

# Value propositions during service mega-disruptions: Exploring value co-creation and value co-destruction in service recovery

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## ABSTRACT

This paper explores value co-creation and co-destruction by focusing on the role of value propositions, practices, and institutions in the tourism ecosystem during COVID-19. Customers that had experienced travel cancellations were interviewed. The findings indicate that during service mega-disruptions, customers re-evaluate resources and value propositions by prioritizing eudemonic well-being, demonstrating at the same time sympathy for the tourism firms' well-being. However, consumers expect reciprocity, honesty, transparency, and flexibility from tourism firms. The service mega-disruption of COVID-19 provoked a misalignment of practices and routines that led to value co-destruction. This paper proposes that value co-creation can be achieved during a service mega-disruption when actors demonstrate more altruism, solidarity, and shared intentions to maximize or protect the well-being of the ecosystem's actors.

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## Introduction

The COVID-19 pandemic created unprecedented disruptions and challenges to the travel industry with travel restrictions, cancellations, and a general unwillingness to travel (Williams, Chen, Li, & Baláz, 2022). With traveling at a standstill, tourism firms had to manage service failures, complaints, and service recovery in an entirely new context: a service mega-disruption (Kabadayi, O'Connor, & Tuzovic, 2020). Unlike regular service disruptions (e.g., service failures), service mega-disruptions "occur on a massive scale affecting multiple stakeholders and service ecosystems simultaneously which cannot be easily recovered from" (Kabadayi et al., 2020, p. 810). In this unprecedented new situation inflicted by COVID-19, actors in the tourism ecosystem had to renegotiate previously accepted value propositions (e.g. non-refundable bookings, scheduled flights) by adopting a more dynamic approach to value propositions (Leroi-Werelds, Verleye, Line, & Bove, 2021) which led not only to value co-creation but also to value co-destruction.

Successful value propositions and value co-creation depend on a setting that reflects and considers conflicting value expectations of an ecosystem's actors (Kowalkowski, Persson Ridell, Rëndell, & Sörhammar, 2012). However, during service mega-disruptions, the well-being of different actors in the tourism ecosystem faces threats (Chen, Demir, Garcia-Gomez, & Zaremba,

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2020; Kabadayi et al., 2020) which change the actors' value perspectives and expectations. More specifically, consumers' risk concerns influence their expectations (Berry, Danaher, Aksoy, & Keiningham, 2020) while firms aim to adjust to the new realities by leveraging their dynamic capabilities (Melis, McCabe, Atzeni, & Del Chiappa, 2022). All actors request support to protect their well-being (Shagirbasha, 2022) in an ecosystem that has not found a resource–challenge equilibrium and/or created safe value co-creation spheres (Finsterwalder & Kuppelwieser, 2020). However, in the tourism and hospitality field, research on service recovery, complaint management, and value co-destruction (e.g., Järvi, Keränen, Ritala, & Vilko, 2020) has mainly been conducted during relatively stable periods. Moreover, studies discussing value propositions and resource–challenge equilibriums lack empirical investigation. There is, hence, a need to explore and understand how consumers re-evaluate previously accepted value propositions during service mega-disruptions.

The ability to collaborate is a facilitator of value co-creation whereas a lack of empathy leads to value co-destruction (Sthapit, 2019). During abnormal circumstances, actors in an ecosystem should adopt more collective value co-creation and institutional logic(s) to protect and improve their well-being (Cheung & McColl-Kennedy, 2015). Others have found that consumers demonstrate empathy toward firms during these unprecedented situations, but do not expect to face all the consequences of system failures and troubled firms (Ozuem, Ranfagni, Willis, Rovai, & Howell, 2021). Moreover, research on crises has demonstrated that consumers feel sympathy for firms facing a crisis (given that the firms are not at fault for causing the crisis themselves) (Stockmyer, 1996). However, prior research related to service mega-disruptions in the tourism and hospitality field has not investigated the role of consumers' altruism and sympathy toward firms, as well as their intentions to protect the well-being of other actors in the tourism ecosystem by accepting or dismissing service recovery value propositions.

The literature suggests that actors' behaviors adhere to a tourism ecosystem's expectations and anticipations that facilitate value co-creation, whereas violating cognitive scripts risks to value co-destruction (Järvi et al., 2020). Nevertheless, it has also been argued that unyielding rules and the inability to change create obstacles for value to be co-created (Järvi et al., 2020). During crises, actors should co-create value by rethinking pre-existing practices, assumptions, and beliefs (Weinberger & Wallendorf, 2012) given that existent problem-solving routines are not as useful as they would be during stable periods (Visentin, Reis, Cappelletto, & Casoli, 2021). Although the dynamic nature of value propositions has been highlighted in the literature, there is little research on how these dynamics function (Leroi-Werelds et al., 2021), especially during unstable periods inflicted by service mega-disruptions. Additionally, the literature has ignored the necessity to understand the role that service ecosystems (e.g., institutions, practices, ideologies) play in forming value propositions and how consumers evaluate those propositions during service mega-disruptions (Vargo & Lusch, 2016).

To address these research gaps, this study explores value co-creation and value co-destruction by focusing on the role of value propositions (refunds, vouchers, and rescheduling), practices, and institutions in the tourism ecosystem during a service mega-disruption such as the COVID-19 outbreak. The study's aim is explorative which means that semi-structured interviews are deemed to be an adequate data collection method because it provides a focus, but at the same time the method gives freedom to explore new aspects. A review of early COVID-19 research in tourism highlights that qualitative research is rare leading to low contextualization in terms of theoretical contribution (Yang, Zhang, & Rickly, 2021).

This study makes several theoretical contributions. First, the service recovery stream and crisis stream have been working in silos (Khamitov, Grégoire, & Suri, 2020) but this paper will bridge that gap since it contributes to the broader discipline of service mega-disruptions in tourism. Second, by investigating how different actors' influences change value co-creation routines and practices, knowledge is expanded on customers' acceptance of value propositions to support the well-being of other actors. Finally, by providing insights into the role of institutions and service ecosystems play in value co-destruction this paper heeds multiple calls for research (Finsterwalder & Kuppelwieser, 2020; Leroi-Werelds et al., 2021; Frow, McColl-Kennedy, & Payne, 2016; Tuominen, Edvardsson, & Reynoso, 2020;).

## Conceptual background

### *Resources and value propositions*

Service-dominant (S—D) logic is a major paradigm shift in marketing in which intangibility, exchange processes, and relationships are central to understanding firms' competitiveness, applied knowledge, and collaboration (Vargo & Lusch, 2016). According to the S—D logic, value creation occurs when an actor, in a specific context, uses resources and turns them into value (Chandler & Chen, 2016). Resources can be anything that an actor has access to and these resources can be used directly or indirectly to co-create value (Vargo & Lusch, 2016). Resources do not have an intrinsic value per se and firms cannot create or deliver value, only offer value propositions and facilitate resource integration (Frow et al., 2016).

Value propositions are crucial for value co-creation given that these propositions are the communication device to interact, share knowledge, and shape mutual expectations in how resources are shared within a service ecosystem (Frow et al., 2016). A successful value co-creation process is characterized by dialogue, access, risk assessment, and transparency (Melis et al., 2022; Prahalad & Ramaswamy, 2004) and is facilitated by a successful formation of value propositions. Value propositions should reflect an ecosystem's actors' individual perspectives of what they consider to be valuable (Kowalkowski et al., 2012). Hence, value propositions are multi-actor narratives of potential value which are uniquely and phenomenologically assessed by each actor (Vargo & Lusch, 2016). Actors' acceptance/rejection of propositions is appraised based on the propositions' potential effect on the actors' well-being (Shulga & Busser, 2020).

According to Ballantyne, Frow, Varey, and Payne (2011), value propositions can be crafted in advance by an initiator and propositions can be negotiated. Value propositions should be dynamic and reformulated over time by actors who contextually interpret events before, during, and after service exchanges (Vargo & Lusch, 2016). External triggering events (e.g., COVID-19) force actors to renegotiate and change value propositions (Leroi-Werelds et al., 2021). Put differently, value propositions change/develop when an external trigger (macro-level disturbance) challenges the status quo. Leroi-Werelds et al. (2021) argue that firms must respond to these types of disturbances because they bring contextual changes and affect the actors' value priorities (benefits and costs that actors prioritize when evaluating value offerings). Moreover, firms make strategic moves to change/develop value propositions (e.g., planned or unplanned, draw on existing or new resources). This is especially true for disasters because they have a transformational impact on ecosystems' well-being in that disasters create new combinations of actors and resources, subsequently leading to a new resource–challenge equilibrium (Finsterwalder & Kuppelwieser, 2020). However, when changing value propositions it is important to pay attention to take into consideration actors' benefits and costs (Leroi-Werelds et al., 2021).

Value propositions and resource integration are not always successful and can result in value co-destruction (Echeverri & Skålén, 2011). Value co-destruction occurs because of a lack of resources (e.g., not enough time), a low awareness of available resources, a lack of connections to key actors in the service ecosystem (Frow et al., 2016; Järvi et al., 2020), or a low ability to integrate resources (Chen et al., 2021; Sthapit, 2019). Research has also highlighted the importance of understanding and formulating clear expectations about the potential service (Järvi et al., 2020). However, during negative events such as crises and service failures, it has been argued that consumers change their behaviors (Hall, Prayag, Fieger, & Dyason, 2021). For instance, Shagirbasha (2022) found that during service mega-disruptions, the discussion about the well-being of employees, consumers, and firms increased. Specifically, Barnes, Mesmer-Magnus, Krallman, Scribner, and Guidice (2020) suggest that during crises the “customer's needs may shift to being more eudaimonic in nature” (p. 134). Eudaimonic well-being relates to health, safety, and support, which contrasts with hedonic well-being (happiness and pleasure) (Barnes et al., 2020). During crises, consumers have safety concerns (e.g., emotional and financial) (Berry et al., 2020) and firms adapt their value propositions by emphasizing signaling safety (Bove & Benoit, 2020). To increase well-being and positive outcomes for an ecosystem's actors during service mega-disruptions, safe value co-creation spheres should be created (Finsterwalder & Kuppelwieser, 2020).

#### *Institutions, value co-creation, and co-destruction practices*

The influence institutions and practices have on value propositions, value co-creation, value co-destruction and the configuration of ecosystems have been highlighted by the literature (e.g. Chandler & Chen, 2016). Institutions and practices shape actors' ability to interact, access, and adapt their resources to other actors' resources (Vargo & Lusch, 2016). According to Echeverri and Skålén (2011), “value co-creation and value co-destruction are a function of alignment/misalignment both within and in-between practices” (p. 16). The role of misalignment of cognitive scripts among customers and providers has been highlighted as a reason for value co-destruction in hotel services (Järvi et al., 2020). When various institutional logics compete, institutions can be ineffective dogmas, ideologies, and too dominant, thus negatively influencing practice alignment (Chandler & Chen, 2016). Practices and institutions in an ecosystem influence value co-creation and value co-destruction, especially when the practices and institutions change due to a service mega-disruption (Marsden & Docherty, 2021).

Co-creation practices are activities, routines, and idiosyncratic scripts (Kowalkowski et al., 2012). Each resource-integrating actor draws upon practices, e.g., when actors collaborate and interact within a specific social context to form value propositions, share resources, and fulfill resource needs (Frow et al., 2016). Tuominen et al. (2020) propose that value co-creation practices are interrelated routines (ostensive, performative, and artifactual). Ostensive aspects are relatively durable and include schemas, shared understandings, and informal rules and norms. Performative aspects are related to non-habitual ways of interacting and solving problems and are affected by the resources and the actors' intentions. Artifacts are the material and immaterial resources used in routines. However, value co-creation is influenced not only by routines and practices but also by institutions. Actors use institutions to interpret their social world from a regulative, normative, or cognitive perspective (Vargo & Lusch, 2016).

Practices are ever-changing across service contexts (Echeverri & Skålén, 2011). Each resource integration activity potentially leads to change in respect of all operand and operant resources (Kowalkowski et al., 2012). Value co-creating interactions can stimulate institutional change in service ecosystems with the emergence of new rules (Vargo & Lusch, 2016). Tuominen et al. (2020) propose that institutional change happens when interchanging cycles of planned and practice-based change. Planned-based changes often introduce new artifacts, whereas practice-based changes introduce new performances of artifacts applied in a situated manner. During a crisis, actors aim to co-create value by rethinking pre-existing practices, assumptions, and beliefs (Weinberger & Wallendorf, 2012). It has been suggested that actors, during and after crises, use collective value co-creation and institutional logic(s) to protect and improve their well-being more than they would during normal circumstances (Cheung & McColl-Kennedy, 2015).

The COVID-19 pandemic mega-disrupted the tourism ecosystem by changing practices, routines, and institutions with new rules and legislation such as lockdowns, physical distancing, and travel bans. Changes or disruptions to routines and institutions can generate problems, ambiguities, and opportunism, leading to less value co-creation and more value co-destruction (Meynhardt, Chandler, & Strathoff, 2016). According to Tuominen et al. (2020), p. 580, “adjustments and compromises were required until the different aspects aligned across the service ecosystem”. Compliance with rules (Koskela-Huotari, Edvardsson, Jonas, Sörhammar, & Witell, 2016), shared intentionality (Taillard, Peters, Pels, & Mele, 2016), shared interpretation of actions, and goal orientation can be used to address practice misalignments to avoid value co-creation disruptions.

## Methods

### Research approach and methods

This study aims to explore value co-creation and value co-destruction by focusing on the role of value propositions, practices, and institutions in the tourism ecosystem during COVID-19. The study's aim is explorative which means that the authors needed to adopt a data collection method capable of providing a focus but, at the same time, giving enough freedom to explore new aspects. Semi-structured interviews were deemed appropriate to generate new data by letting the authors explore new avenues of potential angles while ensuring a thematic focus (Silverman, 2010). This data collection method aligns with the interpretivist approach since it allows researchers to form an in-depth and contextual understanding (Alvesson & Sköldberg, 2009). The interview guide consisted of 17 questions divided into various themes: general information; nature of the cancellations; the process; communication; emotions, feelings, and thoughts; and outcomes. The interviews were conducted as friendly conversations where the participants often led the interview by sharing their experiences. All of the interviews were conducted by the first author.

The recruitment of participants was carried out via institutional databases, social networks, and snowballing. The inclusion criterion was that the participants had to have experienced a travel cancellation due to COVID-19. Even though the researchers adopted a criterion sampling strategy, we aimed to include a diverse sample with participants from various countries and ages to enhance the study's transferability and, by extension, its trustworthiness (Czernek-Marszałek & McCabe, 2022). The final sample consisted of 37 participants, 20 females and 17 males. A table with more information about the participants and the nature of their travel cancellations can be found in the Supplementary material. The reason for the sample size is that at that number of participants, the study reached theoretical saturation in that no additional insights could no longer be derived from the collected data (Matteucci & Gnoth, 2017).

Skype and Zoom were utilized as digital tools to conduct the interviews. The interviews were recorded and transcribed. The transcription yielded 287 pages. The interviews were conducted from March to May 2020 and ranged from 45 min to 70 min.

### Analysis

The analysis was inductive because the researchers were keen to identify new insights (Braun & Clarke, 2006), hence, no coding sheet was utilized. The initial step was that the authors familiarized themselves with the data set (Ibid.). In the next step, a coding procedure was adopted which was influenced by how grounded theory advocates analyzing data in three steps (open, axial, and selective coding). However, the authors adopted a 'lite' version of grounded theory analysis since it is akin to thematic analysis (Table 1). The authors did not subscribe to the commitments that come with a traditional application of grounded theory (Braun & Clarke, 2006).

The first step of the coding procedure, open coding, involved creating simple and shortcodes while moving through the data (Glaser, 1992). The second step, axial coding, included relating those codes that were identified during the open coding in categories (Ibid.). The final step, selective coding (themes), involved putting the relations between axial codes into descriptions of the study's explored phenomenon (Ibid.) (see Fig. 1). The data set was initially analyzed independently by all of the authors and then jointly discussed to develop the final set of codes and themes. This means that the procedure was iterative until the authors achieved efficient coding.

## Findings

The data analysis yielded four selective codes/themes: (1) re-evaluation of resources and value propositions, (2) honesty, (3) sympathy, and (4) the rules of the game. The key findings are visualized and summarized in Fig. 1.

### Re-evaluation of resources and value propositions

As a response to COVID-19-related travel cancellations, tourism firms' value proposition offers were vouchers, rescheduling, or refunds. Participants deemed the two former value propositions as rather unattractive and often preferred being refunded. Being compensated for canceled trips is one of air-travelers main concerns during the COVID-19 outbreak (Piccinelli, Moro, & Rita, 2021) because money is a resource that offers more flexibility and less risk. The findings suggest that consumers and tourism firms (especially those who preferred to offer vouchers), to some extent, aimed to protect their own well-being. The amount of money a customer had spent on their (now canceled) trips affected how much a negative impact it had on their well-being.

*"I started panicking. So I called my mother. She was at church. And I am like, can I talk to you? She said, no, I am at the service. Can you wait until I am free? I said, no. I am going crazy now. Leave the building now. Then she called me. I was trying to keep calm, but I could not. I had to talk to somebody. I had to call somebody. I just went crazy. It is so much money. There is a lot to lose." –*

[Participant 15]





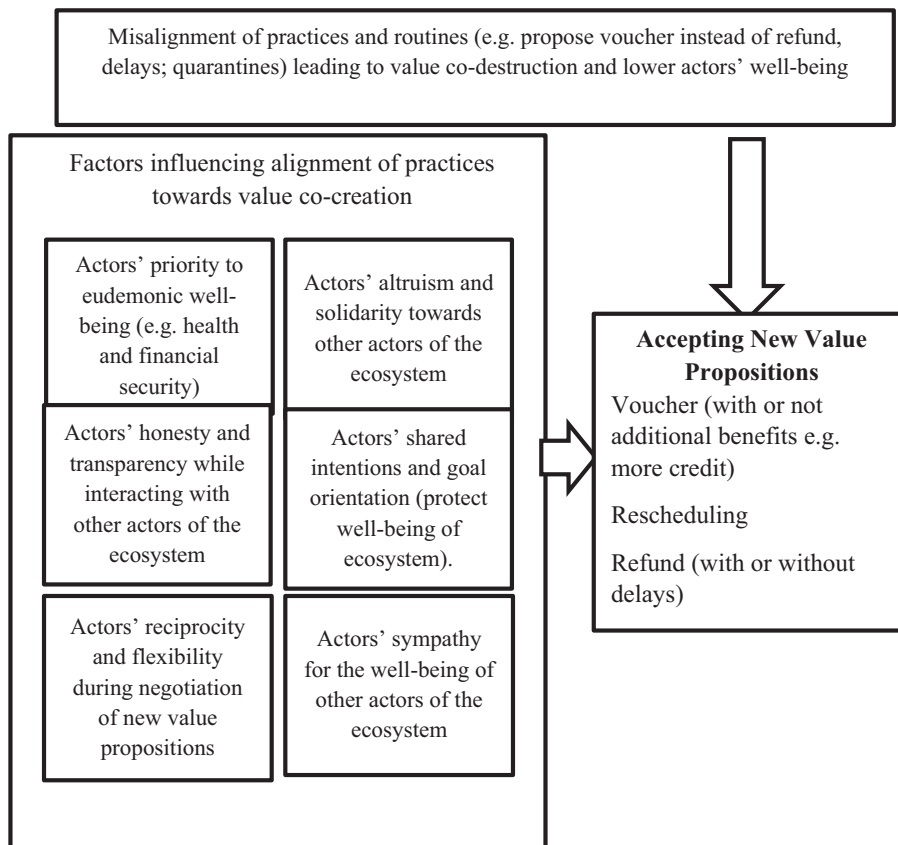


Fig. 1. Conceptual framework of accepting new value propositions during service mega disruptions.

routine for value co-creation by altering the tourism ecosystem's artifacts and ostensive routines. Many tourism firms tried to make up for this by adding incentives such as service upgrades, prolonged expiration dates for vouchers, and/or adding extra credit.

*"They offered to obtain 120% plus. It's really interesting and good. And I think other companies did not give this option to their customers."* -

[Participant 26]

An effective solution to decrease customers' intentions to cancel their travels is to introduce value propositions with upgrades such as more luxurious accommodation (Hajibaba, Boztuğ, & Dolnicar, 2016) and seems to be a possible solution for tourism firms during these circumstances. Nonetheless, some participants took into consideration that this was an extraordinarily difficult situation and that others faced more serious problems (e.g., death, stress, health, losing jobs) than them with their minor travel-related issues. This demonstrates that resources do not have an intrinsic value per se (Frow et al., 2016) and that safety and health are more important to them than pleasure at this point (Barnes et al., 2020).

*"There seems to be no point in getting upset about it. Because there are much bigger things at stake. Like hundreds of thousands of people dying."* -

[Participant 29]

Thus, a canceled flight and difficulties with being refunded were deemed as minor inconveniences when looking at the big picture. During crises, consumers demonstrate more concerns for the health and support of other members of the community (Barnes et al., 2020) leading to co-creation of well-being between various actors in the tourism ecosystem. But still, several of the participants were reluctant to accept vouchers or rebook. A reason for that was that COVID-19 made them unsure of when (or if) they would be able to travel again (Bulchand-Gidumal & Melián-González, 2021), resulting in potential value co-destruction.

*"I prefer the refund because in the future I can use my money like I want to [...] the voucher obliges me to use that specific company and with a deadline that is approximately one year, and I do not know when I will be able to travel again."* –

[Participant 26]

Several concerns were raised related to the possibility to get time off work for future vacations, possible health risks associated with future travels, and the tourist experience at the destination (e.g., quarantine). Others feared that they could lose their job and income. In other words, several ostensive routines changed or their performative aspects have been decreased or expected to do so (Tuominen et al., 2020) which can lead to value co-destruction (Järvi et al., 2020). According to Pappas (2021), holiday intentions have been heavily influenced by holiday risks (e.g. travel, destination, hospitality) and COVID-19 risks (e.g. psychological and economic impact, recession). The participants felt that the tourism firms demonstrated a lack of understanding of their needs during this difficult period. More specifically, the value propositions were not as dynamic and flexible as they would have to be during a service mega-disruption (e.g., vouchers with "short" expiration dates) since this type of disruption constantly creates new realities for travelers. This is problematic for tourism firms because value propositions must reflect all the actors' conflicting value perspectives (Kowalkowski et al., 2012) and, in turn, seems to contribute to value being co-destroyed. The value proposition in the form of a refund was more attractive to the travelers than any other proposition due to its flexibility because money can easily be transformed into other kinds of resources.

*"For a company that I know and use, I am ok with the voucher. With companies that I do not know, and do not use, I would ask for a refund."* –

[Participant 11]

However, as the quote suggests, participants who traveled frequently with a specific tourism firm or frequently visited a specific destination were less persistent with being refunded. They would settle for vouchers because these participants would use the voucher sooner or later anyway and transform that resource into value (Chen et al., 2021). Several participants were worried about the future value co-destruction because of the risks with the (monetary) value of the voucher. Participants raised concerns over how prices may increase in the future, which would mean that if they accepted a voucher for their canceled travels, it could end up being useless since the travel prices risk rising to a higher level than before COVID-19. If that was not enough uncertainty for the participants, they were also worried about the airlines going bankrupt. If the airlines that they were supposed to travel with go bankrupt, their rebooking or voucher would vanish into thin air.

*"Who tells me that the prices in the future are not going to rise? If all of us have a 100 euro voucher it goes without saying that the ticket prices will be more than 100 Euros and I will have to pay extra."* –

[Participant 13]

*"I mean, I hate to say it, but it depends on what happens with the airline, it may not exist in a year."* –

[Participant 31]

In this disturbed ecosystem, the findings suggest that it is uncertain that a voucher promises a realization of future value. During a service mega-disruption, many firms should facilitate resource integration during all the stages of the customer journey (Frow et al., 2016). Value propositions should reflect the perspectives of different actors in the service ecosystem (Kowalkowski et al., 2012) but, as the findings suggest, the tourism firms mainly focused on their well-being during this service mega-disruption. However, customers were reassured if the tourism firm, which in this specific case was an airline, was perceived as well-established and reputable.

*"I would place more value on the name of the airline because I know that Emirates, for instance, is well-established, one of the best, if not the best. [...] Now, do I think that Emirates will collapse? Probably not. But there will be a lot of other smaller airlines or more budget airlines that might have severe financial problems and they will end up collapsing."* –

[Participant 3]

This suggests that the perception of a tourism firm's reputation affects whether a customer will accept a value proposition (e.g. a voucher or rebooking) or not during a service mega-disruption.

### Honesty

Seeger (2006) reminds us that honesty and "openness about the risks may promote an environment of risk-sharing, where the public and agencies mutually accept responsibility for managing a risk" (p. 239) and, thus, echo other authors' suggestion that risk

assessment, dialogue, and transparency are crucial dimensions of value co-creation (e.g. [Melis et al., 2022](#)). The analysis reveals that the participants want honesty and transparency from the tourism firms, especially about their eventual financial problems. It seems like when customers feel that they are being told the bleak truth about the firm's troubled financial status, the customers adopted more altruistic practices.

*"I read the news and all of a sudden Norwegian Airlines are almost on the brink of bankruptcy because of COVID. And like, I read this news and think: why did they not tell me this so I could help?" -*

[Participant 36]

Customers yearned for transparency in that they wanted to know what was going on in terms of cancellations during this stressful time. In line with feeling deceived by not being told the truth, several participants found the process to apply for refunds rather complex and hidden on the tourism firms' websites. Some participants raised concerns regarding how intentional this complexity might have been and suggested that firms might be desperate to maintain their financial liquidity and, hence, made it more difficult for customers to figure out how to apply for a refund. In other words, the participants mistrusted the tourism firms' intentions. When there are no shared intentionalities between actors in an ecosystem it is difficult for value co-creation to be realized ([Taillard et al., 2016](#)). Instead, it looks like value is being co-destroyed due to customers' difficulties with integrating resources ([Chen et al., 2021](#); [Sthapit, 2019](#)).

*"They [the tourism firm] insisted on the voucher. Come on! I said that I would like to get a refund. Why am I being challenged? And it is not only this. I clicked on their website because they said that you have to click on the link if you want to have a refund. And when I did that, all the information was about the voucher. Well, come on!" -*

[Participant 16]

The findings demonstrate the role of misalignment of practices during this service mega-disruption (see e.g., [Marsden & Docherty, 2021](#)). More specifically, customers did not know and understand these new procedures (e.g., feeling forced to accept vouchers even though they have legally the right to get refunded or not being able to figure out how to apply for a refund on the tourism firms' web pages) which suggests that there is practice misalignment regarding understandings and procedures which lead to value co-destruction ([Echeverri & Skålén, 2011](#)). However, if tourism firms' can achieve shared interpretations and a similar goal orientation among actors, it has been suggested that this will minimize practice misalignment (*Ibid.*).

### Sympathy

Even though customers worry about what will happen with their cancellations, they still have sympathy for the tourism firms because of the amplitude of the service mega-disruption. Indeed, consumers might feel sympathy for a troubled firm when they face a crisis as long as they are not at fault for that crisis ([Stockmyer, 1996](#)). Moreover, at a time when governments were spending huge amounts of money to save airlines from bankruptcy ([Corbet, Hou, Hu, & Oxley, 2022](#)), consumers were implicitly asked to support the airlines by not demanding refunds and tolerating temporary financial loss. Some consumers adopted altruistic behaviors. For instance, this participant was prepared to accept vouchers to minimize the financial impact on an airline.

*"I was trying to reach them in order to ask them, what are you going to do? Are you going to give us a refund or vouchers? Because I hope I will be given vouchers instead. Like, if I can minimize their financial problems and stuff." -*

[Participant 30]

Whilst others fought hard for their right to get refunded since their circumstances had changed. Nevertheless, these customers still offer some solidarity and tolerance as they understood the magnitude of the COVID-19 crisis.

*"I can understand why they are holding onto my money. I am still upset, but I am a bit sympathetic." -*

[Participant 15]

This quote illustrates that customers can express sympathy for the tourism firms' financial situation, but still want what is theirs, i.e., to get a refund. This is a form of reluctant sympathy. This patience, regardless of whether it is reluctant or not, shines through in many of the participants. For example, various participants expressed that they have had more patience with firms in this unprecedented time in comparison with if everything had been normal. It suggests that consumers demonstrate more empathy during performative value co-creation routines because of service mega-disruptions.



*"I know that they are [the airline] lost at the moment and are burdened. Everybody is canceling and everybody is asking to have their money back. So, it is like at some point, I am saying, 'OK, so it's fine'" –*

[Participant 30]

This echoes those who argue that value co-creation practices are becoming more collaborative during crises in order to protect the well-being of different actors in the ecosystem (Cheung & McColl-Kennedy, 2015). A sense of morality and wanting to do "the right thing" prevailed. Some participants felt genuinely bad for receiving a refund even though they (often) had the legal right to get refunded. Put differently, even though the firm is acting 'normal', the customers' value perceptions had changed and this means that firms' routines, practices, or scripts must change or value is co-destroyed.

*"I do feel a bit sorry for this very small company, but they gave me the refund straight away." –*

[Participant 37]

Another participant echoed the idea of 'I scratch your back if you scratch mine'. If a firm refunded a customer for a cancellation, the customer then felt obliged to repay this firm by using their services in the future. Reciprocal value propositions can engage firms and consumers beyond sale and transaction (Ballantyne et al., 2011), especially when consumers get personalized solutions (Assiouras, Skourtis, Giannapoulos, Buhalis, & Koniordos, 2019).

*"It is my responsibility to book the same place because they were very honest and very... I think they did the right thing [refunded her without any hesitation]. So I also have to do the right thing." –*

[Participant 2]

However, firms that were seen as greedy or behaving badly, the participants did not demonstrate any sympathy for which means that COVID-19 has disrupted the once shared internationality between customers and tourism firms in this ecosystem (Taillard et al., 2016).

*"So the [country's] state said, well, we are going to attempt to rescue you. And then [the airline] came back with a long list of conditions. I think that is absolutely inappropriate. And you want to be rescued or you want to go bust." –*

[Participant 10]

### *The rules of the game*

'The rules of the game'-theme entail those practices and institutions that influence the negotiation of value propositions (e.g., vouchers) during this service mega-disruption.

When COVID-19 hit the tourism ecosystem, consumers sought support from institutions such as rules, policies, legislation, and regulations. Even though laws and policies are well-established during normal circumstances, a service mega-disruption affects the tourism ecosystem's institutions; rules, norms, and values. Several tourism firms stopped obeying the institutions which created confusion, angst, and frustration among customers. COVID-19 created an anomaly (or a paradigm shift) in the ecosystem by changing the previously established institutions and ostensive practices (Tuominen et al., 2020). In other words, what previously was considered an institution or ostensive and artifactual practices were suddenly no longer that to all of the ecosystem's actors (e.g., tourism firms). The rules that all actors had followed and complied with had suddenly changed which caused problems, ambiguities, and opportunism which lead to misalignment of practices and, thus, value was co-destroyed (Chandler & Chen, 2016; Marsden & Docherty, 2021; Meynhardt et al., 2016). The findings suggest that COVID-19 affected customers in how they comply with legislation.

*"It cannot be a two-rule system where a different rule applies to us when the passengers owe money and a different role with airlines owe money. So, the European Union regulations should apply. And the airline should follow that. –*

[Participant 5]

*"Now, clearly, even if the airline has not canceled the flight, I will still not be able to go because of the lockdown." –*

[Participant 3]

The last quote is from a participant who explained that even though the airline might not cancel her flight, she still cannot go because there was a strict lockdown or obligatory quarantines imposed by the government in the country she lives in and/or the

country she had planned to visit. Quarantine is a major concern for travelers, in some cases even bigger concern than getting infected with COVID-19 (Yu, Li, Yu, He, & Zhou, 2021). This shows that changes in regulative institutions (e.g., imposed lockdowns, quarantines, mandatory testing) by a focal actor (e.g., a government) in an ecosystem shape actors' value perception. When the ecosystem's institutions change the actors' idea of value, subsequently the nature of value co-creation and value co-destruction also change. Offering customers vouchers or rescheduling their canceled trips in this disrupted ecosystem with ever-changing institutions (e.g., quarantine, potential bankruptcies, ineffectual regulations) are no longer a "valuable" proposition in the eyes of the customers. The participants felt that the tourism firms were inflexible at a time that demanded flexibility (Arabadzhyan, Figini, & Zirulia, 2021). The tourism firms changing their value propositions (e.g., vouchers, free of charge rescheduling) due to the institutional changes to this ecosystem did not meet the customers' perception of what is valuable (Kowalkowski et al., 2012). There were multiple institutional logics among actors competing in the tourism ecosystem (Chandler & Chen, 2016). The tourism firms would have benefited from negotiating and discussing the appropriateness of the value propositions with the customers (Ballantyne et al., 2011).

*"We cannot change the voucher. We need to adapt to the availability of the company offering us to go to a specific destination. There is no logic to it." –*

[Participant 13]

For example, this participant had issues with inflexible solutions that came with vouchers. Tourism firms need to remember that dialogue is an essential ingredient in value co-creation (Prahalad & Ramaswamy, 2004).

## Discussion and conclusions

This study explores value co-creation and value co-destruction by focusing on the role of value propositions, practices, and institutions in the tourism ecosystem during a service mega-disruption such as the COVID-19 outbreak. By doing so, the study investigates what happens when the pillars of the tourism ecosystem crumble and contrast and compare the findings with theoretical knowledge mainly based on how ecosystems function during stable periods.

### *Theoretical implications*

This study's theoretical insights concern (1) the role of consumers' well-being priorities, (2) consumers' sympathy toward firms and willingness to protect the well-being of the tourism ecosystem, and 3) dynamics of changes in practices and institutions in the crafting and evaluation of new value propositions during mega-disruptions. These insights are discussed in more detail next.

### *Well-being priorities*

Previous studies have highlighted that during the COVID-19 pandemic, consumption intentions are influenced by safety and risk concerns (e.g. Berry et al., 2020; Li, Gong, Gao, & Yuan, 2021). These concerns force customers to strive for refunds (Piccinelli et al., 2021). Our study extends this knowledge by showing that during service mega-disruptions, consumers reevaluate their 'well-being preferences' by prioritizing their eudemonic well-being instead of hedonistic. This well-being reprioritization explains why tourism firms' value propositions such as vouchers and rescheduling are perceived as less attractive than getting refunded for customers' canceled trips.

Our study also demonstrates that the desire to get a refund varies among customers. Moreover, our findings extend previous literature by demonstrating that value propositions are phenomenologically assessed in different contexts by each actor (Frow et al., 2016) based on a) amount of money spent, b) current or future consumer' economic situation, c) additional benefits that come with the value proposition (e.g., upgrade or extra monetary compensation/points), d) consideration of other actors' eudemonic well-being (e.g., health, death, losing jobs), and e) the risk of not being able to co-create the desired value by using the resources offered by the renegotiated value proposition. Overall, our study responds to calls for further research regarding how challenges influence actors' perceptions of value and how service mega-disruptions influence the creation of alternative safe value co-creation spheres (e.g., Finsterwalder & Kuppelwieser, 2020).

### *Sympathy and willingness to protect the well-being of others*

Our study reveals that unprecedented crises and service mega-disruptions affect the tourism ecosystem (such as the COVID-19 pandemic) by stimulating consumers' sympathy, altruism, and support toward the tourism industry (firms, employees, and destinations). That sympathy leads to customers happily making an active choice of accepting vouchers and/or delayed refunds because they knew that it would lessen the tourism firms' burden. Other customers demonstrate their sympathy by promising that they will book again with the same firm after the pandemic which leads to less value co-destruction. That finding confirms prior studies demonstrating that consumers sympathize with firms facing a crisis as long as they are not at fault (Stockmyer, 1996), but also extends the literature by empirically demonstrating that sympathy influences the acceptance of value propositions,

even though the propositions are not necessarily the most beneficial for the customers. In other words, sympathy can facilitate value co-creation and decrease value co-destruction during service mega-disruptions.

Our study demonstrates that customers are more altruistic toward other actors in the tourism ecosystem. The reason for that is not only because it is “ethical” but because customers understand that if the tourism ecosystem collapses, they will face a greater negative impact on their well-being. For instance, participants were keen on specific airlines or favorite accommodations to survive this mega-disruption. This was especially true for tourism firms that are small, family-owned, and/or have a strong relationship with the customer (e.g., long relationship, same country of origin). Thus, our findings confirm prior studies that have demonstrated that more collaborative value co-creation practices emerge during crises to protect the actors' well-being in an ecosystem (Cheung & McColl-Kennedy, 2015). However, our study identifies some boundary conditions for sympathetic and altruistic behavior. Consumers who have spent a great amount of money and believe that their financial situation is in danger are more reluctant to act sympathetically and altruistically. This echoes previous studies that suggest that consumers' sympathies are not unlimited (Ozuem et al., 2021). Our study also demonstrates that sympathy was very low (or non-existing) among the customers who distrust certain tourism firms and those who believe that rules should be obeyed no matter what.

#### *Dynamics of change*

During service mega-disruptions, actors (e.g., tourism firms, customers) made an effort to change the routines embedded in the tourism ecosystem. For instance, before COVID-19 mega-disrupted the tourism ecosystem, an ostensive routine was that customers would get refunded without any problems if some of their travel arrangements (e.g., a flight) were canceled (see Tuominen et al., 2020). When the tourism ecosystem was mega-disrupted, tourism firms tried to introduce practice-based changes to this ostensive routine by replacing it and changing artifactual routines used in cancellation situations: vouchers, rescheduling, or refunds. The issue for actors, such as tourism firms, was that this practice-based change with the introduction of this new ostensive routine was not aligned with the ecosystem's other routines and actors. This was manifested in the misalignment of practices and routines between travel firms' and customers and lead to value co-destruction (Echeverri & Skälén, 2011; Tuominen et al., 2020).

There were also multiple institutional logics competing in the COVID-19 disrupted tourism ecosystem. Due to COVID-19, tourism firms were more or less forced due to their new financial situation to subscribe to a new dominant logic and ideology that disobeyed the former regulative institutions (e.g., withholding refunds) (see Chandler & Chen, 2016). This proved to be an ineffective dogma since the tourism firms' newly introduced logic was not subscribed to by the tourism ecosystem's other actors (e.g., customers rejecting vouchers or being upset about not being refunded within an adequate time). Hence, this confirms that value propositions must at all times reflect all value perspectives in an ecosystem, including conflicting ones (Kowalkowski et al., 2012). Without shared intentionality between an ecosystem's actors, it is difficult to realize value co-creation (Taillard et al., 2016). A potential solution to that is to develop dynamic value propositions as a response to external events (Leroi-Werelds et al., 2021).

This study's findings suggest that there is a way to successfully introduce change to value propositions with routines, logic and ideology in an ecosystem with the help of transparency and honesty. If tourism firms are transparent and honest about the hardships they experience due to a mega-disruption and explain to other actors that this is the reason why they must instigate practice-based changes to routines and introduce new logics and ideologies. Other actors (i.e., customers) are often willing to accommodate these changes. This study, thus, adds knowledge to how actors can successfully initiate changes in value co-creation routines in ecosystems during service mega-disruptions. This study, thus, heeds Tuominen et al. (2020) call for research.

#### *Practical implications*

The managerial recommendations provide insights for tourism firms that find themselves in a mega-disrupted service ecosystem on 1) how to co-craft value propositions in a disrupted tourism ecosystem, 2) how to protect an ecosystem's actors' well-being, 3) and that honesty regarding the tourism firms' difficulties seems to be crucial for value co-creation.

#### *Co-crafting value propositions during disrupted well-being priorities*

During service mega-disruptions, the well-being of the tourism ecosystem is under attack. Hence there are sudden changes in actors' well-being preferences. Actors of the tourism ecosystem should be able to renegotiate previously accepted value propositions to achieve a new resource–challenge equilibrium and create safe value co-creation spheres (Finsterwalder & Kuppelwieser, 2020). Safe value co-creation spheres could guarantee that renegotiated value propositions facilitate actors' desired value and well-being. Additionally, a sphere would hinder the emergence of value co-destruction during and/or after the service mega-disruption. This is important because during pandemics, tourists' negative perceptions cause a much greater impact in terms of value co-destruction than positive ones (Arica, Çakir, & Sesliokuyucu, 2021).

Under these tough conditions, it is even more important that formation of value propositions is based on dialogue, access, risk assessment, and transparency (Melis et al., 2022) than during stable periods. An in-depth understanding of the different situations, contexts, priorities, vulnerabilities, and attitudes of each actor (e.g., customers) can facilitate the development of acceptable value propositions as well as new performative routines that work well for all actors (Leroi-Werelds et al., 2021; Tuominen et al., 2020). For instance, those customers who have invested a large amount of financial and emotional resources may require more support from tourism firms.

Our study also reveals that empowered frontline staff can detect customers' value requirements and emotional states (Barnes et al., 2020). Prior studies have demonstrated that shared emotions can establish emotional attachment with tourists (Hang, Aroean, & Chen, 2020). The role of employees is critical in crafting new value propositions during service mega-disruptions. Because tourism firms need to know when they need to evaluate if their current value propositions can deal with their customers' mega-disrupted value perceptions. Additionally, an adaptation of value propositions during service mega-disruptions should be implemented by adopting the principles of design for service approach since it can facilitate the understanding of actors' shared rules, norms, and beliefs.

#### *Reciprocal sympathy and altruism to share the pain and protect our well-being*

Our findings suggest that consumers demonstrate sympathy for the tourism firms' difficult situations, but that customers are only ready to accept alternative value propositions (e.g., vouchers instead of refunds) under specific conditions. It is not easy to achieve mutual understanding and collaboration, especially in situations characterized by high uncertainty which is a typical characteristic of service mega-disruptions. Altruistic and collaborative behavior is necessary for all the members of the ecosystem for value co-creation to take place and to minimize value co-destruction. During these types of mega-disruptions, there is a need for "industry-based recovery efforts to help all individual companies and customers affected in a specific industry" (Kabadayi et al., 2020, p. 814). Managers should co-create the value propositions together with customers and other actors of the tourism ecosystem (e.g. governments; travel insurance companies) with a priority to minimize the negative impact of the mega-disruption, not only for the firms but also for the other actors of the tourism ecosystem (Cvelbar, Farčnik, & Ogorevc, 2021; Okafor, Khalid, & Gopalan, 2022; Tan & Caponecchia, 2021). At the same time, consumers and customers must be flexible and altruistic by understanding the negative impact mega service disruptions have on firms, employees, industries, and entire ecosystems.

#### *You want the truth? Customers can handle the truth!*

This study's findings suggest that tourism firms can minimize the risk of value co-destruction by being transparent and honest about how the hardships of a mega-disruption affect them so that other actors can understand their situation. Customers expected transparency and honesty from tourism firms. Several of the participants were keen to support firms that were honest about their current situation (e.g., refunds would be delayed because of the firm's lack of resources and revenues). This means that customers were willing to share the financial burden put on tourism firms due to the COVID-19 crisis if the firms would just be honest with their customers that they needed their help. It is evident that transparency facilitates the crafting of successful value propositions and is a necessity for mutual value co-creation (Ballantyne et al., 2011).

It has been suggested that it is difficult to be honest and open in the high uncertainty context of a crisis (Seeger, 2006). Even so, this study's findings suggest that honesty and transparency to other actors during mega-disruptions of a service ecosystem will minimize the tourism firms' risk of creating an environment of competing logics and ideologies and ineffective dogmas. Public relations can facilitate interdisciplinary solutions and cross-sectoral collaborations for problems that require holistic and systemic thinking (Fehrer, Baker, & Carroll, 2022).

#### *Limitations and future research*

Although this study offers important insights about value co-creation and value co-destruction during service mega-disruptions, it also has limitations and avenues for future research.

First, this study adopted a qualitative research approach. Future research should use a quantitative approach and measure the factors identified in our study with a survey. Other quantitative studies can investigate the role of pandemic travel anxiety in crafting value propositions. Consumers can be clustered, for example, according to their vulnerability, risk, situation, and attitude.

Second, this study adopted a consumer perspective, which is why future research should adopt an approach where service providers and governments are the focal actors in the study. This will identify potential gaps between customers' expectations and other actors' (e.g., service providers, regulators) practices during service mega-disruptions.

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#### **CRedit authorship contribution statement**

**Ioannis Assiouras:** Conceptualization, Methodology, Data Curation, Visualization, Writing - Original Draft **Niklas Vallström:** Conceptualization, Methodology, Data Curation, Visualization, Writing - Original Draft, Writing - Review & Editing, **George Skourtis:** Conceptualization, Writing - Original Draft, **Dimitrios Buhalis:** Supervision, Validation, Writing - Review & Editing.

#### **Data availability**

Data will be made available on request.

#### **Declaration of competing interest**

None.



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