Does
Marketing
Need
Reform?

Fresh Perspectives on the Future

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CHAPTER 16

FROM MARKETING TO THE MARKET

A Call for Paradigm Shift

ALLADI VENKATESH AND LISA PEñALOZA

The search for new paradigms has been a major source of methodological and theoretical opportunities within the marketing discipline over the years (Arndt 1983; Bagozzi 1975; Day and Montgomery 1999; Deshpande 1983; Howard and Sheth 1969; Kohli and Jaworski 1990; Kotler and Levy 1969; Sheth 2004; Venkatesh 1985). Researchers such as Belk (1991) and McCracken (1988) ushered in the interpretive, humanistic approach to research in marketing. Recently, in an important development that has captured our thinking, Vargo and Lusch (2004) have worked to refashion the field into a new “dominant logic,” the basis of which is service orientation (see also Lusch and Vargo 2006). Current trends in global commerce have spurred some serious thinking on how firms can be competitive and stay afloat in this fast-paced environment (Sheth and Sisodia 2002). Years ago, in an ironic anticipation of contemporary global order, Dholakia, Firat, and Bagozzi (1980) proposed a global vision of marketing by referring to their approach as one of “de-Ameri- canization of marketing thought” (p. 75).

In this chapter we argue for a major paradigm shift, from the study of marketing to the study of market(s). Some of our preliminary thoughts on this subject are available in a forthcoming piece (Venkatesh, Peñaloza, and Firat 2006). The basis of our thinking can be traced back to a seminal paper published several years ago by Johan Arndt (1973) where he is concerned with the extension of the marketing concept to nonprofit/nonbusiness sectors. In that paper, he called our attention to the study of markets as a disciplinary imperative:

This extension of marketing [i.e., to the nonprofit sector] has revitalized the discipline and resulted in valuable insights for better management practice in new areas. Nevertheless, so far this conceptual expansion seems to be a broadening of marketing practice rather than marketing theory . . .

An alternative way of enriching marketing (instead of applying “old” knowledge to “new” problems) is to develop new theories. The aim of this article is to provide foundations for such a development. The article addresses an institution central to marketing thinking, the market itself. [emphasis added] (p. 69)

More recently, in a special issue of the Journal of Marketing the discussion regarding markets was revived in a series of articles by Buzzell (1999), John, Weiss, and Dutta (1999), and Rosa et al. (1999). In addition, as examples of major developments within the field, attention to the study of markets has continued in other key journals such as the Journal of Macromarketing, Consumption,

134

FROM

| Table 16.1 |
| Typology | Type |
| 1 | Maj |
| 2 | Mark |
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| 4 | Indu |
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### Table 16.1

**Current Disciplinary Typologies in the Marketing Discipline**

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<th>Typology</th>
<th>Type</th>
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<tr>
<td>1</td>
<td>Major Disciplinary Foci</td>
<td>Consumer marketing, Industrial marketing</td>
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<td>2</td>
<td>Market Structure Foci</td>
<td>Product marketing, Services marketing</td>
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<td>3</td>
<td>Consumer Marketing</td>
<td><strong>Topics</strong>&lt;br&gt;- Psychological approaches (Emphasis—Individual)&lt;br&gt;- Phenomenological/Experiential approaches (Emphasis—Individual)&lt;br&gt;- Sociological/Anthropological approaches (Emphasis—Social/Cultural)&lt;br&gt;- Quantitative modeling approaches&lt;br&gt;- Game theory approaches&lt;br&gt;- Brand management&lt;br&gt;- Online shopping behaviors&lt;br&gt;- Advertising</td>
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<tr>
<td>4</td>
<td>Industrial Marketing</td>
<td><strong>Topics</strong>&lt;br&gt;- Distribution channels&lt;br&gt;- Sales force management&lt;br&gt;- Organizational buying/procuring</td>
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<td>5</td>
<td>Competitive Strategies</td>
<td>Game theory&lt;br&gt;- Economic theories of competition</td>
</tr>
<tr>
<td>6</td>
<td>Institutional/Managerial Approaches</td>
<td>Transaction cost analysis&lt;br&gt;- Firm-level behaviors/decision making</td>
</tr>
<tr>
<td>7</td>
<td>International Marketing</td>
<td>Cross-cultural marketing</td>
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*Markets and Culture,* and *Marketing Theory.* There are also several established journals from across the globe such as the *European Journal of Marketing,* *Journal of Consumer Policy,* *International Marketing Review,* *International Journal of Research in Marketing,* *Asian Journal of Marketing,* and *Vikalpa* to mention a few, which have touched upon this issue one way or the other.

In light of recent developments in the field that address some fundamental issues concerning the directions for our discipline, we feel that a systematic study of markets is warranted. Our reasons for doing so are multiple and layered. We begin by charting major social and technological developments that call into question, if not render obsolete, existing substantive conceptualizations of the field. The theory of the firm, as a key player in the market, serves to organize our inquiry. More specifically, by viewing the field of marketing through the prism of the firm, we chart out advancements in analytical levels of abstraction, domain, scope, and maneuverability afforded by refocusing the attention of our discipline on the market. Currently, the marketing discipline can be identified in terms of the different disciplinary typologies as shown in Table 16.1. These typologies are not exhaustive but representative of the field. At the risk of simplification, one might say that Typology 3 (Consumer Marketing) represents the dominant paradigmatic focus within our field.

### SETTING THE STAGE: STRENGTHS AND VULNERABILITIES OF THE GLOBAL MARKET

In the past decade or so, we have noticed three major developments causing the ground to shift underneath many of the concepts and frameworks that have been espoused within marketing.
First, the center of gravity in the global economic systems is moving rather rapidly to some non-Western regions of this world (Sheth 2004). This in itself may not be a novel development, for Japan has been a major influential force in the world economy for almost thirty years. But, as strong and globally impactful as its economy is acknowledged to be, Japan was never considered a dominant world power in the larger scheme of things presumably because of its relatively small size. What we are now witnessing is the emergence of two major economic powers in the world, China and India, that are also two of the most populous nations: a fact to be noted is that in the global game, indeed size does matter (Sheth 2004). The combined population of the two countries constitutes over one-third of the world’s inhabitants and coupled with this, their continued economic growth forces us to speculate about the impending fundamental changes in the global scenario in the years to come. If we introduce Brazil and other South American economies as well as Korea and ASEAN (Association of Southeast Asian Nations) countries into the picture, the story becomes even more dramatic.

A second development has to do with the transformation of the global industrial economy into an information economy (Castells 2001). The emergence of the Internet is now viewed as a major technological revolution that has the potential to alter the future shape of global commerce. The Internet is leveling the playing field within and across the global economic system, and, at the risk of some exaggeration, one might say that the website has become a powerful articulation of one’s global market presence.

The third development, somewhat closer to home for our disciplinary interests, relates to the changing nature of macro-organizational structures among firms, consumers, and nation-states. To briefly summarize these changes: Borders are increasingly blurring between firms and consumers, organizational processes are increasingly called into question by major stakeholders to whom firms are beholden, and firms are frequently called upon by critics to perform social activities traditionally performed by governments in the name of social responsibility. In this fast-changing world of global alliances, diasporic movements, and organizational turmoil, marketing as we know it with its oft-repeated mantra of the four Ps (product, place, promotion, and price) and customer satisfaction becomes tiresome, outmoded, and almost beside the point as there is greater need for reconceptualizations and adaptations.

In sum, marketers are on the march globally, and marketing activity has become so prevalent in social life that Slater and Tonkiss (2001) have coined the term “the market society” to describe the contemporary global social order. On one hand, there is growing awareness and appreciation for marketing as an instrument of social change and a facilitator of wealth creation across the globe. Yet, perhaps because of this success and its excesses, marketers are also the target of a plethora of serious charges ranging from antimarketing, to anti-Americanism, to antiglobalization for fueling materialism, commercialism, and the debasement of local cultures (Chua 2003; Johansson 2004).

THE MARKET AND MARKETING

As we shift our attention to the market as the primary focus of our discipline, we recognize that marketing is something that takes place within a market system and is therefore derivative to the main focus. We differentiate between “market” and “marketing” using the following definitions.

A market is a set of institutions and actors located in a physical or virtual space where marketing-related transactions and activities take place. Typically, these institutions and actors include sellers, buyers, customers, retail stores, sales offices, commercial banks, advertising agencies, and the like. Thus the key concepts are a set of institutions or actors, physical or virtual space, discourses, and practices.
Similarly, we define marketing as a set of activities undertaken by a firm to stimulate demand for its products or services and to ensure that the products are sold and delivered to the customers. Modern marketing refers to the development of marketing since the early part of the twentieth century. The key concepts are demand creation and demand management. As a result, what we study in marketing is a set of activities relating to the following marketing functions: brand/product management, customer relationship management, advertising/promotion, pricing, sales promotion, personal selling, direct marketing, distribution, marketing research, and new product/market development.

Within the contemporary global context, these definitions highlight the need to shift the disciplinary emphasis, not by disregarding the role of marketing, but by enlarging its scope to the market, and in turn embedding such markets within their social and historical contexts. The discipline of marketing has centered over the past four decades on firm-level actions and managerial perspectives. In such an approach, either the larger context of the market was considered as given or it was assumed to be unchanging or unchangeable. This rather restricted approach has served and outlived its purpose and one consequence of continuing with it will result in ignoring the critical role of the broader institutional context called the market, whether it is local or global. That is, without this understanding of the market no amount of marketing knowledge can sustain our discipline. By the same token, although we shift our focus to the market, we recognize that the key players remain the firm and its customers.

In the following section, we review the literature on the theory of the firm and its relationship to the market. The main argument we present is that while the legacy of marketing is a theory of the firm as contained in the paradigm nurtured in the emblematic work of Kotler, it has simply outlived its purpose and we need to look for new vistas. That is, the current approaches to the firm-level analysis do not take into consideration the emerging global markets, technological forces, and macro-organizational transformations. In addition, because the existing theory is U.S.-centric, it desperately needs to be reoriented in light of emerging global market transformations.

**THE THEORY OF THE FIRM: A HISTORICIZED ACCOUNT**

In order to keep our discussion focused we limit the theory of the firm as it pertains to developments that relate to our discipline. We begin with neoclassical theory.

**Neoclassical Theory of the Firm**

The neoclassical or marginal theory of the firm began as an economic theory based upon undifferentiated, purely competitive markets characteristic of the nineteenth century. Essentially, the theory states that the primary objective of an organization is to maximize profits, given a market price and a technologically determined production function. Profit maximization occurs when the firm produces a quantity of output at which its marginal cost equals its marginal revenue (hence the term "marginalism"). A parallel analysis is made in the factor market, in which marginal revenue of a product equals its marginal factor cost. Single-period profit maximization is the goal, so present value and risk considerations are ignored. In the short run, management's tasks are to determine and maintain operations at the equilibrium level of output. In the long run, management can strive to lower its marginal costs, and consequently increase profits until diminishing returns set in.

Over the years, the economic discipline has moved away from a strict neoclassical approach, as described, to other formulations. Thus, for example, the current thinking in the economic discipline recognizes differentiated markets and various degrees of competitive situations from
monopolistic to oligopolistic to dispersed; accommodates objective functions other than that of maximization; allows firms to set a market price instead of leaving it to the "invisible hand"; allows for multiperiod profit maximization; and recognizes firm-level decisions and not merely considerations of equilibria.

Markets and Hierarchies

The works of Ronald Coase (1937) and Oliver Williamson (1975) are a slight variation of the neoclassical theory. Both were still concerned with optimization and equilibrium, but the emphasis shifted to the economic theory of organizations. To maximize the value of the firm, the owner chooses an organizational form and thus the shift is made toward profitability and organizational structure. A common starting point in the literature is Coase’s (1937) insight that markets and firms are different responses to the problem of transactional governance. Williamson (1975), through his work on transaction cost analysis (TCA), goes on to identify the specific conditions (e.g., uncertainty, asset specificity) that impel the movement of the organizational form from market through hybrid to hierarchy. Transaction cost analysis has been accepted and applied at some level within the marketing discipline (Anderson 1985; Ghosh and John 1999; John 1984; Rindfleisch and Hyde 1997) especially in the context of industrial marketing and marketing channels, but overall, it has not received the attention that it deserves.

Behavioral Theories of the Firm

Cyert and March (1963) built upon the work of Simon (1959) in which the concepts of “bounded rationality” and “satisficing” are introduced. Managers have limits to exploring all the variables that can contribute to goal maximization. Therefore, they satisfice, or set and meet goals which are below maximization levels. Simon argues that the complexity of modern organizations prohibits maximizing behavior. Cyert and March have two major criticisms of the neoclassical theory of the firm. First, it is questioned because it is based upon undifferentiated, purely competitive commodity markets of the nineteenth century. The widespread appearance of differentiated (oligopolistic) markets has shaken the faith of both economists and noneconomists. Second, even if the theory did apply to contemporary market systems, the behavioralists challenge the appropriateness of the questions the neoclassical theory “answers.” Observations of managerial behavior demonstrated that labor-management negotiations, collusion, favoritism, and other elements of environmental “noise” are also germane to the study of the firm.

The Marketing Discipline

Aldersonian Perspective

Alderson (1957) presents a theory of the firm based upon the concept of an “organized behavior system.” These systems include individual firms, marketing channels, and the aggregate economy. Any prediction or explanation of firm behavior must be analyzed in the context of social systems. As with the human body, firms adapt and change to ensure survival. Various units within the organization perform functions that affect the entire system. Central to his theory are the concepts of power and communication, which explain many of the firm’s activities. Power is considered an inherent goal for any organized behavior system. Maintaining or improving the power structure is achieved largely through communication channels (i.e., advertising). This perspective has been
described as “functionalism,” since the theory attempts to explain a system by examining the functions of the individual parts, yet in some ways the term is a misnomer because it loses sight of a focus on the overall system.

Alderson’s view of organizational goals assumes a distinction between implicit and explicit goals. Every behavior system operates under the implicit goals of survival and growth. The two goals are viewed as interrelated in the sense that survival is not generally possible with zero growth. Growth is essential for survival in modern economy. “If the firm does not grow, it cannot compete for the more able candidates among executives and workers. . . . The growing firm also attracts favorable attention from customers and suppliers” (p. 59). Among explicit goals of the firm, Alderson provides many strategic possibilities such as return on investment, cost minimization, and vertical integration. In this process, the firm attempts to create a differentiated product and thereby gain a niche within the larger behavior system, the national economy.

**Kotlerian Perspective**

Kotler’s (2000 [1967, 1971]) adoption of the behavioralist viewpoint (e.g., Simon, Cyert and March) is apparent throughout his text. Yet his adoption of behavioral theory is distinct from Alderson’s. Alderson portrayed a macrotheory of marketing (a systems approach), while Kotler developed a micromanagement theory that describes the practice of the marketing manager. Further, Alderson’s work centers on intrafirm and more systemic behaviors, while Kotler’s work focuses on firm–consumer and firm–competitor conflicts.

In this latter regard, Kotler drew from the neoclassical theory to provide logic to managerial action. He provides both the theory and practice elements necessary for the marketing manager to utilize marketing tools within the firm. This is a notable accomplishment of blending two approaches of theory and practice, as previous authors provided either theory (Alderson) or practice (McCarthy). Other aspects of Kotlerian paradigm can be summarized in the following.

The marketing mix (the four Ps) consists of controllable variables of managerial effort in the market. With this understanding, Kotler operationalized the marketing effort through manipulation of the marketing mix. By extending this operational principle, Kotler and Levy (1969) broadened the concept of marketing to nonbusiness sectors.

Kotler used existing marketing technologies in the literature (i.e., forecasting models, market share grids, and so on) to provide concrete means of implementing the normative concepts. Thus terms such as synchronmarketing and strategic marketing planning become meaningful as they are matched with appropriate techniques to solve marketing problems.

His theory has come closest to operationalizing the marketing concept. Previous textbook authors had presented the marketing concept as central to marketing, yet they failed to systematically describe the process of discovering, meeting, and maintaining satisfaction of customers’ needs and wants. By all accounts, Kotler’s approach synthesizes and defines the marketing paradigm as practiced today.

The marketing paradigm as enunciated in the work of Kotler and the legacy of marketing have been praised and criticized over the years (Meamber and Venkatesh 1995). There has been some sharp criticism, especially among scholars based abroad (Brown 2002). Stephen Brown (2002) has posited alternative perspectives to the so-called customer-orientation and to the reductionist as well as universalistic perspectives in U.S.-centric approaches to marketing. We go beyond Brown’s exhortations and argue that our focus on marketing should be replaced by a more expanded focus on the market. Ironically, upon some reflection, we feel that Alderson’s work, which has been side-lined for a long time, may have much to offer and is probably much more
valuable for its insights because he espouses broader institutional and social contexts that are either missing or not prominent enough in more recent work within the discipline.

WHY STUDY THE MARKET (OR MARKETS)?

While we emphasize the need to shift our focus to the study of the market, we also need to remind ourselves that the market does not have a universal quality. That is, as we move toward the global economy and confront its pluralistic character, we should really talk about markets and develop theories that apply to all of its systems, properties, and national boundaries. Although the issue of universalization is an important one, we will not address it here. Our focus is simply to recognize the market as a theoretical category and provide different perspectives in studying it.

The different perspectives of the market are presented in Table 16.2. In the second column of the table, we indicate the present emphasis within our marketing discipline. In column 3, we provide some additional comments.

As the table shows, markets can be viewed from three different, if somewhat related, perspectives—markets in the mainstream, markets in the emerging global context, and virtual markets. We will describe each one of them and provide a brief analysis.

Markets in the Mainstream

_Markets as Product Markets_

Some seminal work of marketing scholars reminds us that product markets can be a very important area of research (Day, Shocker, and Srivastava 1979; Rosa et al. 1999). Product markets are defined by Rosa et al. (1999) as “socially constructed knowledge structures (i.e., product conceptual systems) that are shared among producers and consumers” (p. 64). Product markets sometimes overlap with the notion of industries. Some examples are the automobile market (or industry), the homes market (or housing industry), the toys market, the fish market, entertainment industry, fashion industry, the hospital industry, and so on. In the marketing discipline, there is very little attention paid to the specific industry types or product markets and how they function both empirically and theoretically. The closest approach seems to be to identify the underlying structure (e.g., oligopoly, monopoly) of a firm or a group of firms and discuss the strategies appropriate to the firm(s). This is rather inadequate and misses the point somewhat because what we end up with is an abstraction of the industry type but not the specific empirical characteristics of the industry. One reason for this development is that our discipline has become rather narrow and formalistic and consequently quite rigid, and we are too preoccupied with micro-level managerial practices at the expense of deriving important industry- or market-level insights. Because of our preoccupation with firm-level decisions as the sole point of academic discourse, we have neglected important areas of inquiry concerning industry patterns and trends. We believe that there is a great opportunity to study market-related practices and structural factors in industry sectors.

_Market Structures from an Industrial Organization Perspective_

There is a growing interest in the industrial organization perspective within the marketing discipline (Ghosh and John 1999). This is particularly true of the work in homogeneous or undifferentiated markets. Basically, the industrial organization perspective relies on the notion that the structure
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<th>Perspectives</th>
<th>Current emphasis in the marketing discipline</th>
<th>Comments</th>
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<tbody>
<tr>
<td>A. Markets in the mainstream</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Markets as product markets or industry types</td>
<td>Medium</td>
<td>E.g., auto industry, fashion industry, entertainment industry, toy markets,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A limited number of scholars work in this area</td>
</tr>
<tr>
<td>2. Markets from an industrial organization perspective</td>
<td>Low to medium</td>
<td>There was some initial interest but it is sporadic. Very high interest in other disciplines—industrial economics, and business strategy. Growing interest in economic sociology</td>
</tr>
<tr>
<td>3. Markets as hierarchies</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>4. Markets as a site for competing firms</td>
<td>The highest emphasis</td>
<td>This is really the heart of contemporary marketing paradigm. The rhetoric has shifted to global competitiveness</td>
</tr>
<tr>
<td>5. Markets as networks</td>
<td>Low in the U.S., high in the Nordic countries</td>
<td>Has not diffused to non-Nordic countries. A growing area of research in economic sociology</td>
</tr>
<tr>
<td>6. Markets as political economies</td>
<td>Low within the marketing discipline</td>
<td>A very important research area in the global context. Growing area in political science</td>
</tr>
<tr>
<td>7. Markets as institutional systems</td>
<td>Low</td>
<td>In the pre-Kotlerian era, was a major focus. E.g., Wroe Alderson. George Fisk and so on. Worth reconsidering</td>
</tr>
<tr>
<td>8. Markets as brand communities</td>
<td>A growing area of interest in the field</td>
<td>Has become even more important in light of the diffusion of global brands: McDonalds, Sony, Honda, Samsung, Apple, Starbucks, Microsoft, etc.</td>
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<th>Perspectives</th>
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<td><strong>B. Emerging global context</strong></td>
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<tr>
<td>9. Emerging markets</td>
<td>Growing area of interest especially in light of developments in China, India, Southeast Asia, and South America</td>
<td>Shifting market structures, outsourcing, diffusion of fashion, food, cultural products, as well as technology</td>
</tr>
<tr>
<td>10. Market as sign economy</td>
<td>Growing area of interest with the aestheticization of market environments, consumption practices, products, and brands</td>
<td>A fertile area of research because of cross-cultural market forces</td>
</tr>
<tr>
<td>11. Markets as informal economies</td>
<td>Low</td>
<td>A great potential for research in the global context</td>
</tr>
<tr>
<td>12. Markets as cultural economies</td>
<td>Low</td>
<td>In the field of international marketing there is some attention to this perspective. Anthropologists speak to this most of the time</td>
</tr>
<tr>
<td>13. Markets as communities</td>
<td>Low</td>
<td>Usually discussed in the anthropological literature</td>
</tr>
<tr>
<td>14. Markets as traditional bazaars</td>
<td>Low to nonexistent</td>
<td>Currently, limited number of studies. Touched on in history</td>
</tr>
<tr>
<td>15. Rural and urban markets</td>
<td>Nonexistent</td>
<td>Very relevant to developing economies. Tradition in developmental economics, anthropology</td>
</tr>
<tr>
<td>16. Market as ideology</td>
<td>Nonexistent</td>
<td>Popular among critical theorists and postmodernists. A very fruitful area theoretically and empirically</td>
</tr>
<tr>
<td><strong>C. New perspectives</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17. Markets as virtual environments</td>
<td>Emerging interest but very micro-oriented approaches</td>
<td>Marketing discipline needs to address this more rigorously. A growing area in communications and management info systems</td>
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</table>
of an industry influences the conduct of firms in it and ultimately this carries over to the performance of the market (Zellner 1988). A limited number of marketing scholars work in this area.

**Markets as Hierarchies**

This is really an integral part of the industrial organization approach to the study of markets. Stern and Reve’s (1980) political economy approach to marketing channels is one example. John (1984) and Anderson (1985) pioneered this line of thinking in marketing. In addition, social hierarchies such as those based on race/ethnicity, gender, and class are vital topics as the systems of hierarchies are reproduced and or modified within the contexts of markets (Peñaloza 1994, 1996).

**Markets as Sites for Competing Firms**

This is probably the most dominant approach within the marketing discipline (Choi 1991; Ghemawat 2002; Marketing Science 2005). Many marketing scholars are concerned with how firms can compete in the marketplace and how they can use different strategies based on various elements of the marketing mix (price, promotion, etc.). Even here a large part of our scholarly work tends to be normative and very managerially oriented. Recent work in the application of game theory marks a growing attention to this area (Moorthy 1993; Tyagi 2005). Nobody can deny that survival and growth of firms are important indicators of a well-behaved economy. But a rather absorbed preoccupation with matters of success and failure at the expense of various other analytics and historical and institutional details reduces marketing to a purely normative discipline without any opportunity to expand the field into more creative directions. This economic Darwinism is very self-defeating in the long run.

**Markets as Networks**

There has been a fair amount of work in this area, but it is limited to researchers in the Nordic region (Hultman 1999; Mattson 1997). More specifically, the Uppsala school is known for many leading studies concerning business networks and strategic issues. Although quite popular in the Nordic region and theoretically strong, network approaches to marketing did not diffuse significantly to the other parts of the world. One reason may be that the network approaches typically focus on industrial markets (Anderson and Narus 1984) rather than consumer markets.

**Markets as Political Economies**

A fertile area of inquiry in the 1980s (Arndt 1983; Stern and Reve 1980), it was the focus of research primarily among European scholars and did not gain much popularity within the very micro-oriented research environment within the United States. Nevertheless, as markets continue to gain social currency and dominate national and local economic policy, this area holds much promise in documenting and analyzing the political dimensions and dynamics of market agents and their activities.

**Markets as Institutional Systems**

This approach dates back to the contributions of Wroe Alderson (1957) but the field has not pursued this avenue in the past several decades. A good case can be made to revive this approach, as valuable theoretical and methodological gains are to be made in addressing more macro social
and organizational dimensions of market activities and structures, such as market governance and formation. Fligstein’s (1996) work on market institutions within the discipline of sociology is particularly noteworthy.

**Markets as Brand Communities**

One of the main activities of a marketing firm has to do with branding. While the literature on branding goes back to the late 1960s, it is only recently that there has been a sustained scholarly interest in brand communities (Muniz and O’Guinn 2001; Schouten and McAlexander 1995). Brand communities are defined by Muniz and O’Guinn as “a specialized, non-geographically bound community, based on a structured set of social relations among admirers of a brand” (p. 412). A very important and growing area of research, it is becoming even more important as markets become more aestheticized (Venkatesh and Meamber 2006).

**Markets in Emerging Global Context**

*Emerging Markets*

It is generally acknowledged that one of the major consequences of globalization is the rapid expansion of industrialization into many countries that have been customarily described as Third World and even Fourth World. Scholars writing on emerging global markets are attempting to critically examine the reality of the global changes (Sheth 2004). As new markets emerge and existing markets are transformed, the marketing discipline has to keep pace with these changes and introduce new frameworks and empirical accounts of market practices and behaviors.

*Market as a Sign Economy*

The legitimacy of the market lies in what value it creates for the producer and the consumer and various intermediaries. Historically, we have seen a progression in terms of how “value” was defined and conceptualized. In primitive societies, products and services were evaluated in terms of their use value. Since the dawn of the industrial revolution, use value has given rise to exchange value. Contemporary marketing paradigm has developed around the creation and management of exchange value (Bagozzi 1975). In recent years, a major shift has occurred in the functioning of markets in relation to consumers. As products become commodified and undifferentiated in terms of their functionalities, what distinguishes one product from another is the image or the symbolism built into it. Assuming that most market offerings (we include services here) become similar to each other or where their functionalities are indistinguishable at the margin, consumers look for a different value element, which we label as sign value. In other words, because marketers cannot change their product offerings in the short term or without much financial investment, they try to compete on the sign values they create in their products. This also explains why advertising has become the sine qua non of contemporary marketing. Once we recognize the role of the sign in contemporary marketing, we have to admit the role that culture plays in the shaping of the current economic systems. After all, signs are nothing but products of culture. It is thus logical to define the market system as the sign economy.

Finally, as markets become globalized, and consumer images are transported across cultures, the success of marketing becomes vitally linked to the success of the sign economy (Venkatesh, Peñaloza, and Firat 2006).
Markets as Informal Economies

In many parts of the world, markets do not behave like organized systems—as the term is understood—but operate informally or through invisible networks (Ferman, Henry, and Hoymann 1987; Wilson 1998). Although they are not organized, they are quite robust and possibly historically rooted, and in a few instances operate in parallel to more established market structures. In some places, they are the only institutional arrangements that facilitate market transactions. Even in developed countries like the United States, informal markets operate quite briskly either legally or illegally and function more like an underground economy (Levitt and Dubner 2005). Not much has appeared in the marketing literature on informal markets (for an exception, see Arnold 1995), although this is a very important part of social and cultural order in many parts of the globe.

Markets as Cultural Economies

With the globalization of markets, this is going to be a major area worthy of intense exploration. Currently, some important contributions are emerging within our discipline (Holt 2004; Peñalozas 2000, 2001). Anthropologists and social theorists such as Wilk (1996), Slater and Tonkiss (2001), and Callon (1998) have written rather extensively on the fundamentally cultural nature of economic systems of exchange, shifting disciplinary currents in understanding the increasingly prevalent role of marketing practices in society, and the increasing cultural roles of marketing institutions, respectively. This area offers a great opportunity within international marketing, a field that has been accorded a low status within the mainstream. One reason may be that the work in this area is rather descriptive and highly undertheorized.

Markets as Communities

Much of the work in this area has focused on brand communities (see earlier section); that is, groups of consumers fashioned in terms of the social relations and meanings they generate from corporate and product identities and images (Holt 2004; Muniz and O’Guinn 2001; Peñalozas 2000; Schouten and McAlexander 1995). We envision the next generation of this work to spread beyond consumers’ relations to firms and products to include the dual sets of agents, marketers, and consumers acting within the larger configuration of the market.

Markets as Traditional Bazaars

This is a very important area of inquiry and mostly researched by anthropologists. Some exceptions within the marketing discipline are Sherry’s (1990) work on the flea market and Peñalozas’s (2001) work on a Western stock show. Geertz’s (1978) seminal article in the American Economic Review lays some anthropological foundations and finds a meeting point for anthropology and economics. The primary issue in these essays is to show how sociocultural factors provide more than the context in which market practices are enacted. That is, market discourses, practices, and beliefs are institutionalized by social and cultural agents as part of their ongoing activities in reproducing themselves and negotiating extensive social relations.

Markets as Rural and Urban Economic Sectors

Most regions of the world are distinguished by two types of markets, rural and urban. This is certainly true of the less-developed regions of the world, and even the most developed nations
retain rural and urban distinctions. If our discipline aspires to have a global appeal, marketing scholars should take note of this two-tier market structure. A good example of research in rural markets is the work by Mitra and Pingali (2000) describing how consumerism is diffusing into the so-called marginalized rural communities and what impact it has on such communities.

Markets as Virtual Environments

With the advent of the Internet, this new market medium has become an explosive area of inquiry (Dholakia, Zhao, and Dholakia 2005; Hoffman and Novak 1996). Although the articles on the Internet have multiplied significantly, only a small number of studies have examined the Internet as a market or a marketplace (Hagel and Armstrong 1997; Varadarajan, Yadav, and Shankar 2005). Most work seems to be focused on consumer behaviors on the Internet (Haugetvedt, Machleit, and Yalk 2005). Yet there is a wide array of opportunities in developing theories of virtual markets that address such issues as the formation of electronic markets, their distribution patterns, channel relationships, power structures, social dynamics, and institutional contexts as applied to the Internet.

Market as Ideology

Finally, and arguably most importantly, markets may be viewed as a constellation of normative beliefs regarding appropriate roles by actors (Colchoy 1998). In the discourse of modern marketing, such roles were circumscribed narrowly for marketers and consumers. However, as marketing discourses and institutions take on larger social significance, such roles are increasingly broadened to include a wide range of national identity, as well as racial/ethnic, gender, age-specific, identity, and behavioral complexes. It is important in this approach to the study of the market to distinguish between normalized marketing beliefs and their manifestations in market discourses and practices.

DISCUSSION AND CONCLUSIONS

This chapter began by charting several trends in ushering in the study of the market as the central topic of study in the field of marketing. We proceeded to trace the trajectory of work on the theory of the firm, and illustrate several extensions to it, by situating it within the context of various approaches to the study of the market.

In forwarding the paradigm of markets, we hope to generate promising new methodological and theoretical work along dimensions of level of abstraction, scope, and maneuverability. First, regarding analytical level of abstraction, the paradigm of markets is more complete in including the smallest holistic unit toward which marketing techniques are oriented.

Second, regarding the scope of study, the market encompasses more than just marketing techniques. While the study of marketing techniques privileges the perspectives of marketing managers, the higher level of markets requires attention to the perspectives of marketers as well as consumers and other operative agents. A better understanding of these various perspectives is a prerequisite to deciphering the various contours and dynamics of markets, historically and at present.

Third, the paradigm of markets enables more conceptual maneuverability in moving around and shifting between the various perspectives included in the fashioning of markets. As noted by C. Wright Mills (1959) in his classic treatise, The Sociological Imagination, the move to the paradigm of markets stimulates marketing researchers and practitioners to imagine and develop more creative configurations of markets in better synch with global social and technological trends.
Fourth, it is our hope in shifting the field to the study of markets that marketers may become more responsible, not less. By viewing themselves as inhabiting the markets they produce, and bringing them about in conjunction with other market agents, as opposed to discovering some preexisting consumer segment or merely competing with other businesses, marketers are better suited to developing novel ways of conceptualizing what they do. These insights are critical in moving beyond carrying out existing formulas that have resulted in what Shoenberger (1997) termed the cultural crisis of the firm. While the study of marketing techniques was well-suited to modern markets characterized by large vertically integrated firms, mass markets, standardized distributions of labor, and price mechanisms, the study of markets better comprehends these modern dynamics together with the workings of small firms, organized flexibly in alliances, niche and customized markets, informational processes, and style/identity mechanisms.

Finally, the focus on markets minimizes criticisms against the discipline that it is dominated by a U.S.-centric perspective. As the study of markets becomes global, we take the opportunity to make the discipline more globally relevant and responsive.

To conclude, the shift from marketing techniques to markets moves us from limiting what we study to ways of doing to the larger and more encompassing mode of ways of thinking. Such reconceptualization challenges the field to qualify and circumscribe supposedly universal techniques and concepts, such as the marketing concept and consumer satisfaction, to instead comprehend their different inflections as rooted in sociohistorical particularities. As scholars such as Callon (1998), Slater and Tonkiss (2001), and Bevir and Trentmann (2004) have documented, markets are not universal, self-contained entities, but rather take on distinct discursive forms and material practices across various social contexts and over time. Markets are subject to varying objectives as well, from shareholder wealth, to market growth, to social stability, to quality of life, and to political participation, as political parties deploy and deter them toward different social, economic, and political ends (Fligstein 1996). It is our hope that by enlarging the scope of the field to hone in on the market we will begin to chart a path that opens up exciting new possibilities in better understanding what is arguably the most potent contemporary social force in the world today. It is time to bring to fruition Johan Arndt’s prophetic vision (1973).

REFERENCES

FROM MARKETING TO THE MARKET: A CALL FOR PARADIGM SHIFT


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