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Journal Item

How to cite:

Smith, Anne (2013). The value co-destruction process: a customer resource perspective. *European Journal of Marketing*, 47(11/12) pp. 1889–1909.

For guidance on citations see [FAQs](#).

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Version: Accepted Manuscript

Link(s) to article on publisher's website:

<http://dx.doi.org/doi:10.1108/EJM-08-2011-0420>

<http://www.emeraldinsight.com/journals.htm?issn=0309-0566>

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The Value Co – destruction Process: A Customer Resource Perspective

Abstract

Purpose: This paper adopts a conservation of resources (COR) theoretical approach to examine the process of value co-destruction (VCD) emanating from the misuse of customer resources by organisations.

Design/methodology/approach: A critical incidents approach was adopted where 120 customers recounted their negative experiences. The analysis identified both the nature of resources and processes involved.

Findings: From a customer perspective, the VCD process is triggered by a failure of the resource integration process to co-create expected value (resources). This involves customers in unexpected primary, and often secondary, resource loss. Loss ‘cycles’ or ‘spirals’ develop impacting negatively on well-being. Customers’ attempts to restore their resources through coping strategies typically involve loss of well-being for the organisation.

Research limitations/implications: The research is limited to a relatively small sample of UK customers involving diverse contexts. However, COR theory provides a framework for a better understanding of customer perceived value, the value co-creation and co-destruction process.

Practical implications: The findings offer a new perspective to practitioners for understanding customer expectations and behaviour. There is a need to re-evaluate and re-design value propositions in line with organisational capabilities and customers’ resource needs.

Social implications: Organisations’ misuse of customers’ resources negatively impact on ‘well-being’: a phenomenon of increasing interest at the societal level.

Originality/value: This study is the first to empirically examine the concept of VCD, as perceived and experienced by customers, from a resource ecology perspective. It contributes to the growing body of work deriving from the service-dominant logic approach to value co-creation.

Key words: conservation of resources theory, service-dominant logic, value co-destruction, well-being, critical incidents.

Research paper

1. Introduction

This paper aims to examine the process of value co-destruction (VCD) as perceived and experienced by customers. It reflects the intensifying interest in the marketing literature generated by the service-dominant logic (S-D logic) approach to value co-creation (VCC) (Vargo, 2011; Vargo and Lusch, 2008, 2011). Vargo et al., (2008:149) define value as *'an improvement in system well-being'* which can be measured *'in terms of a system's adaptiveness or ability to fit in its environment'*. They argue that value is co-created when service systems (for example individuals and organisations) integrate *'operant resources'* (a resource that is capable of acting on other resources such as skills and knowledge) and *'operand resources'* (a resource that is acted upon such as goods) in a mutually beneficial way. This involves a process where service (*'the application of skills and knowledge for the benefit of another party'*) is exchanged for service (Vargo and Lusch, 2008:6). There is evidence, however, that customers often experience negative service encounters (Bitner et al., 1990; Keaveney, 1995) suggesting a process of VCD. Yet there is little empirical work focussing on these experiences or the VCD process (Echeverri and Skålén, 2011). Ple' and Chumpitaz Ca'ceres (2010:431) define VCD as *'an interactional process between service systems that results in a decline in at least one of the system's well-being.'* Further, they argue, that this decline is due to *'misuse'* by a system of its own resources or those of another system. Misuse may be accidental or intentional and *'refers to the integration and/or application of the available resources by one service system in a manner that is considered unexpected and/or inappropriate by the other interacting service system.'* (432).

This study explores, through critical incidents technique, the ways in which organisations misuse their own resources and those of their customers. It examines how failure to integrate and/or apply resources as expected by customers results in a process of VCD. Conservation of resources (COR) theory (Hobfoll, 1989; 2002; Hobfoll *et al.*, 2003) is drawn upon to empirically examine the nature of customer resources, the process involved and the impact on well-being. The literature review develops a conceptual model of the VCD process based on insights gained from S-D logic and COR theory. The methodology, analysis and discussion of the findings follow. Finally, implications, limitations and suggestions for further research are outlined.

2. Customer resources and experienced value

Vargo and Lusch (2011:184) highlight the '*central role of resources*' to S-D logic and describe '*all social and economic actors*' as '*resource integrators*' (p181). This section draws on both the marketing and psychology literature to identify the customer resources required for VCC and the nature of value as experienced by customers.

Customer value is experiential in nature (Vargo and Lusch, 2008) and customer participation is fundamental to value co-creation (Chan *et al.*, 2010). Participation involves the actions and resources supplied by customers, for example mental (information and effort), physical (customers' own tangibles and efforts) and emotional inputs (Rodie and Kleine, 2000). Ple' *et al.*, (2010) add: financial (monetary costs), temporal (time spent), behavioural (interpersonal interaction) and

relational inputs. In return customers receive benefits which vary in nature according to the type of value experienced.

Value, as perceived and experienced by customers, is often conceptualised as a ‘trade-off’ where resources are sacrificed in order to gain benefits (Zeithaml, 1988).

Holbrook (1999: 10) distinguishes between extrinsic and intrinsic value. The former is instrumental to: ‘*accomplishing some further purpose, aim, goal or objective*’ and includes excellence/utility, efficiency, status and esteem. Efficiency, for example, highlights time as the key benefit experienced by consumers. Whereas, self-esteem, or ‘judgements of self-worth’ (Bandura, 1997:11), can derive from the status accorded to the customer by the producer (Yagil, 2001). Intrinsic value where ‘*consumption.. is appreciated as an end in itself*’ (Holbrook, 1999:10) includes play or fun.

Participation in such activities may confer psychological benefits creating hedonic value (Rodie and Kleine, 2000). Customer participation also creates the potential for relational value. This derives from the emotional or relational bonds formed between customers and employees which can cause enjoyment and is therefore intrinsically motivated (Chan *et al.*, 2010). Other relational benefits include feelings of safety, credibility and security, which contribute to a reduction in sacrifice (Ravald and Grönroos, 1996). Participation can also increase the control and autonomy experienced by customers. This can have a positive effect on self-efficacy (‘*belief in personal capability:*’ Bandura, 1997:11) thus increasing perceived value, as consumers feel better about themselves (Van Beuningen *et al.*, 2011).

Previous work has therefore shed light on the nature of customer experienced value and the range of resources necessary for customer participation in VCC. However,

these resources have not been specifically related to ‘*value*’, as defined by Vargo et al., (2008:149) as ‘*an improvement in system well-being.*’ In addition, other studies have highlighted that when a high level of effort is required for participation this can have a negative impact on customers’ value perceptions (Kellogg *et al.*, 1997).

Indeed, more recently, Ple´ and Chumpitaz Ca´ceres (2010) have described a process of VCD resulting in a loss of well-being. Hobfoll’s (1989; 2002) conservation of resources (COR) theory, however, does examine the relationship between resource gain/loss and well-being. He defines resources as:

‘ those objects, personal characteristics, conditions or energies that are valued by the individual or that serve as a means for attainment of these objects, personal characteristics, conditions or energies ’ (Hobfoll, 1989: 156).

Hobfoll (2002) describes how an individual’s resources include material (e.g. transportation, food); condition (e.g. social status); self (e.g. self-esteem, self-efficacy) and social (e.g. support) resources. They also include ‘energies’ such as time, money and knowledge i.e. resources which have no intrinsic value but are valued for their role in acquiring other resources (Hobfoll, 2002).

This perspective is adopted in the current study to identify and classify customer resources involved in the VCD process. While COR theory is adopted to explore the nature of the process as discussed later. First, the nature of VCD is examined in the following section.

3. Value co-creation/destruction and system well-being

VCC requires that service systems (individuals, groups, organisations, firms and governments) integrate resources in a process where service is exchanged for service (Vargo et al., 2008). Maglio and Spohrer, (2008:18) describe service systems as *'dynamic value co-creation configurations of resources (people, technology, organizations, and shared information)*. Vargo and Lusch (2008) highlight how the integration and application of both *'operant resources'* (a resource that is capable of acting on other resources, such as skills and knowledge) (the service) and *'operand resources'* (a resource that is acted upon, such as goods) creates value through specialisation and exchange of service. Resource integration provides access to required resources and opportunities to create new resources for potential beneficiaries (Vargo and Lusch, 2011). Thus value is co-created resulting in an improvement in system well-being (Vargo et al., 2008:149).

However, Echeverri and Skálén (2011) argue that value can also be collaboratively co-destroyed during the interaction process. They identified VCD as a consequence of providers and customers drawing on incongruent elements of practice with respect to employee behaviours such as informing and helping. Ple' and Chumpitaz Ca'ceres (2010) also focus on a lack of congruence emphasising the role of expectations. They argue that VCD results from the accidental or intentional misuse of resources (its own or those of another system) by a system acting in an inappropriate or unexpected manner. Consistent with Vargo *et al's* (2008:149) definition of value as *'an improvement in system well-being'*, Ple' and Chumpitaz Ca'ceres (2010: 431) define VCD as:

'an interactional process between service systems that results in a decline in at least one of the systems' well-being (which, given the nature of a service system, can be individual or organizational).'

Well-being relates to a system's adaptiveness or ability to fit in its environment (Vargo *et al.*, 2008). On an individual system level the psychology literature describes the role of stress in this relationship:

'stress is defined as a relationship between the person and the environment that is appraised by the person as relevant to his or her well-being and in which the person's resources are taxed or exceeded' (Folkman and Lazarus, 1985: 152).

Stress, together with other expressions of unpleasant affect (for example anger, sadness and anxiety), domain dissatisfaction and global judgements of life dissatisfaction comprise the negative components of subjective well-being (Diener *et al.*, 1999). Relationships between resource losses, for example, of self-esteem, social support (Hobfoll, 2002); self-efficacy (Bandura, 1997) and loss of subjective well-being have been established. Hobfoll's (1989, 2002) COR theory describes how individuals experience and respond to loss of well-being due to stress - inducing resource loss. Potentially, therefore COR provides an insight into the VCD process as experienced by customers and is discussed in the next section.

4. S-D logic and Conservation of Resources theory (COR)

Vargo and Lusch, (2011) argue that systems aim to co-create value through resource integration, providing opportunities for the creation of new resources thus improving system well-being. COR theory focuses on the individual and describes an ‘accumulation mechanism’ whereby people use their existing resources to gain new resources (Hobfoll, 2002). The basic tenet is that:

‘people strive to retain, protect and build resources and that what is threatening to them is the potential or actual loss of these valued resources’ (Hobfoll, 1989: 156)

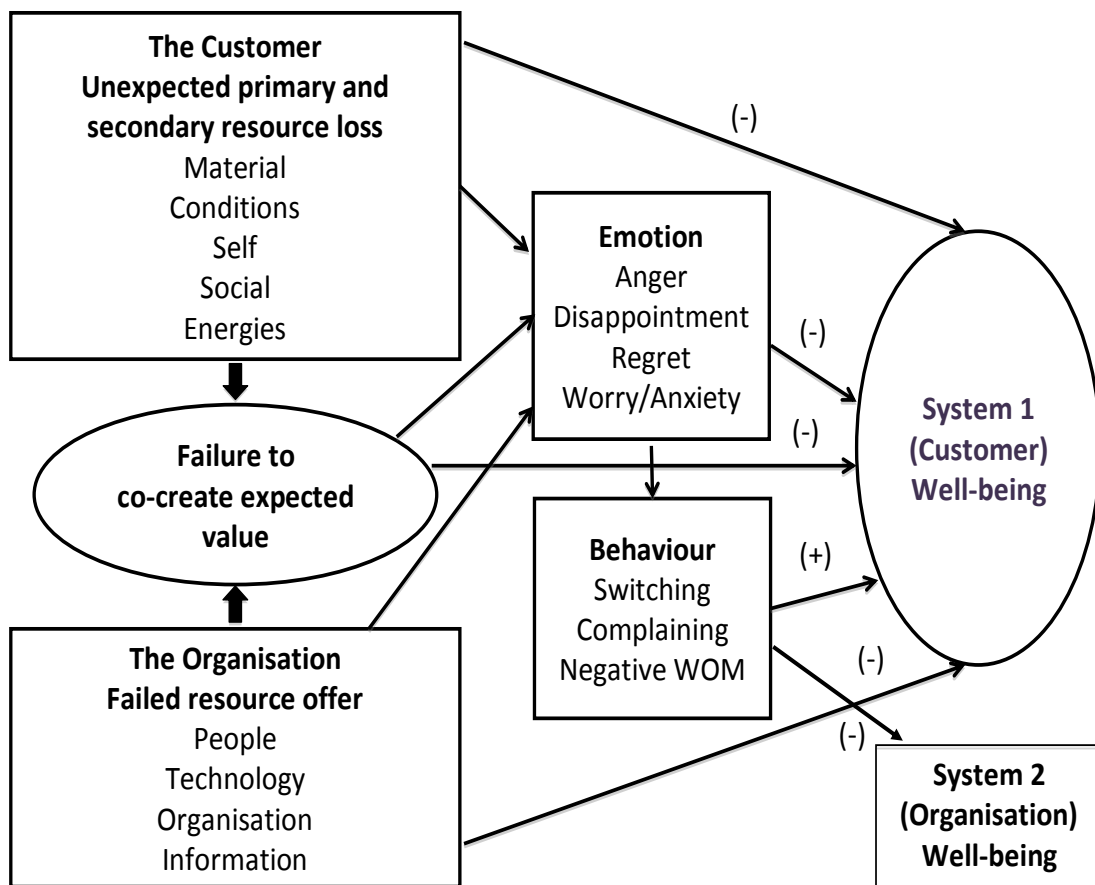
COR has been empirically examined in a number of life situations including from the perspective of employees (Bacharach and Bamberger, 2007; Wang *et al.*, 2011). Hobfoll (1989; 516) emphasises the role of resource loss in causing psychological stress:

‘ a reaction to the environment in which there is a) the threat of a net loss of resources, b) the net loss of resources, or c) a lack of resource gain following the investment of resources ’

Hobfoll’s definition suggests a key role for expectations. Expectations and desires play a major role in customers’ value experiences (Woodruff, 1997). Ple’ and Chumpitaz Ca’ceres (2010) have emphasised how resource misuse results from one system acting in an unexpected manner. Figure 1 illustrates the value co-destruction process from a customer resource perspective. It shows how customers (system 1)

expect to offer resources: material, conditions, self, social and energies (Hobfoll, 2002) when accepting the organisation's (system 2) value proposition or resource offer. Here organisational resources are categorised as people, technology, organisation and information (Maglio and Spohrer, 2008). The customer (system 1) will experience resource misuse and loss of well-being if:

Figure I: Value co-destruction - a customer resource perspective



Key: (+) Positive impact on well-being
 (-) Negative impact on well-being

- The organisation (system 2) unexpectedly fails to fulfil its resource offer (value proposition) by failing to offer expected resources

- The resource integration process fails to co-create desired (expected) value in the form of resource gain for the customer.
- The customer experiences an unexpected loss of stored resources
- A combination of the above

Failure to meet expectations on all three levels (fulfilment of resource offer, customer resource gain, anticipated resource loss) will create discrepancies between desired and actual states. The consequent uncertainty and/or lack of clarity is likely to cause worry and anxiety leading to stress and impacting negatively on well-being (Moschis, 2007). Negative emotions such as anger and sadness are likely to result (Shaver *et al.*, 1987). Additionally, customers may regret their decision to accept the organisation's value proposition. Regret also impacts negatively on well-being (Inman, 2007).

Following primary resource loss customers may invest other resources to counter or compensate for the loss. This 'protection mechanism' is likely to result in secondary resource loss as loss 'cycles' (Hobfoll, 1989) or 'spirals' (Bacharach and Bamberger (2007) develop. COR theory posits that, following a critical incident resulting in resource depletion and loss of well-being, people will engage in coping behaviour. This is likely to vary according to the emotions generated by the negative experience (Yi and Baumgartner, 2004). Anger and disappointment may result in confrontive behaviours (for example complaining). Regret and disappointment tend to result in switching behaviour and negative WOM respectively (Inman, 2007). Negative WOM is a mechanism for those seeking social support as a coping strategy (Yi and Baumgartner, 2004). Hobfoll (2002) describes how, when resource loss has occurred, the ability to obtain resource gains becomes increasingly important. Finally (as

illustrated in figure 1) he argues that, coping strategies (behaviours) can restore well-being particularly when resource gain cycles emerge as people seek to identify and mobilise resources. For the customer, resource gain is likely to result in resource loss for the organisation (system 2). This may include reputational loss through negative WOM, lost customers and consequent financial loss. Such losses will impact negatively on system 2 well-being.

The following study aimed to empirically examine this process as experienced by customers.

5. Methodology

The research aim was to explore and describe the nature and process of VCD emanating from organisations' misuse of customer resources. S-D logic encompasses all resource integration activity relating to both 'intangibles' and 'tangible goods.' However, individuals as customers tend to interact directly, with organisations typically described as 'service organisations,' for example, retailers, telecommunications, financial, hospitality and travel. Consequently, experiences were restricted to these encounters. The critical incidents technique (CIT) was adopted as the methodology best fitting the study requirements. CIT is an inductive approach often adopted when a thorough understanding is needed to describe or explain a phenomenon (Gremler, 2004). Critical incidents result in threats to personal goals or loss of well-being (Bacharach and Bamberger, 2007). In service research, a critical incident is described as one that '*contributes to or detracts from the general aim of the activity in a significant way*' (Bitner *et al.*, 1990 p.73). CIT requires respondents to tell a story about an experience they have had. The objective is to gain understanding

of the incident from the individual's perspective, taking into account cognitive, affective and behavioural factors (Chell 2004). However, many negative experiences encompass multiple incidents or encounters involving customers in further resource expenditure, for example of cost, time and effort. Consequently, the unit of analysis was the whole experience or 'extended service encounter' (Gremler, 2004) with boundaries defined by the respondent.

Roos (2002) argues that 'criticality' is based on at least two considerations. First, that the incident is related to memory and second that it affects behaviour. These criteria were adopted in the current study. The emphasis on VCD requires that only negative incidents: '*one that has the potential or actual ability to create adverse outcomes for the individual*' (Edvardsson and Roos 2001, p.256) were explored.

Sampling approach and data collection

The interview schedule (see appendix) comprised two sections. The first required respondents to describe a negative experience with a service organisation in their own time and words. The second was designed to add any missing detail and to specifically address the key elements of VCD identified in figure 1. Potential respondents were approached in three shopping centres in the North of England over a period of three months and offered a grocery shopping voucher as an incentive.

Consent was obtained for the interview to be recorded and the project's ethical criteria (for example, with respect to respondent anonymity, confidentiality of information and the right to withdraw from the interview) were explained. A quota sample of 120 respondents (40 from each centre), equally split by gender, was established as sufficient to meet the study requirements. A total of 274 individuals were approached,

resulting in a response rate of 44 percent. Respondents' occupations were managers, professional and associate professional (12%); administrative and secretarial (22%); skilled trades (13%); personal and customer service (16%); operatives and elementary (8%) (Office for National Statistics, 2000). Eleven percent were in full-time education and eighteen percent were unemployed or employed in the home. The median age for both female and male respondents was 30-39 years. Interviews were of 18-25 minutes duration and all conducted by the same trained and experienced interviewer. Recordings and transcripts were continually assessed for any apparent problems in either the interviewing process or achievement of research objectives.

Data Coding and Analysis

The data coding and analysis process followed established guidelines (Gremler, 2004). This aimed to remove, or reduce, potential errors inherent in the CIT methodology, for example subjectivity of interpretation. Initially a random sample of twenty interviews was extracted from the data set and analysed by three independent academic judges. The analysis focussed on identifying the nature of resources and elements of the VCD process illustrated in figure 1. Hobfoll's (2002) classification was adopted as a coding scheme to identify and categorise resources. This included:

- **Material resources:** These are functional tangible and/or intangible objects e.g. food or telecoms service.
- **Conditions:** respondents' perceptions of how the encounter affected their own status in the eyes of others. This is other oriented (Holbrook, 1999), focussing on 'they' rather than 'I'
- **Self:** (self-esteem and self-efficacy): Self esteem relates to 'judgements of self-worth' (Bandura, 1997:11) and is also other oriented (Holbrook, 1999).

Reflected in subjective feelings and focussing on 'I' rather than they, for example, feeling good about one-self. Self-efficacy or '*belief in personal capability*' (Bandura, 1997:11), was identified by respondents' expressions of 'what they could not do' as a result of the encounter.

- **Social:** Social support emerges from the environment and involves perceptions of receipt of support (Hobfoll, 2002). It includes the degree of helpfulness and concern as perceived by the respondent
- **Energies:** Energies include time, money and knowledge (Hobfoll, 1989). Additional expenditures of physical and emotional effort were also recorded as energies.

The analysis generally failed to distinguish between resources designated as conditions (i.e. status) and self (i.e. self-esteem) which were subsequently combined to form 'esteem'. Conversely, two further resources of leisure and hope were identified from the accounts.

- **Leisure:** Hobfoll (2002) describes time as an energy i.e. a resource which has no intrinsic value but is valued for its role in acquiring other resources. Conversely, play (or fun) has intrinsic value and is therefore enjoyed for its own sake (Holbrook, 1999). Leisure as a resource was identified when respondents had lost not only time but also the expected/anticipated experience, for example enjoyment of holidays and special occasions.
- **Hope:** Hope comprises both agency (goal-directed determination) and pathways (planning of ways to meet goals) (Stajkovic, 2006). Loss of hope was identified when respondents had decided that they would no longer pursue

attempts to gain (lost) resources from the organisation and/or could no longer think of ways to achieve this.

A meeting to discuss the emerging themes and coding structure was followed by the allocation of the remaining incidents. Inter-rater reliability was assessed by the proportion reduction in loss (PRL) approach (Rust and Cooil, 1994). All constructs achieved levels of IRR of at least .75 with an average of .81 (.70 is considered acceptable for exploratory research). Assessments of intra-rater reliability followed Keaveney's (1995) process. Data was re-coded one month later. Average intra-rater reliability was also high (.84).

6. Findings

The findings are presented in two sections. The first focuses on the nature of resource loss, perceived misuse and the impact on customers' well-being. The second examines how customers attempt to regain resources through coping behaviours and the difference in nature between primary and secondary resource loss. As highlighted earlier the holistic service experience could include discrete (single) or extended (multiple) encounters. Many included all the stages at which participation can occur: design/development, production and delivery and recovery of service failure (Ple' *et al*, 2010). Discrete encounters could take less than an hour while extended encounters could span months. A few were still ongoing.

6.1: Resource loss, perceived misuse and customer well-being

Respondents were directly asked what they had expected from the experience and what had not happened as expected. Additionally, many undeclared expectations

were identified from the accounts. Resource loss encompassed failure to experience value in the form of expected/desired resources as well as unexpected loss of stored resources. Negative impact on well-being was assessed from expressions of unpleasant affect. Table 1 includes illustrative incidents. Resource loss categories derived from COR theory (Hobfoll, 1989), together with the combined resource of 'esteem' and two additional resources 'leisure' and 'hope' are described below. The frequency of observations is shown in table 2.

Material: Material resources involve tangible and intangible objects which offer the capacity to achieve a goal or perform some function. Customers lost material resources, for example through failure in existing broadband and utility services; public transport arriving late or not at all; microwave ovens and laptop computers were defective. Vargo et al., (2008: 148) describe tangible goods as '*service-delivery vehicles*.' Several incidents focussed on resource loss involving tangible goods.

Esteem (Condition/self): Expectations of esteem were inferred from descriptions of the lack of status or esteem conferred onto the customer. Yagil (2001) describes how employees' status-degrading behaviour impacts negatively on customers' self-esteem. Respondents' had felt undervalued: '*they should not treat you like that*' and rejected by organizations. They had been '*ignored,*' '*lied to,*' '*insulted,*' and made to '*feel bad*' about themselves. Employees had been '*rude,*' '*unfriendly*' and '*disrespectful*'.

Self – efficacy (self): A perceived reduction in self-efficacy or mastery was evident in many accounts: '*we didn't know what to do*' and '*couldn't do anything*'. Failure to

receive information led to *'not knowing,'* inability to make a *'decision'* and *'confusion.'*

Support/relationship benefits (social): Expectations of support and/or relationship benefits were inferred from respondents' description of the lack of *'helpfulness,'* *'care'* or *'concern'* they had experienced. Some emphasised the timescale of the relationship. Customers described how they had been *'let down'* when their expectations of support were not fulfilled. Incidents had resulted in a loss of trust or confidence in the organisation.

Time (energy): References to *'time'* and *'convenience'* were manifest in many accounts, for example the time involved in choosing a holiday or computer which then failed to deliver leisure or functionality respectively. Incidents involving transport and fast food were identified as potentially providing customers with the time to pursue other goals. Unexpected time expenditure included *'queuing'* (in person or by telephone), *'waiting'* for public transport (trains and planes) or repairs to existing resources.

Money (energy): Respondents emphasised the amount they had paid sometimes describing a *'waste of money'*. Incidents involved unexpected charges, paying for benefits which were not received/not wanted or failing to receive the required product after payment was made. Customers explicitly referred to *'money,'* *'costs'* and often described themselves as being *'cheated,'* *'tricked'* or treated *'unfairly'* by organisations.

Knowledge (energy): Negative incidents involved respondents in making additional, unexpected decisions, often without the requisite knowledge. Respondents referred to the need for *'information,* to *'know what was happening.'* Unexplained changes were often cited, for example to timing of transport, availability of special offers and other pricing criteria. There were many linkages between loss of time and lack of knowledge, for example, *'didn't know why we were waiting'* often requiring further expenditure of cognitive effort in attempts to *'find out.'*

Physical and emotional effort (energy): Physical effort was often associated with activities involving waiting, frequent visits (in person or by telephone) to the organisation. For example, customers were *'tired,' 'worn out,' 'had to keep going back.'* Some had expended emotional energy in self regulatory activities, for example *'keeping my temper'* or *'trying hard not to shout.'* Physical effort and felt emotions left customers feeling *'drained'*.

Leisure: Incidents included *'special'* occasions, holiday related experiences and entertainment technologies. A distinction was made between leisure and other expressions of lost time. Respondents emphasised how the experience or *'occasion'* was *'lost'* or *'spoilt'* and how valuable *'holiday'* or *'free'* time had been wasted. Many leisure related incidents also included material resources such as food and accommodation.

Hope: Loss of hope was recorded when respondents had no (further) intention to pursue attempts to gain (lost) resources from the organisation and/or could no longer

think of ways to achieve this. Respondents had *'tried everything I could think of'* and had just *'given up.'*

Subjective well-being: Negative emotions were identified from expressions of 'emotional words' and actions corresponding to anger, sadness and fear (Shaver *et al.*, 1987) and/or anger, disappointment, regret and worry (Yi and Baumgerter's, 2004). These emotions represent the negative affect dimension of subjective well-being.

Table 1: Primary resource loss and impact on wellbeing (sample incidents)

Primary resource loss	Impact on wellbeing*
<p>Restaurant meal: 'It was a special meal for my sister's golden wedding anniversary. We had looked forward to it for ages. They ruined it for us' 'they kept us waiting ignored us most of the time.. the food was cold - and they obviously didn't care' The manager said it wasn't his fault the staff hadn't turned up'</p> <p>Leisure, esteem, material, support</p>	<p><i>During:</i> 'we were very disappointed'</p> <p><i>After:</i> 'we were sorry we went there'</p> <p>Sadness, regret</p>
<p>Train journey: 'we had carefully planned the journey to get there in time for the restaurant. ...the train was delayed – we didn't know what to do – tell them to change the booking or go ahead. They couldn't tell us when the fault would be fixed' 'In the end we just went home'</p> <p>Leisure, material, knowledge, self-efficacy, hope</p>	<p><i>During:</i> 'confused and anxious'</p> <p><i>After:</i> 'Disappointed we let the others down'</p> <p>Anxiety, sadness</p>
<p>Defective laptop: 'I bought the laptop on line. Then they got the address wrong and it wasn't delivered when they said it would be ... I waited in all day.... When it eventually arrived it didn't work.... Had spent a lot on it ..was useless</p> <p>Temporal, material, financial</p>	<p><i>During:</i> 'Annoyed'</p> <p><i>After:</i> 'Angry'</p> <p>Anger</p>

*All incidents generated negative affect, failed to meet expectations and resulted in resource loss

Failed resource offer (value proposition)

All respondents attributed their losses to misuse of their resources by the organisation.

Organisations also misused their own resources, failing to fulfil their value propositions in a number of ways. Organisational resources were categorised according to Maglio and Spohrer's (2008) classification of system resources but adapted to the individual organisation. The main themes were:

- **People:** Negative attitudes and behaviours of employees and managers reduced customers' self esteem and support. Inadequate staff numbers drew on their time often requiring additional physical and emotional effort.
- **Technology:** Ineffective product and system technologies failed to co-create the material resources expected by customers, often drawing on their time and leisure.
- **Organisation:** Policies and procedures as well as lack of contact with decision makers resulted in customers' loss of money and reduced self-efficacy.
- **Information:** Lack of information and inefficient communication systems failed to co-create knowledge, reducing self-efficacy.

6.2: Coping behaviours and differences in primary and secondary resource loss

Customers adopted a number of protection or 'coping' behaviours. Some chose avoidance strategies, preferring to leave, or not engage with that organisation in future. The majority (eighty-eight incidents) adopted confrontative strategies such as complaining or simply trying to resolve the problem therefore incurring secondary resource loss (see table 2).

Table 2: Differences in primary and secondary resource loss

Resource	Observed	Primary loss	Secondary loss	Chi-square (χ^2) (2 tailed test) d.f. = 1	P value
Material	Yes	68	4	1.485676	0.000
	No	52	84		
Leisure	Yes	46	20	0.150556	0.017
	No	74	68		
Temporal	Yes	38	46	0.194407	0.003
	No	82	42		
Financial	Yes	34	38	0.120576	0.026
	No	86	50		
Esteem	Yes	42	37	0.024218	0.301
	No	78	51		
Knowledge	Yes	36	30	0.010346	0.531
	No	84	58		
Self-efficacy	Yes	31	25	0.005321	0.679
	No	89	63		
Energy	Yes	13	29	0.653617	0.000
	No	107	59		
Support	Yes	17	33	0.530541	0.000
	No	103	55		
Hope	Yes	32	55	0.569862	0.000
	No	38	33		
N =		120	88		

Analysis showed an overall difference in the nature of primary and secondary resource loss. The proportion of observations in each category (against the total number of observations) changes over stages of the resource loss cycle ($\chi^2 = 4.361327863$; d.f. = 9; $p = 0.000$). Table 2 illustrates the number of respondents experiencing each category of resource loss. Customers are significantly more likely to incur primary resource losses of material resources ($p < .01$) and leisure ($p < .05$). Attempts to regain resources then incur secondary losses of time, energy, support, hope, ($p < .01$) and money ($p < .05$). Negative feelings towards the organisation also intensified (see table 3). For some incidents, primary and secondary resource loss was

virtually simultaneous. For others, the loss cycle or downward spiral could continue for weeks, even months.

Table 3: Secondary resource loss and impact on wellbeing (sample incidents)

Secondary resource loss	Impact on wellbeing
<p><i>Clothing retailer:</i> ‘They were so rude in the shop that I telephoned head office to complain. I told her about it and that the price we were charged was not the one on the website. She said I was wrong, treated me like an idiot or thief...’ (primary loss – financial, esteem)</p> <p>Esteem, support</p>	<p><i>During:</i> ‘Angry’ <i>After:</i> ‘Still angry’</p> <p>Anger</p>
<p><i>Error in bank account:</i> ‘I phoned four times – they kept telling me to phone another number – it was an answer machine – I phoned again and she put the phone down on methen I started sending emails...took weeks ...in the end I caught a bus and went there – they said they couldn’t find any record of any of it no one knew about it’ (primary loss – financial, knowledge)</p> <p>Energy, temporal, knowledge, esteem, support</p>	<p><i>During:</i> ‘worried’ and ‘mad’ <i>After:</i> ‘let down’</p> <p>Anxiety, anger, disappointment</p>
<p><i>Utility company</i> ‘They promised to come and repair the cable. I kept phoning them – they never came – we had no electricity for months – they would mend it and then it went again and I had to keep phoning.... I felt helpless ..’ (primary loss – material)</p> <p>Support, time, energy, material, self-efficacy</p>	<p><i>During:</i> ‘Worried’ . ‘...made my life a misery from start to finish’ <i>After</i> – ‘still worried will happen again’</p> <p>Sadness, anxiety</p>
<p><i>Holiday hotel:</i> ‘we had saved all year it was a disaster – the sort you read about. We spent all our time looking for the agent and complaining - it was awful’ ‘there were bugs, no water in the swimming pool, food was awful’ ‘no they weren’t interested in our problems’ (primary loss – financial, material, leisure)</p> <p>Leisure, esteem, support</p>	<p><i>During:</i> ‘angry, very angry’ <i>After:</i> ‘still angry when I think about it’ ‘we should have gone with a larger operator .’.</p> <p>Anger, regret</p>
<p><i>Returning clothing to retailer:</i> ‘I had been shopping there all these years, I must have spent thousands of pounds. I bought most of our food as well as these sorts of things they didn’t care. I thought they would</p>	<p><i>During:</i> ‘amazed and angry’ <i>After</i> ‘angry’</p>

exchange it or refund the money. They said I must have done it.....hell will freeze over before I shop there again' (Primary loss – material)	Anger
Support, financial, esteem, hope	

Table 4 illustrates how customers regained resources through coping behaviours.

Table 4: Coping behaviour, resource regain and impact on well-being*

Resource gain	Impact on wellbeing
Complaining: ‘I was so angry, I could have screamed or killed someone... they had lost my money.. didn’t seem to care. Took me ages to sort out.....when they did I took great pleasure in going in to close the account and wrote ...to head office complaining about their attitude... I was glad I did it’	‘took great pleasure’ ‘glad’
Esteem, self-efficacy	
Negative WOM: ‘anyway we won’t go back there and we made sure everyone knew about it.. its always good to get these things off your chest and we got a lot of sympathy’ (package holiday company)....	‘felt much better’
Self-efficacy, support, esteem	

*Regained resources have established positive relationships with well-being

Exhibit 1 provides a holistic example of the whole process.

Exhibit 1: The value co-destruction process from a customer perspective: An illustrative example

Context: Attempt to use overseas ATM during a family holiday. Card stopped by bank. Problems in finding correct number to call. Eventual discussion with ‘unpleasant’ bank employee and service resumed.
Primary resource loss
Material: ‘card cancelled’ Leisure: ‘our holiday was being ruined’ Financial: ‘had no money’ Knowledge ‘they hadn’t told us this could happen, ’ ‘could not find phone number,’ Self-efficacy: ‘didn’t know what to do’ Hope: ‘we had planned a day out with the kids but had to abandon it.
Secondary resource loss

<p>Leisure: spoilt 2 days of our holiday’ - ‘must have spent hours trying’ Financial: it was those numbers you have to pay for from your mobile’ Energy (physical and emotional): took ages to get through and then we were cut off – had to keep trying’ ‘I felt like shouting – ‘I am a customer – I pay your wages’ Esteem: ‘they were so rude – tried to make me feel it was my fault and I was stupid’ Support: ‘unhelpful staff’; ‘couldn’t get through by phone’ Temporal: On return from holiday- time involved in complaining and switching accounts</p>
<p>Failed value proposition: Customers attribution for their resource misuse</p>
<p>People – unhelpful/unpleasant staff. Technology – Failed ATM service and unsuccessful call attempts attributed to problems with bank systems. Organisation – lack of access to those who could help with the problem Information – lack of information as to why service may be stopped and what to do if it was.</p>
<p>Impact on customer well-being</p>
<p>During: Worry/anxiety and then anger We couldn’t see a way out’ – my wife said – what happens when we come to pay the hotel bill’ After: Anger and worry could happen again (even with another bank) ‘It spoilt our holiday and is our main memory of it. We were very stressed and tired out by it all’</p>
<p>Resource gain (coping behaviour)</p>
<p>Coping behaviour: On return complained to bank branch; word of mouth: have told several people the story – rude staff, lack of concern and ‘rubbish’ systems. Then switched bank</p> <p>Resource gain: Support – ‘everyone seems to have had these sorts of things happen’ Esteem – ‘felt better when I told them I was going’ Self-efficacy: ‘we decided to close the account – they won’t do that to us again’</p>
<p>Impact on organisation well-being</p>
<p>Lost customer, income and reputation.</p>

7. Discussion

Ple´ and Chumpitaz Ca´ceres (2010) describe VCD as an interactional process between systems resulting in a decline in at least one of the system’s well-being. The findings shows that VCD from the customer’s perspective involves a process posited by COR theory where resource loss is directly related to loss of well-being. In all cases, customers experienced unexpected resource loss. Incidents typically involved complex, dynamic bundles of resources changing in composition as the process continued. Customers experienced losses of material resources; self-related resources

(self-efficacy); social resources (support and relationship benefits) and energies (time, money, knowledge, physical and emotional energy). A further resource loss of 'esteem,' combined 'condition,' or status as a valued customer, with 'self-related' self-esteem. This reflects Holbrook's (1999:16) assertion that, while status and esteem are described as distinct forms of value there is '*only the fuzziest demarcation*' between them. A further resource loss related to leisure activities. Leisure is an important resource for humans, positively related to well-being (Kleiber *et al.*, 2002). Escaping routine and stressful environments through leisure provides psychological benefits (Mannell and Iso-Ahola, 1987). Holbrook (1999) highlights how play (or fun) is intrinsically motivated and enjoyed for its own sake. While energies, for example money and time were also lost, customers emphasised and regretted the lost experience. For example, special occasions and long awaited or 'once in a lifetime' holidays could never be regained. A final resource identified in the accounts was that of hope. Hope, together with self-efficacy, resilience and optimism, comprise a 'core confidence' or self-related resource which is also a determinant of an individual's well-being (Stajkovic, 2006).

The findings show how, consistent with COR theory, following initial resource loss customers can be expected to invest further resources. Primary loss was significantly more likely to involve the loss of material and leisure resources. These typically represent the main focus of organisations' value propositions in terms of product offerings and therefore of customers' resource expectations. People are motivated to create and protect resources (Hobfoll, 1989) and their well-being (Moschis, 2007). When stress threatens they become increasingly motivated, dedicating more of their time, energy and attention to preserving their overall resource position (Hobfoll,

2002). 'Loss cycles' or 'downward spirals' may then develop involving secondary resource loss. Customers continued to work hard (in person, by telephone or email) to regain resources incurring additional losses of energies (time, money, physical and emotional effort). Queuing, waiting for (and making) telephone calls or home visits were typical experiences. The drain on customers' self-esteem and well-being continued as organisations failed to satisfactorily resolve problems. In particular, secondary resource loss was significantly more likely to involve social resources. Social support is a key resource, related to well-being, which people need to draw on particularly when encountering stressful situations (Hobfoll *et al.*, 2003). Customers had expected support particularly where relationships existed, yet they were often disappointed and left feeling rejected and unwanted. Being a 'valued customer' offers status and potential relationship benefits. However, respondents perceived organisations' misuse of their own resources, for example overcharging or excessive waiting times, as indications of lack of esteem and of being undervalued as a customer. Relationship benefits deriving from trust and previous experience were also lost, for example, security and certainty in expectations of excellence. Finally, as customers exit the process, they experienced loss of hope. This was particularly manifest in the accounts of those who had continued to invest secondary resources. They now no longer expected to gain (regain) resources from the organisation.

Unexpected resource loss impacts on customers' emotions and behaviour. The perceived failure of organisations to fulfil the resource offer (value proposition) accepted by customers, created unmet expectations, generating negative emotions and desire to make changes (major dimensions of subjective well-being). Anger provides emotional energy (or resource) resulting in motivational goals to hurt or 'get back' at

the perpetrator (Roseman *et al.*, 1994). Sadness, or disappointment, can result in low energy but could be a driver to improve the situation (Shaver *et al.*, 1987). Some respondents emphasised the role of ‘revenge’ in ‘getting back’ at the organisation. Customers actively reciprocated by behaviours directed at protecting their own resources through the depletion of those of the organisation. Ultimately, behaviours were directed at the organisation’s financial well-being, including demands for compensation, withdrawing custom or attempts to negatively influence other potential or existing customers. Many focussed on reputational damage through engaging in negative WOM thus gaining the support they needed from an alternative source. Some described how they had complained, often to a higher level than earlier in the process, in order to receive financial compensation for their losses. Respondents highlighted that it was because they had been insulted, others had been made to feel stupid, and this had made them ‘feel better’ and/or more in ‘control’ of the situation. They therefore regained resources of self-esteem and self-efficacy.

The findings highlight how customers’ interpretations of resource loss/gain reflect the types of experiential value described in the literature. This suggests a potential framework for integrating the various classifications/typologies. Material resources represent excellence/utility (Holbrook, 1999); functional (Sheth *et al.*, 1991) or quality/performance value (Sweeney and Soutar, 2001). Esteem (including self-esteem) and status are forms of extrinsic value (Holbrook, 1999). Play (leisure) is a form of intrinsic (Holbrook, 1999) or hedonic value (Rodie and Kleine, 2000). Other authors describe social or relational value which is intrinsically motivated (Chan *et al.*, 2010; Ravald and Grönroos, 1996). Many respondents reported losses of time and money described by Hobfoll (1989) as ‘energies.’ Conversely, Holbrook describes

‘efficiency’ as a form of value where time is the benefit. Economic value or ‘value for money’ is often described (for example, Sweeney and Soutar, 2001). Knowledge is also an energy (Hobfoll, 1989) but can have epistemic value (Sheth *et al.*, 1991). Vargo and Lusch (2008) describe knowledge and skills as operant resources. Lack of knowledge impedes further value co-creation. It can also result in loss of self-efficacy, decreasing perceived value (Van Beuningen *et al.*, 2011).

Finally, a question arises as to whether the process described here can be accurately described as VCD. Ple´ and Chumpitaz Ca´ceres (2010) point to authors who suggest alternative scenarios. For example, Woodruff and Flint (2006) suggest that devaluation processes can occur which diminish co-created value. Ple´ and Chumpitaz Ca´ceres (2010) also illustrate the potential for uneven value co-creation. They describe three instances of intentional misuse where the organisation derives more value from the interaction. All were evident in the incidents. First, customers attributed the intentional misuse of their own resources to inadequacies in the organisation’s resources. These included ineffective product and system technologies and lack of trained/skilled staff. Second, customers encountered automated services such as answering services when they required personal attention and customised information. Third, many negative experiences involved rude or unhelpful front line staff (employees may be considered a third system since they may be enhancing their own well-being at the expense of both the customer and the organisation (Ple´ and Chumpitaz Ca´ceres, 2010)). However the incidents indicate that customers’ response is to actively reciprocate by destroying the organisation’s resources and well-being. Consequently uneven value co-creation may be a short term phenomenon.

8. Conclusions and implications

In conclusion, it is argued that the incidents describe a process of VCD consistent with S-D logic and predicted by COR theory. S-D logic focuses on the co-creation of value (or new exchangeable resources) through resource integration (Vargo and Lusch, 2011). Conversely, COR theory focuses on resource gain by the individual (Hobfoll, 1989) and therefore offers an individual system perspective. Vargo *et al.*, (2008) define value in terms of an improvement in system well-being. COR theory specifically addresses the impact of resource gain/loss on the individual's well-being. Consequently, COR theory provides valuable insights into the value co-creation/destruction process from the customer's perspective.

Theoretical implications

Despite its central role in marketing theory 'value' is little understood (Holbrook, 1999). In particular little attention has been paid to the processual nature of customer value (Woodruff and Flint 2006). This is the first study to examine the VCD process from a resource ecology perspective. It offers a process model which integrates previous research from the psychology and marketing literature focussing on the role of resources, emotions, coping behaviour and well-being and their role in VCD. The findings show how customers' emotions and behaviours can be understood through the lens of the basic human need to gain, accumulate and protect resources. The role of VCC in improving customer well-being has been described as a key priority for service science (Ostrom *et al.*, 2010). By drawing on both S-D logic and COR theory a relationship has been empirically determined between VCD and a worsening of customers' subjective well-being.

This study offers a conceptualisation of value as ‘resource gain.’ From a COR perspective this is consistent with S-D logic’s definition of value as an improvement in system well-being (Vargo *et al.*, 2008). Although many authors have described the ‘give’ component of value, or ‘sacrifice’, as resources, benefits are not typically conceptualised as such. Consequently, this perspective offers an alternative lens to elaborate on existing value models. It illustrates how the many classifications or typologies of value described in previous studies may reflect different types of resource gain, thus potentially providing an integrative framework. The phenomenological nature of value has also been emphasised. Value is ‘*idiosyncratic, experiential, contextual and meaning laden*’ (Vargo and Lusch, 2008: 7). Resources have both instrumental and symbolic value in that they help to define for people who they are (Hobfoll, 1989). This study illustrates how resource losses can be interpreted in different ways by customers, for example, financial loss as loss of esteem. Consequently, an understanding of the meaning which customers attribute to resource gain and loss further enhances understanding of customer value.

Finally, S-D logic emphasises that resource integration provides opportunities for the creation of new resources (Vargo and Lusch, 2011). This study has provided an empirically derived categorisation of resources which customers expect to gain (or co-create) from the resource integration process. It highlights the need to focus on both the cognitive and affective dimensions of service exchange and therefore of the VCC (VCD) process itself.

Practical/managerial implications

Understanding customer value and the process whereby value is co-created is a major concern for managers, fundamental to competitiveness. However, as illustrated, value can also be co-destroyed. S- D logic highlights how *'service systems co-create value, effectively depending on the resources of others to survive'* (Vargo and Lusch, 2011: 149). The findings offer a new perspective to practitioners for understanding how a process of VCD can impact on the organisation's well-being and ultimately survival. They show how customer expectations, emotions and behaviour can be understood in terms of their need to protect and acquire resources. A process of VCD was triggered in all cases by the perceived failure of organisations to fulfil their value proposition or resource offer. This may imply a need to better manage expectations and/or re-evaluate what is offered or communicated to customers. Alternatively it may suggest a need to re-evaluate and re-design resources (the service) in line with current value propositions. These must be consistent with customer expectations and resource needs as well as the organisation's capabilities and competitive strategy.

The increasing trend towards customer participation at all stages of the value-co creation process implies a greater demand on customers' resources. While participation is potentially beneficial for both parties, organisations may be motivated to conserve their own resources by drawing more on those of customers. If customers experience unexpected resource loss, however, they will be reciprocally motivated to recoup their losses. The extent to which this directly impacts organisational well-being will be dependent on a number of factors not least the potential for switching. However, such an approach will run counter to a business model based on service quality, customer satisfaction and loyalty.

The findings also suggest alternative approaches to service recovery whereby recovery efforts are aligned to the timing and nature of resource loss. For example monetary compensation could be offered but may not address losses of esteem or efficacy. There are also implications for the nature of customer feedback, planning and control systems involving monitoring activities which recognise the nature of customer resources and the VCD process.

Limitations and further research

A number of limitations derive from the adoption of the CIT methodology. However, close adherence to published guidelines, for example reliability assessment (Rust and Cooil, 1994) and CIT methodology (Gremier, 2004) encouraged rigour throughout the research process, increasing the transparency and credibility of the findings. The research aimed to provide an overview of the VCD process and has identified the 'bundles' of resources involved. Consequently, further research is required to examine the depth of customers' experiences, the relationships between resource losses in the various categories and the subjective interpretation of the 'meaning' involved in the process, possibly through means-ends chains. Conversely, larger scale research is required to test the relationships in the model, including how they change over time.

Several questions remain with respect to this VCD model. For example, it was not always clear as to where primary resource loss ended and secondary resource loss began. Further work should examine how these relate to the various stages of the resource integration process within different contexts. This was not possible in the current study due to the exploratory nature of the research, the relatively small sample

size and diverse contexts involved. For example involving both short-term discrete and long term multiple encounters. Further exploration is also required to understand customer decision-making processes with respect to the resources they are willing to offer for VCC. There is also the need for a dyadic (or network) approach to understand VCD simultaneously from both co-creators' perspectives. The model derived here from the customer's perspective, describes a sequential process where the co-producer's resources are impacted at the final stage. A dyadic (and particularly longitudinal) perspective is likely to offer a more complex and iterative interpretation of the process. Further research is also required to examine the VCC process from a COR perspective assessing the extent to which this mirrors that of VCD.

Finally, there are implications for the development of theory in a cross-cultural context. Many of the constructs and relationships identified in this study have the potential to vary across cultures. Further work to establish the generalisability of the model is therefore required.

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Appendix: Interview Schedule

Introduction – Nature and purpose of the interview/ethical criteria/establish rapport

Section 1: The service experience

Q1. Can you think of a time when as a customer, you had a particularly dissatisfying experience with a service organization?

Q2. Which organization was this? (sector)

Q3. Can you tell me about it? (allow respondent to describe the experience in their own time and words)

Section 2: Further questions/and or confirmation of understanding of account

Q4. Over what period of time did this happen?

Q5. What specific circumstances led up to this situation?

Q6. What had you expected to gain/benefit?

Q7. What did not happen as you had expected?

Q8. What did you have to do as a result?

Q9. How did you feel

a) during

b) after - this?

Q 10. What did you do after this happened

Q 11. Did you tell other people about it?

Personal information

Male /female.....

Age band

Occupation