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**Value Propositions in Higher Education: an S-D logic view**

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## **Value propositions in higher education – an S-D logic view.**

### **Abstract**

Service-dominant (S-D) logic is portrayed by Vargo and Lusch (2008) as a "mindset", a way of examining exchange. Higher education as a whole is a context in which (S-D) logic might be explored yet has attracted comparatively little attention to date. In particular, a key element of S-D logic is the 'value proposition'. In this working paper a discussion on the nature of the value proposition and what this may represent in the context of higher education is presented with a view to posing questions for debate which need further development.

### **Introduction**

In their paper, 'Service-dominant logic: continuing the evolution', Vargo and Lusch (2008) portray service-dominant (S-D) logic as a "mindset", a lens through which to look at social and economic exchange phenomena so they can potentially be seen more clearly" (p. 9). As such it is a philosophical standpoint which scholars are beginning to apply in a variety of contexts. The provision of higher education is a service offered by institutions to students and as such is amenable to such an analysis. In this paper a key aspect of how the institution and the student interact with each other through the use of value propositions is explored with a view to shedding light on this key area. In so doing we hope to contribute to the improvement of higher education programmes.

### **Service characteristics of higher education and service-dominant logic**

The provision of programmes of higher education in general can be considered as a service and one that has certain distinctive characteristics. These include a high intensity of involvement of both the 'supplier' (university/teaching and other staff) and a 'consumer' (student), and a prolonged duration of delivery & interaction, often 3 years or more. These characteristics exemplify both Payne et al's observation that, "the relationship between the provider and the customer...[is]...a longitudinal, dynamic, interactive set of experiences and activities performed by the provider and the customer" (2008, p.85) and Vargo's (2009) argument that value creation is always a collaborative and interactive process and that service dominant logic should be seen in the context of a relationship in that value "emerges and unfolds over time".

Since the publication of Vargo and Lusch's pioneering article in 2004, there has been much debate surrounding the "new" service dominant (S-D) logic. Within this conceptualisation the notion of the value proposition and value creation are key elements. Of Vargo & Lusch's 10 foundational premises, FP6 - the customer is always a co-creator of value, FP7, the enterprise cannot deliver value, but only offer value propositions, and FP10 - value is always uniquely and phenomenologically determined by the beneficiary seem to be of particular relevance here.

### **The value proposition**

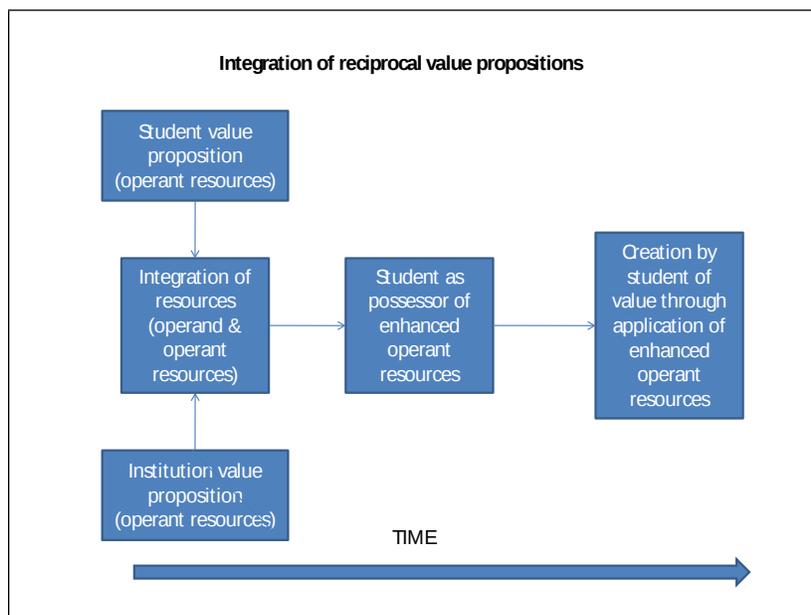
The term 'value proposition' is in widespread use throughout marketing and many other business disciplines and is usually taken to refer to the benefits that an organization promises to deliver in return for value delivered by the customer (most often a financial payment). As such it is a well established aspect of conventional marketing practice and implies that the organization will 'deliver' value to the customer in exchange for something of value to it. As such this reflects the notion of 'value-as-exchange'. One of the beauties of S-D logic as introduced by Vargo and Lusch is that it invites marketers to reconsider their perspective (Gummesson, 2008). Also, as Baron et al (2010) suggest, one of the attractions of S-D logic is that customers are not seen as simply passive receivers of value but "as possessors of operant resources ... that they integrate to create experiences and value." (P.254). In this sense, the consumer is not seen as a reactive 'destroyer' of the value (Vargo and Lusch, 2008) provided by the supplier but an active participant in the integration of resources as a part of a network of actors (Vargo and Lusch, 2010). Thus, as indicated in FP6, the 'supplier' cannot deliver value as such but only offer a value proposition; it is up to the user of that value proposition to co-create or 'actualise' (Gummesson, 2008) the value they seek, as argued by FP7. Further, as argued by FP10, the value to the beneficiary (user) is 'uniquely' determined by them, so in seeking to offer something of value, the organization can only offer a value proposition to the consumer which potentially has value for the customer (Ballantyne et al, 2010) and thus the value proposition 'exists to facilitate the co-creation of experiences' (Payne et al, 2008:86). What's more Vargo & Lusch (2004) also argue that a service-centred view should lead suppliers to involve customers in developing the value proposition itself. Ballantyne and Varey (2006) extend this to argue that for a long term relationship between a supplier and customer to work there must be mutually satisfactory value propositions offered by both parties; what they term 'reciprocal' value propositions. These then form the basis for the co-creation of value through value-in-use which represents the 'enactment of the value propositions offered to each party'.

### **Co-creation of value in higher education**

Vargo and Lusch (2008) argue that all parties involved in exchange bring resources to the value creation process and the process of resource integration is key to the generation of value, which it is argued here is the enactment of reciprocal value propositions. This is achieved through 'co-production', in which a supplier and customer may actively integrate resources in order to co-produce the core offering itself (Lusch & Vargo, 2006) This co-produced offering then can be exploited to co-create 'value-in-use'

Students are the 'consumers' of programmes of marketing education and as such possess operant resources (i.e. skills, capabilities, knowledge, initiative, imagination) which they integrate with the resources of the university and its staff to co-produce both experiences and their own 'personal' (Baron and Harris, 2008) value. Through engaging with co-production activities a student will encounter opportunities to enhance their operant resources through developing understanding, acquiring skills and building knowledge thus collaborating with the institution to develop and realise the potential of their reciprocal value propositions. For the student, opportunities to actualise (Gummesson, 2008) this potential value present themselves through the application of enhanced operant resources to generate 'value-in-use' at different points in time, over time and possibly in differing locations. This is illustrated in the diagram below (over page):

A way of helping students in this value actualization process might be to adopt an S-D logic approach to the provision of higher education programmes as outlined by Baron and Harris (2006). They argue that what they term as a ‘new dominant logic’ (NDL) pedagogy would encourage students to move from a passive role evaluating the ideas of others towards having a more role in gathering knowledge, be consulted as a part of the course design process and develop their own, creative ideas – in short to take a more active part in the co-production of their learning experiences and the value actualizing opportunities that arise from this. There are implications arising from this active bringing together of reciprocal value propositions and the resources that support them and Knowles (1984) and others’ arguments for ‘andragogy’ (learner-driven, active engagement with content defined at least in part by the learner, with the ‘teacher’ as facilitator of this process) as against ‘pedagogy’ (teacher-driven, passive learning by students of prescribed content)



A number of questions arise for investigation:

1. Do institutions and students recognise that they offer reciprocal value propositions?
2. What is the understanding of these value propositions?
3. What do institutions and students recognise as ‘value’?
4. Would a mutual recognition of the idea of reciprocal value propositions lead to a change of approach of the part of institutions, or students, or both?

This research should be conducted within the institutions themselves, current students and alumni

### **Concluding Remarks**

S-D logic provides us with a lens with which to examine and reflect on what we currently do and may enable us to improve the value propositions integrated by students and the institution when

students undertake a course of higher education and consequently the value they gain from this. The authors contend that taking a fresh look at the wider issues surrounding students and their experience of learning in higher education can indeed be informed by S-D logic (and especially the implications of FPs 6, 7 and 10). Given the gradual 'marketisation' of higher education, the advent of higher cost to students and rising demands for transparency of outcomes, such a re-examination may be very timely, not just for marketing education but all higher education in the UK. Will new opportunities and new solutions become apparent?

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