How Has Covid-19 Changed Consumer Participation in Value Co-creation?

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HOW HAS COVID-19 CHANGED CONSUMER PARTICIPATION IN VALUE CO-CREATION?

by

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Submitted to Brigham Young University in partial fulfillment of graduation requirements for University Honors

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ABSTRACT

HOW HAS COVID-19 CHANGED CONSUMER PARTICIPATION IN VALUE CO-CREATION?

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Bachelor of Science

This research documents value co-creative interactions between firms and consumers during the Covid-19 pandemic. I offer insights based on theory to explain how and why consumers are changing, especially in relation to service industries. The context of Covid-19 demands that both companies and consumers adapt by shouldering a greater burden of the value creation process in order to create value that is at least comparable to and, at most, exceeding that of pre-pandemic times. The extent to which a consumer or a firm becomes a greater participant than before is highly dependent on the industry and Covid-19 restrictions. While many aspects of value co-creation during Covid-19 may be entirely situational, it is likely that firms and consumers have made changes to the way they interact that will surpass the pandemic and become a normal part of firm/consumer cooperation.
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Introduction

In March of 2020, the World Health Organization officially declared Covid-19 a worldwide pandemic. The infectious respiratory coronavirus disease was first recorded in December of 2019 in Wuhan, China and rapidly spread through Europe and Asia countries in the following months before reaching the United States (WHO, 2020). Covid-19 spreads alarmingly fast and can be especially dangerous for the elderly and immunocompromised (Cucinatta et al., 2020). As of this writing, there have been 104.9 million cases of Covid-19 and 2.2 million deaths around the world, numbers that are likely to continue to rise (BBC, 2020). Americans’ behavior in the course of daily living has changed drastically in response. This research documents and synthesizes how consumer participation in value co-creation with firms has changed over the course of the Covid-19 worldwide pandemic. The intention of this research is to be exploratory, providing insights based on theory that can inform future research on the topic. This paper examines both temporary and potentially enduring value co-creation behaviors extended by both firms and customers during the pandemic.

The last pandemic of this magnitude was the H1N1 virus in 1918 that infected about 1/3 of the world’s population (CDC, 2020). The H1N1 pandemic is our main historical source for researching consumer behavior, but as it occurred over 100 years ago, there have been too many societal changes from that time for any data to be applicable at this time. Other epidemics have not been quite so widespread or disastrous, so as a result, the effects of the Covid-19 pandemic remain largely unprecedented, especially in the business realm of consumer relationships and value co-creation with firms. This paper will focus mainly on consumers within the United States, though it may be indicative of how consumers in other countries have reacted as well.
Covid-19 Literature Review

Given the unprecedented nature of Covid-19, there is a lot of research being published right now concerning the pandemic as it applies to a wide range of disciplines. Covid has left many organizations struggling to survive and necessitated the identification and development of new business models in order to do so (Seetharaman, 2020). Lockdowns and the pandemic in general have certainly affected small businesses to a catastrophic degree, making them even more financially fragile than they may have been pre-pandemic (Bartik et al., 2020). Essentially, Covid-19 has impacted just about every topic, discipline, and field imaginable because of the magnitude of the contagion and corresponding economic shutdowns. The effects of essentially shutting down an economy by forcing stores to close and people to stay home have been applied many facets of business research despite the short time frame to publish it all. Much of the current research on businesses and Covid-19 can fall into four main categories: overall impact of Covid-19 on businesses, Covid-19 and technology, Covid-19 and supply chain management, and Covid-19 and the service industry (Naveen and Gustafsson, 2020). The nature of the consumer in the Covid-19 environment is different than normal and thus, much of the Covid-19 business research focuses on consumer behavior, such as how consumers have changed their shopping behaviors, purchasing behaviors, and product needs (Laato et al., 2020). There is increased documentation of these behavioral changes, such as hoarding, where consumers stockpiled essential products and shelf-stable food items, as well as buying trends, such as increased e-commerce sales and demand for specific products, such as disinfectant, masks, and hand sanitizer (Kirk and Rifkin, 2020). In the entrepreneurial domain, there is commentary about value co-creation as it relates to crisis management from a social entrepreneurship perspective (Ratten, 2020). However, there is no contribution to date that synthesizes the effects of Covid-19
on value co-creation. This is an important topic because customer reactions to co-creating value with firms can have implications for every aspect of a business and effect the long-term success of a firm in the current and post-pandemic market.

**Defining Value Co-Creation and Literature Review**

In value co-creation, consumers are collaborators and resource integrators (Zainuudin, 2016). Value is created in collaboration and mutual interaction, being the core purpose of all economic exchange (Vargo, 2008) but also going beyond goods and money (Michel et al., 2008). Co-creation depends completely on the joint creation of value by both the company and customer and is not merely the transfer of activities from the firm to the customer. Value is a necessary part of all transactions, whether the focus is on goods-dominant logic or service-dominant logic. In goods-dominant logic (G-D logic), the units of output are the central and most important components of exchange. (Vargo, et al., 2007) G-D logic is the more traditional way of looking at value because it focuses on tangible commodities and has the most previous research done on the subject, but has given way to the rising importance of service-dominant logic. Service-dominant logic (S-D logic) instead prioritizes service over products, meaning the process of providing benefit subordinates the units of output. (Vargo, et al., 2007) S-D logic has become the standard theory in regard to value co-creation and services. While G-D logic sees the customer as a vessel to market to with the end goal of a purchase, S-D logic sees the customer as an operant resource (resource that acts on other resources), someone who is a collaborative partner that can co-create value with the firm. (Vargo and Lusch, 2004) With S-D logic, value creation occurs “when a potential resource is turned into a specific benefit” (Lusch et al., 2008, p.8). Essentially, the resources of a firm do not need to intrinsically provide value but must have the potential to do so through application and integration with consumers (Gummesson, 2010).
Value co-creation often seems to be embedded into the service industry simply because of how services can be defined. However, services and value co-creation cannot be used interchangeably, as not all service industries require joint collaboration that creates an experience to suit the consumer’s context (Prahalad & Ramaswamy, 2004). With co-creation, the consumer can choose how to interact with the experience environment that the firm facilitates. A service creates value for the customer but is not required to create value with the customer, and instead is allowed to take on a more firm-centric view. Services certainly can but do not always have to focus on experience the way that value-co creative services must. Service can be defined as the “application of specialized competencies through deeds, processes, and performances for the benefit of another entity or the entity itself” (Vargo and Lusch, 2008, p.26) Many services and service operations instead can require very little input from the customer. In some cases, the inputs and resources may be physical objects, but much of the time they are intangible and come in the form of time, interaction, or preferences. Mechanics perform a service on a consumer’s vehicle that would be impossible to perform without inputs (the car) from the customer, but the customer is not necessarily creating value from the experience. Made-to-order pizza and sandwich shops cannot make a customer’s custom meal to their satisfaction without inputs from the customer in the form of ideas and preferences, and qualify as a service, but again are not necessarily co-creating a valuable experience through interaction. Co-creation is more likely to be found in industries that center around the personalized experience had by the customer. For example, a shop where the customer can make soap, candles, ceramics, bath bombs, jewelry etc. while in the store, creating the item themselves with the tools provided by the firm.

The service-dominant logic view that all exchange is based on service focuses on operant resources – resources that act upon other resources (Vargo et al., 2006). Service industries
require that the customer interact with firms by providing their own resources that are deemed essential to the outcome of the service and/or by participating in the performance and execution of the service (Sampson & Froehle, 2006). Without some form of consumer inputs, the firm cannot create true value for the customer (Normann & Ramirez, 1993). S-D logic purports that all created value within services is co-creational, meaning customers and providers are always co-creators (Vargo & Lusch, 2004, 2008). However, other literature suggests that in order for customers and producers to co-create value, there must be direct interaction between co-creators as a consequence of joint activities (Grönroos, 2011). Direct interaction between firms and consumers during Covid-19 has been limited in physical ways and expanded in virtual ways, potentially challenging the idea of what a) what denotes “direct” interaction and b) how necessary this interaction is for value creation. Many direct interactions that influence the value co-creation experience come not just from the influence of the firm, but also from other consumers, employees, and peers (Grönroos, 2012). The pandemic is reflecting the idea that value is created through how the consumer uses things, and thus is dependent on context and experience (Sandstrom et al., 2008). Many conventional views on what value exchange truly is are being overcome by new ways, forms, and types of interaction, with customers and firms taking on ever-changing roles (Saarijarvi, 2013). Covid-19 has certainly changed the playing field for these interactions, especially as we see that increasingly virtual or socially distant environments are forcing co-creators to take on new and often increased aspects of value co-creation. The implication is that within the sphere of the customer, value is always co-created and that firms in turn can only offer consumers a platform to use to create value for themselves rather than firms creating value as such (Grönroos & Voima, 2013).
Extant research divides co-creation types into emotional engagement, self-service, supplier provided experience, customer self-selection, and co-design of products (Payne et al., 2007). Emotional engagement refers to company interaction with customers through advertising and promotions. Self-service refers to the transfer of labor to the customer (Premade kits, unassembled furniture). Supplier-provided experience is where the company provides an experience to the customer for them to participate in (theme parks, escape rooms). Customer self-selection is when the customer chooses to solve a problem for themselves through the supplier’s prescribed processes (Payne et al., 2007). Co-design of products enables firms and consumers to work together during new product development stages (O’Hern & Rindfleisch, 2010). Self-service, emotional engagement, and the supplier-provided experience as types of value co-creation have dominated more than the others during Covid-19. Perhaps the most important and interesting has been the supplier provided experience, which most embodies the idea of high-quality consumer-company interactions that have been most sought after and when accomplished, most effective at allowing firms to compete during Covid-19. Due to restrictions on in-person activities and proximity, many supplier-provided experiences have been completely overhauled and adapted in order to comply.

**Initial Response**

Consumption and consumer behavior are rooted in time and location, making it very context dependent (Sheth, 2020). Covid-19 is an unpredictable context that has elicited different consumer responses than the pre-Covid time, for example, during the initial stage of the pandemic, consumers were hoarding in order to manage uncertainty and improvisation to manage shortages before growing accustomed to the Covid-19 environment. Initial mandates were for a two-week lockdown that turned into four, then six. The economy took a hit as
everyone stayed inside, with the stock market experiencing its lowest point drops in US history (Amadeo, 2021). Many feared for what was to come as supply chains everywhere were disrupted and shelf-stable food, toilet paper, disinfectants, and hand sanitizer couldn’t be restocked fast enough. Eventually, these more knee-jerk reactions of hoarding and frenzy settled down and the consumer started to adapt to the situation as many consumers embraced technological substitutes and began bringing work, entertainment, and activities into the home (Sheth, 2020). As firms are often much slower to react than customers, it was not until a couple months into the pandemic and past the initial stage of pandemonium that firms started to adapt to the new stay-at-home consumer. Unsurprisingly, the companies who have survived and even thrived are the ones that have either taken on a greater share of the partnership in value co-creation or have convinced the customer to take on a greater share. Many unprecedented things became the new normal as businesses and consumers alike worked together to figure out a way to exchange goods and services in ways that could create value despite constraints. Often, constraints are actually the key to innovation and creativity (Acar, 2019) and Covid-19 provided many constraints on time, proximity to others, hours of operation, etc. that inspired many interesting forms of value co-creation in response.

Adapting to the Circumstance: Burden on the Consumer

The United States was plunged into lockdown after lockdown starting in March 2020 with the intention to “flatten the curve” and slow the spread in order to not overwhelm hospitals and protect the immunocompromised, high risk, and elderly populations. Many stores closed their doors, shortened their hours, or created capacity restrictions. However, as important as it was to shelter in place and stay at home, Stores deemed “essential businesses” such as grocery stores, pharmacies, hardware stores, gas stations, transportation, or others related to critical
infrastructure continued to operate, even if at limited capacity and hours (CISA, 2020). Non-
essential businesses, such as gyms, shopping malls, salons, museums, sports areas, and theaters
closed down or if possible, went remote, (Jiang 2020) but 60% of the businesses that closed
down due the pandemic have ended up closing permanently and going out of business
(Sundaram, 2020). Companies that could subsist with a remote workforce quickly closed down
office buildings and made accommodations for their workers to begin communicating via video
conferencing systems. The freeways stood empty with traffic dropping by 50% as the workforce
turned to home offices and online interfaces from 9 to 5 (Haselton, 2020).

Example: Tuition-based Education Systems

Schools followed suit, either closing down completely or abruptly transitioning to remote
synchronous classes. Parents with younger students had to take on a larger portion of the
teaching responsibilities and become accustomed to having their children at home during the
day, attending school as their parents might be trapped in a home office trying to work (OECD,
2020). Many children experienced shorter school days and greater levels of free time. However,
90% of children in the United States attend a public PK-12 school that does not require tuitions
or fees for admittance (NCES, 2019). For this reason, when considering value co-creation in the
education arena, the focus will be expressly on students who pay tuition for education, such as
university level students. The vast majority of secondary education facilities require payment for
education, effectively operating as a producer of a service for the purpose of financial gain from
the consumer, or enrolled students.

Students at the university level had a different experience with remote education than younger
children, likely in part because they have the option to halt attendance at any time. Students
paying for education are participating in a transaction with universities and colleges, and some
did not feel that it was worth the investment. The year 2020 saw a 2.5% decline overall in postsecondary enrollment, even with universities developing options for asynchronous and synchronous classes to be held remotely (NSCRC, 2020). Those that continued with postsecondary education during Covid-19 shifted into a more deeply entrenched partner in value co-creation with schools. The final outcome, graduating with a degree, has not changed. In most cases, the cost of admission has not changed either. What has changed are the expected student inputs, partly due to the decrease of inputs on behalf of the universities. With campuses shutting down and stay at home orders in place, students have been expected to attend class, study, and complete tests and homework from home. Many amenities students are accustomed to receiving as part of their tuition, such as library access, in-person classes, food courts, or exercise facilities, were shut down. This has had a significant effect on the quality of value, if we assume that derived value is dependent on interactions students should be having with peers and professors (Grönroos, 2012). Consumer participation in value co-creation has, in essence, not only increased but has become primarily the responsibility of the consumer. In a way, Covid-19 has impacted the student consumer as such as to come close to value self-creation, especially in regard to asynchronous courses. In value self-creation, the consumer takes on the primary responsibility of creating value in their experience independently from a firm (Zainuudin, 2016). Students become much more responsible for creating the value that they receive in a quality education because so many of their former resources were unavailable, and instead of doing without, they have to provide those resources for themselves. Students participating in asynchronous courses that do not want to perform the associated tasks will find the impact to be co-destructive instead of co-creative (Grönroos, 2012). Co-destruction occurs when one entity (in this case, the student-consumer) fails to integrate and apply available operant and operand
resources in an appropriate manner (from the other entity’s perspective, which in this case would be the university) (Harris et al., 2010).

Responses to remote learning have varied, but 82.29% of students are willing to learn from online resources and 42.29% favored online learning over traditional learning (Radha 2020). Another survey of college students notes that 61.78% of respondents would still prefer to learn in a classroom and 42.01% find online classes to be more practical (Baloran, 2020). It seems that while students are willing to take on the increased responsibility of value co-creation, many do not see it as something they can commit to long term. It is not possible to separate the stress induced by worldwide pandemic from this new expectation of increased participation in value co-creation from students, so it is hard to deduce what attitudes future students will have in regard to their increased responsibility in value co-creation. Online learning and the associated value co-creation has been most accepted when students have effective access and use of technology (Gonzalez et al., 2020). It is likely that effective technology in terms of reliable internet, updated hardware, and easily maneuverable systems is a key aspect of the success and continued use of value co-creation in this form, in conjunction with overall accessibility to resources the students themselves need to provide, such as a quiet space to concentrate, appropriate furniture, and family conditions (Aguilera-Hermida, 2020).

Understanding how students respond to increased levels of value co-creation is a crucial aspect of understanding overall consumer responses because the students of today will be the most prominent consumers of the future. Generation Z’s reactions are arguably the most important because of the stage of life they are in (demographic cohort of late 1990s to early 2010s). If Generation Z accepts higher levels of responsibility for creating value in paid educational settings, there are implications about similar attitudes transferring to other supplier-provider
relationships in which they interact as well as the future of the workplace, potentially providing insight on how they might react should other companies attempt to place similar pressures on these consumers. More research should be done in the arena of students reacting to the increased pressure to co-create value within tuition-based education systems.

Schools and work shifting to at-home models is an important stage of the pandemic that highlights the real question that businesses are asking in terms of value co-creation: how much of the value creation process is the consumer willing to shoulder and bring into their own home? Customers will take on a greater burden when the company is not able to if it means they can stay at home.

Example: Medical Services

Medical offices are asking patients to print and fill out their own paperwork at home before appointments and revamping many of the check-in and various welcome processes to be much more self-serving, with the customer being asked to handle more of the administrative aspects of their medical visit (Cohen, 2020). Patients may be asked to participate in guided self-triage services or even self-administered nasal swabs for Covid-19 testing (Doshi et al., 2020). For the many patients who could not leave their houses, telehealth has become a way that consumers have been able to create greater value with the medical industry. In-person visits have become more of a last resort, especially as telehealth visits are more convenient and often a less expensive option (Hollander & Garr 2020). Telehealth is making health services available for counseling, chronic health conditions, follow-up appointments, case-management for those with difficulty accessing care, physical therapy, tele-triage, and more (CDC, 2020). While telehealth is not new, consumers have been slow to respond until the Covid-19 context changed that to become a favorable alternative. Constraints on capacity and contagion have pushed the consumer
to take on more responsibility for creating value in the care they receive and now at times, self-administer. Innovation in telehealth means patients can be more efficient value creators, such as when they load information from wearable devices, like an Apple watch or Fitbit, for their virtual doctors to analyze or when they use at-home blood pressure cuffs, connected scales, or even remote stethoscopes (Thompson & Djavaherian, 2020). The patient has to participate in the care they are receiving in a much more in-depth way than a typical hospital visit might warrant as well as provide their own internet connection and device, but they can participate from home in a way that is much more convenient. Although S-D logic suggests that service industries are inherently co-creative, the adoption of telehealth during Covid-19 transcends the level of value co-creation present in the normal healthcare industry to be something much more cooperative and valuable to both the provider and the consumer.

Example: Experiences in the Home

The cook-at-home meal kits market, where subscription-based customers receive prep food delivered to their door with instructions for cooking, is experiencing explosive growth (Dumont, 2020). Customers who don’t want to leave their house can replace both grocery shopping and eating at restaurants, and find that they can co-create value with these firms in a way that gives them control over the situation but also lets them stay home and not have to do the most laborious part – physically buying the food and planning the meal. On the other hand, consumers are taking on the food prep and cooking that would normally done by restaurants. While many restaurants have offered curbside pickup options, without the ease, atmosphere, and general social experience of sitting in a restaurant, many have turned to cooking for themselves instead. Americans are cooking at higher rates than ever seen in the last 50 years, becoming more confident in the kitchen and planning to continue to do so in a post-pandemic environment
(Taparia, 2020). The pandemic has absolutely increased demand for the entire food and grocery industry, but it has much more so been a catalyst for growth in the home meal kits market. Similar to virtual learning and telehealth, Blue Apron and Hello Fresh are options that have been around for years, but it took a pandemic to spur customers to be interested in becoming value co-creators with these companies. The phenomenon extends further than meal kits to encompass do-it-yourself beer kits, kombucha kits, and cheese kits – essentially anything that the consumer can bring into their home to create an edible experience (Canal, 2020).

Example: Entertainment in the Home

Covid-19 has given rise to explosive growth of the media streaming industry as consumers consent to making their own living rooms a movie theater. In just the first six months of the pandemic, per-customer time using streaming services doubled and 12 million new customers signed up for services like Netflix, Amazon Prime, and Disney+ (BBC, 2020). A similar trend has followed with the video game industry. In April 2020, Twitch, a video game streaming site, saw users log 1.49 billion gaming hours and Fortnite, another popular video game, saw 3.2 billion gaming hours (Smith, 2020). Consumers are becoming accustomed to inviting media into their homes permanently and using media as a way to interact with firms. This ties into the emotional engagement type of value co-creation, where firms are coming to the customer’s level to interact through various social media accounts such as Twitter, Instagram, and TikTok, not just marketing to customers but facilitating an exchange of information, ideas, preferences, and even jokes in order to connect with the customer on a deeper level and invite them in to the value-creation sphere. More research on the evolution of social media marketing during Covid-19 would be a fascinating and illuminating topic that is outside the scope of this current paper.
Adapting to the Circumstance: Burden on the Firm

Retail behemoths Walmart and Amazon each hired an additional 400,000 employees in 2020 to adapt to the circumstances of increased demand, limited shopping hours, new sanitization guidelines, and increased service offerings, despite being known for their traditionally G-D logic. (Kaur, 2020 & Walmart, 2020) Walmart took on a greater share of value creation by expanding its curbside pickup option where customers order online or in-app and Walmart employees load the customer’s order directly into their car upon arrival (Walmart, 2017). The customer only has to order and pick up, while Walmart takes on the burden of picking the customer’s order from the shelf, storing it, and loading the customer’s car. This exemplifies S-D logic that would suggest that goods are only a means to provide a service that in turn creates true value. In the Covid-19 market of restrictions, value is the biggest way to compete. Many grocery stores offer the same goods with similar pricing, but few grocery stores can compete at the level of service offering as a distinctly valuable trait during the pandemic.

However, many brick-and-mortar stores without the infrastructure in place to ship all of their inventory or with customers unwilling to wait for shipping also turned to curbside pick-up (Thomas, 2020). For many non-essential businesses, curbside pick-up was the only option for continuing to operate during lockdowns. The same is true for many sit-down restaurants that all of the sudden were not allowed to seat people, turning to curbside pickup as the only option outside of delivery for selling meals.

Another example is how Amazon has thrived during the pandemic because of what it can offer that other stores cannot – home delivery for a low price. Customers buy the product from Amazon because of the service that goes along with it – free two-day shipping. Customers have been increasingly ordering online but have ramped up this behavior during Covid-19, with online
sales in the US jumping by 49% from March to April in 2020 (Thomas, 2020). This is even more the case with Amazon because the customer can rely on home delivery as a valuable service and Amazon offers that for only the price of a Prime membership, leading to Amazon’s 37% increase in earnings during the pandemic (Helmore, 2020). If consumers cannot bring the product or service inside the home to do it themselves, they expect companies to bring the product or service to them.

CVS Pharmacy saw a 10-fold increase in home deliveries for prescription drugs because the consumer expected the company to take on that aspect of value creation (Hopkins, 2020). The closure of car dealerships has also led to increased buy in for delivery options, with upward trends in online vehicle purchases and home delivery (Szymkowski, 2020). Many auto manufacturers have started offering car delivery services as well as third-party sellers such as Carvana and Vroom that base their entire business model off of this concept. Some automakers have even started sending out technicians to complete routine oil changes and tire rotations at the consumer’s residence. Similarly, mobile mechanics and mobile tire installation services that come directly to the customer or delivery vehicle driver have experienced more growth and acceptance during Covid-19 (Schlosser, 2020).

Companies that can’t deliver the product or service to the consumer have instead expanded virtual offerings. Many non-essential businesses (that are therefore under the most restrictions for opening) offer virtual tours. The Louvre, San Diego Zoo, Metropolitan Museum of Art, London’s National Gallery, many aquariums, and other similar businesses have started offering the option to visit virtually, giving the consumer an experience that they otherwise could not obtain during the pandemic (Bloom, 2020).
The ability of firms to survive during unprecedented times is highly dependent on their capability for innovation, especially those innovations that can be implemented quickly in order to adapt to the ongoing crisis (Wang et al., 2020). Thus, finding innovative ways to create value with the customer, either by understanding consumer incentives during the pandemic to nudge them to take on the greater burden or by expanding company service offerings to entice and connect with the consumer, is the only way to remain afloat.

**Consumer Motivation to Participate**

Vargo and Lusch suggest six factors that determine to what extent the consumer is willing to be an active participant in the value co-creation process: Expertise, Control, physical capital, risk-taking, economic benefits, and psychic benefits (Vargo and Lusch, 2007). Examining these factors beneath the lens of Covid-19 gives insight to how the consumer is changing, especially in regard to control and risk taking. These factors not only indicate consumer motivation but also help determine to what extent the customer wants to participate (Lusch et al., 1992).

**Control**

The context of Covid has left many consumers feeling out of control. It is hard to feel differently; the pandemic causes so much uncertainty in every aspect of life from politics and health to empty store shelves and closed businesses. Lack of control can cause consumers to have detrimental attitudes towards firms (Dabholkar and Sheng, 2009) Americans often seek primary control, where individuals try to influence existing realities, over secondary control, where instead individuals must accommodate existing realities and maximize satisfaction to fit in with things the way they are (Weisz, et al., 1984). These two ways of seeking control seem to converge at value co-creation during the pandemic as consumers and firms are not quite satisfied
with the existing reality of how things are and do their best to create provisions for value, but at the same time, cannot budge a pandemic and are forced to accommodate certain things. For example, 90% of Americans wear a mask while shopping in grocery stores (Fearnow, 2021) and floor decals emerged indicating that customers stand six feet apart in line, both of which are accommodations that have become a regular part of pandemic life. Co-creative reactions however express both consumers and firms desire to gain primary control back and do whatever it takes to keep commerce going. Control can be a positive factor for firms because consumers who seek control are more likely to participate in co-creation (Vargo and Lusch, 2007).

Firms exhibit control by adding services to their offerings and creating the opportunities for customers to respond. Firms cannot afford to wait for consumers to figure out how they can glean value, instead firms must supply the value or create the opportunity for the consumer to be a co-creator.

Many consumers have sought control by taking things into their own hands, literally. In the first two weeks of March 2020, social media mentions of home renovation ideas doubled (Swan, 2020). More than just talk, 60% of homeowners reported that they started some sort of DIY (Do-it-yourself) project during the early pandemic, a number that grew to almost 80% by June 2020 (Baker and Weeden 2020). Along with sewing homemade masks, DIY projects were just the start of the average consumer doing more things for themselves that they might normally hire out, as well as opening up to the idea that the home can function as more than just a home – it can be an office building, university, shopping center, restaurant, movie theater, etc. When everything the consumer is used to participating in on a regular basis is closed, they gain a sense of control by bringing the experiences, products, and services into their residences. It is possible that this early acceptance and trend towards DIY in the house as well as adoption of new hobbies
during the beginning stages of the pandemic primed the consumer to willingly shoulder more responsibility for value creation, and in cases where the consumer is constrained, to expect companies to accommodate. Value co-creation as it relates to DIY, especially within the frame of the pandemic, is an area for future research to be investigated further.

**Expertise**

Consumers with the requisite expertise or operant resources are more likely to participate in co-creation practices (Vargo and Lusch, 2007). One of the most widely available operant resources during the Covid-19 pandemic has been time. The plethora of news articles from April 2020 that detail how to pick up new hobbies indicate consumers searching for something to fill their time while locked in their houses. This also indicates a desire to gain expertise and skills not held pre-pandemic, such as learning how to bake bread or renovating living spaces. Flour sales went up 2000% as consumers attempted to learn how to make their own breads (Mull, 2020) and home improvement spending is at the highest levels the United States has ever seen (Morris, 2020).

**Physical Capital**

Co-production is more likely if the firm can offer the physical goods needed by the customer in order to complete the task at hand (Vargo and Lusch, 2007). This idea can be seen in action with the meal kits companies during the pandemic. In reality, the physical purchase is simply that of a consumer buying raw materials (uncooked and unprepared food), but the motivation to buy the food comes from the promise of experience in the form of instruction given by the company about how to prepare and cook the food. Both the food and instructions are needed to complete the task and the company provides one so that the customer will buy the other. In the home
improvement sector, Lowe’s and Home Depot offer services to accompany their products to facilitate an easier customer experience. For example, customers that come in to buy wood might choose these stores specifically because they know that the employees working there can cut the wood for them or rent out the equipment for the customer to do so themselves should they not own the proper tools. Similarly, AutoZone and other shops that sell car parts will often let consumers use company-owned tools that are needed to install the car part the consumer just bought. During Covid-19, increased sales in the home improvement sector and DIY participation (especially from many first time DIYers) has given many customers the opportunity to use the services Lowe’s and Home Depot offer.

**Psychic Benefits**

Many of consumer’s newly found hobbies have also been a way for consumers to find enjoyment during Covid-19. Many of the activities adopted by consumers – baking, cooking, gardening, sewing, origami, puzzling, fitness training – are heavily service intense and focus on not just the finished product but the experience that the customer has while doing the activity. When commerce shuts down and consumers are inside more than ever, they start to feel the crippling lack of experiences and seek activities. One of the primary reasons that consumers engage in co-creation in the first place is for the experiential benefits and enjoyment (Vargo and Lusch, 2007). The process of value co-creation is rapidly shifting to a personalized customer-experience centric view (Prahalad & Ramaswamy, 2004). This idea is crucial, as firms that can provide experiences for the consumer to partake in, either within the home or online, are the ones that will find consumers willing to co-create value with the firm and create a competitive advantage during and after Covid-19. In April 2020, rental property platform Airbnb saw a lot of success with the launch of Online Experiences, the company’s fastest growing service that connects guests with a
host that shares a creative project or activity (Oliver, 2020). For example, people in the United States can attend a virtual cooking class with a chef streaming from Mexico, creating a completely interactive experience for the customer despite the distance.

Risk Taking

Co-creating value involves a certain level of risk, whether that be physical, psychological, or social (Vargo and Lusch, 2007). If a firm opens itself up to create value with the customer, will they respond in kind? Can the firm create the kind of experience for the customer that will retain them and enable value creation? There is always risk involved when the customer and firm interact, but in certain instances the risk can actually go down. Covid-19 has made value co-creation a more important part of consumers’ lives and businesses’ strategies than it has been previously simply because the conditions of the pandemic have limited the ways we can create value. Some companies could not continue to operate with success without the willingness of both the firms and consumers to adapt what is normal and collaborate more. The DART model (Dialogue, access, risk-benefits, and transparency) presents the building blocks of consumer-producer interactions and leads to a clearer assessment by the consumer about what the risks and benefits are to value exchange with firms (Prahalad & Ramaswamy, 2004).

Economic Benefits

Consumers and firms alike can be incentivized to participate in value co-creation when there are perceived economic benefits (Vargo and Lusch, 2007). Covid-19 has taken a toll on the United States economy. In March of 2020, 40% of households making less than $40,000 per year lost the jobs they had held the previous month (Keshner, 2021). That same month, the Dow Jones Industrial Average dropped 6,400 points, or roughly 26%, causing a Covid-19 recession (Mazur
et al., 2020). Even with government stimulus packages, many Americans have suffered financially during the pandemic, especially those with jobs not conducive to online platforms or employed by businesses that have shut down. This paints a scene for an environment where the potential economic benefits of value co-creation could be more enticing than ever. Economic theory suggests that all consumers balance time spent, and money saved differently based on their own economic valuation of their time (Punj, 2012). Therefore, those who are unemployed because of Covid may find themselves willing to give more of their time to save money during the Covid-19 recession. A classic example is furniture sold in flat packages for the customer to assemble at home. This idea of value co-creation that was popularized by Swedish company Ikea gives a clear picture of how both the firm and customer can save money when the is a clear preference given to value co-creation. Telehealth, as previously discussed, is an example of value co-creation that may motivate consumers because of the associated economic benefits. Online services are often a cheaper option, which is fortunate given current economic crises. Prior to Covid-19, only 2.1% of members of the American Psychiatric association used virtual sessions for mental health visits 76-100% of the time, whereas after the onset that figure shot up to 84.7%. Of course, social distancing measures played a role in this extreme jump to online visits, but necessity is likely serving as a catalyst for the future of tele-psych to remain as a more convenient and less expensive option for customers who are willing to participate.

What is Temporary and What is Permanent?

Many tendencies related to Covid-19 are temporary and some have even stopped already. Consumer hoarding, for example, peaked at the beginning of the pandemic in March 2020 and slowly declined as the year went on. The exception to this is toilet paper, which continues to be hoarded as if it were gold. Similarly, DIY tendencies are not as high as they were in the initial
stage of the pandemic. However, there are several methods of value co-creation that have been adapted in ways that are more favorable to the customer and are likely to stick around long after the pandemic passes. Customers are finding that streaming from home is a more convenient and preferable alternative to attending movie theaters, making customers likely to stay quite committed to their streaming services post-pandemic. Hybrid models of classes where students can have both live and remote classes are also likely to stay because some students prefer the convenience. (Hall, 2020). While it is not possible to make presumptions about every business and what changes might subsist past the pandemic, the changes that have made the biggest impact and become the most normalized during 2020 are the most likely to stay.

Covid-19 has been a catalyst for change. Many companies and services that are thriving under pandemic circumstances already existed, but the pandemic created the opportunity for them to find a place in consumers’ Covid lifestyle. Changes in value co-creation can effectively be split into two groups, new and modified. Modified habits are the existing habits consumers held pre-Covid-19 that were changed to adapt to pandemic circumstances and are especially prevalent in the service industries (Sheth 2020). New habits are the new ways that consumers and producers are behaving in order to create value. The habits that are most likely to endure past the pandemic are the ones that have made significant positive changes to the consumers’ lives. For example, 9/11 brought forth temporary fear of travel by airplanes and air passenger miles fell. Short term, air travel was doomed. Long term, Americans traded ease and convenience for increased security protocols and implementations and are flying more than ever (Begley, 2004). Customers and airlines alike took on a greater burden in order to create something that was valuable to everyone, and it has lasted many years, becoming the American standard for airplane travel. Temporary setbacks can create long term opportunities to create value if the firm understands
how to invite the consumer to co-create in that space. The question that all businesses that have expanded offerings should be asking is whether or not the alternatives they have presented during the pandemic are preferable and more convenient to the consumer or not. The permanence of service offerings and value co-creation will hinge on what the customer decides has changed their life for the better. There are many new and modified habits that have created a culture of convenience that the consumer has been getting accustomed to, but others that if continued, would be co-destructive instead.

**Implications**

Firms and consumers alike indicated a willingness to co-create value during the Covid-19 pandemic through active and increased participation in such. Many firms found that this was the only way to remain competitive and connect with customers in a landscape where many businesses were failing. The six factors that determine to what extent the consumer is willing to be an active participant in the value co-creation process: expertise, control, physical capital, risk-taking, economic benefits, and psychic benefits, were all present in the Covid-19 environment, which boded well for firms that wanted to use the co-creative space with consumers. Value co-creation is the way of the future and will soon be the expectation of the consumer across not only service industries but goods dominant industries as well. The implications for firms that are hoping to gain or sustain a competitive advantage are great because the meaning of value for the customer is shifting towards collaboration and experiences, and as a result, firms will have to adapt their value offerings in order to retain customers. This is especially pertinent within the Covid-19 environment that, at the time of this writing, has no definitive expiration date. If the pandemic had been as short lived as the world had hoped it would be, perhaps the consumer would not have made permanent adaptations to the way that they interact with firms; however,
after over a year of pandemic living, the changes that consumers have made should not be ignored because these changes have created expectations for value that might just be here to stay. However, firms that have created value during the pandemic must consider whether or not the consumer will continue to desire to co-create value with the firm in a post-pandemic environment.

**Suggestions for Further Research**

As mentioned earlier in this paper, there are many opportunities to expand the idea of value co-creation within the context of Covid-19 into further research. These opportunities could span a variety of business disciplines, especially if there is an implication of the transferability of Covid-19 value co-creation theory to other disciplines, sectors, or relationships. The degree of transferability is not currently known and would need to be researched further. The emergent relationship between Covid-19 and value co-creation gives way to many avenues for further research and discovery, such as:

- The evolution of social media marketing and emotional engagement during Covid-19 and its permeance.
- Student response to the increased pressure to co-create value within tuition-based education systems leading to value co-destruction.
- At what point do consumers start to reject value co-creation, leading to co-destruction?
- How student relationships with value co-creation could transfer to other producer/consumer relationships.
- Value co-creation as it relates to DIY, especially within the frame of the pandemic and if the inclination to DIY motivates consumers to be more willing to participate in value co-creation.
- Post-Covid-19, which services become permanent or temporary forms of value co-creation that did not previously exist.

- Application of value co-creation in different relationships, such as within the various value chain functions, including B2B relationships, buyer/supplier relationships, employee/employer relationships, and other stakeholder relationships.

- How can firms help consumers feel the greater levels of control that they are seeking during the uncertain pandemic times?

- Do customers respond differently to each type of value co-creation (emotional engagement, self-service, supplier provided experience, customer self-selection, and co-design of products) and prefer certain types over others? Is the motivation to participate in each type the same and is it transferable across industries? How can firms target each type in order to further connect with consumers?

**Conclusion**

Consumers and firms have changed over the course of the Covid-19 pandemic to take on further responsibility within value co-creative relationships. Covid-19 has served as a catalyst for value co-creation, motivating higher rates of adoption and acceptance among customers as other options become less available or restricted. As both consumers and firms have expanded the scope of interaction, it is important to consider which of these relationships will continue to grow and which will wither with the end of the pandemic so that firms can adjust accordingly and attempt to retain any competitive advantage they may have gained. Managers should also consider how value co-creation can strategically extend into the many areas of their value chains and supply chains. Consumers have had more reasons and motivation to participate in value co-creation in order to satisfy their changing needs during the pandemic, and while some of those
needs may be temporary, many may persist or at least have a lasting effect on consumer behavior, changing the way that they seek to interact with firms. Firms need to be prepared to adapt and respond to these consumer behavior shifts. Firms need to learn how to utilize the areas where consumers have increased motivation to participate in value co-creation in order to cultivate a long-lasting and interactive connection. Successful firms will be able to implement tactics to foster value co-creative relationships with their consumers that play on consumer motivation and the trends towards distinct firm/consumer interaction. While there is still much to learn, the hope is that the ideas presented in this paper can help guide both future research and managerial decisions regarding value co-creation within the context of Covid-19.


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