

## UNDERSTANDING VALUE CO-DESTRUCTION IN TOURISM SERVICE ECOSYSTEM

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**Abstract:** *S-D logic is a mindset which is captured in eleven foundational premises (FPs) and five axioms, and implies the need for a revised, service-driven framework for all of marketing activities. Central in the S-D logic framework are the concepts of value co-creation and value co-destruction. Recently, the concept of value co-destruction which refers to the dark side of co-creation gains ground in the academic literature. Although in the tourism industry the concept of co-destruction is somehow examined in a micro-level (e.g. dyad interactions, zooming in), the macro-level (zooming out) remains unexplored. Therefore, drawing on a service ecosystem perspective and institutional theory the purpose of this paper is to examine a tourism environment in order to derive a deeper understanding on the underlying mechanisms which contribute to value co-destruction by also considering specific institutions.*

**Keywords:** *Service Dominant logic, Service Ecosystems, Value Co-Destruction, Institutional Theory.*

### 1. Introduction

*Service dominant (S-D) logic is a meta-theoretical framework which focuses on value creation and co-creation among multiple actors (Vargo and Lusch, 2018). Recent advances of S-D logic have fostered a service ecosystem perspective in order to delve into the bigger picture of the market rather than merely concentrating on the unit. Thus far, tourism research has mainly focused and empirically scrutinized the concepts of value co-creation and its contradictive concept, value co-destruction (e.g. Neuhofen, 2016; Dolan et. al, 2019) by overlooking the role of institutions in both value co-creation and co-destruction concepts. Moreover, the majority of previous research focuses more on value co-creation rather than co-destruction, despite the fact that service failure i.e. is inevitable among actors (Smith et. al 1999). Therefore, the objective of this paper is to address the aforementioned issues and contribute to the existent literature in two ways; by examining the concept of co-destruction from a tourism- service ecosystem perspective and by considering the neglected role of institutions in the tourism context. Consequently, empirical examples will be given to facilitate understanding of the value co-destruction process through the lens of the institutional theory. Ultimately, possible limitations and future research directions will be conveyed.*

## 2. Literature Review

### 2.1 The concept co-creation under scrutiny

*The concept of co-creation denotes a rudimental prerequisite of S-D logic. As expounded by Vargo and Lusch (2008), co-creation is examined as a change in marketing mentality in which the organization does not define the value of the offer but a participatory process of interactions where individuals and organizations create together, develop and refine this value in a reciprocal way through dialogue and resource exchange processes that can be considered experiential for the consumer (Vargo & Lusch, 2008; Gronroos, 2011).*

*Concerning the role of the partners in the implementation of co-creation, it can be identified at a level of abstraction as follows. To begin with, the company acts as a value facilitator and the consumer respectively behaves as a value co-creator within a context of reciprocal interactions. Secondly, the rules of interaction are determined in a strict framework by the seller. Consequently, the receiver generates knowledge with the stimuli obtained from the seller, while simultaneously through feedback the receiver transmits messages to the seller based on which the seller produces and offers new value propositions more personalized for the receiver.*

### 2.2 Unveiling the co-creation of value

*Little consistency can be found in the use of terminology related to value, since it is an ambiguous and multifaceted concept. Several conceptualizations have been developed to facilitate understanding of this concept, however, Gronroos (2011) adopted a narrower, albeit more pertinent view by supporting that the value for its beneficiary can be calculated by the discrepancy between the cost (user's sacrifices) as well as the merit (what he/she derives). Generally, value co-creation refers to customers' production of value-in-use where co-creation is a procedure accommodating interaction. (Gronroos and Voima, 2013).*

*As far as the value for the company is concerned, it can be interpreted in the form of gaining recognition, customer brand loyalty, creating a viable competitive advantage, and rewarding this advantage in financial inflows. In addition, value can be considered as the knowledge it derives from the consumers who are being treated as dynamic resources that generate value (Merz, He & Vargo, 2009). The “value-in-use” used in the S-D logic conditions highlights an experiential perception of value resulting from the use of possession of a resource or cognitive state. More accurately, it refers to the value that the customer creates and derives at the time of use (Gronroos, 2011), since value is always contextually dependent, later Vargo and Lusch (2016) refer to the concept of value as value-in-context.*

*Numerous definitions exist in the S-D logic literature, but value co-creation can be broadly defined as an interactive dialogue-based amid a seller and a customer. Through this process, the meaning emerges mutually and hence it produces value for both partners. Subsequently, one could argue that the consumer and the salesperson are subjected to a mild conversion that turns them to co-creators of value (Chou, Lin & Huang, 2016). More pertinently, it facilitates dialogue, albeit the roles of each participant are manifestly distinct, as each stakeholder executes alternative functions in the process. Thus, co-creation postulates two functions under an interaction regime (Chou, Lin & Huang, 2016).*

### 2.3 Service-dominant (S-D) logic and its role in value co-creative processes

*Although numerous definitions exist in the marketing literature, S-D logic can be broadly defined as a meta-conceptual framework regarding the explication of value formation, as a result of voluntary exchange, among actors' configurations. More specifically, the fundamental premise of S-D logic entails individuals' applied competences (e.g. skills, knowledge) to benefit others and mutually benefit from others' implemented competencies through service-for-service exchange (Vargo and Lusch, 2016). S-D logic initially consisted of eleven foundational premises (FPs), some foundational premises, however, were proven to be derivative from others, thus five FPs have been acknowledged as predominantly foundational and are characterized as the S-D logic Axioms (Vargo and Lusch, 2016). It is pertinent to*

state that an exemplary shift in contemporary marketing emerged owing to the issuing of “Evolving to a new dominant logic for marketing” created by Vargo and Lusch in 2016, since the renowned researchers delved into the process in which the novel emerging perspectives on operant (intangible) resources, value co-creation and value-creating dyadic relationships coincided to shape a novel logic for marketing to wit: the Service-Dominant (S-D) logic, which denotes that the unit of exchange in every economy is the service rather than the tangible products.

#### **2.4 The emergence of value Co-destruction within the hospitality industry**

Marketing literature has received reprimand due to intentionally concentrating on positive facets of customer engagement thus far (Van Doorn, et al., 2010). As explicated by Ple and Caceres (2010, p.431), “In terms of S-D logic, it would appear that the notion of value co-destruction has been rather implicit up to this point”. The aforementioned academics define value co-destruction as “an interactional process between service systems that leads to a diminishment in at least one of the systems’ prosperity” (p. 431). Per Echeverri and Skalen (2011), they contend that both sides of interactive value formation should be considered. Furthermore, they proceed by conveying that value co-destruction, just as value co-creation, can transpire when there are evident manifestations of interaction between providers and customers. Assuredly, several marketing activities to wit: word of mouth, online reviews as well as blogging can be positive or negative, depending on their employment. As conveyed by Mochon and Ariely (2012, p.6), several perils can be detected when involving customers in co-creation. To exemplify the above-mentioned perils, actions such as unfavorable word of mouth (Ple and Caceres, 2010) and oral or written complaints (Van Doorn, et al., 2010) result in destruction of value in firms. Notably, eminent researchers, namely: Jaworski and Kohli (2006) as well as Woodruff (1997) ratified the existence of devaluation procedures (e.g., value co-destruction) during customer engagement pertaining to value co-creation activities. More accurately, this viewpoint is in alignment with Echeverri and Skalen’s (2011) assertion that interactions regarding the supplier-customer dyad do not always result in a value creative process, there are however, high probabilities of value destructive outcomes in the interactional process. Like Ple’ and Caceres (2010), they claim possibility of value co-destruction at the provider-customer interface. In addition, Gregoire, et al., (2009) denote that value co-destruction may serve as an adverse effect on a company’s revenue. For instance, customers who are dissatisfied with the services provided by a hospitality business may adopt a negative stance based on their unpleasant experiences, by engaging in negative word of mouth or writing contemptuous reviews on social media and online review websites.

#### **2.5 A review on the tourism-service ecosystem approach**

Service system rationale in S-D logic is based on the work of several eminent academics such as Alderson (1957)- who formulated the functionalist approach which is primarily encountered in G-D logic, however it can be also pertinent to the service-centered perspective. By embracing Service-Dominant logic as the philosophical basis of service science, Maglio and Spohrer (2008) announced the notion of service systems explicated as “value configurations of individuals, technology, value propositions joining both internal and external service systems, and joint information” (p.18) that signifies the rudimentary component of scrutiny of service. More precisely, Edvardsson et al (2011) illustrated apposite instances regarding service systems, in which hospitals, colleges as well as cities are encompassed since they establish collaborative configurations of joined individuals, technologies as well as other resources chiefly classified by permeable limits (Jaakkola and Alexander, 2014). Notably, compared to S-D logic, service science promotes a more macro view on value co-creation (Saarijärvi et al., 2013).

As pinpointed by Edvardsson et al. (2011), there are several resemblances between the notions of service system and social system by mentioning that “Just as social systems, service systems adapt and survive through interaction and the integration of resources that are mutually beneficial” (p. 10). As far as the concept of service ecosystem is concerned, it originated from biology and zoology (Vargo and Lusch, 2016). Like biological ecosystems, service ecosystems comprise interrelated actors heavily dependent on each other to “survive” by interacting through the deployment of institutions, technology as well as verbal communication to co-produce, actively participate in reciprocal provision of services and co-create value (Vargo and Lusch, 2016). In line with the work of Vargo and Lusch (2016), a service ecosystem particularly accentuates the role of institutions in value co-destruction, since it delineates the evolvement of social structures.

### 3. Conceptual Framework

#### 3.1 Value co-destruction in service ecosystems: The paramount significance of institutions

*In the ensuing paragraphs, the authors will attempt to unveil the fundamental role of the institutional theory in S-D logic, and thus, underline the fifth axiom (11<sup>th</sup> FP) which signifies that value co-creation is regulated through actor-evoked institutions as well as institutional configurations (Vargo and Lusch, 2016). Regarding institutions, they are interpreted as norms, meanings, symbols, and practices that enable or constrain the actors' conduct (Vargo and Lusch, 2016). Moreover, in congruence with Scott (1995), institutions are classified by a regulative aspect (by regularizing human conducts), a normative dimension (by presenting a prescriptive and mandatory dimension into societal conducts), as well as cognitive components (by shaping the meanings that actors ascribe to items and activities). Nonetheless, “institutional arrangements are interdependent assemblages of institutions” (Vargo and Lusch, 2016; p. 6) that ease the value co-creation procedure. Thus far, several scholars from the field of consumer behavior thoroughly examined dyad relationships (eg. employees-customers), nevertheless, by integrating the aforementioned institutions, service ecosystems can extend the hospitality literature and propose potential moderators to be implemented in future empirical research.*

#### 3.2 The dark aspect of co-creation: Co-destruction

*Per Echeverri and Skålen (2011), interactive value practices may nurture both value co-creation and value co-destruction. Consequently, value co-destruction transpires when there is incongruence pertaining to the components of practices. Alternatively, this happens when actors in dyad relationships, settle with which processes, understandings and meanings should form a specific interaction.*

*Essentially, co-destruction can transpire due to a deliberate or unconscious misapplication, to wit a service failure. Pertinent examples will be illustrated to explicate the aforementioned through the institutional theory (e.g. regulative, normative and cognitive institutions). Since the regulative institutions refer to the formal rules (Edvardsson et. al, 2014), in a hospitality context these rules may comprise the established operating policies of a hotel. Subsequently, if the firm's customers do not comprehend the aforementioned formal rules, this may lead to value co-destruction. For instance, if a guest refuses to comply with the specified hours of check-in, then his/her assigned room can be re-booked for a different guest, resulting in service failure i.e. value co-destruction within the hotel service ecosystem. Thus, with the aid of regulation and monitoring, the regulative institutions can embrace the actors' compliance (in terms of behavior) to specific standards. Regarding the normative institutions, they consist of norms as well as values, in a hospitality context, this addresses the unwritten rules, embedded within a hotel environment (Edvardsson et. al, 2014). To exemplify the aforementioned statement, if we take into account a hypothetical dyad interaction in which a guest is rendered disenchanted with the hotel service provided, due to a delay pertaining to the check-in procedure, his/her misbehavior might deviate from the informal, albeit consciously established by the general consensus, unwritten rules, which in turn elicit value co-destruction among both actors.*

*Concerning the cognitive institutions, “the perception of reality” in a hotel service ecosystem may signify a perceptual discrepancy between dissimilar actors, between different service systems i.e. customers and employees (Edvardsson et. al, 2014). In an attempt to illustrate the above, an apposite example would be a scenario pertaining to a hotel's signature restaurant in which an Indian customer whose cultural context (guides his/her behavior) may be contrary to other quest' consuming meals that contain pork, and thus might trigger a value co-destruction process based on cognitive pillars.*

### 4. Discussion

*The scope of this conceptual paper was to apply a service ecosystem perspective and each institutional theory to the hospitality industry in order to gain a more profound insight into the value co-destruction process. Previous research (e.g. Neuhofer, 2016) examines value co-destruction through qualitative data selection. Contrariwise, this study, through adopting a service ecosystem perspective within the hospitality industry, zooms out from dyad interactions by meticulously taking into consideration the institutional theory in accordance within S-D logic current advances. We demonstrated via practical examples how institutions contribute to value co-destruction in a hotel environment. Further research is needed to empirically assess our conceptual findings and extend the theory among multiple actors. In the present paper, the authors draw the attention on the importance of the institutional theory, which should become a subject of thorough tourism research and subsequently be confirmed as a valid and evolving notion that can meaningfully corroborate to the comprehension of convoluted concepts such as co-destruction. In addition, there is an*

*imperative need for empirical research in terms of further understanding of the institutions, which affect resource-integration processes i.e. value co-creation and value co-destruction within the hotel service ecosystem. As far as future research is concerned, it should address these issues in order to raise awareness regarding the institutions in a resource-integration process in the hotel industry.*

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