nations*; *Kotler on Marketing*, *Building Global Bio Brands*, *Attracting Investors*, *Ten Deadly Marketing Sins*, *Marketing Moves*, *Corporate Social Responsibility*, *Lateral Marketing*, and *Marketing Insights from A to Z*. He has published over one hundred articles in leading journals, several of which have received best-article awards.

Professor Kotler was the first recipient of the American Marketing Association's (AMA) "Distinguished Marketing Educator Award" (1985). The European Association of Marketing Consultants and Sales Trainers awarded Kotler their prize for "Marketing Excellence". He was chosen as the "Leader in Marketing Thought" by the Academic Members of the AMA in a 1975 survey. He also received the 1978 "Paul Converse Award" of the AMA, honoring his original contribution to marketing. In 1989, he received the Annual Charles Coolidge Parlin Marketing Research Award. In 1995, the Sales and Marketing Executives International (SMEI) named him "Marketer of the Year".

Professor Kotler has consulted for such companies as IBM, General Electric, AT&T, Honeywell, Bank of America, Merck and others in the areas of marketing strategy and planning, marketing organization and international marketing.

He has been Chairman of the College of Marketing of the Institute of Management Sciences, a Director of the American Marketing Association, a Trustee of the Marketing Science Institute, a Director of the MAC Group, a former member of the Yankelovich Advisory Board, and a member of the Copernicus Advisory Board. He has been a Trustee of the Board of Governors of the School of the Art Institute of Chicago and a Member of the Advisory Board of the Drucker Foundation. He has received honorary doctoral degrees from the Stockholm University, University of Zurich, Athens University of Economics and Business, DePaul University, the Cracow School of Business and Economics, Groupe H.E.C. in Paris, the University of Economics and Business Administration in Vienna, Budapest University of Economic Science and Public Administration, and the Catholic University of Santo Domingo.

Phil is one founding member of The Sarasota Institute, a think tank located in Sarasota, Florida.

He has travelled extensively throughout Europe, Asia and South America, advising and lecturing to many companies about how to apply sound economic and marketing science principles to increase their competitiveness. He has also advised governments on how to develop stronger public agencies to further the development of the nation's economic well-being.

Waldemar Pfoertsch is Senior Professor of Marketing at the CIIM Business School of the University of Limassol, Cyprus. He is Professor Emeritus for International Business at the Pforzheim University, Germany, and part-time professor at EPOKA University in Tirana, Albania. He lectures about H2H Marketing, B2B Marketing and industrial Brand Management. He is lecturer at the Mannheim Business School, Tongji SEM, Shanghai, and TUM (Technical University Munich), Heilbronn. He also teaches at ITM, Sweden, Indian Institute of Management Calcutta (IIMC), and Graduate Business School of ESAN, Lima Peru. From 2007 to 2010 he was professor of marketing at China Europe International Business School Shanghai (CEIBS). His other teaching positions have been at the Executive MBA Program at the University of Illinois, Chicago He was visiting Associate Professor at Kellogg Graduate School of Management, Northwestern University and Lecturer for Strategic Management at Lake Forest Graduate School of Management. From

2001, he has taught online with the University of Maryland University College Graduate School. At the start for his career, he was Research Assistant at the Technical University of Berlin.

Dr. Pfoertsch has extensive experience in management consulting in USA, Europe and China. In his years at UBM/Mercer Consulting Group, Arthur Andersen Operational Consulting and LEK Consulting, he worked throughout Europe, Asia and North America, assisting companies in developing international strategies. His earlier positions include sales and strategy positions at Siemens AG in Germany/USA and being he was an Economic Advisor to the United Nations Industrial Development Organization (UNIDO) in Sierra Leone, West Africa. His research interests have evolved around the globalization of high- tech companies and their marketing and branding efforts. His newest research is focusing Human-to-Human marketing of industrial companies.

Uwe Sponholz is Professor for Service Engineering, Innovation Management and Design Thinking, B2B Marketing and Sales as well as Strategic Management at FHWS—University of Applied Sciences Würzburg-Schweinfurt. He also teaches at Christ University, Bangalore India and other foreign universities. As dean of the Faculty of Business and Engineering at FHWS, he was a strategic driver of the internationalization of the university and the introduction of innovative teaching methods. Today, in addition to his teaching duties, he is responsible for the degree program management of the MBA Business with Europe and the management of two laboratories (Creative Cube and VR Laboratory).

His professional career began at the Institute for Trade Research at the University of Cologne, initially as a researcher, later as head of department of the newly founded consulting division of the institute. He then moved to Alliances Management Consultants in Paris, a small consulting firm specializing in providing strategic advice to large service providers. From there he went to FAG in Schweinfurt, where he was significantly responsible for the development and implementation of a global service concept.

For years he has supported companies with design thinking workshops and consulting projects. He is also shareholder and founding partner of in-cito management consulting and Bodystance GmbH. He uses the second company to test his conceptual ideas of H2H Marketing.

Maximilian Haas worked as research assistant at Pforzheim Business School before starting to work as a consultant for Ingredient Branding and Business Development. He graduated 2019 in International Business at Pforzheim University. His interests lay mainly in branding and international business. He is guest lecturer at the University of Ljubljana, School of Economics and Business and currently works as Product Manager Mobile for 1&1 Telecommunication SE in Karlsruhe, Germany. In his role as product manager, he creates new product concepts for churn prevention and customer retention campaigns.



Case Study: Liva Branding for Success—Can Ingredient Branding Change the Dynamics in the Indian Textile Value Chain?

7

Maximilian Haas and Waldemar Pfoertsch

Liva, a viscose-based, new-age fabric from the Aditya Birla Group, is fluid and drapes flawlessly. It is adding a beautiful flow to the garment and feels like silk. It is marketed as a high-quality fabric made using nature-based fibers that give the wearer the freedom to move with ease. Viscose is a semisynthetic fiber made from cellulose originating from fast growing wood sources. Like polyester, it is formed in long smooth filament fibers but has very different features. Different than polyester, viscose is water-absorbing. Unlike oil-based polyester which repels water, the cellulose-based viscose encourages water to seep into these nanopores. The fabric is highly breathable providing comfort when you wear it. This fabric can remove water vapor and heat from the skin. This provides a cool, dry, and comfortable feeling. It is oriented to make human feel better.

Since Liva's market launch in March 2015, many innovations were brought to the customers, and groundbreaking change happened at the marketplace. The brand positioned itself as game-changer and category-builder in the Indian textile industry. It provided a human-to-human (H2H)-oriented approach. The Aditya Birla Group learned about marketing innovation and was applying Ingredient Branding in their cellulose division of Grasim Industries (Birla Cellulose) with the brand Liva and

Maximilian Haas presented the case as a basis for class discussion under the direction of Waldemar A. Pfoertsch, Senior Marketing Professor, Cyprus International Institute of Management, to demonstrate either effective or ineffective handling of an administrative scenario. Copyright © 2023 by the authors. 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, or otherwise—without the permission of the authors.

M. Haas (✉)
I&I Telecommunication SE, Karlsruhe, Germany

W. Pfoertsch
CIIM Business School, University of Limassol, Limassol, Cyprus
e-mail: waldemar@pfoertsch.com

Livaeco. In 2018, Aditya Birla Group developed an Ingredient Branding playbook to create more consumer brands within the group and reorient its corporate efforts for more human-oriented business. For starters, they needed simple instructions for multi-level and complex Ingredient Branding circumstances in this idea booklet. It should specify which mechanisms should be used and the benefits and drawbacks of doing so. Second, they wanted to establish criteria for determining whether Ingredient Branding is a good strategy for a certain firm, and third, they wanted to present a clear step-by-step process for putting the theory into reality and accelerating the growth and profitability of their B2B businesses. Ingredient Branding Management, if successfully applied, becomes critical for maintaining a positive market position and providing human-oriented services.

In 2022, Ingredient Branding is still relevant for Aditya Birla Group for two reasons: With the viscose staple fiber consumer brand Liva, the company already has an ingredient brand that is working phenomenally. And more importantly, other B2B businesses of the Aditya Birla Group conglomerate have tremendous potential for leveraging Ingredient Branding (B2B2C) to grow and become more profitable. Both on a national and international level, the firm is a leader in various industries.

Brands help consumers and are loved by them. From a company viewpoint, brands are valuable assets. They are not just a name, logo, or tag used to increase sales. Rather, brands create value for both the customer and the business. It is not a tactic for short-term revenue gains, but a strategic issue and should be treated as such. Strategic brand management aims to increase brand equity by building brand awareness (by making customers familiar with the brand), positive brand associations (by creating attributes like sustainability, quality, or innovation that connect customers to a brand), and most importantly brand loyalty (by strengthening the customer relationships and engaging with customers in a meaningful way).¹ Building brand equity will ultimately result in financial returns through the positive effects,² such as:

- A bigger customer base considering buying the product thanks to higher brand awareness
- Adding more reasons to buy by linking positive attributes to it
- Creating a loyal customer base that will, again and again, buy products from you
- Creating barriers for competitors and their offerings through loyalty to your brand

These are just some examples; the list of advantages is much longer. This exemplifies that brand management should be an essential pillar of your business strategy. As with many strategic decisions, the positive effects of brand building efforts will take time to come alive. Brand building is not a short-term measure taken for immediate returns. But it will have a positive effect over the medium and long term. When built with commitment and consistency, brands will turn into an asset for

¹ See Kotler and Pfoertsch (2006).

² See also Aaker (2014).



Fig. 7.1 Two types of cooperative branding

your company. The significance of treating brands like assets has been confirmed in numerous studies, which showed that changes in brand equity are related to the development of the stock price of your company. The studies show that the positive effect on the stock price caused by increased brand equity is almost as high as the positive effects created through increases in return on investment.

A strategic approach to brand building also offers you a way of avoiding price competition and commoditization. Often, when facing problems like stagnant or shrinking demand, overcapacity, or threats from competitors, firms decide to lower their prices. Competitors likely will do the same, and by following this price competition spiral, customers increasingly will focus on the price and not on the great quality of your product or the value that can be created with it. At the end of the day, profits will shrink, and the company will suffer. A powerful brand, on the other hand, can avoid this situation by providing other arguments than just price for a purchasing decision. That is why the concept of InBranding should not be seen as just another label on a package, another name for a product. Building a brand with a clear vision, embedded into the business strategy, should follow the goal of offering real value for the customers and the firm.³ Birla Cellulose followed this approach and created a thriving consumer brand.

To conclude this first introduction into InBranding, we want to answer a question that is raised frequently when someone first hears about InBranding: What is the difference to normal B2B marketing? The answer is simple. They both follow the same principles, but InBranding is more complex and relies on cooperation. The increased complexity of InBranding comes from the multi-level marketing approach. In B2B marketing your interaction and communication focus mainly on your direct customer. In InBranding, on the other hand, the approach reaches out to various levels of the value chain till the final customer. Communication and interaction involve critical members of the value chain with the focus on the end consumer. The

³See Kotler et al. (2021).

communication follows the same principles as in B2B marketing, but the different levels increase according to the layers of the value chain and enlarge its complexity.

Additionally, InBranding is a form of cooperative branding (see Fig. 7.1). It is important to note that there are two basic forms of cooperative branding. The first is co-branding where two brands decide to promote their products together.⁴

They aim to benefit from the brand image and attributes connected to the partner brand. The difference to InBranding is that the two products are separate and only form a temporary partnership to promote the brands.⁵ InBranding, on the other hand, is a long-term commitment, a strong bond between the InBrand and the host brand. The branded ingredient is an essential part of the final product. For now, it is enough for you to know that InBranding is a more complex form of B2B marketing that follows a multi-level marketing approach. It is a type of cooperative branding and the counterpart to co-branding, the second type of cooperative branding.

We consider InBranding to be the integration of H2H marketing principles into traditional B2B marketing, which we will explain in the following.

How Liva Unlocked Growth for Birla Cellulose

The following section will show you how Liva helped Birla Cellulose overcome the problem that growth had been static for years and propelled the viscose business toward a 14% compound annual growth rate in the years following its official launch in 2015. Figure 7.2⁶ shows the development that led to the realization that something had to be done to address the issue of static growth.

The profitability of the viscose staple fiber (VSF) business was good, and Birla Cellulose (the pulp and fiber business of the Aditya Birla Group) was the dominating supplier of the Indian VSF market, but there was no growth for many years.

The initial tipping point toward the development of a consumer brand for VSF was reached with the problem statement formulated around August 2012: *Profitability and market share are meeting the expectations, while the main issue is missing growth*. Determined to find a solution, a team of experts from Birla Cellulose set out to analyze each downstream section of the VSF value chain (see Fig. 7.3) to identify the possible factors inhibiting growth.⁷

The approach was to meet the customers of Birla Cellulose and to find out why they would not buy bigger quantities of VSF. So, the expert team went to the first customer in the value chain, the spinners, who make yarn out of the VSF. When

⁴Ditto; here are the examples described in detail. Picture sources Breitling/Bentley [DB+Breitling+for+Bentley.jpg \(800 × 550\) \(bp.blogspot.com\)](#) and adidas/GORE-TEX https://www.adidas.com/us/gore_tex

⁵See Kotler and Pfoertsch (2010).

⁶Data taken from Grasim Industries Limited (2019).

⁷Detailed information on the market research process shown in the following sections was obtained by interviewing key members of the initial project team and other executives of the firm.

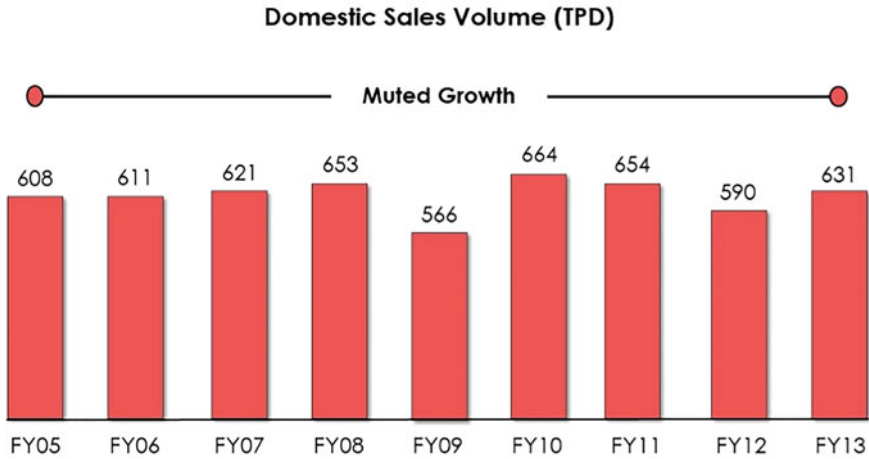


Fig. 7.2 Muted growth for many years in the viscose staple fiber business of Birla Cellulose

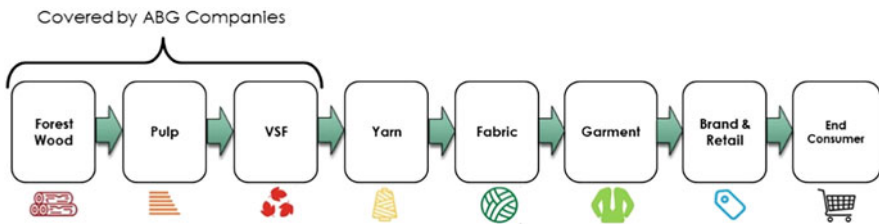


Fig. 7.3 The VSF value chain

asked why they would not buy more VSF, they were pointing toward the downstream direction of the value chain, stating that there was simply no demand for it. The expert team received the same answer when they discussed this issue with the spinners' customers, the weavers, who use the supplied yarn to make fabric out of it. "Our customers do not want more than what we already produce," they would reply. The next step was a meeting with the last critical stakeholder group of the value chain: the brands and retailers, for whom the garment makers produce the final clothing products. At this point two very telling answers came up:

1. "What is Viscose?"
2. "Our customers do not want Viscose; they prefer cotton or polyester."

With these answers in mind, the expert team went to the end consumers (women), the customers of the brands, and retailers. During the interaction with the women, where they were asked about their preferences in clothing and type of garment, it became clear that a lot of the clothes that the women liked and used a lot were

actually clothes made of viscose. But there was a major issue: Although many of the interviewed women were actively wearing viscose-based clothing, they did not know about the fabric and thought it was cotton or a cotton-Lycra blend. Nobody called it viscose.

So, the important lesson for the expert team was that the end consumers were convinced by the product, but they were simply not aware that they were using viscose. The lacking awareness then led to static demand at the brand and retail stage for viscose products, which directly affected the rest of the value chain (as you cannot demand more of something you do not know). At this point, the team had the realization that if you wanted to grow demand for VSF, you had to communicate directly with the end consumer. In the VSF value chain, the end consumer is the deciding factor in pulling viscose through the entire value chain—he needs to be convinced of the benefits of the product. After arriving at this conclusion, the team foresaw two possible alternatives for dealing with lacking awareness:

1. *Option*: Educate the end consumer on viscose in general and the benefits it offers. With this alternative, there was the danger that you could create the market for your competitors and grow their business. Another argument against this alternative was the prevalent perception of viscose being a cheap commodity (a perception based on old use cases of viscose), which could have negatively affected the image of Birla Cellulose VSF.
2. *Option*: Talk to the end consumer about a specific brand, to create a clear distinction from garments made of cotton or polyester. Also, a consumer brand would help to establish an identity around viscose and its characteristics, with which the end consumer could emotionally connect.

At the end of 2012, the value chain analysis was finished, and the result was clear: A consumer brand was needed to distinguish viscose garment, to create awareness for viscose and its benefits, and to present a go-to address for consumers interested in viscose clothing. Creating a consumer pull by driving awareness was the main goal of the Liva brand creation. Before Liva had been created, Birla Cellulose followed a push strategy pushing its products primarily to the next step of the value chain, the spinners. Liva was introduced to complement the push strategy on the Birla Cellulose end of the value chain with a pull effect from the end consumer side to maximize positive effects (see Fig. 7.4).⁸

Creating awareness was the key to this: End consumers liked viscose and wanted to buy more, but they did not know they were using it already. They had no clear image in mind what viscose is and which benefits it offers. And in case they knew, there was confusion as to which brand offered viscose-based garment. Important to note is that the end consumers preferred viscose for a reason: There is a functional difference to other materials like cotton or polyester. This functional difference

⁸The visualization of the concept is adapted from Grasim Industries Limited (2019).

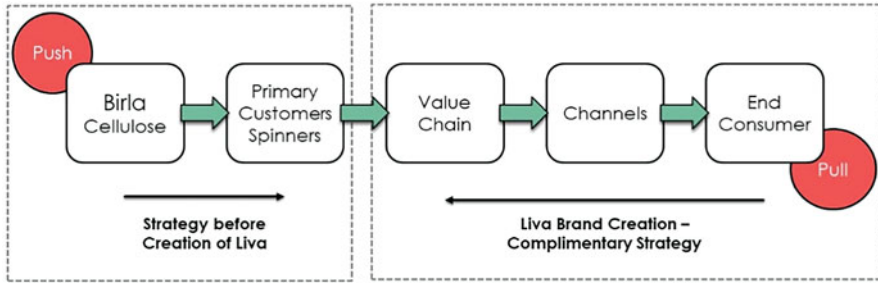


Fig. 7.4 Birla Cellulose combining push and pull strategy

heavily facilitated the distinction of viscose from other material through a consumer brand.

What followed was the development of a Liva pilot test. Birla Cellulose teamed up with a retail partner operating between 40 and 50 stores selling women's wear to do a test run with Liva. The retail partner liked the idea, she would be the only one selling Liva and Birla Cellulose would finance promotional activities and advertising, so she agreed to the plan of selling Liva in her stores in the summer season starting in April 2013. Even before the pilot test launching in April, Birla Cellulose tested how consumers reacted to Liva using Aditya Birla Group-owned premium brands. Those tests were conducted on a smaller scale, as these premium brands mainly offer men's wear while Liva's target group is women.

The results of the Liva pilot test that went on until October 2014 were great. In the stores that were selling Liva, sales of Liva-tagged garment were significantly higher than the sales of other types of garments, while the price had not been changed. The consumer brand, although only a basic version of today's brand Liva, was effective, and it was working during both seasons and across different forms of women's wear.

Having these findings clear, the next phase of preparation and scaling up started. With the results of the Liva pilot test, the basic tenets of the consumer side were clear. Now the supplier side had to be prepared for the launch of Liva. To increase production to meet the expectedly higher demand for VSF, new value chain partners, like spinners, weavers, and others, had to be found. Further, the product quality was a major concern. Birla Cellulose had to make sure that the value chain partners would deliver the premium quality expected by consumers and envisioned by the firm itself. It was necessary to first work together with the value chain partners to ensure the quality outcome of their production, helping them with processes, machinery, and other factors. Once a partner delivered satisfactory quality, accreditation was granted combined with audits to ensure consistency. To facilitate cooperation between value chain partners and Birla Cellulose, the Liva Accredited Partner Forum (LAPF) was created, which was a crucial milestone on the way toward the Liva InBrand. Partners that want to be part of the Liva production process must be a member of this forum. Members of the forum receive support to reach quality and sustainability standards and consistent and sufficient production capacity. Further,

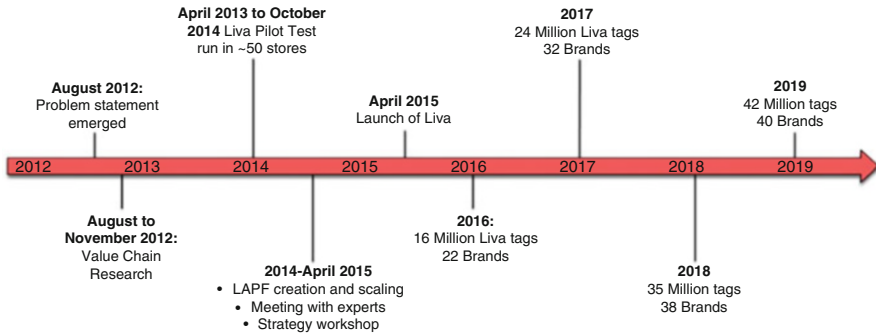


Fig. 7.5 Timeline perspective of the Liva development

they benefit from updated market and trend information and receive support in vendor management and marketing activities.

A further important part of the preparation for launching Liva was meeting with InBranding experts to discuss the next steps. In the case of Liva, this included experts from Intel and Lycra, as well as Dr. Waldemar Pfoertsch. After talking to the experts, a strategy workshop was held to determine the final strategy that would be used to launch Liva officially.

After the last preparations like the creation of advertisements and logo designs, Liva was introduced into the domestic market in *April 2015*. The brand was well received and has since then grown substantially (see Fig. 7.5 for a visual overview of the development steps⁹).

In 2019, 42 million pieces of Liva-tagged garment were sold with a total of 40 brands selling Liva products. Throughout the years Liva stayed true to its original brand promise “Natural Fluid Fashion,” which resonates very well with the end consumers (see Fig. 7.6¹⁰).

Most importantly Liva achieved the goals for which it had been created. Liva helped to create higher consumer demand for viscose garment pulling increasing amounts of VSF through the accredited value chain, as shown in Fig. 7.7.¹¹

It is important to note that Liva was not the sole reason for the growth spurt beginning in 2014, but it played a crucial role. The introduction of Liva increased the demand for VSF in multiple ways:

1. *Liva created awareness for viscose garment on the consumer level:* While Liva-tagged garment only makes up about 10% of the whole VSF sales, the increased awareness had a positive influence on the perception of the general viscose

⁹Detailed information on the process was obtained by interviewing key members of the initial project team and other executives of the firm. For more information also see Aditya Birla (n.d.).

¹⁰Image source: <https://www.behance.net/gallery/30162271/LIVA-FLUID-FABRIC-NEW-LOGO-DESIGN-AND-LAUNCH-ADS>

¹¹Data taken from Grasim Industries Limited (2019).

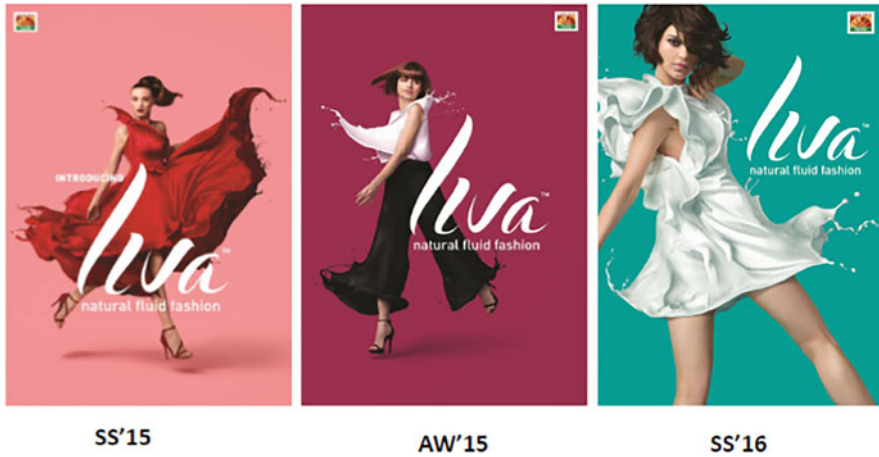


Fig. 7.6 Evolution of Liva advertising

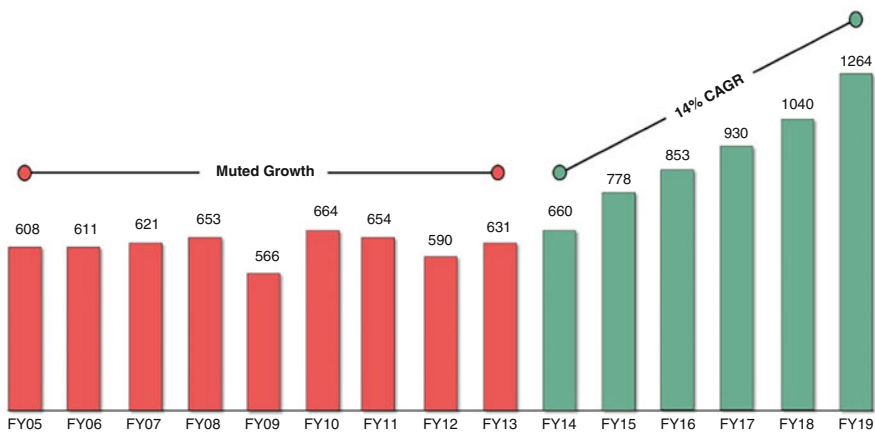


Fig. 7.7 Liva propelling the domestic sales of the viscose business (TPD)

category. As a result, the VSF category as a whole grew from 3.5% to a 5.5% share of the total Indian fiber market. Birla Cellulose, being the only relevant VSF producer in India with a 90% market share, was able to claim most of this newly created market for itself.

2. *New product categories were tackled:* By focusing, for example, on ethnic wear, which traditionally uses cotton, new growth opportunities were unlocked.
3. *Focusing on products with a high VSF share:* Traditionally, viscose always has been blended with other materials like polyester, so that the garment, in the end, had, for example, a 40% viscose share. With Liva and the LAPF, the awareness was raised that it can be done differently. This means using up to 100% viscose as

base for the garment as is the case with most of women's wear. In effect, the share of VSF used in garment went up, which positively affected the demand, as one piece of garment now was pulling an increased amount of VSF from Birla Cellulose.

4. Another reason for the growth is found in the increased efforts to push VSF not only to the spinners but also to the other partners by directly engaging with the textile hubs in India promoting VSF. Also, R&D efforts creating new innovative VSF products set the basis for unlocking growth.

Liva Showcasing InBranding Principles

The InBrand Liva showcases perfectly how the general InBranding mechanisms can be leveraged. The main goal of InBranding is to overcome invisibility in the marketplace and to create a demand-pull originating from the end consumer. To achieve this, InBranding uses multi-level marketing. B2B companies usually only use single-level marketing, marketing their products only to their direct B2B customer. InBranding needs a different approach: The supplier does not only market his products to the next downstream value chain partner. He includes the following steps of the value chain as well.

With the LAPF, Birla Cellulose set up an efficient platform that facilitates multi-level marketing. The forum allows Birla Cellulose and the value chain partners to connect and share their knowledge. With the LAPF Studios located in New York, Tirupur, Noida, and Jaipur, the LAPF offers exclusive insights for interested companies of the textile value chain that are considering becoming a Liva partner. The LAPF describes the studios as "hi-tech experience centers with more than 3000 samples of Viscose, Modal & Excel on display with detailed technical specifications. At the studio, over 90 LAPF partners showcase their innovative product creations & developments. It is a one-stop platform for buyers who prefer to review, prefer variety & convenience in buying along with the feasibility to connect with over 450 value chain partners."¹² The LAPF Studios thus offer manifold opportunities to foster cooperation and growth around Liva. It not only shows the benefits to new possible B2B partners but also offers already accredited B2B partners a platform to promote their products and build relationships.

The creation of the LAPF was an intelligent approach to solving one of the key challenges of InBranding, which lies in the alignment of competing self-interests and the goals of the value chain partners (see Fig. 7.8).

An ingredient supplier who wants to brand his product naturally has different individual objectives compared to his business partners. What provides common ground though is the shared goal of creating a demand-pull for the end product and subsequently the ingredient used for its production. The LAPF brought together

¹²Retrieved from LAPF Connect website: <https://www.lapfconnect.com/STUDIOS/STUDIOS.aspx>

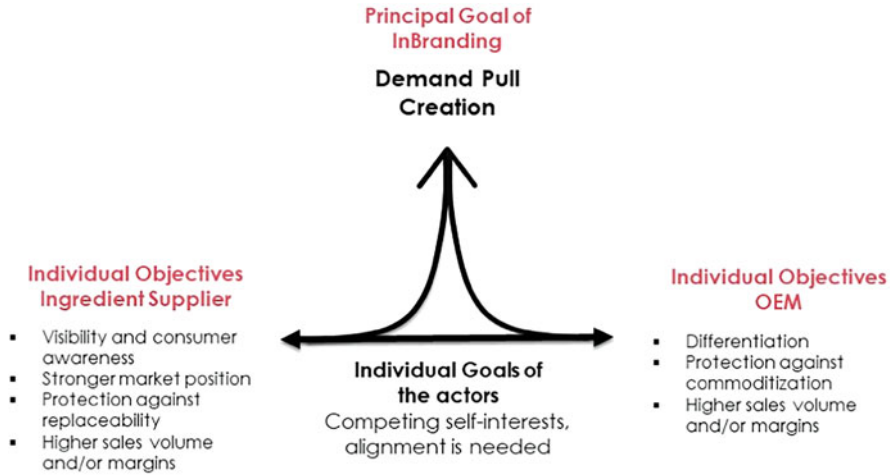


Fig. 7.8 Aligning value chain partners under a shared goal

value creation partners and extended the common ground by offering appealing benefits for each member and established a way to guide the activities of the value chain and align the individual objectives to the overarching goal of the demand-pull creation.

Further, the cooperation with value chain partners inside the LAPF allows for effective alignment of the promotional activities directed at the end consumer. Brands and retailers selling Liva create visibility by tagging the products with eye-catching tags and promotional activities like *co-marketing* (promoting Liva products together; see Fig. 7.9¹³).

By following a multi-level marketing approach, Liva effectively combines a *push strategy* from Birla Cellulose toward the B2B partners with a *pull effect* created with marketing communication measures directed to the end consumer.

Conclusion on the Opportunities and Risks of Ingredient Branding

This chapter presented to you an overlook of the different forms of InBranding, the basic principles that create the positive effects, and how Liva used InBranding to its advantage to establish a partnership network, gain visibility in the marketplace, and drive demand growth. To conclude this chapter, please have a look at the two

¹³Image source: Internal Aditya Birla Group presentation; image was featured in the “Liva Fluid Fashion Diary” and retrieved on July 20, 2020, using the following link: <https://www.livafluidfashion.com/fashion-diary/>



Fig. 7.9 Marketing Liva to the end consumer with co-marketing and tagging

Table 7.1 Opportunities and risks of Ingredient Branding

Opportunities	Risks
<ul style="list-style-type: none"> ▪ Become known by the public ▪ Create chances for competitive differentiation ▪ Establish entry barrier for competitors ▪ Increase of customer loyalty and demand pull ▪ Establish means against replaceability ▪ Positive Image of OEM brands ▪ Price-/Volume premium ▪ Creation of Brand Equity ▪ Increase of market power versus OEMs 	<ul style="list-style-type: none"> ▪ Increase of dependency against quality problems from the OEMs ▪ Higher cost and time ▪ Increase need for quality assurance ▪ Visible target for competitive attacks ▪ Negative Image of OEM brands ▪ Resistance of industrial customers

following table which summarizes and compares the advantages and disadvantages associated with InBranding (Table 7.1).

As with every business strategy, there is no uniform way of applying it. It depends strongly on the individual situation of your business.

Why Is InBranding Considered an Extension of H2H Marketing?

As we have seen with the Liva case, the InBranding strategy can create various benefits (“shared value”) for all parties involved. The most obvious one is the connection it creates between the producer of the ingredient and its final user (which previously had no direct connection whatsoever). It turns a traditional B2B company into a B2B2C business. With InBranding the company has now the possibility to reach the customer with communication measures. It can finally show the benefits and relevance of the ingredient that it produces. And with valuable customer feedback it receives, it can further improve and adapt the ingredient to the needs of the customer. In collaboration with the other members of the value chain, the company can even work on creating completely new final products implementing the learnings obtained by direct contact with the end user.

Beyond the product benefits for the company and end customer, the InBranding strategy also promotes a stakeholder approach to business. To make the business model work, the value chain actors must cooperate and work toward common goals. The fruits of these cooperative efforts can be a win-win situation for all stakeholders, as the example of the Liva Accredited Partner Forum shows. Its members profit from various benefits, directly and indirectly.

From the beginning, members of the LAPF can develop more stable business ties with their partners and improve collaboration. This allows the parties involved to work on common goals and reach them more efficiently because efforts can be coordinated. For example, improving sustainability or quality through the entire supply chain is feasible thanks to the combining function of the forum. Without it, missing coordination would be a roadblock for the implementation of real change, as every value chain actor would be focused on his own area of activity, leaving out the bigger picture. The forum further can stabilize business relationships by creating trust between the parties involved and a better understanding of the value creation process through the different steps of the value chain. Working cooperatively toward a common goal can have a unifying effect, even if disagreements and different approaches remain.

Another important aspect is the improvement of production quality through the certification process and audits. To become a member of the LAPF, companies need to fulfill pre-defined quality standards. This also is a win-win situation that creates shared value for everybody involved. All members of the value chain, including the final customer, can rely on the quality of the components and the final product that they are working with or receiving. The branded ingredient becomes known; its visibility, perceived value, and relevance for the final product can improve dramatically. The same effect also applies for the host product (in this case the garment), which also receives a perception upgrade. The consumers on the other end can make more conscious choices and be certain to have a sustainable, high-quality product. As a result successful InBranding should lead to increased revenue for the entire value chain through higher volume (thanks to the creation of additional demand) and price increases (through price premiums that can be introduced).

Questions for Discussion

1. What is the relationship between the H2H brand management concept and the Ingredient Branding (B2B2C) thinking? What are my company's most significant issues? Can I express them precisely?
2. What more examples of ingredient branding can you think of, and how did they use the approach to create success? Always start with a grasp of the value generation process while using InBranding. Who is the demand-puller and who gains the most from your product? Is it a B2B or end-user customer?
3. Consider how you might sell your goods to different customer segments. What might a multi-level marketing strategy look like for your company?
4. Consider growth levers (such as expanding into new product categories or focusing on garments with a greater viscose content). Which of the following could be growth levers in your case? What role may an ingredient brand play in this?
5. Cooperation with your value chain partners is critical for the successful implementation of InBranding. The Liva Accredited Partner Forum is an excellent example of how collaboration may be managed and rewarded. How could the power be increased?
6. Pilot testing prior to the formal launch of an InBrand is critical for gathering consumer insights and making required adjustments. Consider Aditya Birla Group-owned value chain partners for this reason, just as Birla Cellulose did with Aditya Birla Group-owned premium brands.
7. Why does a business require differentiation? If so, does my product provide a functional or emotional advantage over competing offerings?

References

- Aaker, D. (2014). *Aaker on branding: 20 principles that drive success*. Morgan James.
- Aditya Birla. (n.d.). *Liva—Weaving fashion trends: 5 years of Liva, 5 years of transforming women's fashion*. Retrieved from <https://www.adityabirla.com/media/stories/liva-milestones>
- Grasim Industries Limited. (2019). *Corporate presentation 2019*, p. 15. Retrieved from <https://www.grasim.com/investors/results-reports-and-presentations>
- Kotler, P., & Pfoertsch, W. (2006). *B2B brand management*. Springer.
- Kotler, P., & Pfoertsch, W. (2010). *Ingredient branding: Making the invisible visible*. Springer.
- Kotler, P., Pfoertsch, W., & Sponholz, U. (2021). *H2H marketing: The genesis of human-to-human marketing*. Springer.

Maximilian Haas worked as research assistant at Pforzheim Business School before starting to work as a consultant for Ingredient Branding and Business Development. He graduated 2019 in International Business at Pforzheim University. His interests lay mainly in branding and international business. He is guest lecturer at the University of Ljubljana, School of Economics and Business and currently works as Product Manager Mobile for 1&1 Telecommunication SE in Karlsruhe, Germany. In his role as product manager, he creates new product concepts for churn prevention and customer retention campaigns.

Waldemar Pfoertsch is Senior Professor of Marketing at the CIIM Business School of the University of Limassol, Cyprus. He is Professor Emeritus for International Business at the Pforzheim University, Germany, and part-time professor at EPOKA University in Tirana, Albania. He lectures about H2H Marketing, B2B Marketing and industrial Brand Management. He is lecturer at the Mannheim Business School, Tongji SEM, Shanghai, and TUM (Technical University Munich), Heilbronn. He also teaches at ITM, Sweden, Indian Institute of Management Calcutta (IIMC), and Graduate Business School of ESAN, Lima Peru. From 2007-2010 he was professor of marketing at China Europe International Business School Shanghai (CEIBS). His other teaching positions have been at the Executive MBA Program at the University of Illinois, Chicago. He was visiting Associate Professor at Kellogg Graduate School of Management, Northwestern University and Lecturer for Strategic Management at Lake Forest Graduate School of Management. From 2001, he has taught online with the University of Maryland University College Graduate School. At the start for his career, he was Research Assistant at the Technical University of Berlin.

Dr. Pfoertsch has extensive experience in management consulting in USA, Europe and China. In his years at UBM/Mercer Consulting Group, Arthur Andersen Operational Consulting and LEK Consulting, he worked throughout Europe, Asia and North America, assisting companies in developing international strategies. His earlier positions include sales and strategy positions at Siemens AG in Germany/USA and being he was an Economic Advisor to the United Nations Industrial Development Organization (UNIDO) in Sierra Leone, West Africa. His research interests have evolved around the globalization of high-tech companies and their marketing and branding efforts. His newest research is focusing Human-to-Human marketing of industrial companies.

Part IV

The H2H Process



Rethinking Operative Marketing: The H2H Process

8

Philip Kotler, Waldemar Pfoertsch, Uwe Sponholz,
and Maximilian Haas

The classic 4P marketing mix has guided marketing thinking for many years. In the current world of digitalization with newly restructured relationships and changed forms of communication, the traditional marketing mix is no longer appropriate for today's business challenges.¹ In the hyper-competitive world, new marketing thinking brings new possibilities. Therefore, together with Philip Kotler, we introduced the H2H Marketing Process suitable for H2H Marketing with its flexible iteration process. Today, outbound orientation and marketing measures without customer focus have limited positive impact. One of the fundamental differences to the previous marketing mix is the dynamic character of the strategic and operative marketing and the iterations between the processes. Furthermore, the approach is based on the Service-Dominant Logic (S-DL) principle of integration. This means that digital marketing, content marketing, service marketing, branding, and integrated marketing communication must be executed at the same time. Omnichannel distribution is necessary and continuous communicative and physical channel delivery is required. Since many companies have applied the 4P marketing mix, it continues to be the starting point of any marketing activities, but the switch to the H2H Process is a necessary step, which helps to adapt to the new marketing

¹Constantinides (2006).

P. Kotler

Kellogg School of Management, Northwestern University, Evanston, IL, USA

W. Pfoertsch (✉)

CIIM Business School, University of Limassol, Limassol, Cyprus

e-mail: waldemar@pfoertsch.com

U. Sponholz

THWS – Technical University of Applied Sciences Würzburg-Schweinfurt, Schweinfurt, Germany

e-mail: usponholz@in-cito.de

M. Haas

1&1 Telecommunication SE, Karlsruhe, Germany

challenges. In the following, it will be explained in detail how the H2H Process ties into the H2H Marketing Model and which new focal points are derived for its phases.

More than 50 years have passed since the introduction of the McCarthy 4P marketing mix; for decades it yielded reliable results for marketers.² Many companies applied the concept and trained their people: McDonald's, Coca-Cola, Pepsi, and other small- and medium-sized companies. However, the large retailers like Procter & Gamble, Unilever, and Nestlé switched to 4Cs and outpaced the other fast-moving consumer goods companies. Walmart and ALDI countered with purchasing power and aggressive pricing. But then came Amazon, Alibaba, and others applying new variations. The incumbent had to adapt and needed to change their marketing mix, at least in parts of their business. As we will see in the following, drastic developments and reorientations for today's marketers became necessary.

The main critique of the traditional marketing mix originates from its focus on the manageable organizational elements (strong production focus) while failing to implement the customer perspective.³ The missing customer orientation makes the 4Ps unsuitable for today's more complex business landscape in which the customer and the relationship with her are considered the center of attention.⁴ Apart from the advancements coming from relationship marketing, the new perspective brought in by service marketing and the Service-Dominant Logic also finds no reflection in the traditional marketing mix; as Dev and Schultz point out, "The four Ps are grounded in a manufacturing mindset and need to be adapted to reflect the service economy."⁵

In the decades following the introduction of the first marketing mix, new marketing mix models were introduced to reflect new developments in the marketing reality (see Table 8.1 for an overview). The 4Cs introduced a stronger focus on the customer and his needs. The SAVE (solution, access, value, education) approach by Ettenson, Conrado, and Knowles shifted attention away from the product and technology itself toward solutions for the customer's needs and problems. And the 5C model by Hall (communication, channel, cost, customer solution, and community) on the other hand started viewing operative marketing as a process that always starts with the customer instead of just a mix or toolset. These are just some of the examples that introduced new elements into operative marketing. Concluding the review of the different marketing mix alternatives, Table 8.1 provides an overview of the key propositions of the discussed models and what H2H Marketing can adopt for its iterative process. The H2H Process is built upon working principles of previous approaches but in a new combination adapted to modern market conditions and with a revolutionary iterative process form, which enabled the development of the 5Es marketing mix.

²Wani (2013).

³Dann (2011).

⁴Wani (2013), op. cit.

⁵Dev and Schultz (2005).

Table 8.1 Marketing mix developments

EVOLUTIONARY STEPS	KEY PROPOSITIONS	CONSEQUENCES FOR H2H MARKETING
4PS BY MCCARTHY	<ul style="list-style-type: none"> CHECKLIST OF MANAGEABLE ELEMENTS SIMPLE AND EASY TO USE APPLICABLE TO DIFFERENT KINDS OF PRODUCTS AND SERVICES AND FORMS OF MARKETING 	<ul style="list-style-type: none"> H2H MARKETING SHOULD ALSO PROVIDE A CLEAR CHECKLIST WITHOUT ARTIFICIALLY REDUCING THE COMPLEXITY OF REALITY H2H MARKETING SHOULD BE APPLICABLE TO A WIDE RANGE OF INDUSTRIES AND BUSINESS ACTIVITIES
	<ul style="list-style-type: none"> CUSTOMER ORIENTATION CONVENIENCE AS AN IMPORTANT DRIVER FOR CUSTOMERS 	<ul style="list-style-type: none"> H2H MARKETING MUST THINK CUSTOMER-ORIENTED WHEN PLANNING AND IMPLEMENTING MARKETING MEASURES CONVENIENCE SHOULD BE CONSIDERED AS A MOTIVE IN THE ANALYSIS OF BUYING BEHAVIOR AND AS A CHARACTERISTIC IN THE OFFER ON THE SUPPLIER SIDE
EVOLUTIONARY STEPS	KEY PROPOSITIONS	CONSEQUENCES FOR H2H MARKETING
5ES BY PFOERTSCH	<ul style="list-style-type: none"> INTEGRATION OF THE BRAND INTO THE MARKETING MIX FUTURE-ORIENTED, ADAPTIVE MARKETING, NOT DESCRIBING THE PAST THE IMPORTANCE OF TRUST IN THE CONTEXT OF THE BRAND'S FUNCTION 	<ul style="list-style-type: none"> H2H MARKETING SHOULD INTEGRATE THE BRAND INTO THE MARKETING PROCESS AND ENSURE THAT ALL MEASURES CONSISTENTLY STRENGTHEN THE BRAND THE BRAND PURSUES THE GOAL OF BUILDING TRUST, WHICH IS CENTRAL TO THE RELATIONSHIP WITH THE CUSTOMER H2H MARKETING SHOULD BE APPLICABLE TO ALL DEVELOPMENTAL STAGES OF A FIRM, FROM START-UPS TO LARGE CORPORATIONS
EVOLUTIONARY STEPS	KEY PROPOSITIONS	CONSEQUENCES FOR H2H MARKETING
4PS BY MCCARTHY	<ul style="list-style-type: none"> CHECKLIST OF MANAGEABLE ELEMENTS SIMPLE AND EASY TO USE APPLICABLE TO DIFFERENT KINDS OF PRODUCTS AND SERVICES AND FORMS OF MARKETING 	<ul style="list-style-type: none"> H2H MARKETING SHOULD ALSO PROVIDE A CLEAR CHECKLIST WITHOUT ARTIFICIALLY REDUCING THE COMPLEXITY OF REALITY H2H MARKETING SHOULD BE APPLICABLE TO A WIDE RANGE OF INDUSTRIES AND BUSINESS ACTIVITIES
	<ul style="list-style-type: none"> MARKETING AS A PROCESS THAT ALWAYS STARTS WITH THE CUSTOMER DEVELOPING VALUE PROPOSITIONS IS OF CENTRAL IMPORTANCE OMNICHANNEL PRESENCE CONTENT MARKETING DELIVERING END-TO-END SOLUTIONS 	<ul style="list-style-type: none"> H2H MARKETING SHOULD BE ORGANIZED AS A PROCESS H2H MARKETING SHOULD ALWAYS START WITH THE CUSTOMER AND HAVE HER IN CONSIDERATION DEVELOPING A VALUE PROPOSITION IS A CENTRAL TASK FOR H2H MARKETING; VALUE PROPOSITION HERE IS DEFINED AS VALUE OFFER, NOT VALUE PROMISE H2H MARKETING SHOULD DEVELOP VALUE PROPOSITIONS THAT PRESENT END-TO-END SOLUTIONS A SEAMLESS CHANNEL EXPERIENCE (OMNICHANNEL), IF DESIRED BY THE CUSTOMERS, SHOULD BE ENSURED BY H2H MARKETING CONTENT MARKETING PROVIDING RELEVANT AND USEFUL CONTENT TO CUSTOMERS WITHOUT BOTHERING THEM SHOULD FORM PART OF H2H MARKETING

As a next step, we will look at the changes which are also necessary for the implementation of marketing activities and processes. In detail, it will be explained how the H2H Process ties into the H2H Marketing Model. As was outlined earlier in Chap. 1, on an abstract level, the H2H Marketing Process follows a structure of five steps:

1. Find an H2H problem.
2. Gather deep insights.
3. Develop a value proposition.
4. Inform, advise, and entertain with valuable content.
5. Enable and manage access with networks.

For an in-depth look at the individual steps, readers may revisit Chap. 1. This current chapter will not focus on the individual steps but rather on the characteristics of the process and the overall purpose it serves inside H2H Marketing.

Marketing Returning to the Fuzzy Front End of Innovation

The first two steps shown above ensure that H2H Marketing is both insights- and data-driven and only develops, communicates, and provides access to service that tackles an H2H problem. In doing so, H2H Marketing will not only operate at the back end of innovation. It explicitly tries to participate at the fuzzy front end of innovation. The term was first brought up by Smith and Reinertsen⁶ and refers to the phase at the start of the innovation process between recognizing the emergence of an opportunity and initiating the first developmental steps. This phase is characterized by uncertainty and risks, which is part of the reason why managers usually limit themselves to only concentrating on the back end of innovation.⁷

Although innovation management provides tools to assess risks and help in decision-making, the fuzziness inherent to the front end of innovation requires executives to be willing to take risks and to experiment, which goes to show how Design Thinking can play a crucial role in innovation management.⁸ “The early front-end activities include the identification of a problem or opportunity and the accompanying screening and evaluation processes.”⁹ This is where H2H Marketing can step in and get involved. In the first steps of the process, H2H Marketers have the intent to condense deep customer insights from methods like social listening, netnography, and trend scouting, which provide a useful aid to get to know more about the customers’ real needs. In contrast to that, traditional approaches to research hardly yield relevant results as “customers do not always tell marketers what they really think and do. In fact, they are not always able to articulate what they think and do, even if they want to.”¹⁰ Design Thinking, both as a mindset and as a set of tools, further helps in developing human-centered, problem-solving ideas and concepts at the front end of innovation. Chen and Venkatesh found that design-driven companies use end-user profiles, similar to the persona concept of H2H Marketing,

⁶Smith and Reinertsen (1991).

⁷Gassmann and Schweitzer (2014).

⁸Gassmann and Schweitzer (2014), op. cit.

⁹Gassmann and Schweitzer (2014), op. cit., p. 5.

¹⁰Kotler et al. (2017), op. cit., p. 111.

as a form of visualizing a typical customer and to validate a new, disruptive design, instead of relying mainly on the traditional research on end-users, which does not uncover latent needs, being limited to the sphere of the already known.¹¹ Design Thinking can be integrated holistically into the early front-end activities of recognizing an opportunity, as well as the later front-end activities of making use of the opportunity, creating and evaluating concepts and ideas, along the whole front end.¹² “Design Thinking can help the fuzzy front end to innovate faster, with rapid prototyping and iterations, for a better market fit and generally create more radical innovations.”¹³

And not only Design Thinking but also the other components of the H2H Marketing Model provide fertile ground for front-end innovation. Digitalization makes it possible to study consumers in social structures of the Internet via netnography, for example, and enables firms to access completely new ideas and trends that can be derived from the online world.¹⁴ Moreover, the S-DL, with the understanding of co-created value emphasizing the importance of the customer’s perspective, facilitates the identification of new trends and market needs with a strong orientation on the individual customer.¹⁵ With a high degree of uncertainty and many undefined factors at the beginning of the innovation process, the playing field of possible concepts, trends, and ideas is vast. Through flexible iterations that do not necessarily need to be carried out sequentially, the “scope of action” gets condensed throughout the process.¹⁶

Marketing can and should play an important role at the front end of innovation (in reality the marketing department most of the time only is involved at the back end of innovation focusing on the commercialization of products and services). The H2H Process is a useful tool for companies to ensure that the whole innovation process from start to finish is focused on the customer needs and helps solve a pre-defined H2H problem. It thus has a unifying function guiding the participants and does not neglect the back end of innovation, sometimes also called “Messy Backend” due to its revenue potential.

¹¹Chen and Venkatesh (2013).

¹²Gassmann and Schweitzer (2014), op. cit.

¹³Leifer and Steinert (2014).

¹⁴Eser et al. (2014).

¹⁵Payne et al. (2008).

¹⁶Gassmann and Schweitzer (2014), op. cit.

Emphasizing Co-creation and the Importance of the Value Proposition

As discussed in previous chapters, the roles of firms and customers in the value creation process are bound to constant change.¹⁷ The ever-increasing importance of value co-creation is also reflected in the H2H Process and specifically in the understanding of the value proposition, which follows the logic of the S-DL and other schools of thought. The newer Service-Dominant Logic says that value is created when making use of the product and service offerings (value-in-use) that, by default, inevitably integrates the customer into the value creation.¹⁸ A value proposition in H2H Marketing is a *value offer* not a *value promise*. Value is not created by the offering firm, but rather “[. . .] is always uniquely and phenomenological determined by the beneficiary” and therefore is not something that can be subject to a promise. The term value promise in H2H Marketing finds use in the content marketing section, in the function of communicating the *possible value* or *potential value*.

A good value proposition in the sense of H2H Marketing is thus a service offering in the sense of the S-DL. On the part of the provider, the service consists of the application of his competencies which are condensed into the value proposition. The service of the customer consists in the application of his knowledge and skills, to assist in the development of the value proposition and to use the value proposition in his context to create *value in context*. In addition, there is the payment of the value proposition as financial feedback, in exchange for the value creation opportunity it granted access to.

Operative Marketing as an Iterative Process

New marketing activities, in a world of outbound and inbound marketing, need to have a process character and must react instantly to fast-changing environments. Marketing for start-ups differs significantly from marketing for incumbent companies, not only because of different financial situations but also because of different priorities. The full value of the flexible, iterative H2H Process appears obvious in this context. Firstly, a start-up will focus on the search and the comprehensive understanding of an H2H problem. Secondly, it will focus on the development of a value proposition to solve this problem together with collaboration partners and the customers. There will not be a lot of time for content marketing or branding. In contrast, an incumbent company might focus on digital content marketing because the company concludes that there is a major issue in content marketing.

¹⁷ See also Gummesson et al. (2014).

¹⁸ Robra-Bissantz (2018).

The H2H Process allows companies in different situations to respond quickly focusing only on the steps that are essential for them. And adaptations can be done readily not only respecting the differences between companies but also the dynamic business landscape. During the pandemic, there have been tremendous changes in customer behavior to which companies adapted by investing a bigger portion of their marketing budget into online channels. But latest data shows that companies need to operate with an open mind to keep up with consumer preferences. Gartner in the summary of its *2022 CMO Spend and Strategy Survey* noted:

CMOs have made the shift from digital-first to hybrid multichannel strategies. When asked to report the proportion of their 2022 budget allocated to online and offline channels, online channels take the largest share (56%). However, offline channels account for almost half the total available budget (44%)—a more equitable split than in recent years. [...] ‘There has been a lot of discussion around COVID-19 shifting consumers to a digital first mindset. However, as Western Europe and North America relax pandemic protocols, customer journeys have recalibrated. [...] Post-lockdown, CMOs need to listen carefully to their customers and pay attention to the channels they are using, as this more closely resembles a hybrid reality’.¹⁹

The good news here is any company in any situation can use the H2H Process and iterate forward and backward easily. The whole process is lean and experimental by nature. Any idea, no matter what phase (customer insights, value proposition design, content, branding, etc.), can be tested, and the learning process of the lean concept will allow all kinds of companies in all kinds of situations a fast improvement of their marketing. Using an iterative approach effectively integrates the experimental Design Thinking part of the H2H mindset into the operative marketing of a company (see also Fig. 8.1).

And that is where the pieces of the H2H Marketing Model come together. To be especially successful, the model should be applied holistically, based on an understanding of the three influencing factors and the H2H mindset as the basis for action. Brand and trust can be managed with this mindset and operative marketing implemented accordingly using the H2H Process. What kind of results this new way of marketing can yield that can be seen in companies that are following the H2H mindset and/or are implementing other elements of it?

One of these companies, which exemplify the H2H Process well, is *Siemens*. Its new operative marketing process will be discussed in detail in the following case study. Siemens is combining its industry expertise and technology know-how to generate new businesses together with the customers via a value co-creation methodology. This customer-centric approach is widely adopted across business entities including Siemens Healthineers, Siemens Energy, and Siemens Advanta. Nevertheless, they all serve one common goal: building mutual trust with customers—from suppliers and partners to end-users. The key success factors of working directly with business partners on specifically tailored solutions are to allow quick prototypes for

¹⁹Gartner Survey Reveals Marketing Budgets Have Increased to 9.5% of Overall Company Revenue in 2022. (2022, May 23). *Bloomberg*, A7.

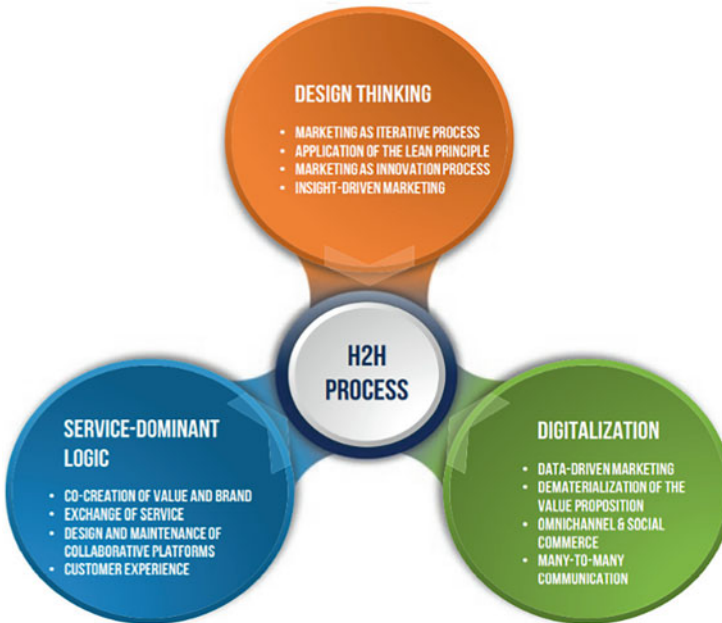


Fig. 8.1 The H2H process inside the H2H marketing model

implementation and modification to fit the customers' business needs. This methodology enables Siemens to visualize complex business problems clearly and react with quick solutions which are tailored and customer validated.²⁰

An additional example is *Medtronic*, a leading medical technology company with a revenue of over \$30 billion and a current market cap of approximately \$100 billion. Its founder, Earl Bakken, initially repaired medical devices. From there, it was a short step to designing new ones in collaboration with local physicians, soon leading to the invention of the portable, battery-powered pacemaker, the first in a long history of revolutionary products designed to relieve pain, restore health, and extend life. Today, Medtronic employs more than 90,000 people in more than 150 countries and offers a portfolio of products and therapies that spans cardiovascular, surgical, neuroscience, and diabetes care. In the next chapter's case study about Medtronic, its human-centered approach will be highlighted to better understand how this success could be achieved.

²⁰Siemens AG (2017).

Questions for Understanding

1. The evolution of the marketing mix with several selected concepts developed from the classic 4Ps to 5Es. Why do you think that this evolution was necessary? What led to the statement that the 4Ps is inappropriate today?
2. What are the key propositions of the different milestone concepts for H2H Marketing?
 - (a) 4Cs by Lauterborn
 - (b) SIVA by Dev and Schultz
 - (c) SAVE by Ettenson, Conrado, and Knowles
 - (d) 5Cs by Hall
 - (e) 5Es by Pfoertsch
3. What distinguishes the H2H Process from the typical 4P marketing mix?
4. What alternatives do you have for generating human insights? Why should the distribution of human insights allow marketing to play such an important role at the fuzzy front end of innovation?
5. How can H2H Marketing assist in dealing with “organizational ambidexterity”?
6. Explain the co-creation of value in H2H Marketing. Why are the customer experience and the value proposition in the center? Why can companies only offer a value proposition and not value itself?
7. Why does every H2H Process begin with a team briefing? What elements distinguish an excellent briefing?
8. Is your firm actively looking for human problems? How can a company actively seek out a problem? Which of these approaches is your organization already using? What kinds of human issues would a bearing manufacturer be able to help with?
9. Which steps should be included in the human insight phase? In this phase, what can we learn from Design Thinking?
10. Why is the creation of a value proposition the most important work in the H2H Process, and how does this vary from typical marketing practice?
11. Why is the customer experience (CX) an essential component of the H2H Marketing value proposition? How can you create it? What questions must be addressed?
12. Consider the expression “from selling to helping” when it comes to content marketing. Please discuss it with your colleagues and look for advertising that both help and sell. Compare them from the supplier’s and customer’s perspectives. How would you argue with upper management about prioritizing “helping”?
13. Why does H2H Marketing now refer to “access” rather than “distribution”?
14. Why can the H2H Process be used by any type of firm (start-ups and incumbents, B2B and B2C enterprises, SMUs and large corporations, profit and charitable organizations, and so on)?
15. Explain how Design Thinking, S-DL, and digitalization affect the H2H Process.

References

- Chen, S., & Venkatesh, A. (2013). An investigation of how design-oriented organisations implement design thinking. *Journal of Marketing Management*, 29(15/16), 1680–1700. <https://doi.org/10.1080/0267257X.2013.800898>
- Constantinides, E. (2006). The marketing mix revisited: Towards the twenty-first century marketing. *Journal of Marketing Management*, 22(3/4), 407–438. <https://doi.org/10.1362/026725706776861190>
- Dann, S. (2011, July 5–7). *The marketing mix matrix [conference paper]*. Paper presented at the Academy of Marketing Conference 2011, Liverpool. Retrieved from https://www.researchgate.net/profile/Stephen_Dann/publication/267559484_The_Marketing_Mix_Matrix/links/54b6024b0cf2318f0f9a0743.pdf
- Dev, C. S., & Schultz, D. E. (2005). Simply SIVA: Get results with the new marketing mix, p. 38. *Marketing Management*, 14(2), 36–41. Retrieved from <https://www.scopus.com/record/display.uri?eid=2-s2.0-17444418649&origin=inward&txGid=047497a80a4b341498c747b3d30eff31>
- Eser, D., Gaubinger, K., & Rabl, M. (2014). Sprint radar: Community-based trend identification. In O. Gassmann & F. Schweitzer (Eds.), *Management of the fuzzy front end of innovation* (pp. 275–280). Springer International.
- Gassmann, O., & Schweitzer, F. (2014). Managing the unmanageable: The fuzzy front end of innovation. In O. Gassmann & F. Schweitzer (Eds.), *Management of the fuzzy front end of innovation* (pp. 3–14). Springer.
- Gummesson, E., Kuusela, H., & Närvänen, E. (2014). Reinventing marketing strategy by recasting supplier/customer roles. *Journal of Service Management*, 25(2), 228–240. <https://doi.org/10.1108/JOSM-01-2014-0031>
- Kotler, P., Kartajaya, H., & Setiawan, I. (2017). *Marketing 4.0: Moving from traditional to digital*. Wiley.
- Leifer, L. J., & Steinert, M. (2014). Dancing with ambiguity: Causality behavior, design thinking, and triple-loop-learning, p. 141. In O. Gassmann & F. Schweitzer (Eds.), *Management of the fuzzy front end of innovation* (pp. 141–158). Springer International.
- Payne, A. F., Storbacka, K., & Frow, P. (2008). Managing the co-creation of value. *Journal of the Academy of Marketing Science*, 36(1), 83–96. <https://doi.org/10.1007/s11747-007-0070-0>
- Robra-Bissantz, S. (2018). *Entwicklung von innovativen Services in der Digitalen Transformation*. In M. Bruhn & K. Hadwich (Eds.), *Service Business Development: Strategien – Innovationen – Geschäftsmodelle* (Band 1, pp. 261–288). Springer Gabler.
- Siemens AG. (2017). *Factsheet: Value co-creation—Working with customers to develop digital fields of business*.
- Smith, P. G., & Reinertsen, D. G. (1991). *Developing products in half the time*. Van Nostrand Reinhold.
- Wani, T. (2013). From 4Ps to save: A theoretical analysis of various marketing mix models. *Business Sciences International Research Journal*, 1(1), 1–9. <https://doi.org/10.2139/ssrn.2288578>

Philip Kotler is the leading authorities in marketing. He was the S.C. Johnson & Son Distinguished Professor of International Marketing at the Kellogg School of Management, Northwestern University, Evanston, Illinois. He received his Master's Degree at the University of Chicago and his PhD Degree at MIT, both in economics. He did post-doctoral work in mathematics at Harvard University and in behavioral science at the University of Chicago.

Professor Kotler is the author of more than 90 books many article such as: *Marketing Management: Analysis, Planning, Implementation and Control*, the most widely used marketing book in graduate business schools worldwide; *Principles of Marketing*; *Marketing Models*; *Strategic Marketing for Non-profit Organizations*; *The New Competition*; *High Visibility*; *Social Marketing*; *Marketing Places*; *Marketing for Congregations*; *Marketing for Hospitality and Tourism*; *The*

Marketing of Nations; Kotler on Marketing, Building Global Bio Brands, Attracting Investors, Ten Deadly Marketing Sins, Marketing Moves, Corporate Social Responsibility, Lateral Marketing, and Marketing Insights from A to Z. He has published over one hundred articles in leading journals, several of which have received best-article awards.

Professor Kotler was the first recipient of the American Marketing Association's (AMA) "Distinguished Marketing Educator Award" (1985). The European Association of Marketing Consultants and Sales Trainers awarded Kotler their prize for "Marketing Excellence". He was chosen as the "Leader in Marketing Thought" by the Academic Members of the AMA in a 1975 survey. He also received the 1978 "Paul Converse Award" of the AMA, honoring his original contribution to marketing. In 1989, he received the Annual Charles Coolidge Parlin Marketing Research Award. In 1995, the Sales and Marketing Executives International (SMEI) named him "Marketer of the Year".

Professor Kotler has consulted for such companies as IBM, General Electric, AT&T, Honeywell, Bank of America, Merck and others in the areas of marketing strategy and planning, marketing organization and international marketing.

He has been Chairman of the College of Marketing of the Institute of Management Sciences, a Director of the American Marketing Association, a Trustee of the Marketing Science Institute, a Director of the MAC Group, a former member of the Yankelovich Advisory Board, and a member of the Copernicus Advisory Board. He has been a Trustee of the Board of Governors of the School of the Art Institute of Chicago and a Member of the Advisory Board of the Drucker Foundation. He has received honorary doctoral degrees from the Stockholm University, University of Zurich, Athens University of Economics and Business, DePaul University, the Cracow School of Business and Economics, Groupe H.E.C. in Paris, the University of Economics and Business Administration in Vienna, Budapest University of Economic Science and Public Administration, and the Catholic University of Santo Domingo.

Phil is one founding member of The Sarasota Institute, a think tank located in Sarasota, Florida.

He has travelled extensively throughout Europe, Asia and South America, advising and lecturing to many companies about how to apply sound economic and marketing science principles to increase their competitiveness. He has also advised governments on how to develop stronger public agencies to further the development of the nation's economic well-being.

Waldemar Pfoertsch is Senior Professor of Marketing at the CIIM Business School of the University of Limassol, Cyprus. He is Professor Emeritus for International Business at the Pforzheim University, Germany, and part-time professor at EPOKA University in Tirana, Albania. He lectures about H2H Marketing, B2B Marketing and industrial Brand Management. He is lecturer at the Mannheim Business School, Tongji SEM, Shanghai, and TUM (Technical University Munich), Heilbronn. He also teaches at ITM, Sweden, Indian Institute of Management Calcutta (IIMC), and Graduate Business School of ESAN, Lima Peru. From 2007-2010 he was professor of marketing at China Europe International Business School Shanghai (CEIBS). His other teaching positions have been at the Executive MBA Program at the University of Illinois, Chicago He was visiting Associate Professor at Kellogg Graduate School of Management, Northwestern University and Lecturer for Strategic Management at Lake Forest Graduate School of Management. From 2001, he has taught online with the University of Maryland University College Graduate School. At the start for his career, he was Research Assistant at the Technical University of Berlin.

Dr. Pfoertsch has extensive experience in management consulting in USA, Europe and China. In his years at UBM/Mercer Consulting Group, Arthur Andersen Operational Consulting and LEK Consulting, he worked throughout Europe, Asia and North America, assisting companies in developing international strategies. His earlier positions include sales and strategy positions at Siemens AG in Germany/USA and being he was an Economic Advisor to the United Nations Industrial Development Organization (UNIDO) in Sierra Leone, West Africa. His research interests have evolved around the globalization of high-tech companies and their marketing and branding efforts. His newest research is focusing Human-to-Human marketing of industrial companies.

Uwe Sponholz is Professor for Service Engineering, Innovation Management and Design Thinking, B2B Marketing and Sales as well as Strategic Management at FHWS—University of Applied Sciences Würzburg-Schweinfurt. He also teaches at Christ University, Bangalore India and other foreign universities. As dean of the Faculty of Business and Engineering at FHWS, he was a strategic driver of the internationalization of the university and the introduction of innovative teaching methods. Today, in addition to his teaching duties, he is responsible for the degree program management of the MBA Business with Europe and the management of two laboratories (Creative Cube and VR Laboratory).

His professional career began at the Institute for Trade Research at the University of Cologne, initially as a researcher, later as head of department of the newly founded consulting division of the institute. He then moved to Alliances Management Consultants in Paris, a small consulting firm specializing in providing strategic advice to large service providers. From there he went to FAG in Schweinfurt, where he was significantly responsible for the development and implementation of a global service concept.

For years he has supported companies with design thinking workshops and consulting projects. He is also shareholder and founding partner of in-cito management consulting and Bodystance GmbH. He uses the second company to test his conceptual ideas of H2H Marketing.

Maximilian Haas worked as research assistant at Pforzheim Business School before starting to work as a consultant for Ingredient Branding and Business Development. He graduated 2019 in International Business at Pforzheim University. His interests lay mainly in branding and international business. He is guest lecturer at the University of Ljubljana, School of Economics and Business and currently works as Product Manager Mobile for 1&1 Telecommunication SE in Karlsruhe, Germany. In his role as product manager, he creates new product concepts for churn prevention and customer retention campaigns.



Case Study: H2H Marketing—In the Heart of Siemens' Success

9

Agnes Lei and Waldemar Pfoertsch

Siemens: The Unique Road Map of Innovation

With over 173 years of history, Siemens'¹ ordinary story embarked on with Werner von Siemens' pointer telegraph in 1847. From the adoption of the steam engine in the late eighteenth century resulting in mass production, invention of electricity in the nineteenth century to the introduction of computers in the twentieth century, Siemens has been an integral part of revolution. When it comes to Industry 4.0 (i4.0), unlike Industry 1.0, 2.0, and 3.0 revolutions, it is a combination of interconnected components (Internet of Things, cyber-physical systems and network, etc.) via

The case study was prepared by Agnes Lei and María Elena Corzo Ramos, MBA Candidates at TUM Business School, Heilbronn, under the supervision of Professor Waldemar A. Pfoertsch, Visiting Professor at Technical University of Munich (TUM), as a basis for class discussion rather than an illustration of either effective or ineffective handling of an administrative situation. Copyright © 2023 by the authors. 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, or otherwise—without the permission of the authors.

¹Today Siemens is a stock holding company (Aktiengesellschaft AG); see more about their development on [175 Years web special—Specials—Global \(siemens.com\)](https://www.siemens.com/global/en/about-us/175-years) and revenues, etc. on [Investor Relations/Company/Siemens Global](https://www.siemens.com/global/en/investor-relations).

A. Lei (✉)
Siemens Healthineers, Erlangen, Germany

W. Pfoertsch
CIIM Business School, University of Limassol, Limassol, Cyprus
e-mail: waldemar@pfoertsch.com

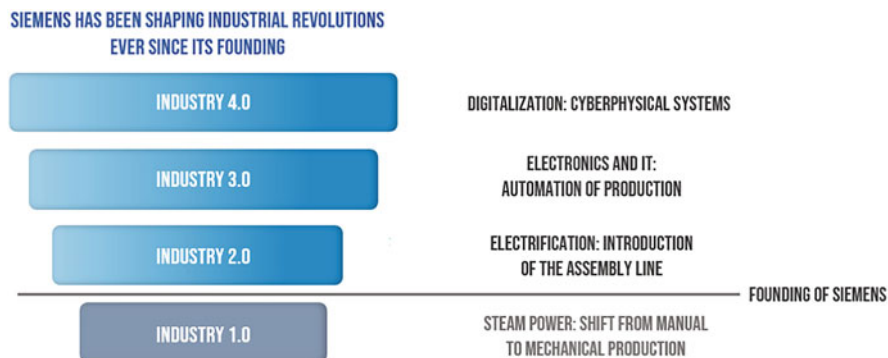


Fig. 9.1 Siemens' industrial revolutions [See Behringer et al. (2020)]

digitalization. Nowadays, Siemens is a global technology company focusing on digital transformation of industry, infrastructure, and mobility (Fig. 9.1).

Traditional industrial approach has been a success for the company in the past decades. However, new ecosystems emerge due to digitalization. Innovative strategic direction together with corporate brand positioning is needed to transform Siemens from industrial champion to technology company.

As a company, you cannot develop so many future-oriented solutions and try to be the innovation champion yet not be an active part of this discussion.—Dr Anneke Neuhaus, Head of Thought Leadership, Siemens²

In 2020, the company has decided to put the conglomerate business model to an end by spinning off *Siemens Healthineers* and *Siemens Energy*. This enables the entities to be closer to the customers and be proactive to meet their demands with H2H marketing approach by creating journeys with bold actions and delivering customer-oriented solutions.

Value Co-creation with Customers

Stepping away from industrial champion to technology-driven company, Siemens combines its industry expertise in the field and technology know-how to generate new businesses together with the customers via value co-creation methodology. This customer-centric approach is widely adopted across business entities including Siemens Healthineers, Siemens Energy, and Siemens Advanta. Nevertheless, they all serve one common goal: building mutual trust with customers—from suppliers, partners to end users.

²See Neuhaus (2021).

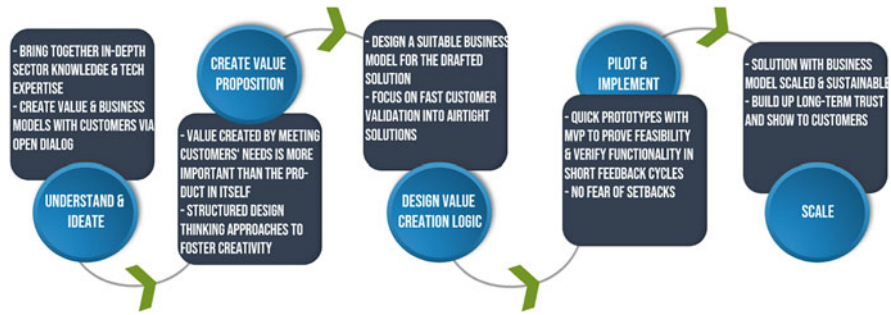


Fig. 9.2 Siemens’ five-step value co-creation approach [See Siemens AG (2017)]

The key success factors of working directly with business partners on specific tailored solutions are to allow quick prototypes for implementation and modification to fit the customers’ business needs. This methodology enables Siemens to visualize complex business problems clearly and react with quick solutions which are tailored and customer validated (Fig. 9.2).

One of the use cases was Siemens’ partnership with the supplier of aircraft parts Strata from the United Arab Emirates (UAE). This partnership has been proven to go through the whole approach in 5 months. Compared to a normal process with an average of 18–24 months from production to certification, a 3D printer was developed for the new frame which reduced the costs for its operator.

Siemens Healthineers: Human-Centric Approach and Brand Communication

As one of the business drivers, Siemens Healthineers positions itself as a medical technology company evolved from a medical device provider to an innovative technology partner. The company first industrially manufactured medical X-ray units in 1896 and developed ultrasound, Computed tomography (CT), and Magnetic Resonance Imaging (MRI) scanners in the 1960s–1980s. To cater the customers’ needs, only selling devices was not sufficient. It continues to provide more web-based or IoT services to help healthcare professionals to enhance precision in diagnosis and cloud-based network for data visualization.³ Nevertheless, the company aims to push the boundary of the state-of-the-art medical technology to improve treatment outcomes and hence people’s quality of life.

By identifying the company mission of “shaping the future of healthcare,” Siemens was able to combine the elements of human, diagnosis, and digitalization and make it visible. “We always have Siemens’ color with orange and black to create a big contrast in our brand communication, this is pretty intense,” commented Dr

³Our Company (n.d.).

Neuhaus.⁴ The deeper meaning behind the images is patient-centric where human portraits are very prominently displayed in all communication channels and company website pages.

Innovation Think Tank: The Continuous Prototyping

With the vision of proactively driving innovation to improve human life, Siemens Healthineers Innovation Think Tank (ITT) was established in 2005. In response to changing business environments and research areas, the approach of ITT enables high flexibility to accelerate innovation life cycles while saving costs significantly.⁵

Setting up the right self-sustaining infrastructure is fundamental for success. Innovation labs were set up in 56 locations spread in different continents, collaborating with institutes, hospitals, and talents from multi-disciplines including students to build an ecosystem to cultivate new business opportunities. The methodology has filed more than 1600 inventions and patents and more than 2500 R&D projects.

Digitalization in Team Play Health Platform

Digital health is one of the hottest topics among healthcare professionals. The key elements of transformation in digital health is how technology helps to enhance the human needs by applying digital solutions. Siemens Healthineers offers a broad portfolio in diagnostics and therapeutic solutions, help with the aid of AI to facilitate clinical decisions. Meanwhile, Siemens Healthineers is providing web-based eHealth Solutions, which enables to create networks between healthcare providers, patients, and hospital care teams to connect the complex healthcare ecosystem.⁶ This fosters rapid data sharing and fosters collaborations across sectors which are sharing common goals—improving patient treatment outcomes, simplified workflow with enhanced efficiency, and ultimately maximizing social resources and benefits for the taxpayers (Fig. 9.3).

Siemens: A More Sustainable Corporate

Siemens' sustainability core foundation focuses on business best practices and developing technologies with purpose. The corporate works in four ambitious sustainability commitments which are the Science Based Targets (Greenhouse Gas Protocol (GHG) emissions), EV100 (Electric Vehical 100%), EP100 (Energy

⁴Neuhaus (2021).

⁵Careers (n.d.).

⁶Digital Health Solutions (n.d.).

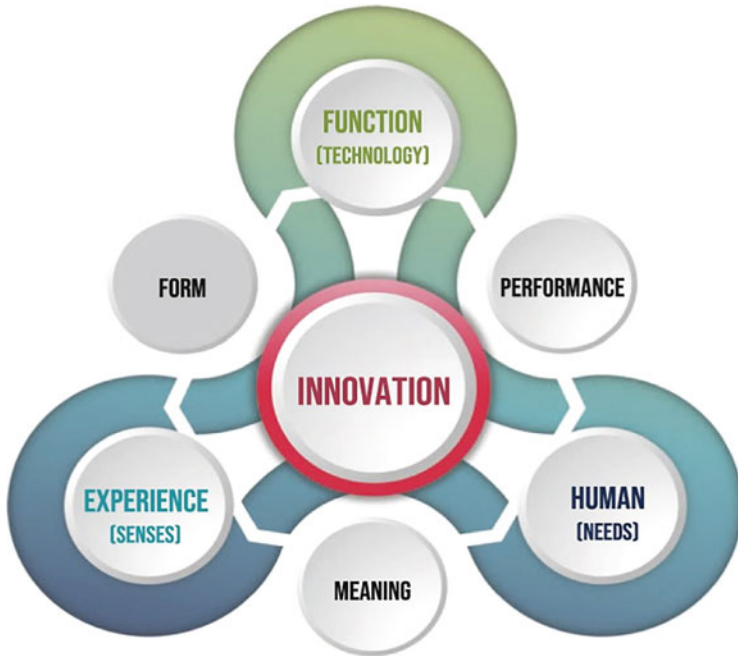


Fig. 9.3 The role of marketing to meaningful innovations (Kotler et al., 2021b)

Productivity 100%), and RE100 (Renewable Electricity 100%) initiatives to reduce their carbon emission through the entire value chain.⁷ Siemens' viewpoint with regard to the final user centered on a human approach where the corporate and the target user (customer, supplier, employee, shareholders, among others) are one, creating a feeling of a huge family transforming the world together.

Their sustainability proposal always goes back to “building technology with purpose” which is leading Siemens' new branding image. The idea behind “technology with purpose” is to build motivation and mutual trust and add value to society, showing that the future is both digital and sustainable, but in order to achieve the goal, they are helping to form the backbone of society by being a responsible technology developer. Siemens wants to be part of the ecosystem working with an aim to mitigate climate change and everyone in the entire value chain can create a better world through collaboration.

Many companies are taking a step toward making their company more sustainable as a response to global challenges, shareholder interests, and stakeholder interest. Millennials taking job positions in decision-making are demanding sustainability and prioritizing the improvement of the environment.⁸ There are

⁷Siemens Global (n.d.-b).

⁸Kotler et al. (2021a).

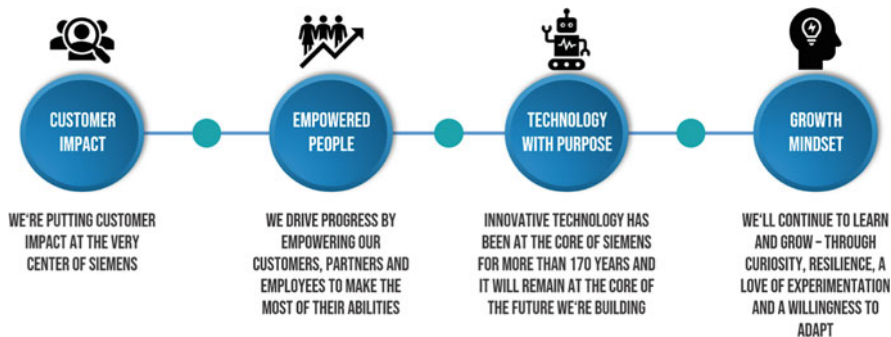


Fig. 9.4 Siemens' strategic priorities (2021) [See Behringer et al. (2020)]

more sustainable-conscious customers willing to pay a premium for sustainable products. However, companies are facing challenges on how to address sustainability, measuring their impact and developing their steps to follow, to make a real impact to society and to the environment without falling into trap of “greenwashing” (Fig. 9.4).

Siemens' current product and service sustainability strategy is driven by the triple bottom-line thinking in social, economic, and environmental issues. Their four main strategies, practices, and tactics are linked with customer impact, empowered people, technology with purpose, and growth mindset.⁹ Their marketing efforts appear to be focused on portraying themselves as a more ethical and transparent company with the clear objective of making the world more likable, sustainable, and inclusive. They have also changed their reputation as an industrial champion to a new one and are now positioning themselves as a “green technology company.” (Fig. 9.5).

Siemens' four main strategies can be related to “The Sustainability Edge” as their marketing relies on human empathy and ecological consciousness. The direct impact and enabler impact are linked to their strategies in customer impact, empowerment of people, and growth mindset. They are giving their employees new insights about the significance of working in a circular economy, becoming carbon neutral, and increasing their eco-transparency, impacting their suppliers as well as adhering to sustainability standards. They are also empowering their employees to change their mindset to work in a more sustainable and responsible way, promote equality, and let their people act for themselves, as it would be in a horizontal integration.

Siemens demonstrates co-creation with their customer and consumers through creative “blue” goods, adherence to environmental standards, and documentation of their environmental performance in response to their investors, consumers, communities, and customers.¹⁰ At the same time, Siemens has an indirect impact on NGOs that set GHG emission objectives, the media, and governments that

⁹Ditto.

¹⁰Siemens Global (n.d.-a).



Fig. 9.5 Integrating “The Sustainability Edge” into the H2H approach (Kotler et al., 2021c)

increase eco-transparency. The sustainability thinking of Siemens is systematic and holistic when building technology with purpose.

Integrating Design Thinking

Siemens has made use of design thinking in their innovation centers; a clear example is Siemens Corporate Technology China applying design thinking to a user-driven approach, adjusting to both China’s and the industry’s requirements.¹¹ Siemens promotes internal programs that train the research and development managers to become innovator catalysts through the design thinking process.¹² The table below shows the analysis of the case mentioned with three cultural approaches (Table 9.1).

The three cultural assessment approaches were utilized to understand the differences to fill the gaps by modifying the “social structure” for a better collaboration and interaction of ideating, prototyping, and testing to speed up the innovation process within the team.¹³

¹¹ Ge and Maisch (2016).

¹² Siemens (n.d.).

¹³ Siemens (n.d.).

Table 9.1 Human-to-human mindset characteristics in the design thinking process “How Siemens CT (Computed Tomography) Copes with Cultural Issues”

Characteristics of H2H mindset: Design Thinking	Relevant measures implemented in Siemens
1. Human Centeredness	Three cultural aspects a. Company culture b. Educational culture c. National culture
2. Experimentation	a. Support by the upper management and identification of supporters in the middle management. b. Technical mindset (mostly engineers working individually and specific tasks). c. Mentalities and customs.
3. Empathy	a. Project in a need-driven approach to foster cultural change. b. "Human factor" -Engineers saw technology, but not the social context. c. Understanding and respect for the Chinese culture
4. Collaboration	Co-creation to get to know the differences and how to cope with the cultural issue. Build up a trustful working atmosphere.

Siemens (n.d.)

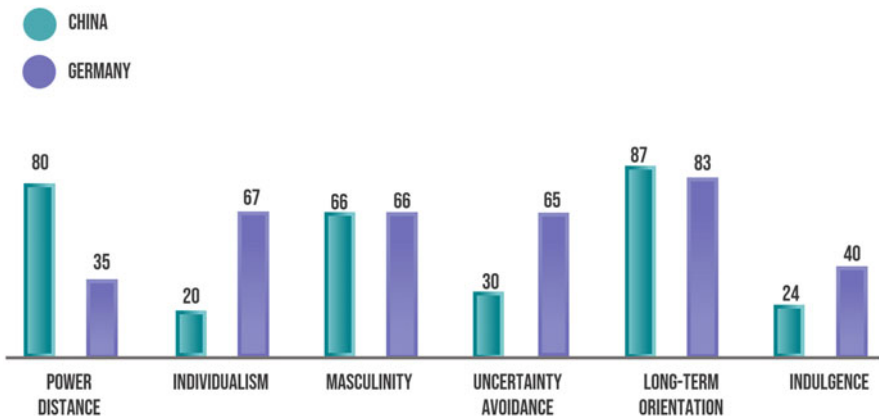


Fig. 9.6 Country comparison with Hofstede Insights (Country Comparison—Hofstede Insights, n.d.)

Nonetheless, Fig. 9.6 shows the cultural difference between China and Germany; culturally speaking they differ in power distance, individualism, uncertainty avoidance, and indulgence. When it comes to corporate strategy and implementation, cross-cultural management and cross-disciplinary collaboration could be a pain point. When cultural factors limit one's capacity for inventiveness and talents, success depends on having a broad understanding, empathy, and adaptability.

Siemens gained an understanding of Asian work cultures through the design thinking process, upsetting their long-standing corporate work traditions in order to change and remodel their workers' work styles and mindsets for better interaction and collaboration with their Chinese colleagues and market.

H2H Marketing: In the Heart of Siemens' Success

The human-oriented approach builds a strong bond with their stakeholders and shareholders, co-creating and making journeys through their “blue” products. Human to human is in the heart of Siemens to build trust with clients, business partners, and employees. Embracing digitalization helps the corporate to focus their marketing to a more stakeholder-oriented concept, not only adapting technology to their consumer necessities but also tackling ecological awareness.

The creative strategy, which is motivated by technology and uses design thinking to train managers in their research and development department, like it did in China, is upending the company's established social structure and making it more adaptive and agile. The main driving force behind Siemens' shift in vision, corporate image, and branding is the company's future positioning. Siemens is gaining a new reputation as a conscientious technology firm through brand activism, engaging their entire value chain in purpose- and meaning-driven behaviors for a better world, and fostering eco-transparency and conversation with customers.

Questions for Discussion

1. Has Siemens choice to discontinue the conglomerate business model improved the company's financial performance and achieved its goal of a stronger focus on the customer?
2. What role did the various business segments play in helping Siemens capitalize on the Fourth Industrial Revolution?
3. What advantages do design thinking and service-dominant logic offer Siemens, and how are they used there? How are S-DL and DT integrated into Siemens' five-step value co-creation process and continuous prototyping from the Innovation Think Tank?
4. What management practices and procedures must Siemens put in place to promote the use of core technologies in value creation?
5. What other digital developments do you anticipate from Siemens in the upcoming years?
6. What standards must Siemens set in order to create “technology with purpose”?

References

- Behringer, Johannes, Egger, & Laura (2020). *Siemens AG PowerPoint presentation. Egger and Laura*. Retrieved from www.siemens.com/fir and <https://manuals.plus/m/699a0923f72b7fc628e391c73e3e154c92422107b3327dca52071c40c0dcf583>
- Careers. (n.d.). Retrieved March 31, 2021, from <https://www.corporate.siemenshealthineers.com/careers> now under <https://www.siemens-healthineers.com/careers>
- Country Comparison—Hofstede Insights. (n.d.). Retrieved March 31 and November 5, 2021, from <https://www.hofstede-insights.com/country-comparison/china.germany/>
- Digital Health Solutions. (n.d.). Retrieved March 31, 2021, from <https://www.siemenshealthineers.com/digital-health-solutions> now under <https://www.siemens-healthineers.com/>
- Ge, X., & Maisch, B. (2016). Industrial design thinking at Siemens corporate technology, China. In *Design thinking for innovation: Research and practice* (pp. 165–181). Springer International. https://doi.org/10.1007/978-3-319-26100-3_12
- Kotler, P., Pfoertsch, W., & Sponholz, U. (2021a). 1.3 Sustainable management challenge. In *H2H marketing: The genesis of human-to-human marketing* (pp. 9–14). Springer.
- Kotler, P., Pfoertsch, W., & Sponholz, U. (2021b). 2.2.4 Design thinking for the new marketing. In *H2H marketing: The genesis of human-to-human marketing* (pp. 50–55). Springer.
- Kotler, P., Pfoertsch, W., & Sponholz, U. (2021c). 6.1 And the world wakes up. In *H2H marketing: The genesis of human-to-human marketing* (pp. 222–227). Springer.
- Neuhaus, D. A. (2021). *Innovation and brand building @ Siemens*. Week Expert Speakers at TUM. Our Company. (n.d.). Retrieved November 11, 2021, from <https://www.corporate.siemenshealthineers.com/company> now under <https://www.siemens-healthineers.com/investor-relations>
- Siemens. (n.d.). *Design thinking in China: How siemens CT copes with cultural issues*. This is Design Thinking! <https://thisisdesignthinking.net/2015/01/siemens-design-thinking/>
- Siemens AG. (2017). *Factsheet: Value co-creation—Working with customers to develop digital fields of business*.
- Siemens Global. (n.d.-a). *EcoTransparency for more environmentally friendly energy*. Energy. <https://new.siemens.com/global/en/products/energy/ecotransparency.html>
- Siemens Global. (n.d.-b). *Sustainability*. Retrieved October 31, 2021, from <https://new.siemens.com/global/en/company/sustainability.html>

Agnes Lei is working in Technology Excellence team at Siemens Healthineers. She has commercial experience in business development, global & regional strategic planning, and in-market sales & client relationship management. She has a proven track-record in global leading technology and healthcare firms to drive innovation and execute business plans with strong analytical skills and excellent team leadership. She graduated from the Professional Master Program in Management & Innovation at the Technical University of Munich and has a bachelor's degree in chemical engineering from the Hong Kong University of Science and Technology.

Waldemar Pfoertsch is Senior Professor of Marketing at the CIIM Business School of the University of Limassol, Cyprus. He is Professor Emeritus for International Business at the Pforzheim University, Germany, and part-time professor at EPOKA University in Tirana, Albania. He lectures about H2H Marketing, B2B Marketing and industrial Brand Management. He is lecturer at the Mannheim Business School, Tongji SEM, Shanghai, and TUM (Technical University Munich), Heilbronn. He also teaches at ITM, Sweden, Indian Institute of Management Calcutta (IIMC), and Graduate Business School of ESAN, Lima Peru. From 2007-2010 he was professor of marketing at China Europe International Business School Shanghai (CEIBS). His other teaching positions have been at the Executive MBA Program at the University of Illinois, Chicago He was visiting Associate Professor at Kellogg Graduate School of Management, Northwestern University and Lecturer for Strategic Management at Lake Forest Graduate School of Management. From

2001, he has taught online with the University of Maryland University College Graduate School. At the start for his career, he was Research Assistant at the Technical University of Berlin.

Dr. Pfoertsch has extensive experience in management consulting in USA, Europe and China. In his years at UBM/Mercer Consulting Group, Arthur Andersen Operational Consulting and LEK Consulting, he worked throughout Europe, Asia and North America, assisting companies in developing international strategies. His earlier positions include sales and strategy positions at Siemens AG in Germany/USA and being he was an Economic Advisor to the United Nations Industrial Development Organization (UNIDO) in Sierra Leone, West Africa. His research interests have evolved around the globalization of high-tech companies and their marketing and branding efforts. His newest research is focusing Human-to-Human marketing of industrial companies.



Case Study: Medtronic and the Transformation of the Customer Experience

10

Alberto Andolina, Federico Gavioli, and Fabio Ancarani

The Genesis and Structure of the Company

Medtronic is the world's leading medical technology company with a revenue of over \$30 billion and a current market cap of approximately \$100 billion.¹ Medtronic was founded in 1949 in a garage in Minneapolis. The founder, Earl Bakken, initially repaired medical devices. From there, it was a short step to designing new ones in collaboration with local physicians, soon leading to the invention of the portable, battery-powered pacemaker, the first in a long history of revolutionary products designed to relieve pain, restore health, and extend life.

The case study was prepared by Alberto Andolina and Federico Gavioli under the guidance of Fabio Ancarani, Professor at Bologna Business School, as a basis for class discussion rather than an illustration of either effective or ineffective handling of an administrative situation. Copyright © 2023 by the authors. 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, or otherwise—without the permission of the authors.

¹Information available at company website.

A. Andolina
Medtronic, Milano, Italy
e-mail: Alberto.Andolina@medtronic.com

F. Gavioli (✉)
Medtronic EMEA, Milano, Italy
e-mail: federico.gavioli@medtronic.com

F. Ancarani (✉)
University of Bologna, Bologna, Italy
e-mail: fabio.ancarani@sdocconi.it

Today, Medtronic employs more than 90,000 people in more than 150 countries and offers a portfolio of products and therapies that spans cardiovascular, surgical, neuroscience, and diabetes care.

Diabetes Care at Medtronic

Medtronic entered the diabetes therapeutic area in May 2001 following the acquisition of MiniMed, a Northridge, CA-based company that had been developing and commercializing insulin pumps for the treatment of type 1 diabetes since 1986.

Twenty years after its initial acquisition, Medtronic is now a leader in advanced diabetes management technologies, with more than one million people living with diabetes (PWD) worldwide currently using the latest pumps and sensors, which help patients overcome the inconvenience of insulin injection pens and glucose strips while providing excellent glycemic control. Medtronic's ambition is to develop and market a device that mimics the functions of the human pancreas, artificially eliminating the complexity of glycemic management in these patients.

One of the most active regions in the deployment of Medtronic diabetes therapies is the Europe, Middle East, and Africa (EMEA) region, consisting of 120 countries and 1000 employees. For more than 5 years, the EMEA region has recorded a double-digit growth in the number of PWD accessing Medtronic diabetes devices and, to be able to continue this success, in 2018 decided to embark on a transformation process focused on the deepest needs of its customers.²

The Origin of the H2H Pathway

The medical device market for the management of type 1 (T1) diabetes has a unique characteristic: the user of the device is the deciding patient, unlike many other therapeutic areas where the doctor simultaneously prescribes and uses the technology to ensure a benefit for the patient.

The fact that the patient is put in the center means that over the past years, the decision on the therapy is shared between the medical team and the PWD, or their family in the case of pediatric patients. Benefiting from easier digital access to information, the PWD is increasingly able to influence the choice of therapy and plays an important role in the adoption of new technologies, especially those that make complex glucose management easier.

Until 2017, the Medtronic Diabetes team in EMEA only had direct contact with patients for:

²For more information refer to Medtronic (n.d.-a, n.d.-b).

Fig. 10.1 Medtronic
Diabetes measuring device
[See Medtronic ([n.d.-c](#))]



1. Technology support services: a 24/7 customer-focused inbound telephone service providing nonclinical product support around both the diabetes devices and supporting consumables and software
2. Technical training of the PWD in the initial phase of therapy, complementing the therapy training provided by the healthcare team in the hospital

However, following a 2014 development in T1 diabetes management in Europe, after years of being present in the market, but having only a limited audience interested, one of the leading glucose monitoring players in the market launched a new glucose self-measurement system. This sensor, when applied to the skin, measures glucose levels and trends, which can be seen on a separate device or compatible smartphone without the need to prick the finger to obtain a blood sample.

The competitor didn't only introduce a technological revolution—reducing or even eliminating the annoying need to prick one's finger for self-monitoring of glucose—but was even more revolutionary in his way of communicating: for the first time ever, a medical technology company invested heavily in mass media to achieve high public visibility, even before involving healthcare professionals.

The direct involvement of patients, coupled with the simplicity of the system, triggered a strong pressure on national healthcare systems to move with unprecedented speed and approve the reimbursement lists of products for type 1 diabetes treatment. Between 2016 and 2017, the company got the green light to reimburse the new device for all people with type 1 diabetes in most European countries (Fig. 10.1).

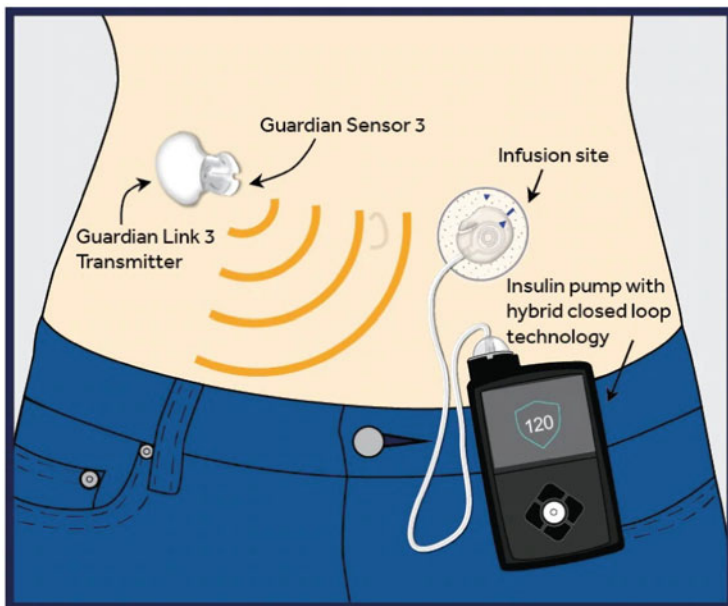


Fig. 10.2 Instruction diagram for diabetes measuring [See Uys (2017)]

As much as Medtronic Diabetes in EMEA was experiencing growth and great success, the big step of openness of national governments toward this new solution created the opportunity and urgency for deep reflection by the European leadership:

- Has too much attention been given to healthcare professionals and the importance of PWD been neglected?
- Has success in the marketplace led to a loss of focus on customers, creating an excess of attention on internal business processes?
- What opportunities for acceleration could have been created if Medtronic had been able to also use these external forces as a catalyst?

The Medtronic EMEA leadership responded with a bold decision: to undertake a customer-centric Copernican revolution, rethinking its entire operating model with an outside-in approach that would first reposition the company in the minds of PWD, healthcare professionals, and healthcare administrators, i.e., those who in European healthcare systems have spending responsibilities at every level of the decision-making chain. As a result, the company was expecting a further increase in interest and trust necessary to sustain its leadership position, which would guarantee strong growth in the years to come. Such a Copernican revolution is a paradigm for an H2H approach in healthcare (Fig. 10.2).

The Transformation

Creating interest and trust to the point of channeling customer decisions in Medtronic's favor required a radical paradigm shift: an organization focused on product marketing had to be transformed into an organization built around the needs of each customer segment, with the ambition of establishing an intimate and valuable relationship that could create promoters between PWD, healthcare professionals, and healthcare administrators—a true human-to-human approach.³

To create the necessary foundations, a new European marketing team was created to lead the transformation structured around three essential principles:

- **Specialization:** creating specialists on each of the three customer groups (PWD, healthcare professionals, and healthcare administrators)
- **Outside-in:** ensuring that the voice of the customer is the only compass for the organization, introducing a market research team that can provide the necessary insights and translate them into action across the organization
- **Technology:** forming a team to take the lead on the technology development plan, as the new strategy would require new skills in digitization and automation

The desire to create more valuable interactions with all customers immediately generated two fundamental thoughts:

1. Whether they were PWD, doctors and nurses, or healthcare administrators, we knew it would be necessary to customize the approach according to the communication channel. It would also be necessary to know the needs, difficulties, and ambitions of the interlocutor in depth, appreciate their differences, and enter into a relationship with each of them as an individual. Hence a human-to-human omnichannel approach in the logic was proposed by Prof Kotler and his colleagues.
2. Although we had been working with these customer groups for many years, it was clear that it would take a lot of research to get to know them well and to be able to structure simple segments that would allow an efficient personalization process to be implemented in the organization.

People Living with Diabetes (PWD)

PWD certainly represented the segment from which to begin this journey, as demonstrated by the competitor's experience. More than 1000 individuals, including people with type 1 diabetes and parents of children with type 1 diabetes, were interviewed to define segments based on individual and psychological characteristics such as personality, values, attitudes, interests, fears, and preferences. The result

³See also George (2017).

profoundly changed the perspective of the organization, identifying five radically different segments for PWD:

- People who are very proactive and focused on their diabetes management
- Individuals who make type 1 diabetes a way to demonstrate their courage
- Rebels who don't even want to hear about diabetes
- Individuals in despair because they can't find a way to deal with it
- People who find it easy enough to take care of their diabetes, at the risk of underestimating its complexity

The segments identified represent real personas, such as those theorized by Kotler et al. in this volume. Persona example in this context could be a staff nurse, nurse manager, or Clinical Engineer Device Trainer as described by Christopher Vincent and Ann Blandford. This new knowledge has provided a new lens through which to review all the internal processes related to the PWD: for example, direct promotion, product training, and all other supporting services associated with therapy. Now we have the awareness of no longer having a single PWD target, but five different personas with whom to interact and whose most intimate needs are to be addressed. This new perspective will allow us to personalize the approach and be much more effective on all channels of interaction.⁴

The patient segmentation exercise made it tangibly clear that there was a greater need to get to know all of our customers better in order to allow the organization to personalize the relationship while maintaining a simple and consistent structure.

Healthcare Professionals

Although working with healthcare professionals was one of the organization's core competencies, it soon became apparent that there was no structured segmentation. As the sales field team were the only channel of communication, the personalization of the conversation and the offer was left to their discretion and judgment. More than 500 endocrinologists specializing in type 1 diabetes were interviewed to find out their interests, their priorities, the way in which therapy decisions were made, and their preferences while interacting with industry partners. And while all segments have a common goal to make the management of type 1 diabetes easier for their patients, the different personas clearly have very different preferences, beliefs, interests, and views. The interviews and the analysis with a H2H approach have led to the definition of three very specific segments:

- Those only focused on clinical evidence to inform their decisions
- Those that mainly look at patient comfort and quality of life
- Those who are skeptical of anything related to the MedTech industry and tend to distance themselves from it

⁴For persona concepts in healthcare, see Vincent and Blandford (2014).

This segmentation exercise provided a new perspective, which, while well aligned with the experience of the sales force, enabled the whole organization to activate a deeper, structured, and traceable relationship with the healthcare staff, as well as opening the door to the creation of new promotion and support channels to complement the existing one.

Healthcare Administrators

After PWD and healthcare professionals, the last group of customers whose expectations were to be explored in more detail were the administrators. They were undoubtedly the segment that had the least direct contact with Medtronic: in fact, only a few team members had frequent interactions with these professionals, who were wrongly considered to have limited decision-making power within their organization, either in a private insurance company or the national health system.

As a final step, the decision was made to study this remote and unfamiliar customer in depth, with the intention of enriching the relationship and positioning the company in a credible way, and increase the team's ability to influence the company.

After interviewing more than 300 healthcare administrators in 5 European countries, the results confirmed that even a healthcare administrator, with an institutional role dictating clear and shared priorities, is fundamentally an individual, whose decisions are influenced by different character traits and personal preferences:

- The negotiator who is looking for cost-effective solutions
- The ambassador of the patient's benefits who tries to guarantee the best possible therapy for the PWD
- The one who is looking for consensus and wants to make decisions in a committee

These three new segments, new personas in H2H logic, have opened a new perspective on the relationship with this customer group. It opens up a great opportunity to rethink how we interact with them: which channels do we use and which content do we push. So far, these interactions had been fragmented, but now finally they will obtain structure, continuity, and traceability.

Segmenting the three main groups of customers has built the foundations for a customer-centric transformation path, one that treats the customer as an individual that needs to be interacted with and related to in a personalized manner.

Toward the Future State

Each Medtronic team, enriched by the findings of the new research, tried to redefine each customer journey, to simplify it, and to enrich it with new touchpoints where they could create value and greater engagement with the Medtronic Diabetes brand.

Three broad categories of actions were identified, at least in the PWD and healthcare professional segments that were the first ones to be transformed: new channels of interaction, new content, and a new way of tracking the customer base and relationships established.

In terms of new channels, two new digital “one-stop-shops” applications—one for PWD and one for healthcare professionals—were developed and launched. The aim of these applications was to simplify the access to Medtronic services and make them more straightforward. The two new digital channels complemented the existing ones by offering a fully personalized digital experience based on the individual’s persona. They did not only enable an increased number of interactions with the company, but, thanks to Medtronic’s new role as a facilitator of doctor-patient communication, they also established a direct interaction between the PWD and their healthcare professionals. Facilitating the dialogue with and between patients is one of the hallmarks of the H2H marketing theorized by Kotler and colleagues.

Having defined a new digital channel, the second step was to enrich it with valuable content. Writing persuasive content for all marketing channels is nowadays possibly the most important and fundamental skill of modern marketing, as Paul Roetzer writes in his book *The Marketing Performance Blueprint*, and indeed, in this digital age, 70% of potential customers prefer to get to know a company through its content and not through promotion. An evaluation of the content used with Healthcare Professionals and PWD showed that there was much room for improvement: it was too complex, not suitable for digital channels, not personalized, and difficult to find.

For this reason, it was necessary to rethink content across the entire journey: from acquisition to training and continuous engagement. One of the focus areas was giving it a more modern and accessible slant, where simplicity was a key element and the format allowed for online use but also for easy retrieval.

To ensure that the applications could only provide clients with content designed for their needs, preferences, and interests, with a language that was suitable for the different profiles defined, tagging of the content was key. New and specialized resources were added to the team to increase the ability to generate content, especially for social and web channels.

With three large customer groups, various segments within each group, and multiple channels of interaction—especially with the growth of digital channels—it became clear very quickly that managing all customer relationship data was becoming increasingly complex. Therefore, priority was given to the implementation of customer relationship management systems with the intention of making maximum use of technological innovations in the sector⁵:

- The creation of a 360° view of each customer, keeping track of all relevant contact points of each channel, to enable the organization to maximize the customer relationship efficiently

⁵For more on Medtronic’s approach to innovation, see Medtronic (n.d.-d).

- The integration of segment and preference information gained through ongoing interactions to increasingly personalize future contacts
- The implementation of “next-best action”—based on recent developments in artificial intelligence—to interact proactively with the customer anticipating any possible critical situation, maintaining a high degree of satisfaction, and avoiding customer attrition

The reference to the role of content marketing theorized by Kotler in the omnichannel interaction with the customer presented in the previous parts of the book is strong.

Results and Conclusions

The first 3 years of customer-centric transformation have enabled Medtronic’s EMEA Diabetes business to deliver double-digit patient and sales growth, confirming the wisdom of the strategy and the effectiveness of the new therapies launched in the interim and providing further impetus to continue investing in the customer experience. PWD Net Promoter Score, because of the many initiatives aimed at improving their experience with Medtronic, increased 30% over 2 years to reach the highest level in the market in June 2021. Over the same period, the healthcare professionals’ Net Promoter Score increased by 55%, reaching levels of excellence and confirming the effectiveness of the direction taken.

All the initiatives the management introduced have demonstrated a marked improvement in the customer experience with Medtronic Diabetes in EMEA, but they’ve also created a growing and infectious “customer first” culture within the organization, which is essential to counteracting the natural tendency for many organizations to withdraw into themselves and revert to the risky “inside-out” approach. This was probably the most important and lasting result of the intense transformational effort—a decidedly human-to-human effort.

This new culture and its rapid diffusion in the company meant that transformative thinking could take place in any branch of the organization, giving rise to a growing number of H2H projects with an often-disruptive character. Among the most innovative is the opening of Medtronic Diabetes’ first retail point in the center of Athens, Greece. This unique modern space allows Medtronic to interact with potential customers in the most effective way and to offer the best presentation of the different therapy options. At the same time, it creates a new opportunity to involve customers—both PWD and healthcare professionals. We can now organize events dedicated to a certain group of customers that are tailored to the different segment needs and enriched by the company’s trained staff within the retail outlet, an experience that is typical for a consumer brand. This unconventional initiative in medical technologies for diabetes has pushed H2H interaction to an even higher level of effectiveness.

Meanwhile, Medtronic—at a corporate level—has undertaken an effort to “humanize” its brand and further align with its “Mission” written by the founder

Earl Bakken in 1960.⁶ Its first bullet point reads: “To contribute to human well-being by applying biomedical engineering to the research, design, manufacture and distribution of instruments or devices to relieve pain, restore health and prolong life.” The new brand is intended to represent a company made up of people working for the quality of life of other people, with the aim of:

- Providing better clinical outcomes
- Generating technologies that transform patients’ lives
- Providing experiences that are human centered
- Improving care pathways through the contribution of IT, artificial intelligence, and automation

In addition, the logo was changed to humanize the appearance and a Decarbonization Roadmap has been established—all this with a view to an increasingly person-to-person relationship. . . “human to human” in action!

Questions for Discussion

1. What is the origin of Medtronic’s H2H pathway? Who initiated this journey? What is the impact?
2. What worldwide effects did the company’s efforts have for people living with diabetes (PWD)? How would be the world without them?
3. Which mindset and management processes were required to make these treatments possible?
4. How did marketing segmentation contribute to increased patient centricity?
5. How were digital “one-stop-shops” applications employed, and how may they be used in other healthcare applications?
6. How can we provide value to the Medtronic Diabetes brand and increase engagement? How did Medtronic alter the customer experience for people with disabilities?
7. Is it possible to apply the paradigm shift for an H2H approach in healthcare to other medical sectors, such as pharma and hospital treatments?

References

- George, B. (2017). *A strategy for steady leadership in an unsteady world*. Retrieved from <https://www.billgeorge.org/articles/a-strategy-for-steady-leadership-in-an-unsteady-world/>
- Medtronic. (2018). *Celebrating Earl Bakken*. Retrieved from <https://www.medtronic.com/au-en/about/news/celebrating-earl-bakken.html>
- Medtronic. (n.d.-a). *Diabetes*. Retrieved from <https://www.medtronic-diabetes.de/>
- Medtronic. (n.d.-b). *Our company*. Retrieved from <https://europe.medtronic.com/xd-en/our-company.html>

⁶For more information on Earl Bakken, see Medtronic (2018).

- Medtronic. (n.d.-c). *MiniMed™ 630G insulin pump system*. Retrieved from <https://www.medtronicdiabetes.com/products/minimed-630g-insulin-pump-system>
- Medtronic. (n.d.-d). *The innovation lab at Medtronic*. Retrieved from <https://www.medtronic.com/us-en/healthcare-professionals/services/innovation-lab.html>
- Uys, E. (2017, February 10). The Minimed device brings easy living to diabetics. *Design Indaba*. Retrieved from <https://www.designindaba.com/articles/creative-work/minimed-device-brings-easy-living-diabetics>
- Vincent, C., & Blandford, A. (2014). The challenges of delivering validated personas for medical equipment design. *Applied Ergonomics*, 45(4), 1097–1105. Retrieved from <https://www.sciencedirect.com/science/article/pii/S0003687014000192>

Alberto Andolina is Vice President Customer Marketing & Intl Transformation, Diabetes at Medtronic. After an MBA from The International Institute for Management Development (IMD), he started as Regional Business Director for Diabetes and then was promoted to Senior Marketing manager & strategy Diabetes EMEA. He is an engaging leader, driven by a strong passion for strategic change and inspired by the opportunity to improve healthcare provision in more effective, cost-efficient, and accessible ways.

Federico Gavioli is Vice President EMEA Diabetes at Medtronic EMEA. Before, he worked as product manager at Leica Biosystems and General Electric Europe Diagnostic Cardiology, Xray and Surgery. He also was marketing Manager for 3M. He has a profound knowledge of customer needs in the medical industry and leads various change initiatives.

Fabio Ancarani is Professor of Marketing at the University of Bologna and Associate Dean for Executive Education and shorter term programs at BBS, where he is also Director of the Executive Master in Sales and Marketing. Professor Ancarani has served as a member of the board of Directors of Fondazione BBS. Professor Ancarani has been visiting scholar at Smith School of Business, University of Maryland and Visiting Professor at ESCP-EAP in Paris. He also took his ITP (International Teachers Program) at Stockholm School of Economics. He has been Assistant and Associate Professor at Bocconi University. He teaches courses on marketing management, strategic marketing, pricing and customer value management, marketing metrics and performance. Professor's Ancarani research interests are focused mainly on strategic marketing, customer value analysis and measurement, pricing, value management. He has published the Kotler, P., Keller, K., Ancarani, F., Costabile, M. (2012, 2017), *Marketing Management*, Pearson, 14th–15th Italian edition and the Kotler, P., Pfoertsch, W., Sponholz, U.; Ancarani, F., *H2H Marketing* Italian edition. In professional activities, Prof Ancarani serves as advisor for marketing and management consultant for top international and national companies, on topics such as development of marketing competences, marketing strategies and marketing planning.

Part V

H2H Marketing Future



Establishing Resonance Between Companies, People, and the Environment

11

Philip Kotler, Waldemar Pfoertsch, Uwe Sponholz,
and Maximilian Haas

The final chapter provides evidence that the business world is waking up and recognizing that marketing must do more than just help to increase sales and profits. The Davos Manifesto 2020 from the World Economic Forum¹ stated the universal purpose of a company in the Fourth Industrial Revolution, and the Firms of Endearment² analysis shows how world-class companies accelerate from passion and purpose. Several progressive economists³ state that companies have the obligation to fulfil the needs and expectations of the several stakeholders including societies. They must not only serve the shareholders as the neoliberal economist like Milton Friedman⁴ had postulated. Companies must play an authentic, competent, and significant role in solving human problems to create meaning for the humans

¹Schwab (2019).

²Sisodia et al. (2014).

³See, for example, Stefan (2015). The reader may also refer to Petersen (2013) as well as to McGerr (2016).

⁴Friedman (2003). See also critical reviews by Denning (2013) and the biography to the Nobel Prize 1976 which can be found on the Nobel prize website: <https://www.nobelprize.org/prizes/economic-sciences/1976/friedman/biographical/>

P. Kotler
Kellogg School of Management, Northwestern University, Evanston, IL, USA

W. Pfoertsch (✉)
CIIM Business School, University of Limassol, Limassol, Cyprus
e-mail: waldemar@pfoertsch.com

U. Sponholz
THWS – Technical University of Applied Sciences Würzburg-Schweinfurt, Schweinfurt, Germany
e-mail: usponholz@in-cito.de

M. Haas
I&1 Telecommunication SE, Karlsruhe, Germany

engaged with the company. Such a shift in worldview is imperative for companies to create a sustainable world.

After half a century of neoliberalism, when the Anthropocene's impact was so great that the continuation of the "human epoch" is in doubt, we contend that businesses need to be aware of the needs and well-being of communities, societies, and individuals. By utilizing resonance-based thinking, the chapter and the case study of Patagonia Inc. take a glimpse into the future. In chemistry it describes a specific relationship between two vibrating bodies; in the economic science, resonance characterizes a similar relationship. One of the bodies is the companies, and the other one is people and all elements of our planet, including the natural environment and the society a company is embedded in. Therefore, the new marketing approach of H2H Marketing can play a vital role in balancing the vibration of a company and its environment.

There are companies which have transformed the planet and the economy in specific in a not so human way. Let's go back to the late 1920s. Industries were booming and "financial reports of corporations gave cause for optimism relative to the 1929 earnings of corporations. Price-earnings ratios, dividend amounts and changes in dividends, and earnings and changes in earnings all gave cause for stock price optimism."⁵ But then "Black Thursday" and "Black Tuesday" happened and 50% of the stock value was wiped out, millions of employees lost their job, and the world tumbled into recession for the next 10 years till the next disaster struck, the Second World War.

Large holding companies had inflated assets and greedy investors had built a "house of cards" which favored their investments and did not reflect the economic realities. Many companies particularly utilities were overcharging the customers to create margins that were required by the investors. Edison Electric Illuminating Company was amid that, and regulators could not control them. Lord Snowden called it the speculative orgy in America,⁶ which is not far away from the developments of 2022, when greed was driving price increases and driving inflations to more than 8% in the USA and Europe, 12% in Brazil and Nigeria, and 70% in Turkey. The high rates are continuing to put financial pressure on individuals and households. More than eight in ten Americans hate this economy. That's the highest number since 1972.⁷

For the last 40 years, General Electric (GE) symbolizes the type of companies which "focused on maximizing profits at the expense of all else."⁸ With his emphasis on cost-cutting and the financialization of all business endeavors, "Jack Welch, the 'Ultimate Manager' who oversaw GE's rise to the most valuable company,"⁹ established this disequilibrium. During this time, the disparity between

⁵Bierman (n.d.).

⁶Betz (2014). See also Benbouali (2017).

⁷See also Marquardt (2022).

⁸Gelles (2022, p. 10).

⁹He died in March 2020 and was praised; see GE (2020).

average pay of a worker and a CEO grew apart. Between 1980 and 2000, the average work pay increased in the USA only by 12%, and the CEO income grew by 940%. In 1980, the average CEO compensation was \$1.85 million, and in 2000, it was \$21 million. Now it stands at \$24 million and is 351 times more than a typical worker.¹⁰

Before his time, GE was a company “which paid decent wages, employees put in their time, just about everybody paid their taxes, regulations were accepted as necessary safeguards, and the governments invested in things like education and infrastructure.”¹¹ With Reagan, Bush, and Trump as presidents of the USA, many things changed in the political arena, and with the neoliberal concepts, CEOs like Jack Welch applied downsizing, dealmaking, and financialization which created wealth for the shareholder and drove jobs to low-wage countries. After his departure, three CEOs struggled with its legacy and could not keep the momentum.

On November 9, 2021, General Electric announced a three-way breakup of the company. GE HealthCare will be focused on precision healthcare and will be spun out of its parent in early 2023. A new entity focused on energy transition and consisting of a combination of GE Renewable Energy, GE Power, and GE Digital will follow shortly thereafter in early 2024. “Following these transactions, GE will be an aviation-focused company shaping the future of flight,”¹² most likely continually focusing on shareholder value, low labor cost, and high CEO compensation.

To which stakeholder group should a company’s management be most accountable? To employees, customers, shareholder, or management itself? Alfred Rappaport argued that management’s primary responsibility is to company shareholders. During the Welch era, Rappaport thinking has become commonplace in companies around the world.¹³ Till 2015, for us authors, we followed his line of thoughts. The value driver made business performance transparent and controllable for the sake of the shareholders¹⁴; with variations these principles could be applied for a stakeholder-oriented thinking.

But now, we favor only stakeholder orientation and a human-to-human approach. This may need a more Nordic Model like government system but is also possible under existing democratic government systems. As an example, we would like to present the Anglo-Dutch consumer goods company Unilever. Under the guidance of former CEO Paul Polman, the company found its way back to its roots. Sir William Lever had started a caring company with great products and well-treated employees. He believed in a shared prosperity. Now Paul Polman aims to decouple the company growth from its environmental impact and offers brands with a purpose.¹⁵ He wanted to create a more responsible business model. He does no longer offer quarterly results and reduced Unilever’s carbon footprint. The purpose-driven brands could

¹⁰See Johnson Hess (2021).

¹¹Gelles (2022, p. 15).

¹²See GE (2021).

¹³Rappaport (1997).

¹⁴For more details see Rappaport (2006).

¹⁵Cone (2021).

also take market share away from the competitors. He could have walked away from his principle with a large benefit package, when 3G Capital offered to take over Unilever, but he stuck to his principles, and his successor Alan Jope is continuing the purpose-driven market approach with stakeholder emphasis. He also believes a new leadership model is emerging in response to changes brought about by the corona pandemic, which places equal weight on personal and external performance. “People increasingly want to work for companies that take into consideration their whole lives,” he said. “Their work [as well] of course, but also their wellbeing, their family responsibilities, their growth, their identity. And they’re voting with their feet.”¹⁶

Similar developments have been noticed in other countries. The Japanese YKK Group (YKKグループ, Waikeikei Gurūpu) business activities are based on the “Cycle of Goodness,” which is the YKK Philosophy, and its management principles. “YKK seeks corporate value of higher significance.”¹⁷ As the world’s largest zip fasteners manufacturer, YKK Group is most known for making zippers. It also manufactures other fastening products, architectural products, plastic hardware, and industrial machinery.

YKK sees itself as an important member of society. They believe that a company survives through coexistence. When the benefits are shared, the value of the company’s existence will be recognized by society. When pursuing his business, YKK’s founder, Tadao Yoshida, was most concerned with that aspect and would find a path leading to mutual prosperity. He believed that using ingenuity and inventiveness in business activities and constantly creating new value would lead to the prosperity of clients and business partners and make it possible to contribute to society. This type of thinking is referred to as the “Cycle of Goodness” and has always served as the foundation of their business activities. The essence of the “Cycle of Goodness” is the following: “No one prospers without rendering benefit to others.”¹⁸ They have inherited this way of thinking and have established it as the YKK Philosophy.

YKK Group companies seek to delight their customers, earn the high regard of society, and make employees happy and proud. The organization is enhancing the quality of its products, technology, and management as a means to achieve its objectives. They make fairness the fundamental standard for all YKK Group business operations and provide the basis for management decisions. Its core values are based on failure tolerance and experience building. The organization aims to establish growth prospects for its workforce while prioritizing excellence in all aspects through fostering trust and mutual respect, and upholding transparency. The company aims to establish avenues for professional growth among its staff while upholding high standards in all aspects of its operations through fostering trust and respect, and promoting transparency. The diagram depicted in Fig. 11.1 serves as an

¹⁶Pham (2021).

¹⁷Announced in the company annual reports and webpage; see, e.g., YKK (n.d.).

¹⁸See YKK (n.d.).



Fig. 11.1 YKK's management principles [See YKK (n.d.)]

illustration of the continuous approach. YKK is seeking corporate value of higher significance and pursues innovative quality in the seven key areas shown.

YKK Group has established the YKK Group Code of Conduct that sets the scopes of behavior of which YKK Group employees in all countries and regions should be aware. The YKK Philosophy has been passed down since the founding of the company. It has always served as the foundation for business activities and has supported the Group's expansion. The Philosophy was updated in 1994 to align with contemporary standards. Subsequently, YKK has been advocating for the implementation of this approach across the organization, with the aim of ensuring that every employee comprehends and adopts it, thereby guaranteeing its continuity for future generations. They had been expanding the promotion activities to their overseas companies and have further solidified the position of the management principles throughout the Group. They continuously engage actively in dialogues with outside experts.

Many Japanese businesses are based on spiritual normative ethics which are composed of both transcendental and group logics unique to Japan. The social dimensions involve the individual, family, wider society in Japan, and the society beyond the Japanese border.¹⁹

Other countries have similar approaches, but these moved nowadays more to the background. In Germany, there is the concept of the "ehrbare Kaufmann," the Honorable Merchant. The construct describes the historically grown model for

¹⁹Yamamoto and Lloyd (2019).

responsible participants in business life. It stands for a pronounced sense of responsibility for one's own company, for society, and for the environment.

Not too many companies anymore are taking this kind of thinking as the basis of their business action. One example of a company that has done so is the insurance provider HUK-COBURG. The legal name is *HUK-COBURG Haftpflicht-Unterstützungs-Kasse kraftfahrender Beamter Deutschlands auf Gemeinnützigkeit in Coburg*, which constitutes a supporting association for civil servants when using their cars. HUK-COBURG has a nonprofit status because of its self-supporting activities. They are not aiming at making a profit, but rather focusing at increasing welfare and the quality of life. The company was founded on September 3, 1933, and is the largest self-help organization for the public sector. The Group includes five property and casualty insurers, two life insurers, and two private health insurers, as well as a service company. In 2021, HUK-COBURG had 8.2 billion euros billed revenues and a net income after taxes of 381 million euros.

Ten guiding principles serve as the basis and orientation for HUK-COBURG's corporate policy. They define how they envision dealing with customers and employees. They are the basis by which products are designed and how the company maintains economic security. They specialize in insurance for private households and all the companies operate on the principle of mutuality. They always assume that customers are well-informed consumers and are considered as equal partners. The company is demand driven. They offer exactly the services the customers expect. The insurance coverage is affordable, and they offer comprehensive, high-quality local service. They are reliable and have an efficient management. They pass on any surpluses generated to members and customers. They consider themselves as a fair, reliable, and attractive employer and have motivated employees.

This mission statement forms the basis and orientation framework for the corporate policy of the HUK-COBURG Insurance Group.²⁰ In addition to the traditional, agent-based distribution system, the company offers an Internet-based service HUK24. Here they offer favorable prices due to online management and personal assistance in the event of a claim with the HUK-COBURG quality.²¹ This unique insurance company with more than 12 million customers and more than 10,000 employees is the market leader in the car insurance market topping the well-known Alliance Group. HUK-COBURG is also the major insurer for private households in Germany and follows the principles of the "Honorable Merchant."

The dynamics that today's organizations and leaders are facing is dominated by volatility, uncertainty, complexity, and ambiguity. Therefore, establishing resonance between companies, people, and the environment is an enormous task. All of which are asking organizations and leaders to empower their teams and introduce new ways of working. This kind of transformation can only be brought forth by a powerful catalyst. To our understanding mindfulness can be such kind of catalyst. "Mindful transformation" provides a substantial foundation which relates to the individual, the

²⁰See HUK-COBURG (n.d.-a).

²¹See HUK-COBURG (n.d.-b).

team, and entire organization. The development of mindful leadership skills in an organizational setting is crucial for achieving mindful empowerment that drives business transformation. This approach is centered on fostering attention and awareness, promoting empowerment, building connections, and facilitating change. Numerous instances demonstrate the effective integration of mindfulness into the strategic toolkit of various organizations.²²

One of these companies is the Aditya Birla Group (ABG) from India, founded in 1857 and now a large conglomerate in Indian subcontinent, spreading its wings to America and Europe. “The real race for excellence is the one where you sprint against yourself, endeavor to outperform, raise the bar, time after time. Excellence is an ever-moving target,”²³ stated Mr. Aditya Birla. He continues: “In our Group, our first and foremost objective is to satisfy our larger family, our family comprising of our customers, our employees, our communities, and our shareholders. Towards this objective, our credo is, ‘strive for excellence and perfection in all spheres of management, through continuous improvement.’ This is the Birla Management Center’s commitment. This is the Group’s philosophy.” Over the years, a participative management by consensus and consultation was established in the company. They pass on excellence in knowledge, created at one center, speedily and immediately to other units. This gives a cutting edge with respect to competition.

As a result, a major Indian conglomerate has been established, featuring well-known brands such as UltraTech, Grasim, Hindalco, Idea, Pantaloons, and numerous fashion brands. Liva, which was previously discussed in a case study, is just one of these brands. They embody the diverse values of independent India, striking a balance between modernity and traditional values, fulfilling their economic obligations to shareholders while upholding a sense of public duty, and exhibiting graciousness towards both invited guests and strangers.

The Aditya Birla Group (ABG), right from its genesis and evolution, has deeply imbued its business philosophy with Gandhi’s socio-economic concept of trusteeship. Since the early 2000s, the group has been following an inorganic growth strategy by building scale through acquisitions and cementing leadership positions in relevant sectors. Today, a US\$44.3 billion corporation ABG is active in 14 industry sectors and has achieved global and national leadership in several businesses.²⁴

The group understands the changing dynamics and mercurial nature of current business environment. For this purpose, it has developed a robust innovation platform which is Aditya Birla Science and Technology Company Private Limited (ABSTCPL). The company consistently engages in innovation to cater to the demands of its customers and the market. An example of this is Birla Cellulose’s Liva, a novel fabric made from natural fibers derived from wood pulp, a sustainable and renewable resource, as demonstrated in the aforementioned case study. Novelis possesses more than 130 patents related to the advancement of aluminum products

²² Krishnan (2021).

²³ See Aditya Birla Group (n.d.).

²⁴ See Raveendran (2022).



Fig. 11.2 Aditya Birla Group development and brands [See Finshots (2020)]

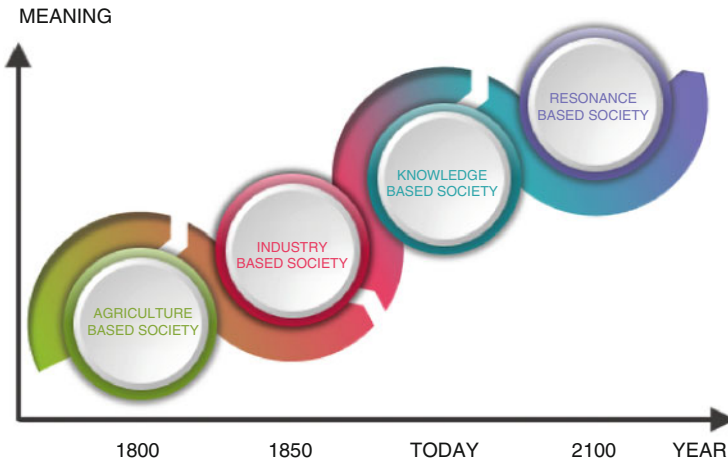


Fig. 11.3 Development to resonance-based society

for the automotive sector. UltraTech Cement has implemented innovative methods to enhance the sustainability of cement production (Fig. 11.2).

The company is being impacted across all areas by these innovations, as they are meeting the increasing demands of the millennial demographic while also shifting their focus from traditional nonrenewable sources to alternative, environmentally-friendly sources. Therefore, it fosters a sense of empathy and creativity within me and motivates all individuals to strive for greater productivity on a daily basis.

Similarly, facing challenges is all about building resilience and having a far-sighted vision. At the end of the day, the outcome doesn't matter as much as the process through which one undergoes to surmount the hard times. It is these challenges which develop a strong character and a mindset that make us ready for the ultimate battles in life and business.

For proving a future in resonance, deceleration and mindfulness are only a start. In an iniquitous world, we need to be ready to enter into resonance relationships and thus may forego part of our autonomy. As indicated in the conclusion of the H2H Marketing 2021 publication, it is imperative that we prioritize the establishment of resonance relationships and advocate for societal transformation. It is imperative to establish a culture that fosters a creative exchange rather than exclusion when encountering gaps in a résumé. It is imperative to establish a culture within schools that fosters resonance rooms. These areas allow for subjects to be deeply engaged and challenged, promoting self-transformation and ultimately leading to innovative and outstanding achievements and ideas. Just overcoming everyday alienation creates resonances and leads to being connected to the world.”²⁵ When the world moves into an industry-based society and we are creating the knowledge-based society, we hadn't established resonance between companies, people, and the

²⁵See Kotler et al. (2021).

environment, It is important to acknowledge that there is a pressing need to address issues such as global warming, corporate greed, and narcissistic leadership behavior, as they pose a significant threat to the world and have resulted in a loss of meaning for many individuals. Every individual and organization has the potential to contribute and impact the transition towards a society based on resonance. (Fig. 11.3).

In the final case study, we would like to give all readers the possibility to exemplify this. We choose the Patagonia Outdoor Clothing & Gear company (Patagonia Inc.).

The Patagonia Inc. is owned and managed by Patagonia Works (PW). The 2013-founded holding company succeeds Lost Arrow Corporation.²⁶ PW oversees Patagonia Inc. (apparel), Patagonia Provisions (food), Patagonia Media (books, films, and multimedia projects), and future investments and joint ventures. The holding company provides its member companies value through “collective services” such as accounting, legal, human resources, etc. But Patagonia Works has been organized primarily to incubate new companies or investments that will, through an infusion of common values, “. . . use business to inspire and implement solutions to the environmental crisis.”

Unlike a traditional holding company, whose primary purpose is to reduce risk through diversification of assets, Patagonia Works aims to invest in companies working to bring about positive change in five critical areas: clothing, food, water, energy, and waste.²⁷

The Patagonia Inc. story embodies critical lessons and principles for the twenty-first-century business leaders and students of management, innovation, and responsibility for the world. This particular case presents a modern challenge that requires us to reconsider our approach and envision a comprehensive and systematic overhaul of a segment within the apparel industry. The objective is to create a customer-centric, environmentally sustainable, highly competitive, and profitable business model that is designed to thrive in the coming century.

Questions for Understanding

1. How does the Davos Manifesto 2020 align with the principles of H2H Marketing?
2. What is the impact of contemporary advancements in politics, economics, society, and digitalization on the necessity of H2H Marketing as a mindset, management approach, and operational process within organizations?
3. What could be an appropriate function for forthcoming enterprises within communities when considering the two potential situations presented by the German philosopher Precht with respect to the growing prevalence of digitalization?

²⁶See Company Histories (n.d.).

²⁷See Chouinard (2013).

4. What are the potential ways to distinguish stakeholders in H2H marketing through the incorporation of The Sustainability Edge?
5. How do YKK's management principles, as illustrated in Fig. 11.1, relate to the concept of H2H marketing?
6. What are the major challenges confronting humanity, and which companies have the potential to make a significant contribution to comprehending and addressing them, thereby positioning and differentiating themselves among the key stakeholders?
7. What is the significance of "meaning" in this particular context, and why is it imperative for future marketing to focus on establishing this meaning?
8. May I know your perspective on the inquiry regarding the factors that influence human behavior? How does this pertain to the future of marketing and the trend of diminishing reliance on politics and media as a source of trust within society?
9. Can you provide an explanation of Sisodia et al.'s concept of the social transformation of capitalism? What impact do you anticipate this transformation will have on your personal growth and on the marketing strategies of companies?
10. What is the correlation between brand management and reputation management in H2H Marketing and the sociocultural shifts that have been referenced?
11. What strategies can companies employing H2H Marketing utilize to create shared value?
12. Can you elaborate on the factors that contribute to the profitability of Firms of Endearment, despite their comparatively higher investment in employee well-being?
13. Could you kindly elaborate on the definition of the term "resonance" and its relevance to H2H Marketing?
14. Please utilize visual storytelling techniques to narrate our story.

References

- Aditya Birla Group. (n.d.). *About us [company website]*. Retrieved from <https://www.adityabirla.com/about-us/heritage/aditya-vikram-birla/striving-for-excellence#:~:text=Towards%20this%20objective%2C%20our%20credo,This%20is%20our%20motto>
- Benbouali, F. (2017). Panoramic view of economic crises in the united states 1819–1857: Historical perspective. *IJASOS—International E-Journal of Advances in Social Sciences*, 699–706. <https://doi.org/10.18769/ijasos.337338>
- Betz, F. (2014). *Why bank panics matter: Cross-disciplinary economic theory*. Springer.
- Bierman, H. (n.d.). *The 1929 stock market crash* [blog post]. Retrieved from <https://eh.net/encyclopedia/the-1929-stock-market-crash/>
- Chouinard, Y. (2013, May 6). *Introducing Patagonia works, a new kind of holding company*. Retrieved from <https://www.patagoniaworks.com/>
- Company Histories. (n.d.). *Lost Arrow Inc*. Retrieved from <https://www.company-histories.com/Lost-Arrow-Inc-Company-History.html>
- Cone, C. (2021). 'Bringing humanity back to business': 10 insights from Paul Polman. *Sustainable Brands*. Retrieved from <https://sustainablebrands.com/read/leadership/we-need-to-bring->

- humanity-back-to-business-10-insights-from-paul-polman#:~:text=At%20Unilever%2C%20Polman%20turned%20around,employees%20to%20the%20Earth%20itself
- Denning, S. (2013). The origin of 'the world's dumbest idea': Milton Friedman. *Forbes*. Retrieved from <https://www.forbes.com/sites/stevedenning/2013/06/26/the-origin-of-the-worlds-dumbest-idea-milton-friedman/?sh=7ede0516870e>
- Finshots. (2020, April 8). *Aditya Birla Group's business empire*. Retrieved from <https://finshots.in/infographic/aditya-birla-groups-business-empire/>
- Friedman, M. (2003). *Capitalism and freedom* (40th Anniversary ed.). University of Chicago Press.
- GE. (2020, March 2). *Jack Welch, the 'ultimate manager' who oversaw GE's rise to the most valuable company, Dies at 84*. Retrieved from <https://www.ge.com/news/reports/jack-welch-the-ultimate-manager-who-oversaw-ges-rise-to-the-most-valuable-company-dies-at-84>
- GE. (2021). *GE plans to form three public companies focused on growth sectors of aviation, healthcare, and energy*. Retrieved from https://www.ge.com/sites/default/files/GE%20Press%20Release_11092021.pdf
- Gelles, D. (2022). *The man who broke capitalism—How Jack Welch gutted the heartland and crushed the soul of corporate America and how to undo his legacy*. Schuster.
- HUK-COBURG. (n.d.-a). *HUK-COBURG im Überblick: Daten und Fakten [German company website]*. Retrieved from <https://www.huk.de/ueber-uns/unternehmen/historie-fakten.html>
- HUK-COBURG. (n.d.-b). *Unternehmensphilosophie*. Retrieved from <https://www.huk24.de/informationen/unternehmensphilosophie.jsp;jsessionid=00011bQ0xe4TQ-3EzjAhSnWaoq1:1dd604pgm?nmfrom=hauptnavigation>
- Johnson Hess, A. (2021, September 15). *In 2020, top CEOs earned 351 times more than the typical worker*. Retrieved from <https://www.cnbc.com/2021/09/15/in-2020-top-ceos-earned-351-times-more-than-the-typical-worker.html>
- Kotler, P., Pfoertsch, W., & Sponholz, U. (2021). The current state of marketing. In *H2H marketing*. Springer. https://doi.org/10.1007/978-3-030-59531-9_1
- Krishnan, H. A. (2021). Mindfulness as a strategy for sustainable competitive advantage. *Business Horizons*, 64(2). <https://doi.org/10.1016/j.bushor.2021.02.023>
- Marquardt, A. (2022, June 6). More than 8 in 10 Americans hate this economy. That's the highest number since the poll began. *Fortune*. Retrieved from <https://fortune.com/2022/06/06/economy-disatisfaction-record-high-poll-inflation-interest-rates-biden/#:~:text=Though%20inflation%20slowed%20in%20April,the%20highest%20rate%20since%201981.&text=The%20high%20rates%20are%20continuing%20to%20put%20financial%20pressure%20on%20American%20households>
- McGerr, M. (2016). *Progressivism, liberalism and the rich*. Yale University Press. <https://doi.org/10.12987/yale/9780300204841.003.0012>
- Petersen, K. (2013). The early Cold War and the Western welfare state. *Journal of International and Comparative Social Policy*, 29(3), 226–240. <https://doi.org/10.1080/21699763.2013.855129>
- Pham, M. (2021, December 2). Unilever's CEO on the 'new mode of leadership'. *Marketing Week*. Retrieved from <https://www.marketingweek.com/unilever-leadership/>
- Porter, M. E., & Kramer, M. R. (2011). Creating shared value—How to reinvent capitalism—And unleash a wave of innovation and growth. *Harvard Business Review*, 89(1/2), 62–77. Retrieved from <https://hbr.org/2011/01/the-big-idea-creating-shared-value>
- Rappaport, A. (1997). *Creating shareholder value: A guide for managers and investors*. Free Press.
- Rappaport, A. (2006). Ten ways to create shareholder value. *HBR*. Retrieved from <https://hbr.org/2006/09/ten-ways-to-create-shareholder-value>
- Raveendran, R. (2022, April 16). *Aditya Birla Group companies [subsidiaries list] brands 2022*. Retrieved from <https://indiancompanies.in/aditya-birla-group-companies-brands/>
- Schwab, K. (2019, December 2). *Davos Manifesto 2020: The Universal purpose of a company in the fourth industrial revolution*. World Economic Forum. <https://www.weforum.org/agenda/2019/12/davos-manifesto-2020-the-universal-purpose-of-a-company-in-the-fourth-industrial-revolution/>

- Sisodia, R. S., Sheth, J. N., & Wolfe, D. (2014). *Firms of endearment: How world-class companies profit from passion and purpose* (2nd ed.). Pearson Education.
- Stefan, G. (2015). *European welfare state in a historical perspective: A critical review*. Retrieved from https://www.researchgate.net/publication/329416200_European_Welfare_State_in_a_Historical_Perspective_A_Critical_Review
- Yamamoto, K., & Lloyd, R. (2019). *Ethical considerations of Japanese business culture*. Retrieved from https://www.researchgate.net/publication/340449442_Ethical_considerations_of_Japanese_business_culture
- YKK. (n.d.). *Philosophy*. Retrieved from <https://www.ykk.com/english/philosophy/index.html>

Philip Kotler is the leading authorities in marketing. He was the S.C. Johnson & Son Distinguished Professor of International Marketing at the Kellogg School of Management, Northwestern University, Evanston, Illinois. He received his Master's Degree at the University of Chicago and his PhD Degree at MIT, both in economics. He did post-doctoral work in mathematics at Harvard University and in behavioral science at the University of Chicago.

Professor Kotler is the author of more than 90 books many article such as: Marketing Management: Analysis, Planning, Implementation and Control, the most widely used marketing book in graduate business schools worldwide; Principles of Marketing; Marketing Models; Strategic Marketing for Non-profit Organizations; The New Competition; High Visibility; Social Marketing; Marketing Places; Marketing for Congregations; Marketing for Hospitality and Tourism; The Marketing of Nations; Kotler on Marketing, Building Global Bio Brands, Attracting Investors, Ten Deadly Marketing Sins, Marketing Moves, Corporate Social Responsibility, Lateral Marketing, and Marketing Insights from A to Z. He has published over one hundred articles in leading journals, several of which have received best-article awards.

Professor Kotler was the first recipient of the American Marketing Association's (AMA) "Distinguished Marketing Educator Award" (1985). The European Association of Marketing Consultants and Sales Trainers awarded Kotler their prize for "Marketing Excellence". He was chosen as the "Leader in Marketing Thought" by the Academic Members of the AMA in a 1975 survey. He also received the 1978 "Paul Converse Award" of the AMA, honoring his original contribution to marketing. In 1989, he received the Annual Charles Coolidge Parlin Marketing Research Award. In 1995, the Sales and Marketing Executives International (SMEI) named him "Marketer of the Year".

Professor Kotler has consulted for such companies as IBM, General Electric, AT&T, Honeywell, Bank of America, Merck and others in the areas of marketing strategy and planning, marketing organization and international marketing.

He has been Chairman of the College of Marketing of the Institute of Management Sciences, a Director of the American Marketing Association, a Trustee of the Marketing Science Institute, a Director of the MAC Group, a former member of the Yankelovich Advisory Board, and a member of the Copernicus Advisory Board. He has been a Trustee of the Board of Governors of the School of the Art Institute of Chicago and a Member of the Advisory Board of the Drucker Foundation. He has received honorary doctoral degrees from the Stockholm University, University of Zurich, Athens University of Economics and Business, DePaul University, the Cracow School of Business and Economics, Groupe H.E.C. in Paris, the University of Economics and Business Administration in Vienna, Budapest University of Economic Science and Public Administration, and the Catholic University of Santo Domingo.

Phil is one founding member of The Sarasota Institute, a think tank located in Sarasota, Florida.

He has travelled extensively throughout Europe, Asia and South America, advising and lecturing to many companies about how to apply sound economic and marketing science principles to increase their competitiveness. He has also advised governments on how to develop stronger public agencies to further the development of the nation's economic well-being.

Waldemar Pfoertsch is Senior Professor of Marketing at the CIIM Business School of the University of Limassol, Cyprus. He is Professor Emeritus for International Business at the Pforzheim University, Germany, and part-time professor at EPOKA University in Tirana, Albania. He lectures about H2H Marketing, B2B Marketing and industrial Brand Management. He is lecturer at the Mannheim Business School, Tongji SEM, Shanghai, and TUM (Technical University Munich), Heilbronn. He also teaches at ITM, Sweden, Indian Institute of Management Calcutta (IIMC), and Graduate Business School of ESAN, Lima Peru. From 2007-2010 he was professor of marketing at China Europe International Business School Shanghai (CEIBS). His other teaching positions have been at the Executive MBA Program at the University of Illinois, Chicago He was visiting Associate Professor at Kellogg Graduate School of Management, Northwestern University and Lecturer for Strategic Management at Lake Forest Graduate School of Management. From 2001, he has taught online with the University of Maryland University College Graduate School. At the start for his career, he was Research Assistant at the Technical University of Berlin.

Dr. Pfoertsch has extensive experience in management consulting in USA, Europe and China. In his years at UBM/Mercer Consulting Group, Arthur Andersen Operational Consulting and LEK Consulting, he worked throughout Europe, Asia and North America, assisting companies in developing international strategies. His earlier positions include sales and strategy positions at Siemens AG in Germany/USA and being he was an Economic Advisor to the United Nations Industrial Development Organization (UNIDO) in Sierra Leone, West Africa. His research interests have evolved around the globalization of high-tech companies and their marketing and branding efforts. His newest research is focusing Human-to-Human marketing of industrial companies.

Uwe Sponholz is Professor for Service Engineering, Innovation Management and Design Thinking, B2B Marketing and Sales as well as Strategic Management at FHWS—University of Applied Sciences Würzburg-Schweinfurt. He also teaches at Christ University, Bangalore India and other foreign universities. As dean of the Faculty of Business and Engineering at FHWS, he was a strategic driver of the internationalization of the university and the introduction of innovative teaching methods. Today, in addition to his teaching duties, he is responsible for the degree program management of the MBA Business with Europe and the management of two laboratories (Creative Cube and VR Laboratory).

His professional career began at the Institute for Trade Research at the University of Cologne, initially as a researcher, later as head of department of the newly founded consulting division of the institute. He then moved to Alliances Management Consultants in Paris, a small consulting firm specializing in providing strategic advice to large service providers. From there he went to FAG in Schweinfurt, where he was significantly responsible for the development and implementation of a global service concept.

For years he has supported companies with design thinking workshops and consulting projects. He is also shareholder and founding partner of in-cito management consulting and Bodystance GmbH. He uses the second company to test his conceptual ideas of H2H Marketing.

Maximilian Haas worked as research assistant at Pforzheim Business School before starting to work as a consultant for Ingredient Branding and Business Development. He graduated 2019 in International Business at Pforzheim University. His interests lay mainly in branding and international business. He is guest lecturer at the University of Ljubljana, School of Economics and Business and currently works as Product Manager Mobile for 1&1 Telecommunication SE in Karlsruhe, Germany. In his role as product manager, he creates new product concepts for churn prevention and customer retention campaigns.



Case Study: Patagonia—A Human-Centered Approach to Marketing 12

Charlotte Schatz and Waldemar Pfoertsch

In 2018, Patagonia founder Yvon Chouinard altered the company’s mission statement to: “Patagonia is in business to save our home planet.” Since then, the outdoor apparel company was doing everything to follow this very specific mission. From product development, production to advertising strategy and political endorsement, everything followed the same goals. Ryan Gellert became CEO in the middle of the corona pandemic and continued the Patagonia’s mission of environmental conservation and activism. After 14 years in leading positions of the Patagonia’s EMEA organization, he became the internal successor of ex-CEO Rose Marcario. Prior to joining Patagonia, Gellert worked for Black Diamond Equipment, as president from 2012.¹

Patagonia Inc. is a privately owned, American outdoor apparel and gear company headquartered in Ventura, California. The company was founded in 1973 by Yvon

This case was prepared by Charlotte Schatz, Global Brand & Business Development Manager at HUGO BOSS AG, Metzingen, Germany, under the supervision of Professor Waldemar Pfoertsch at Pforzheim Business School. It is intended to be used as a basis for class discussion rather than an illustration of an either effective or ineffective handling of a management situation. It provides analysis and questions that are intended to present alternative approaches to deepening students’ comprehension of business issues and energizing classroom discussion.

Copyright © 2023 by the authors. 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, or otherwise—without the permission of the author. Contact waldemar@pfoertsch.com

¹ ISPO (2020).

C. Schatz (✉)

Global Brand & Business Development, Hugo Boss AG, Metzingen, Germany

W. Pfoertsch

CIIM Business School, University of Limassol, Limassol, Cyprus

e-mail: waldemar@pfoertsch.com

Fig. 12.1 Patagonia's extended logo (For the image source, see <https://logosmarken.com/patagonia-logo/>)



Chouinard. He dedicated the brand to tackle environmental challenges. Chouinard established a corporate culture over years that could sustain the brand successfully until today and heavily differentiates it from other (apparel) companies.

Yvon Chouinard founded the company as an outdoor sport-loving person with the vision to do as little harm to the environment as possible. He blamed traditional businesses for many of the world's economic, social, and environmental issues yet believed that business also had the potential to alleviate these problems and inspire positive change.² This belief has since then shaped the company's culture and economic decisions.

The product range of Patagonia stretches from outdoor apparel for men, women, and children, bags, and sports gear to books and even food. They offer products for all varieties of "silent" outdoor sports: climbing, hiking, surfing, cross-country skiing and snowboarding, mountain biking, trail running, and even fly fishing.³

In mid-2021, the company had over 2300 employees and is active across 5 continents, with its major business still taking place in the USA. Patagonia is a pioneer in many aspects of sustainable and human-centered businesses (Fig. 12.1).⁴

Patagonia's Company Philosophy

The company wants to "build the best product, cause no unnecessary harm, and use business to inspire and implement solutions to the environmental crisis."⁵ Sustainability is deeply rooted within the company's value system and doing business with the most positive impact on the environment lies at the core of it. It also means that traditional business manners did and will not apply to Patagonia's economic decisions and sustainability would always be the priority.

Patagonia is known for its environmental activism, pushes their educational work on climate change, and supports nonprofit organizations since day one. Patagonia has become famous for its striking anti-consumerism campaigns and political statements instead of traditionally publishing promotion campaigns for their latest collection. Obviously, the company exists to do change.

²Chouinard (2016, p. 3).

³Patagonia Inc. (2020g).

⁴Mason (2017).

⁵Chouinard (2016, p. 6).

Nevertheless, reasonable profitability was never disregarded. Chouinard stated: “It’s okay to be eccentric, as long as you are rich; otherwise, you’re just crazy.” To be noted as a serious player in the market, the company’s financial situation needed to keep pace with its competitors. Today, Patagonia is still a private company, and management has rejected venture capital or other external investments, to be self-responsible and autonomous in its decisions. Some experts assume that the fact Patagonia was privately -owned was the reason that it could pursue environmental sustainability. They suggest that in some cases its actions towards more sustainability took place at the expense of its growth or financial performance. Yet, Patagonia stated that their efforts in increasing attention to environmental issues wereas never at odds with optimal financial performance.

In 2016, when Yvon Chouinard published the second edition of his book *Let my people go surfing*, he outlines his approach to a responsible and sustainable business. The idea of founding a business that could do different was born in nature and was bound to nature until today. Chouinard’s management style was heavily influenced by his experiences he gained from his outdoor trips. He applied the experience to business—he learned to take decisions “as risk-free as possible” through climbing.⁶ When the waves were great for a surf, Chouinard’s surf shop was closed, and the employees could enjoy surfing. This philosophy of a healthy work-life balance is maintained till today. This is a major reason for making Patagonia one of the most popular employers.⁷

The enthusiasm for outdoor sports, the environment, and the will to do business better than the norm shaped the company’s culture and created value-driven management, which is prerequisite to become part of the management team. Chouinard explained: “We’ve rushed through a lot of CEOs and a lot of management teams that didn’t understand what we’re about . . . The values here are so deep . . . [and] it is hard to find a CEO that will grow with the company.”⁸

This mindset is also applied for the choice of business partners, which has always been driven by values, not “commercial efficiency.”⁹ Patagonia’s business philosophy is heavily driven by the will to do least harm to the environment by long-lasting, innovative, and high-quality products while actively supporting initiatives and actions to save the planet and its natural resources.

Patagonia is a pioneer of sustainable, innovative, human-centered business and a perfect example for a *Firm of Endearment* (FoE).¹⁰ Not only is it purpose-driven and not only does it actively care about their people; moreover the company strives to act with a positive footprint and pushes environmental activism toward a more sustainable economic landscape. Examples that underline its role as a FoE will become clear throughout the analysis, nevertheless, shall be marked at this point. Patagonia

⁶Reinhardt et al. (2010, p. 10).

⁷Reinhardt et al. (2010).

⁸Chouinard (2016).

⁹Reinhardt et al. (2010, p. 6).

¹⁰Sisodia et al. (2014).

does not exist to push consumerism and drive highest sales it possibly can without respecting its footprint and the people who make it possible, their employees. Not only the firm benefits from its operations, but all affected stakeholders are actively considered. Also, Patagonia achieved to be a renown and trusted brand that means it seriously and has earned a place in many customer's and employer's hearts with all consequences:

Earn a place in the customer's heart and she will gladly offer you a bigger share of her wallet. Do the same for an employee and the employee will give back with a quantum leap in productivity and work quality. Emotionally bond with your suppliers and reap the benefits of superior offerings and responsiveness. Give communities in which you operate reasons to feel pride in your presence and enjoy a fertile source of customers and employees.¹¹

Patagonia's Approach to the H2H Marketing Model

The idea of design thinking is rooted in Patagonia's business structure without the term itself being present within the company: Products are designed with the needs and aspirations of "climbers and surfers" in mind and product features they truly appreciate. Certainly, the company is led and operated by "climbers and surfers" themselves. Utility and simplicity have always been key to product-related decisions matching the makers' and the customers' needs. A direct customer value-add is highly prioritized in product development.¹²

Part of Patagonia's business philosophy is continuous improvement.¹³ This mindset leads to new product developments improving their ecological footprint and setting new standards in sustainable apparel. Patagonia has included innovative methods and materials such as non-harmful dyes and minimal packaging. They are constantly testing and researching new methods that can even do better and therefore able to create more long-lasting and innovative products for the market. Examples of functional or sustainable product innovations are:

- Personal Surf Inflation: an inflatable safety vest for critical surf conditions
- UPF fabrics: products which provide built-in sun protection that won't wear off
- Polartec Windbloc: fabrics that block 100% of the wind for maximum protection
- H₂No Performance Standard: waterproof, breathable, and durable fabrics for long-term performance¹⁴ (Fig. 12.2)

To proof highest longevity to their products, Patagonia has established the "Ironclad Guarantee." This highlights products which are especially durable,

¹¹ Mackey and Sisodia (2014, p. 7).

¹² Saad (2015).

¹³ Chouinard (2016).

¹⁴ Patagonia Inc. (2020f).



Fig. 12.2 Product innovations (Patagonia Inc., 2020f)

Ironclad Guarantee



We guarantee everything we make. If you are not satisfied with one of our products at the time you receive it, or if one of our products does not perform to your satisfaction, return it to the store you bought it from or to Patagonia for a repair, replacement or refund. Damage due to wear and tear will be repaired at a reasonable charge.

Fig. 12.3 Explanation of the ironclad guarantee (Chouinard, 2016, p. 90)

functionable, and resistant. This label is another proof for Patagonia’s user-centricity and a visual promise for trust in their products and promises (Fig. 12.3).

Open-Source Philosophy

Patagonia has not only innovated new-to-the-market sustainable product technologies and further developed the possibilities of positive environmental impact of apparel companies, but they also shared their insights to competitors in favor of the bigger impact. Patagonia acts as a “change agent to lobby other [...] outerwear retailers.”¹⁵ Whenever the proof of concept has been built, they shared their insights and could integrate feedback and hence enlarge the product’s impact.

¹⁵Golovin et al. (2016, p. 3).

Furthermore, Patagonia included field-testing ambassadors for their innovations and therefore could integrate direct customer feedback into the product development.¹⁶ “Patagonia is leveraging the power of open innovation because the likelihood of the solution existing inside the R&D department of one company is extremely low,” summarized Robert Strand, Executive Director, Berkeley Haas Center for Responsible Business.¹⁷

Interdisciplinary Teams

Interdisciplinary teams are key to Patagonia’s human resource strategy. Employees are chosen by their value-match, entrepreneurial spirit, and environmental concern instead of their academic or educational degree. This leads to diverse teams regarding their functional backgrounds, yet they share the same vision for what they are working on.¹⁸ The willingness to learn is appreciated much more, and different people with various backgrounds contribute to interdisciplinary teams, which enriches workflows and outputs.

You can teach a dirtbag how to do business, but you can’t teach an MBA grad how to climb.¹⁹

Even though Patagonia has increased to hire people for their technical expertise, they stick to what originally proved to be successful: “Hiring people with diverse background brings in a flexibility of thought and openness to new ways of doing things, as opposed to hiring clones from business schools who have been taught a codified way of doing business. A business that thrives on being different requires different types of people.”²⁰ Interdisciplinarity is a key criterion for Patagonia and enables open and innovative developments within the company, closely relating to the design-thinking approach per definition.

Iterative Change Mindset

Patagonia’s constant market success over years has shown that the team has an attitude of change rather than resisting: “Because the world is changing, we can never assume that the way we have done things in the past is adequate for the future.”²¹ Founder Chouinard observes other businesses to learn and adopt what they

¹⁶Reinhardt et al. (2010).

¹⁷Beckman et al. (2019, p. 2).

¹⁸Reinhardt et al. (2010, p. 7).

¹⁹Chouinard (2016).

²⁰Chouinard (2016, p. 159).

²¹Chouinard (2016, p. 159).

Fig. 12.4 “DON’T BUY THIS JACKET” campaign, 2011 (https://www.researchgate.net/publication/281150826_Less_is_more_Is_a_green_demarketing_strategy_sustainable/figures?lo=1)

DON’T BUY THIS JACKET



SOURCE: NY TIMES

do successfully, e.g., McDonald’s in terms of just-in-time inventory and supplier relationships.²² Being willing and able to change, not only as a founder but as a team, has proven to be prerequisite to the company’s long-lasting success.

The drive for change has been actively communicated by the marketing campaign “DON’T BUY THIS JACKET” from 2011, which led to high awareness across the globe. The campaign was spread along with the Common Threads Initiative encouraging consumers to “reduce, repair, reuse and recycle” clothing. No brand before would have promoted their products while advising consumers against buying—a clear act of change, with the effect of raising attention to anti-consumerism to cause less harm to the environment. Patagonia as the sender of this message might seem diluting, yet as one considers the company’s environmental activism and sustainable manners in the industry, the message appears honest and clearly change-driven (Fig. 12.4).

²²Chouinard (2016, p. 119).



Fig. 12.5 Patagonia store in San Francisco in an old service station (https://eu.patagonia.com/de/patagonia-san-francisco-770-north-point-san-francisco-california-94109/store_924601889.html?fdid=stores)

Service-Dominant Logic and Customer Experience

Patagonia understood early that they do not only sell products, but a lifestyle and brand experiences. Simply selling and pushing commerce speaks against the value set of Patagonia. Their retail strategy is more a point-of-experience than simply a point-of-sale as their customers can gather and feel at home with a bunch of friends. The first shop designed to that idea was opened in the 1970s in an old garage off the beaten shopping tracks of San Francisco.²³ Today, they also integrate local environmental organizations or movie screenings into their stores. Patagonia owns 52 retail stores worldwide, thereof 26 retail stores in the USA.²⁴

For Patagonia, the retail store represented not merely a place for commercial transaction, but a physical representation of the brand.²⁵

Every store is meant to look different, honoring all types of outdoor content needs to find a place in the stores (Fig. 12.5).²⁶

²³Chouinard (2016, p. 127).

²⁴Reinhardt et al. (2010, p. 5).

²⁵Reinhardt et al. (2010, pp. 5–6).

²⁶Chouinard (2016, p. 129).

Environmental Initiatives

Patagonia is not only known for its sustainable and innovative product range or its support for environmental activism. The brand launched several environmental initiatives with global impact. They all show that executing service is essential to the brand when selling a product, underlining the increasing relevance of Service-Dominant Logic (S-DL) businesses—customers receive added value, the brand takes a stand, and the value-driven connection between them is strengthened. Two significant examples are briefly described:

Common Threads Program

The Common Threads Initiative was launched in 2011 with the mission to “reduce, repair, reuse, recycle, reimagine.” Its first aspect was to encourage customers to fix damaged clothing by themselves. Patagonia therefore collaborated with iFixit, an American-based online platform for repair guides, who worked out a do-it-yourself clothing repair guide for Patagonia. Customers were able to repair broken zippers or patch holes, and Patagonia assisted them—doing so with detailed step instructions. In case the repair was too challenging, Patagonia took over the shipping costs for customers to send their garment to Patagonia’s repair facility and let it be fixed against a fair wage.

Secondly, Patagonia set up a second-hand market for Patagonia garments which did not fit anymore and were no longer worn. The collaboration between eBay and Patagonia enabled customers to sell their garments on a curated online platform. Clothes which were beyond repair were repurposed by Patagonia.²⁷

Worn Wear Initiative

The initiative was created to support the idea of Common Threads and is still active. Worn Patagonia products can be returned to the store and are treated to sell them to a second user afterward. The products are washed, repaired, or simply repurposed but always made to be worn again. The claim of the initiative is: “Better than new” and support the durability of Patagonian products and opens the possibilities to a new lifecycle once thought to be ended.²⁸

For marketing and on-site repair purposes, a camper named Delia drove around the country in the USA to repair clothes mainly Patagonia garments but also others.²⁹ Customers were involved and received several services to lengthen the

²⁷Dossa (2015, p. 4).

²⁸Patagonia Inc. (2020h).

²⁹Saad (2015).



Fig. 12.6 Promotion of the “Worn Wear” initiative (Patagonia Inc., 2020h)

Patagonia Brand Ambassadors

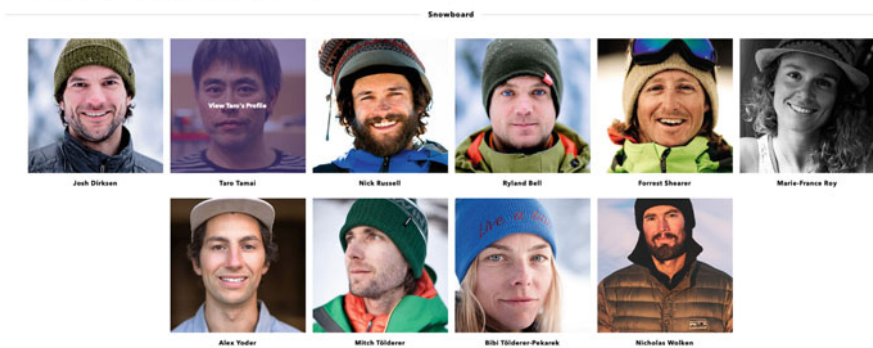


Fig. 12.7 Snowboard brand ambassadors (Patagonia Inc., 2020d)

lifetime of Patagonian clothes. Above all, Patagonia collected and curated stories of people’s experience while wearing their garments (Fig. 12.6).³⁰

Co-creation and Customer Integration

In research, no proof has been found that Patagonia considers co-creation in terms of product development. But they are open for different kinds of cooperations, especially in terms of storytelling and activism. Patagonia makes stories and brand fans

³⁰Patagonia Inc. (2020i).



Fig. 12.8 Promoting the 1% for the Planet initiative (Patagonia Inc., 2020b)

part of their own brand identity by letting them become official brand ambassadors, other consumers feel related to.

Patagonia Brand Ambassadors (Fig. 12.7)

By presenting Patagonia faces who are active sports-driven people across the globe, consumers feel as being part of the movement and can relate to their stories and experiences as “Patagonia ambassadors” themselves.

Donation as a Service

Not only receive customers a product and a good after-sales service when purchasing Patagonia—you even do actively good with it. In 1985 Patagonia has started the “1% for the Planet” initiative: With every sold product, they donate 1% to environmental alliances helping to save the ecological biosphere. Clearly, it is an act of making a statement on their concerns about environmental issues and taking responsibility. Furthermore, they support consumers contributing to it easily—as a service. On Black Friday 2019, Patagonia donated 100% of their turnover to charity associations (Fig. 12.8).³¹

³¹ Patagonia Inc. (2020b).

Activism as a Service

Environmental activism has existed in Patagonia's history since day one. Today, they support customers making donations (1% for the Planet); they also encourage their employees to take an active role in environmental activism. In the respective employee activism program, every employee can choose an initiative they want to support for several weeks.³² Again, work and financial security is not the ultimate quid pro quo employees receive; it is more the opportunities to live a fulfilled and enriching life while working.

The same accounts for the customers—when purchasing Patagonia products, consumers make a statement for environmental protection without necessarily speaking out loud. Patagonia uses its reach and takes the lead in terms of activism; it may be physically or symbolically by marketing activist campaigns instead of promoting the newest collection presentation.³³ Patagonia calls themselves the “activist company” which offers a value-based customer experience. It can be understood as an additional educational service Patagonia delivers for their customers. On their website, Patagonia promotes the Patagonia Action Works campaign (“Act Now”), where interested persons find regional environmental initiatives they can become active in.

Digitization

For Patagonia digitization works as a tool for implementing and achieving their set goals, simply seen in a functional role whenever needed. Patagonia is not a “digital native”; neither have they innovated in terms of digital opportunities. Nevertheless, they have not missed to keep pace with latest technologies and innovations in the e-commerce sector.

Transparency

The relevance of information provision is strikingly important for Patagonia to fulfill their promises of transparency. Patagonia uses their online channels, such as their website, to publish information about their products' supply chains.³⁴ Consumers receive detailed information about materials, technologies, processes, and certifications (extract).

³²Patagonia Inc. (2020e).

³³Chouinard (2016, p. 185).

³⁴Kammen and Hendricks (2018, p. 28).

Dematerialization

Digitization has been an accelerator to broadcast stories about Patagonia and enabled the brand to become as value-rooted across the globe. For the initiative Worn Wear, Patagonia, e.g., set up a separate online presence and could accelerate its impact, not only essential for branding purposes but again also in terms of sustainability. The messages could be easily spread by certainly related hashtags, such as #wornwear. Therefore, the products were dematerialized into stories and values, creating additional branding effects (Fig. 12.9).

By publishing customers' stories about their experiences they have had while wearing Patagonia, consumers feel integrated and appreciated. Every individual can contribute to the overall mission Patagonia leads and become an integral part of it. This shows exemplarily, how digitization has created an individualization of the brand messages as customers' affairs are included into the campaign globally and digitally. Consumers do not simply consume the products but become part of the community and consume services and lifestyles. Digitization has proven to be the ideal accelerator for Patagonia's impact.

When they're not out climbing mountains and skiing Alpine slopes, Patagonia's customers are all too willing to share about their experiences with the brand and its impact on their lifestyle.³⁵

Marketing and advertising investments are less than 1% of Patagonia's sales, which is comparably low in the apparel market. Social media and other online channels act as platforms incorporating educational messages for all stakeholders to make their advertising statements visible.³⁶

Content Management

In terms of content management, Patagonia has set up a blog collecting all lifestyle topics concerning the true Patagonia brand lover: It's called "The Cleanest Line".

Ahead of retail-based communication, the company uses its digital platform to educate, inspire, and assist in planning processes for the next outdoor experience or to inform about environmental activism progress: "The cleanest line is a collaborative lifestyle guide for the modern-day adventurer that discusses products, sports, and related environmental issues".³⁷

³⁵Burkard (2016).

³⁶Reinhardt et al. (2010, p. 6).

³⁷Burkard (2016).

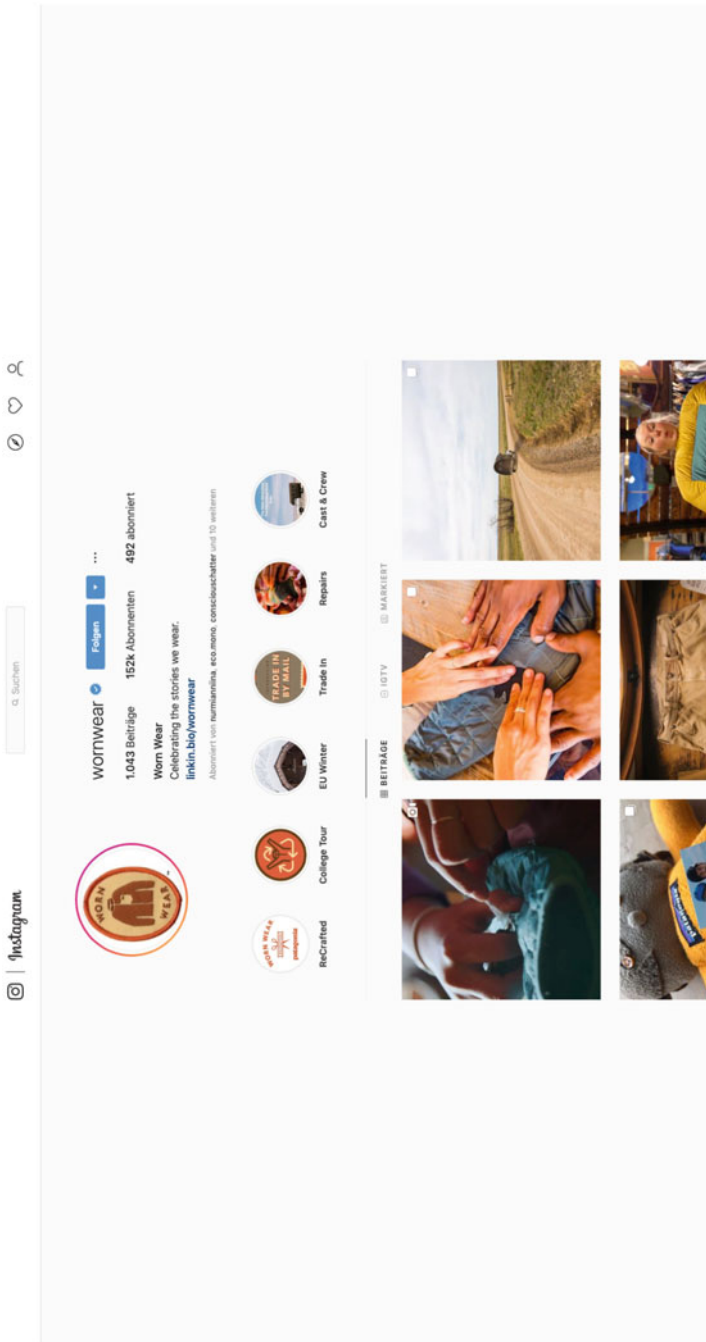


Fig. 12.9 Instagram “Worm Wear” page (Patagonia Inc., 2020a)

Location-Based Services

Patagonia targets a global community of outdoor fans, which leads to the fact that temperature differs between their customer's home regions heavily. Therefore, they adapt their newsletter marketing according to regions and recommend different products per climate zone.³⁸

User-Centricity in Human Resources

Not without reason Patagonia was listed on various “best-company-to-work-for” lists and receives about 10,000 applications annually for very limited positions. Benefits and an enjoyable work environment have high priority, including home office and flexible working hours. The company facilitates sabbaticals of up to 2 months to work for environmental organizations of their choice. Furthermore, they subsidize environmental-friendly private investments and actions, such as hybrid-cars or consequences of non-violent activist arrests. Patagonia was one of the first American companies to install an on-site childcare center for their employees instead of losing their female staff.³⁹ Clearly, the users—in this case employees' needs—are central to Patagonia's human resource strategy.

From “1% for the Planet” to a 100% Commitment

In September of 2022, the founder of Patagonia, Yvon Chouinard, revealed his decision to give away the company to a trust which will use the profits that Patagonia generates to fight the climate crisis. The Patagonia Purpose Trust will receive the company's voting stock and will be managed by family members. The nonvoting stock (98% of the company) will go to the Holdfast Collective, a certified B Corp working on nature preservation and combating the climate crisis.⁴⁰

With this arrangement Chouinard wants to maximize the positive impact on the planet while making sure that the company culture and values remain unchanged. He described the decision as follows:

While we're doing our best to address the environmental crisis, it's not enough. We needed to find a way to put more money into fighting the crisis while keeping the company's values intact. One option was to sell Patagonia and donate all the money. But we couldn't be sure a new owner would maintain our values or keep our team of people around the world employed. Another path was to take the company public. What a disaster that would have been. Even public companies with good intentions are under too much pressure to create

³⁸Chouinard (2016, p. 126).

³⁹Chouinard (2016, p. 172). See also Reinhardt et al. (2010, p. 7).

⁴⁰See Roy (2022). See also Kolodny (2022).

short-term gain at the expense of long-term vitality and responsibility. Truth be told, there were no good options available. So, we created our own.⁴¹

This move represents a massive commitment to the planet which Chouinard declared to be “the company’s only shareholder.”⁴² In the bigger picture, this transition appears to be the next bold but logical step after all the climate initiatives and measures Patagonia created in the past.

Future Challenges and Recommendations

Patagonia is an exemplary case for other companies to adopt more human- and environmental-centeredness into the core of their businesses. Patagonia clearly stands up for their purpose-of-being and inherited values. The satisfaction of shareholders has never been essentially to their business success, but the satisfaction of all stakeholders. Patagonia uses their power to do good without primary financial or profitable interests and to advocate change in the system. Looking into the future, this business model is clearly the only reasonable option on how to set up an economic organization that is least responsible for the decay of our planet.

The time speaking to social- and environmentally conscious consumers has never been better. Climate crisis is on the political agenda, but active solutions have not been truly committed to. In a society, in which people search trust in brands rather than states or politics, Patagonia’s positioning is future leading. People at present are searching for identification, active role models, and change. A value-based communication is more empathic and connecting in today’s rushed society, which is why purpose-driven companies will take the lead. Consequently, Patagonia clearly is guiding the industry into a more trust-dominant logic, in which the honest relationship with people and planet comes first.⁴³ Patagonia gives customers a reason for being and the possibility to actively shape the sustainable future of our planet especially with the new company structure that uses Patagonia’s net profits to fight the climate crisis.

Therefore, Patagonia should continue to keep their values and convictions alive. To do so and to accelerate their impact, they need to increasingly embrace possibilities of digitization in order to market their ideas to a broader public. Their marketing philosophy needs to continue to be honest and sincere instead of diluting, as the fear of getting mixed up with imitators and me-too strategies in the market is increasing.

Furthermore, individualization could be another potential segment for Patagonia. Co-creating or customizing products with their customers, who want to get involved, could increase brand loyalty and trust even more.

⁴¹ See Kolodny (2022).

⁴² See Kolodny (2022).

⁴³ Pfoertsch and Sponholz (2019, p. 563).

Still, sustainability is at the core of the company's purpose, and therefore, any product development decreasing the product's harm to the environment needs to be first on the management agenda. Investments have proven to be a beneficial differentiation criterion for further market success—and as long as market success leads to positive impact for our planet, it can be evaluated as a responsible and reasonable business.

In summary, the following statements outline Patagonia's human-centered approach to business and what we learn from it in a nutshell⁴⁴:

- We need to treat people like people.
- We need to acknowledge that what is good for people is good for a business.
- What is good for the environment is good for people.
- Create quality products people can be proud of.

Questions for Discussion

Patagonia was analyzed by the main theoretical influences of H2H Marketing along the H2H Marketing Model. Its marketing strategy could be further investigated, which is not in the scope of this case study. Yet, to encourage further food for thought about Patagonia and its human-centered approach to business and marketing, please consider the following questions for self-study:

1. How can Patagonia achieve its objective of reducing consumption in order to reduce its negative environmental impact?
2. How can the H2H mindset be kept within the company's culture while growing over proportionally?
3. How would you access the contradiction of promoting anti-consumerism ("DON'T BUY THIS JACKET") while still producing +40% sales from the same campaign?
4. Which marketing strategies may help Patagonia capitalize on its brand community and brand trust?
5. How could Patagonia balance its sales with activist-driven marketing message, in your opinion?
6. Consider developing a "Patagonia sustainability academy" to educate people about transformation, sustainability, and responsibility not just within the scope of the company's operations, but throughout the clothing industry. Is it even possible?
7. How do you assess Patagonia's H2H mindset, management, and processes?

⁴⁴OpenIDEO (2012).

References

- Beckman, S., O'Neill, K., Pendleton-Knoll, S., Rosenzweig, W., & Strand, R. (2019). *Patagonia: Closing the loop on packaging pollution*. Berkeley Haas Case Series.
- Burkard, K. (2016, July 19). *Customer experience spotlight: Patagonia*. <https://blog.smile.io/customer-experience-spotlight-patagonia>
- Chouinard, Y. (2016). *Let my people go surfing: The education of a reluctant businessman—including 10 more years of business unusual*. Penguin Books.
- Dossa, Z. (2015). *Patagonia's sustainability strategy: Don't buy our products*. IMD—International Institute for Management Development.
- Golovin, K., Mailk, A., Miller, D., Rubenson, D., Snyder, S., & Stewart, A. (2016). *2016 Patagonia eco innovation case competition*. University of Michigan Wolverines.
- ISPO. (2020). *Ryan Gellert appointed new CEO of Patagonia*. <https://www.ispo.com/en/companies/ryan-gellert-appointed-new-ceo-patagonia>
- Kammen, D., & Hendricks, P. (2018). *Patagonia's Path to go carbon-neutral by 2025*. Berkeley Haas Case Series.
- Kolodny, L. (2022, September 14). Patagonia founder just donated the entire company, worth \$3 billion, to fight climate change. *CNBC*. Retrieved from <https://www.cnn.com/2022/09/14/patagonia-founder-donates-entire-company-to-fight-climate-change.html>
- Mackey, J., & Sisodia, R. (2014). *Conscious capitalism: Liberating the heroic spirit of business* (Paperback [edition]). Harvard Business Review Press.
- Mason, C. (2017, June 22). *Patagonia's journey into a new regenerative performance approach*. Gale Academic OneFile. <https://go.gale.com/ps/anonymouse?id=GALE%7CA499598706&sid=googleScholar&v=2.1&it=r&linkaccess=abs&issn=19464606&p=AONE&sw=w>
- OpenIDEO. (2012, November 21). *Let my people go surfing—The human centered Approach to Management*. OpenIDEO Changing Behaviours. <https://challenges.openideo.com/challenge/well-work/inspiration/let-my-people-go-surfing-2013-the-human-centered-approach-to-management>
- Patagonia Inc. (2020a). *Patagonia Instagram: Worn wear*. <https://www.instagram.com/wornwear/>
- Patagonia Inc. (2020b). *Patagonia website: 1% for the planet*. <https://www.patagonia.com/one-percent-for-the-planet.html>
- Patagonia Inc. (2020c). *Patagonia website: Action works*. <https://www.patagonia.com/actionworks/#!/explore/home?issues=climate,communities>
- Patagonia Inc. (2020d). *Patagonia website: Brand ambassadors*. <https://eu.patagonia.com/de/de/ambassadors/>
- Patagonia Inc. (2020e). *Patagonia website: Employee activism*. Patagonia.Com. <https://eu.patagonia.com/de/de/employee-activism.html>
- Patagonia Inc. (2020f). *Patagonia website: Materials & technologies*. <https://www.patagonia.com/materials-tech.html>
- Patagonia Inc. (2020g). *Patagonia.com website*. <https://eu.patagonia.com/de/de>
- Patagonia Inc. (2020h). *Patagonia website: Worn wear*. Worn Wear—Better than New. <https://eu.patagonia.com/de/de/worn-wear.html>
- Patagonia Inc. (2020i). *Patagonia blog: The cleanest line*. <https://www.patagonia.com/blog/>
- Pförsch, W. A., & Sponholz, U. (2019). *Das neue Marketing-Mindset Management, Methoden und Prozesse für ein Marketing von Mensch zu Mensch*.
- Reinhardt, F., Casadesus-Masanell, R., & Kim, H. J. (2010). *Patagonia*. Harvard Business School.
- Roy, M. (2022, September 16). Patagonia founder gives away company to help fight climate crisis. *Reuters*. Retrieved from <https://www.reuters.com/business/retail-consumer/patagonia-founder-gives-away-company-help-fight-climate-crisis-2022-09-14/>
- Saad. (2015, December 10). *Patagonia: A focus on a sustainable model*. <https://digital.hbs.edu/platform-rectom/submission/patagonia-a-focus-on-a-sustainable-model/>
- Sisodia, R. S., Sheth, J. N., & Wolfe, D. (2014). *Firms of endearment: How world-class companies profit from passion and purpose* (2nd ed., p. 7). Pearson Education.

Image Links

Image URLs, if not connected to literature sources

Fig. 5.1.1—URL 1

<https://logosmarken.com/patagonia-logo/>

Fig. 5.1.4—URL 2

https://www.researchgate.net/publication/281150826_Less_is_more_Is_a_green_demarting_strategy_sustainable/figures?lo=1

Fig. 5.1.5—URL 3

https://eu.patagonia.com/de/patagonia-san-francisco-770-north-point-san-francisco-california-94109/store_924601889.html?fdid=stores

Charlotte Schatz is Manager Global Brand & Business Development at Hugo Boss AG Metzingen, and founder & business owner of somskat, a slow fashion label, that offers sustainable and timeless pieces—responsible, transparent, and saving precious resources, made in Europe. She has a Master of Arts in Creative Communication and Brand Management from Pforzheim University.

Waldemar Pfoertsch is Senior Professor of Marketing at the CIIM Business School of the University of Limassol, Cyprus. He is Professor Emeritus for International Business at the Pforzheim University, Germany, and part-time professor at EPOKA University in Tirana, Albania. He lectures about H2H Marketing, B2B Marketing and industrial Brand Management. He is lecturer at the Mannheim Business School, Tongji SEM, Shanghai, and TUM (Technical University Munich), Heilbronn. He also teaches at ITM, Sweden, Indian Institute of Management Calcutta (IIMC), and Graduate Business School of ESAN, Lima Peru. From 2007-2010 he was professor of marketing at China Europe International Business School Shanghai (CEIBS). His other teaching positions have been at the Executive MBA Program at the University of Illinois, Chicago He was visiting Associate Professor at Kellogg Graduate School of Management, Northwestern University and Lecturer for Strategic Management at Lake Forest Graduate School of Management. From 2001, he has taught online with the University of Maryland University College Graduate School. At the start for his career, he was Research Assistant at the Technical University of Berlin.

Dr. Pfoertsch has extensive experience in management consulting in USA, Europe and China. In his years at UBM/Mercer Consulting Group, Arthur Andersen Operational Consulting and LEK Consulting, he worked throughout Europe, Asia and North America, assisting companies in developing international strategies. His earlier positions include sales and strategy positions at Siemens AG in Germany/USA and being he was an Economic Advisor to the United Nations Industrial Development Organization (UNIDO) in Sierra Leone, West Africa. His research interests have evolved around the globalization of high- tech companies and their marketing and branding efforts. His newest research is focusing Human-to-Human marketing of industrial companies.