THE SERVICE-DOMINANT
LOGIC OF MARKETING

DIALOG, DEBATE,
AND DIRECTIONS

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Armonk, New York
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To Virginia, my closest and dearest friend.
—Robert F. Lusch

To Jean and Marty, thank you.
—Stephen L. Vargo

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THE MARKET AS A SIGN SYSTEM AND THE LOGIC OF THE MARKET

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INTRODUCTION

Vargo and Lusch (2004a; hereafter V&L) set out on an important course in challenging the traditional view of marketing in their article in the *Journal of Marketing*. They argue that the field of marketing, the authors continue to emphasize the exchange of tangible resources, embedded value, and transactions, whereas marketing activities increasingly pertain to intangibles, co-creation of value, and relationships. The appearance of this article in a key journal in marketing should be considered part of a reflective, transformational moment in the discipline. However, though we agree that challenging the traditional logic of marketing is badly needed for the field to move successfully with currency into the new millennium, we argue for an extension to what V&L have proposed. It is in this spirit that we present our views.

This chapter contributes to the debate regarding a new dominant logic for marketing by (re)considering the starting point of our disciplinary analysis to be the market as a set of culturally constituted institutional arrangements as opposed to marketing, which is a set of activities that take place within the market, and by advancing a conceptual scheme that views the global economy as a sign economy. This conceptual scheme is based on a critique that extrapolates from key historical shifts in the field from a macro-oriented focus on distribution to a micro-oriented focus on technique; from material, logistical concerns to concepts; and from the exchange of products and services to the exchange of meanings and symbolic practices. Thus, we title the paper, “The Market as a Sign System.” It must be noted here that in this chapter we do not attempt to deal with the entire set of issues raised in V&L’s article, for that would require a very long critique and analysis. What we attempt has a twofold purpose: to shift the focus of our disciplinary concerns from marketing to a more comprehensive and globally inclusive notion of market, and to consider the “market as a sign system.”

Our approach is quite timely, if not overdue, especially in the context of the shifting cultural landscape in the United States, as well as global developments that impel us to examine markets historically and in culturally varied settings. We consciously introduce the global context not only on account of these contemporary changes, but also because it is pertinent to historical developments. To this day, one can go to different parts of the world and witness markets that have existed for centuries (e.g., the Grand Bazaar in Istanbul) and continue to flourish alongside innovative concept stores such as Niketown and the ESPN Zone. It is in this larger context of the
market as a sociohistorically situated institution that we interject the importance of the sign system in rendering markets intelligible.

To begin, we review key features of V&L’s service-dominant (S-D) logic and the logic of modern marketing as points of departure in sketching out our own ideas. We then shift the focal point of study from marketing to markets, elaborating the theory of the market as it has developed at the nexus of some key social transformations. That is, we describe properties of the sign economy, as they are manifested in markets in consumption and marketing practice, and discuss the various domains in which they are played out: ideology, institutionalization, and globalization.

Paradoxically, the term market is everywhere and nowhere in our literature. We often write of this or that market, yet have restricted our view of the market to economic exchange when it is only one of several types of sign systems. By fleshing out the unit of analysis of markets and studying them carefully and comparatively, we hope to advance theoretical, methodological, and practical understanding in our field. First, our proposed study offers a more comprehensive, nuanced account of market(ing) discourse and phenomena. Second, our view of the market system is better adapted to global trends of technology and sociopolitical dynamics. Third, the logic of the market is better able to grapple with changes in marketing activity and forms of organization. Finally, this work directs attention to marketing thought and practice in relation to the embodied, sensorial, material world, and in doing so, opens up the field considerably.

THE LOGIC OF VARGO AND LUSCH

V&L recognize that substantive transformations are occurring in cultures and markets that can be ignored only at our own peril. This is clear from the following key points made in various sections of their article:

1. They alert the reader to the economic shift from a product-oriented approach to a service-oriented approach. Thus, “[t]he authors believe that the new perspectives are converging to form a new dominant logic for marketing, one in which service provision rather than goods is fundamental to economic exchange” (p. 1 abstract, emphases added).

2. They define the term service broadly, that is, not in opposition to tangible products but rather inclusive of them: “[T]he service-centered dominant logic represents a reoriented philosophy that is applicable to all marketing offerings, including those that involve tangible output (goods) in the process of service provision” (p. 2).

3. They further elaborate this last point by stating that their aim in the article is to develop marketing thought which “points toward a more comprehensive and inclusive dominant logic, one that integrates goods with services and provides a richer foundation for the development of marketing thought and practice” (p. 2).

4. More concretely, V&L invoke from the previous work of Constantin and Lusch (1994) the distinction between operand resources and operant resources as a basis for their current approach. Thus, operand resources are “resources on which an operation or an act is performed” (the conventional approach), and operant resources are those “which are employed to act on operand resources [in order to] produce effects,” (a proposed approach) (p. 2). They later build upon this distinction, positing in the first of their propositions (foundational premise 1, p. 6) that the essence of a service-centered approach to marketing is the application of knowledge and skills as operand resources.

5. Finally, they characterize all economies as services economies, stating, “[s]ervices and the operant resources they represent have always characterized the essence of economic activity” (foundational premise 5, p. 10).
Collectively, these perspectives provide foundational points from which our chapter branches out, with the final statement in the preceding list providing a lead into our main argument. First, V&L use the term service economy in moving from an emphasis on products to services in understanding market exchange. In contrast, we put forward the term market, in which the sign is key in understanding exchange. Second, for V&L the ingredients of marketing action, as contained in the operant sources, are knowledge and skills, which are the intangible drivers within a market economy. In contrast, our use of the sign system captures this intangibility, but views it slightly differently, as but part of the broader symbolic elements of exchange in a market economy.

Our contribution consists of three main arguments: First, marketing scholars should shift their attention from marketing to markets, with the latter situated within contemporary institutional and sociohistorical contexts. Second, and most important, having set the premises of the context of study, we turn to its central assertion: As markets become more aestheticized, spectacular, embodied, and personalized, it is instructive to view the global market economy as a sign economy. Third, with the development of information and communication technologies, marketing scholars must attend more comprehensively to the informationalization of global markets.

FROM MARKETING TO MARKETS

In one of the stranger omissions of the discipline, the term market has not been employed with much seriousness or rigor. The reigning notion of marketing is that it is an activity geared to satisfying the wants/needs of consumers. Although Kohli and Jaworski (1990) use the term market orientation in their seminal article, they limit it to marketing research as an aid in developing marketing strategic techniques. The very word marketing as the label for our discipline is used to signify the actions people within firms take in implementing their decision strategies about products and services. Thus, marketing is viewed as a set of functions performed by the marketer that cater to customer needs.

We view this approach as overly mechanistic, functional, and reductive. It sacrifices understanding for tactics, and thus has left unspecified perhaps our most fundamental object of study—markets. Furthermore, such a view of marketing is limited, because it does not reflect the complex, rapidly changing realities of the marketplace, and these limitations become even more serious in a global environment.

Here are some reasons why we, as marketing scholars, should enlarge our vision of the field from marketing to markets. First, marketing limits our discipline to firm-level activities, whether we are dealing with products or services. In contrast, markets expand our discipline to a larger realm of discourse and practice where the issues are wider and deeper and their potential treatment is much more impactful. As an aside, we must take note that several social science disciplines are actively pursuing the study of markets in their larger context and are gaining greater ground as a result of this enlarged focus. Examples include Marchand (1998) in history, Goldman and Papson (1998) in sociology, and O‘Barr (1994) in anthropology.

Second, the study of marketing has been strongly United States-centric, with the issues largely limited to how U.S.-based marketing concepts and techniques can be transported abroad and what modifications are necessary to better suit local needs. In contrast, the study of markets levels the field for scholars, wherever they might be situated, and enables them to discuss issues and phenomena on a more truly global scale. Although the field of international or global marketing was intended to perform this disciplinary function, it has failed to do so, largely because it has
become an extension of domestic marketing with an international flavor, and the scholarly contributions have not been foundational, but rather have taken a U.S. firm perspective.

The main concern we have about the discipline of marketing is that our dominant focus has been limited to firm-level decision making. As such, our discipline has become more and more normative, and our primary charge seems to be to make appropriate recommendations to marketing managers as to what the best strategies should be in marketing their products and services. As an implicit extension of this approach, we seem to be obliged to represent U.S.-based firms in their global operations, or larger firms rather than entrepreneurs, within the U.S. context. It is very difficult to comprehend why we should operate from a managerial perspective, or why the entire discipline should do so. A more meaningful intellectual position for us would be to study markets analytically and critically as scholars of the discipline and provide an analysis of market forces and behaviors. This does not mean that we cannot do normative work, or that we cannot work from a managerial perspective. Our call instead is etching out space within the mainstream of the discipline to do research that provides an in-depth analysis of markets and various actors and institutions within market systems.

There is a certain existential tension in what we currently do: We feel morally compelled to generate scholarship that focuses on satisfying consumers' needs, but at the same time are pulled in the direction of assisting marketers in their attempts to get the attention of customers and convert them into buyers of their offerings. In this sense, whether we admit it or not, marketing scholarship has become synonymous with the science of customer persuasion and the logistics of developing marketing strategy and implementing market exchanges. A more meaningful theoretical stance would be to produce scholarship that provides an objective analysis of how markets function and how they contribute to the general economic and social welfare. Perhaps it is time to abandon the so-called marketing concept as it is currently professed, or at least expand the concept to include the interests of all market agents and take into account social welfare.

By focusing on the study of markets, we need not be concerned about taking sides. In fact, this is where we can really learn from the social sciences, and especially the field of economics. Economists study the theory of the firm not with the notion of how to make firms more prosperous, but with the goal of understanding how firms operate under different conditions of supply and demand (whether they work with products or services), and how they maximize their opportunities under certain conditions and assumptions. Similarly, consumer choices are modeled without necessarily trying to suggest how consumers should behave. Economists make a distinction between positive and normative science, and they are none the worse for it. A positive science of marketing (not to be confused with positivism, as in logical positivism) gives us the vantage point of studying markets more, not less, analytically.

By opening our discipline to the study of markets, not only can we contribute to marketing, understood as a set of firm-level practices, but we are also free to engage in a discussion of more fundamental issues concerning the formation of new markets, new institutional structures in retailing and distribution functions, and the nature and effects of global communications and cultural differences on organizational forms. In other words, we can truly develop richer theories of markets and market behaviors.

Finally, as important as distinctions between product marketing and services marketing are, the study of markets allows us to go further conceptually, for both can be addressed equally effectively, as proposed by V&L. What is more important is that we can study marketing techniques as a major component of markets and also study other aspects of markets, such as their institutional structures and the social bases of consumption patterns. In other words, our knowledge base becomes much enlarged.
THE LEGITIMACY OF THE MARKET

The legitimacy of the market lies in the value it creates for the producer, the consumer, and various intermediaries. Historically, we have seen a progression in terms of how value has been defined and conceptualized. In traditional societies, products and services were acted on in terms of their use value. With the rise of industrialism and modernity, use value has been eclipsed by exchange value. In more recent times, we have begun to realize that both are embedded in sign value.

As V&L note, the contemporary marketing paradigm has developed around the creation and management of exchange value. Much of the marketing and economics literature assumes that markets exist because of exchange value that permeates all transactions. The discipline of economics simplifies this by representing the market equilibrium as the meeting points of supply and demand. Accordingly, the price mechanism is at the heart of economics, and economic theory uses marginal analysis in the determination of prices and equilibrium positions. Marketing academics view their role similarly, in terms of consummating exchanges between the marketer and the customer, where a marketer can be any member of the distribution channel and the customer is at the end of the line. In summary, we see that there has been a historical progression from use value to exchange value. In examining the basis of exchange value, V&L have identified two market forces that enable such a value creation: standardization and customization. These two are opposed, in the sense that the more one attempts to standardize, the less scope there is for customization. In addition, the imperatives of moving into a service-centered economy are such that, as firms move progressively into a service orientation, the burden of commerce shifts rather paradoxically from standardization to greater customization, which results in increasing costs for the provider.

One way to transcend the confines of this dichotomous way of thinking is to reconsider both use value and exchange value as derivations of sign value. A couple of intermediate conceptual moves are required, however. We must take into account processes of commoditization and consumerization. The theoretically meritorious idea of freeing the individual through the market, in which independent exchanges occur and exchange values are realized for all involved, requires both. 

Commoditization refers to the separation of the objects or items of use from their producers and the processes by which they are created. Commoditization is necessary so that those who exchange for them can possess them without any linkages or obligations, thus being “free” agents. The commodities stand on their own and are imbued, in themselves, with the qualities that their possessors seek and develop in them. Thus, possessing and using them is an independent act that involves only the possessor and the commodity and nothing or no one else.

Second, consumerization refers to the separation of the individual from the process of production of what is used. Consumerization is another necessity for the existence of modern marketing. Freedom to have and use commodities of all kinds depends upon non-reliance on one’s own production and the ability to consume what others produce and are willing to exchange. This separation of commodities consumed from production means that individuals relate to most of the items they consume in modern society solely as consumers. Thus, as people become consumers, acquiring more of what they use and buying more of the means of their existence, the market expands.

The preceding principles illustrate the logic of modern marketing and, derivatively, of modern markets. Clearly, V&L’s “new logic” does not violate any of these principles. They are still talking of “customers” and “consumers.” Although they indicate that “marketing is a process of doing things in interaction with the customer” and make the consumer a co-producer and more active in
this process, the role of marketers in this process is still provision, the provision of "specialized knowledge and skills," instead of "goods." Commoditization and consumerization overlap with V&L's notions of standardization and customization, but they are not the same. There is no indication that these specialized knowledge and skills are not commodities, especially because V&L are still talking of wealth accumulation through the exchange of capital for services.

THE LOGIC OF THE MARKET

Markets are foundational economic and social organizations of commerce in many cultures. Whether we refer to capitalist economies, command economies, or traditional economies, markets have come to dominate the socioeconomic order in the modern era. With the rise of globalization, both as an ideology underlying the modern markets and as the structural conditionality of modern commerce, we must take into account the global market system and understand its dynamic properties. Doing so raises many questions: What is the market? What are the contemporary market forces—locally, nationally, and globally? Why are some markets more attractive and/or different than others? What markets do firms invest in and why? How are markets evolving and changing?

In addressing these questions our larger goal is to develop a "theory of the markets" or "theories of markets" that takes into account variations across market structures and dynamics over time. In this chapter, our starting point is the market as an institutional/social arrangement within which marketing activities as currently understood take place. Markets can be product markets, service markets, or a combination thereof. We agree with V&L that contemporary markets are becoming service dominant. But we must ask whether this phenomenon is global or more representative of the so-called developed world.

Various disciplines have approached the notion of the market differently. Economists view the market as a network of exchanges between buyers and sellers, mediated by agreements on price under conditions of scarcity to provide an efficient allocation of resources (Slater and Tonkiss 2001, p. 2). Simply put, the focus of the market is to study supply-and-demand of goods and services under different conditions of competition and related assumptions.

Sociologists view markets differently but not entirely so (Fligstein 2003). They are less concerned with the actual exchange mechanisms governed by supply-and-demand dynamics. Their primary interest is in the social processes and structures that govern, and are affected by, economic output, labor capital relationships, and power hierarchies.

Anthropologists are also concerned with markets—but more specifically market places, a distinction crucial to marketers. "Market places are visible public [settings] that happen at a regular time and place" (Slater and Tonkiss 2001, p. 7). Thus, anthropologists are concerned with spatial and temporal locations where products and services are exchanged, bought, and sold. Market places are culturally constituted physical entities with visible social actors. For anthropologists, the materiality of markets as culturally constituted reality and their symbolic properties are very important.

Thus, different disciplines are situated along the line from viewing the market as an abstraction to that of a concrete expression such as the market place. As marketing scholars, we should go beyond the view of marketing as an activity to include this entire range from the market as an idea to market place as a material reality. We will thus be better able to comprehend the market in all its conditionabilities and dimensionalities.

In summary, we believe that the essence of marketing is not simply the actions, but the institutionalization of the actions within a cultural and ideological milieu. This is what we mean by the logic of the market. We grant that the economies of the market clearly dictate many marketing actions: selling, buying, advertising, pricing, distributing, and so on. However, in the economic
THE MARKET AS A SIGN SYSTEM AND THE LOGIC OF THE MARKET

framework, marketing becomes a disembodied set of practices, viewed as if the issue were simply the manipulation of supply and demand. Instead, in studying markets, we argue for the imperative of examining the institutionalization of all economic and marketing discourses and practices, with attention to their historical, ideological, and culturally constituted character. We emphasize the social, symbolic aspects of transactions as well as the rituals associated with these transactions. Finally, an important part of this approach is comparative, as theoretical gains can be made by examining variations across societies and time periods while paying attention to similarities and shared dimensions and principles as a function of emerging global informational and institutional imperatives and constraints.

THE SIGN ECONOMY

In this section, we map out the key features of the sign economy and describe the functioning of markets in relation to marketers and consumers. We view the contemporary system of commerce in terms of the sign economy. We agree with V&L that the dominant logic of marketing should shift away from a product orientation. Moving toward a service orientation as the realm of application of marketing knowledge and skills is one step closer to viewing the economy as a system of signs, in that both depart from a material emphasis for exchange. However, although shifting attention to services enables us to grasp the intangible basis of exchange, this does not go far enough because our focus remains positioned within an economy described in terms of production and distribution. Goods and now services remain reduced to standard units of accounting, priced according to prevailing economic principles of supply and demand. Within this framework, marketing is equated with satisfying needs. Yet, as we argue, this view is unable to address who determines these “needs” or the conditions on which things and activities become “needed.”

In our reconceptualization, signs are viewed as more fundamental units for the necessities of life, with marketing taking a key role, in conjunction with consumers, in constituting social needs and desires. As such, we are able to look at marketing in new ways, replacing the naïve objectivist view of the commercial world in which marketers “discover” the preexisting needs of consumers who are adeptly capable of articulating them. Indeed, as illustrated with the high percentage of product and service failures, there are many breakdowns for marketers in carrying out this formula, because it limits their activities to the articulation and delivery of “needed” items and does not fully capture their role in constituting consumers’ needs and desires in the marketplace.

In contrast, our reconceptualization consists of more nuanced, interactive, enacted markets jointly produced by consumers, marketers, and other culturally constituted forces. Consumers and marketers are positioned within the culturally constituted economic systems they produce as they engage in exchanges according to mutually negotiated systems of language and meanings. In this view, firms are no longer identified with the products and services they produce; rather, they operate within significatory systems as interorganizational alliances oriented around various symbolically oriented transactions.

Paradoxically, as marketers continue to compete by adding a plethora of features, which competitors emulate, their products and services become commodified and largely undifferentiated in terms of their functionalities. What then distinguishes one product from another is the image and symbolism built into it. Noting that most market offerings (we include services with products here) become similar to each other, with functionalities virtually indistinguishable at the margin, marketers and consumers distinguish them based on different value elements that, following Baudrillard (1981), we label as sign value. The growing importance of sign value is why branding and advertising have become sine qua non in contemporary marketing.
Thus, in the sign economy we put forward, we recognize that signs of all types are conceived and exchanged in markets and each (type of) market is itself a category constructed in the context of a particular sign system. In these particular markets, particular signs manifest particular operationalizations of skills and knowledge in products and services. Yet most important, we direct attention to the meanings and values that give the signs their currency. That is, what is more important than skills and knowledge, or products and services, are the meanings and values underlying these two sets, or levels, of market symbols, which together constitute the micro elements of the life world. Moreover, in our conceptualization of the market as sign economy, the market is the mechanism for the exchange of meanings and values for money. Incorporating Simmel’s (1978) exposition of the multiple plays of money, at once abstract and concrete, we direct attention to it as a constitutive factor in the marketplace. Thus, tracking flows of money is critical to appreciate the capital gains accruing to corporations, their transfer from consumers, otherwise masked in V&L’s exchange of services for services.

Aestheticization of the Markets

As marketing activities infiltrate more and more into social life in search of meaning complexes, markets assume a cultural character, and the role of marketing becomes one of aestheticization. To meet consumers’ needs, the marketing enterprise increasingly provides opportunities for aesthetic consumption through everyday products for use by consumers in assembling their identities and social positions. For consumers this entails a heightened attention to the senses, to meanings, and to experience—somewhat akin to the feeling while being on vacation. Even brands are not merely names attached to products and services but rather market symbols comprising multiple layers of meaning intelligible in terms of social groups and the distinctions between them.

One of the consequences of the market as a sign system is that consumption becomes more visible and spectacular. First, consumption becomes more public, and private consumption assumes a more public character. The image becomes a central driver of consumption. Other aspects of consumption are its embodiment and personalization. These qualities have been touched on in the literature on the service economy, but we must go further than to say consumption is increasingly experiential to emphasize agentic qualities of consumer behavior and consumer subjectivity.

Contributing to the increasingly private character of consumption is the ritualized shopping for goods and the public display of goods. Shopping takes on much more than provisioning or mere entertainment; it involves more expressive qualities. This is further exemplified in the public display of plentiful goods. Expectations for various social positions, roles, and activities are engendered in shop windows, catalogs, and store displays. Normal everyday life pales in comparison to its idealized representations in advertising and market display, and consumption becomes more elaborate, larger, and better than life itself.

Another feature of consumption is that it is celebratory. Consumption of goods and services becomes a matter of celebrating one’s life in terms of realizing one’s identity and social positioning. This is somewhat related to the leisure economy, but goes further, as it touches on all other aspects of social life. In this day and age when jobs are deskilled and people’s lives are saddled with stresses relating to work and economic activities, they are less able to fully produce identity in the workplace. A more satisfactory release from the mundane, sterile, or oppressive nature of work is to celebrate what is left after work hours. The argument here is that life in the modern industrial cultures can become very structured and mechanical, devoid of human content. In such a culture, the rational order is represented by the industrial structure, and nonrational order is oriented.
oriented toward the private nonwork life (Habermas 1984). As the structures of work environments continue to be stripped of aesthetic appeals, individual workers/consumers find the stimulation of marketing signs as some relief from such a structured environment. Furthermore, the consumer not only finds some refuge in the aesthetic aspects of life, either by directly participating in artistic-sounding endeavors or by seeking aesthetic experiences in everyday consumption practices, but comes to thrive there, defining him- or herself and his or her social groups in markets and in terms of consumption.

In summary, as people engage in consumption for certain kinds of fulfillment, consumer behavior becomes more aestheticized. As such, consumers purchase goods and services increasingly for their symbolic value, with functional value being designated as just another set of symbols, that are important but less distinctive in consumer behavior. In a dialectic fashion, consumers and marketers engage in symbolic posturing, constantly co-producing sign values.

Consumption within the Sign System

We discussed previously that consumption begins to take a privileged position over production and becomes a key driver of the sign economy. Our view of markets interprets transactions between two parties in terms of shared or even contested meanings. This view triangulates with, but departs from, what V&L talk about when they describe relationship marketing. We share attention to intangible elements of exchange, but go further to emphasize the symbolic meaning and value systems underlying the purely monetary gains emphasized by the economic view of market exchange.

Notably, signs are considered essential in making consumption decisions in Levy’s (1981) classic article, yet we go much further in asserting that the whole economy is better understood as a sign economy. In this sense, the sign economy moves from a goods-production industry to an “image-production industry.” Not coincidentally, images can be produced faster than goods. As Baudrillard (1981) has shown, images can be multiplied, copied, and reproduced with rapid intensity. In this cycle of production and reproduction, what is privileged is not the technical knowledge of producing goods or even services, but rather being adept at negotiating the shifting surface of cultural knowledge, whose main ingredients are speed, motion, and instantaneity of change. Contrast this with the Taylorism (Taylor 1911) of an earlier period, in which production meant decomposing processes into known components and creating an assembly line of processes integrated within a scientific, technical paradigm. Although the scientific production of Taylor ruled the economy for nearly three quarters of a century, as appropriate for linear, integrated production processes, it is simply not as effective in the sign economy in which modeling processes that are ephemeral, fluid, and reliant on symbolic systems of thought, expression, and interaction is crucial.

We anticipate much resistance to the notion of the sign economy and the centrality of markets to our field. First, it goes against the grain of modernistic thinking that such ephemeral and transitory objects as signs could determine the nature of the economy. The sign is considered at best an epiphenomenon, subservient to the more important, tangible, and substantive logic of the economic system. Second, there is an inherent discomfort and moral indignation that a sign could be so powerful as to dictate the functioning of an economic system. However, for many marketing practitioners and academics steeped in such things as language (as opposed to rationalism), signification (as opposed to representation), interpretation (as opposed to analysis), and argumentation (as opposed to the iron logic of data), it is compelling that the system of signs provides a better framework for understanding contemporary human affairs.
Does it mean that we are doing away with factories, manufacturing systems, and technical processes such as research? Certainly not. These processes certainly do exist. But they, too, have become subject to the symbolic system. Marketing practices are viewed in dialectic with consumer behavior in constituting markets, in the sense that both are best understood as cultural practices appropriate to their sociohistorical context. Research, far from discovering consumers’ characteristics and needs, is better understood as investigating and establishing the conditions from which consumer desires are intelligible. In turn, consumers selectively render marketing practices, as appropriate to their life worlds.

THE IDEOLOGY OF MARKETS

In the framework we present here, we move away from consumption as want satisfaction, the traditional view within the field of marketing, to characterize consumption within the sign system. Although we describe consumption as exhibiting increasingly playful qualities, we do not view it as mere play. Through the range of consumption from the minutiae of daily life to heightened experiences of vacations or extreme consumption, social categories are negotiated and reproduced in and through what we call the ideology of the market.

Historically, Western capitalism has put an emphasis on production as virtuous and consumption as wasteful (Firat and Venkatesh 1995; Weber 1948). The logic here is that one produces value through production and accumulation, and both produce collective economic and social value to society. However, this approach ignores important factors in the economic arrangement—exactly when, where, and how value is created and fulfilled. Whereas the conventional argument takes production as a value-creating activity for granted, we turn this into a series of questions. In answering them, meaning is a vital but neglected element, as production does not create value unless whatever is produced is also consumed. The transfer of value factor from production to consumption has not gone unnoticed by marketing academics and practitioners. Yet, we argue that this is not simply a practical matter of extending the production to one extra step of marketing and distribution by including consumers as participants in the process. We believe that inherent to capitalism is an ideological position in which consumption is central. That is, the value aspect of the economy is no longer limited to productive functions in capitalism; instead, consumption is elevated to the culmination and consummation of economic exchange, which we view as fundamentally composed of signs. The growing tendency among consumer researchers of the world to focus on brands as the drivers of consumption activity is yet another indication of the increasing proliferation and hegemony of the sign system. Thus, in displacing key elements of production to signification, we are better able to direct attention to relations between marketers and consumers, particularly the constitution of the life world in consumer/marketer interactions and the ways in which, through their interactions, marketers and consumers constitute each other.

SIGN ECONOMY AND THE INFORMATIONALIZATION OF MARKETS

New technologies of information and communication are transforming global economic and social systems. We highlight three features of these transformations: (1) the emergence of the Internet and the rise of the informational economy, (2) the way the new technologies are reshaping the symbolic order into a global networked society, and (3) the impact on the organization of production termed the weightless economy. Together, these three forces constitute the conceptual groundwork for our paradigm shift to a sign economy. At the end of this section, we trace the cumulative impact of these three forces into an emerging global condition.
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THE IDEOLOGY OF MARKETS

In the framework we present here, we move away from consumption as want satisfaction, the traditional view within the field of marketing, to characterize consumption within the sign system. Although we describe consumption as exhibiting increasingly playful qualities, we do not view it as mere play. Through the range of consumption from the minutiae of daily life to heightened experiences of vacations or extreme consumption, social categories are negotiated and reproduced in and through what we call the ideology of the market.

Historically, Western capitalism has put an emphasis on production as virtuous and consumption as wasteful (Firat and Venkatesh 1995; Weber 1948). The logic here is that one produces value through production and accumulation, and both produce collective economic and social value to society. However, this approach ignores important factors in the economic arrangement—exactly when, where, and how value is created and fulfilled. Whereas the conventional argument takes production as a value-creating activity for granted, we turn this into a series of questions. In answering them, meaning is a vital but neglected element, as production does not create value unless whatever is produced is also consumed. The transfer of value factor from production to consumption has not gone unnoticed by marketing academics and practitioners. Yet, we argue that this is not simply a practical matter of extending the production to one extra step of marketing and distribution by including consumers as participants in the process. We believe that inherent to capitalism is an ideological position in which consumption is central. That is, the value aspect of the economy is no longer limited to productive functions in capitalism; instead, consumption is elevated to the culmination and consummation of economic exchange, which we view as fundamentally composed of signs. The growing tendency among consumer researchers of the world to focus on brands as the drivers of consumption activity is yet another indication of the increasing proliferation and hegemony of the sign system. Thus, in displacing key elements of production to signification, we are better able to direct attention to relations between marketers and consumers, particularly the constitution of the life world in consumer/marketer interactions and the ways in which, through their interactions, marketers and consumers constitute each other.

SIGN ECONOMY AND THE INFORMATIONALIZATION OF MARKETS

New technologies of information and communication are transforming global economic and social systems. We highlight three features of these transformations: (1) the emergence of the Internet and the rise of the informational economy, (2) the way the new technologies are reshaping the symbolic order into a global networked society, and (3) the impact on the organization of production termed the weightless economy. Together, these forces constitute the conceptual groundwork for our paradigm shift to a sign economy. At the end of this section, we trace the cumulative impact of these three forces into an emerging global condition.
The emergence of the Internet illustrates some major developments in the constitution of contemporary markets as signs. In a path-breaking treatise on the global information economy, Castells (1996, p. 13) lays down some important elements of the information economy of interest to marketing scholars. According to him, “The information technology revolution has been instrumental in allowing the implementation of a fundamental process of restructuring of the capitalist system.” He makes a key distinction between modes of production (i.e., capitalism) and modes of development (i.e., industrialism, postindustrialism, and informationalism). Thus, one can have industrial capitalism, which will be different from postindustrial capitalism or informational capitalism. Associated with modes of production and modes of development are modes of social formation.

For Castells, the mode of production is related to the mode of consumption and surplus. Thus, by examining the interaction of the social order and the economic order, we are better able to understand how consumption and surplus are managed and negotiated within a given economy. The mode of development is concerned with consumption via the market system and also influences the technological processes that impinge upon both production and consumption. Thus, in his terminology, “industrial” is oriented toward economic growth—that is, maximizing output—and “informationalism” is oriented toward technological development—that is, toward the accumulation of knowledge and toward higher levels of complexity in information processing. For Castells, informationalism is linked to the expansion and rejuvenation of capitalism, just as industrialism was linked to the mode of production.

Castells (p. 66) further demonstrates that the informational economy is truly global because the core activities of production, consumption and circulation, as well as their components (capital, labor, raw materials, management, information, technology, markets) are organized on a global scale, through a network of linkages between economic agents. It is informational and global because, under the historical conditions, productivity is generated through and competition is played out in a global network of interaction.

The Dawn of the Networked Society

A second feature emerging from the diffusion of global information technology and providing the substantive basis for informational capitalism is knowledge management. Knowledge management is an attempt to intensify information management within a network context.

The basic issues in knowledge management are that as organizations and economies are moving into knowledge-based environments, these environments are not only becoming complex but highly technologically dependent. A very crucial manifestation of a knowledge environment is the networked economy (Castells 1996). The networked economy is not merely a transaction-based economy, but a knowledge-sharing community of alliances and competitors that rely on rapidly developing technological landscapes.

Networked computers link databases, communication systems of production and distribution, and marketing, which together link various fragmented flows of data and information. To keep pace with these technological developments, human beings require superhuman power to manage these developments by themselves. However, by developing appropriate meta-knowledge systems, they manage networked knowledge environments. As the networked environments become more com-
plex, the knowledge systems also become more complex. Much of this complexity arises because the networked environments are not physical environments but virtual environments.

**Weightless Industries**

The third feature associated with our paradigm shift to the sign economy is the movement to “weightless industries,” as proposed by Quah (1999). Quah uses this term in reference to economic activity whose value does not lie in a physical end product. Examples are intellectual property such as ideas and designs, computer software, entertainment products, telecommunications, and better ways to transmit information, all of which he calls dematerialized products or, putting it another way, intangibles. Success in such a weightless economy comes from being able to organize and manipulate information in ways that generate extra value and is closely linked to success in applying information technology.

Together, these features of informationalization, network coalescence, and dematerialization are transforming markets toward the sign economy. Although these developments overlap somewhat with the conditions V&L delineated as bringing about the shift toward an S-D logic, we employ them toward different ends. Key concerns here are with the signs that constitute information, their various types, and how they are employed, as not all skills and knowledge have market meaning and value. This is illustrated time and time again in the wide disparities in pay between teachers and professional athletes or other celebrities; in distinctions between products and consumers, for that matter; and even in the successes or failures of various organizations and markets. The research issues stem not from skills and knowledge per se, but rather from their subsets, how they are organized, and how they take on market currency in the interactions of marketers and consumers on a global scale.

**Globalization**

Globalization is not a new phenomenon and has existed for several centuries through the clash of civilizations. Even so, four recent trends in globalization are noteworthy for our purposes: the information communication revolution, the rise of nonregulated capitalism, the fall of communism, and the freeing of countries in the Southern Hemisphere from colonial rule.

In arguing our case, we have positioned markets as a more appropriate unit of analysis for our field, subsuming the view of marketing as technique, and building from the V&L’s emphases on intangible transactions, co-creation of value by consumers and marketers, and relationships. Markets composed of signs are situated within a global context, not as mere epiphenomenon, but rather as a contemporary condition of commerce. Forces contributing to the development of the sign economy, such as informational capitalism, network formation, and the weightless economy, are changing the way we view the world and the place of capitalism within it. As such, the time is right, indeed past, to set aside the dichotomy between products and services that has occupied marketers’ attention for more than a quarter century in order to appreciate market transformations within the global economic domain.

First, as discussed previously, the world is changing as a result of the worldwide communications revolution. An important manifestation is the Internet. Its intensification of global communication has had a profound impact on the way marketing is conducted and subsequently on the structure and dynamics of markets.

Yet communications technology is not the only force demanding careful reconsideration of current thinking on global capitalism. In recent decades, the international order has moved away
from regulated capitalism toward an idealized version of free-market capitalism. In understanding these global processes, we must distinguish the market economy from the democratic political system in which it is housed. Only then is it possible to appreciate the various ways in which countries in the world are embracing capitalism (e.g., China, United Arab Emirates) while maintaining somewhat altered forms of their political systems. We view these movements toward incorporating capitalist tendencies into various cultural systems as positive outcomes in creating a market economy. However, these developments remain outside the standard definition of capitalism as the three P’s: the right to private property, the market as a clearinghouse for prices, and the quest for profits. On the face of it, these are economic factors, yet our more critical view illuminates them as various features of a global sign economy that is coterminous with various political systems.

The fall of communism is another misspecification, because it superimposes a dichotomous, Cold War rhetoric over a much more dynamic, complex reality. The “triumph of capitalism”, ignores the many inherent conflicts between democracy and capitalism experienced in many postcolonial nations. Chua (2003) documents in several nations in Africa, Latin America, and Asia how numerical minorities who possess the majority of the assets in their nations clash with the majorities, the latter emboldened by democratic “rights” and “access.”

**DISCUSSION AND IMPLICATIONS**

The first implication of our work stems from its substantive attention to the nexus of meanings and values at the center of market exchanges. More specifically, in directing attention to the working of the sign economy in producing markets via discourses and practices, we add an important dynamic more fundamental than that of the function/activity focus of the field. That is, though useful strategically, the tactical focus of the 4 P’s is limited by its attention to products, as V&L note.

The second implication of this work stems from its more comprehensive and nuanced treatment of the market rather than the partial views emphasizing either marketers or consumers characterizing work in the *Journal of Marketing* and the *Journal of Consumer Research*, respectively. In a related point, significant theoretical development is made possible in comparing markets. Recognizing the socially constructed nature of markets draws attention to the importance of examining variations across societies and across time periods, while appreciating shared dimensions and principles as a function of emerging global institutional imperatives and constraints.

Third, in emphasizing the joint roles of market agents in constituting markets, we join forces with V&L and Kotler (1986) in working to replace disciplinary conventions favoring autonomous marketers and consumers with more interactive marketers and consumers co-creating value. Yet we go additional steps, emphasizing the ways in which they co-create meaning as well as value; their interdependence, as co-created subject positions; and the ways in which they jointly produce the marketplace. This reconceptualization provides a better understanding of market agents, their activities, and the impacts of marketing and consuming phenomena on society. For example, regarding the dynamics of power within markets, our work paradoxically better empowers marketers and consumers at the same time it humbles both groups of agents, because by examining markets, we see more clearly the complex ways in which each is beholden to the other, which complements the partial views emphasizing the respective powers and limitations of each.

The final implications of this work lie in its contributions to marketing managers. In line with
the discussions regarding meaning and value at the heart of markets, and consumers as co-producers, is the necessary rethinking of the role of marketing as one of designing processes (Firat, Dholakia, and Venkatesh 1995) rather than providing products or services. Expertise in designing processes that allow and facilitate consumer involvement and participation in constructing significations and the resulting services and products is likely to become the key role and social usefulness of marketers.

Appreciating meanings and values of signs as fundamental elements at the heart of market exchanges better informs managers of what it is they are doing. We direct attention to how marketers build markets in their interactions with consumers, and replace the partial views of managing demand, managing the 4 P's, and achieving consumer satisfaction per the market concept. That is, from the perspective of our work, the marketing concept and consumer satisfaction are viewed as two signs with tremendous currency in market discourse. Like all signs, they have multiple referents, and this ambiguity accounts for much of market failures. Specifically, though appearing simple, achieving consumer satisfaction is anything but simple, as a function of the gaps in firms’ attempts to operationalize consumer satisfaction as consumer-centered. Instead, consumer satisfaction must be completely overhauled to reflect the joint market enactment by consumers and marketers.

A second major application of interest to marketing managers is branding. We argue that as the sign system becomes intensified globally, research on branding should examine broader issues concerning how systems of signs are developed vis à vis particular social groups, and how they are used by members and nonmembers in negotiating not only identity, but also social relations within and across nations.

FUTURE DIRECTIONS

Future directions from this research stem from the need to completely revamp our understanding of marketers, consumers, and market organizations. So many basic concepts of consumer satisfaction, information processing, decision making, and strategic marketing development are predicated on individual, semiautonomous marketing and consuming agents. These concepts will be radically altered in replacing them with socioculturally constituted marketers and consumers who enact markets interactively, in and through the manipulation of signs. First, our view of marketers situated within the symbolic discourses and practices that they partially create opens up exciting research questions and possibilities of new configurations regarding the nature of their subjectivity and agency within participative markets. Second, our view of consumers challenges the conceptual house of cards built upon the framework of the individual, inviting reconceptualizations that give emphasis to consumers as agents positioned within groups with particular historical and social trajectories. Consumers, too, are situated within the market dynamics of symbolic discourses and practices that they partially create with marketers. Third, global branding represents another important area of study, as the full range of market stimuli must be reconsidered as jointly produced by marketers and consumers via the circle of market research and iterations of enacted symbolic discourses and practices. Fourth, the study of market organizations must be opened considerably to incorporate marketers repositioned within webs of interorganizational alliances, with links traversing nation-states and subcultures, consumers, and other organizations, and consumers positioned not as outside “targeted” subjects, but rather as in-house co-constituents of market signs. Finally, even the conduct of research begs scrutiny, with calls to better calibrate researchers’ cultural positions in relation to those they study.
NOTES

1. Vargo and Lusch (2004b) published another article in the Journal of Service Research that clarifies certain issues raised in their Journal of Marketing article. Since both articles are closely related and for reasons of space, we limit our attention in this chapter to Vargo and Lusch (2004a).

2. There are journals devoted to broader institutional/societal/cultural issues such as Journal of Macromarketing, Consumption, Markets and Culture, and Journal of Consumer Policy, but they have not yet become incorporated into mainstream marketing thought.

REFERENCES


