

Service-Dominant Logic of Marketing: What About Nonprofits?

Summary:

Service-dominant (S-D) logic has become an international topic of discussion in marketing management. However, research on S-D logic with regard to nonprofit organizations is very limited and many questions are open. Addressing this research gap this paper aims to start a scientific discussion on the benefits and implications of service-dominant logic for nonprofit managers and researchers. Based on the original foundational premises of service-dominant logic (Vargo and Lusch 2004) i.e. the published S-D characteristics in contrast to the today's transitional concept (see in detail Lusch and Vargo, 2006b, 286) we developed a conceptual model which fits to the particularities of NPOs. The model was tested empirically asking 104 nonprofit organizations about actual nonprofit marketing management orientations and relationship fundraising success. The results show that 25 % of the sample already has shifted to what is called S-D logic.

Proposal:

Since Vargo and Lusch's (2004) article "evolving to a new dominant logic for marketing" was published in the Journal of Marketing an intensive and controversial debate is ongoing (Vargo and Lusch, 2004, 2008; Achrol and Kotler 2006; Grönroos 2006; Gummesson 2006; Ballantyne and Varey 2008; Ford and Bowen 2008). The authors argue that the marketing concept of organizations is changing rapidly from a goods-dominant logic (through 1950), over a today's transitional customer management concept (1950-2010), to a service-dominant logic marketing concept (2010+) (Lusch and Vargo, 2006b; see Table 1). Service-dominant logic advocates service – defined as the application of competences for the benefit of another entity – as a key source of competitive advantage and value creation in organizations and concludes "all economies are service economies" (Lusch et al., 2007).

Following the S-D argumentation, the nonprofit sector is equally affected by this paradigm shift. Some researchers argue that the concept is even more relevant in the nonprofit sector i.e. in managing collaborative relationships between nonprofit organizations and donors. Lehmann (2006, p. 301) for example argues: "Indeed, it is the dominant logic for nonprofit firms".

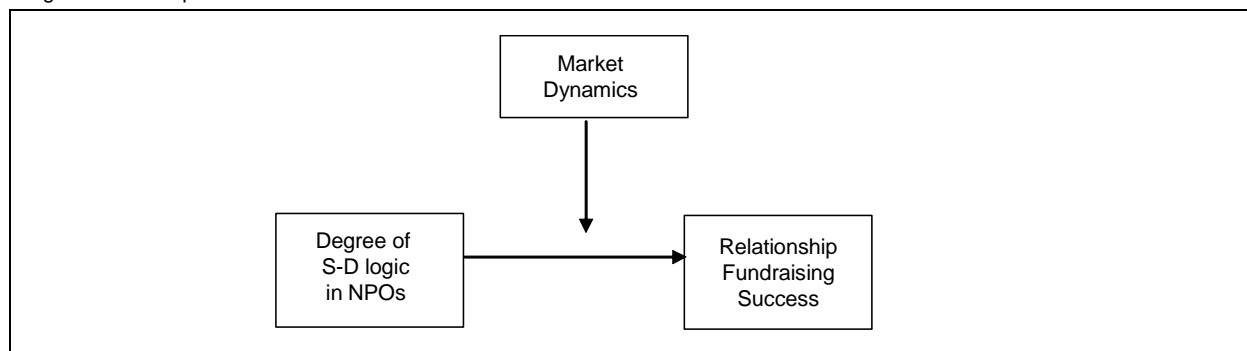
Table 1. From goods-dominant logic to service-dominant logic (Source: Lusch and Vargo, 2006b, 286)

Goods-dominant logic (through 1950)	Transitional concepts (1950-2010)	Service-dominant logic (2010+)
Goods	Services	Service
Products	Offerings	Experiences
Features/attributes	Benefits	Solutions
Value-added	Co-production	Co-creation of value
Profit maximization	Financial engineering	Financial feedback/learning
Price	Value delivery	Value proposition
Equilibrium systems	Dynamic systems	Complex adaptive systems
Supply chain	Value chain	Value-creation network/ constellation
Promotion	Integrated marketing communication	Dialogue
To market	Market to	Market with
Production orientation	Market orientation	Service orientation

Many of the mentioned characteristics of S-D logic in figure 1, for example experiences or value creation in networks, are typical for nonprofit organizations, while the meaning of other characteristics such as financial learning or to market, are not yet clear (Laczniak, 2006).

Therefore, the aim of this paper is threefold: Firstly, it is intended to begin a scientific dialog about the nonprofit management implications of the s-d logic approach. Secondly, it is intended to contribute conceptually/empirically by the development of reasonable items to measure s-d logic characteristics in the context of nonprofit organizations. Finally, we aim to measure the actual degree of s-d logic in nonprofit organizations respectively the relationship between s-d characteristics and relationship fundraising success (Figure 1), moderated by market dynamic factors.

Fig. 1. Conceptual model



Methodology

Most of the work given on s-d logic has been at a conceptual level of argumentation. What is lacking is empirical research that begins to investigate s-d logic concepts in practice. Therefore, to the best of our knowledge this paper is the first empirical one on s-d logic in nonprofit management. We recently conducted an empirical study asking 430 donation collecting nonprofit organizations about their fundraising and nonprofit marketing behavior from which 104 answered the written questionnaire. The results of the descriptive data analysis show that already 25 % of the sample could be called as s-d logic-oriented.

Furthermore, we analysed the data using partial least squares path analysis (PLS) but found no significant impact on relationship fundraising success so far. But we aim test the sample on heterogeneity furthermore. Managerial implications of s-d logic for nonprofit managers and futher research ideas will be presented at the conference.

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