

The Experience Economy

After **B. Joseph Pine II and James H. Gilmore**

The Experience Economy is a new stage of economic offering. The agriculture based economy dealt mostly in raw materials: wheat to bake ones own bread, wool to knit the family garments. During the industrial revolution, millions of people moved from countryside to town, from field to factory floor. Free time was short and so not only did the factories produce steel and iron, engines and ships, they also produced tinned food and knitted clothes and the corner bakery produced the daily bread. The era of mass manufactured **goods** had arrived.

Further economic prosperity and increased automation has increased wages and decreased the hours worked. But rather than use the increased non working time to return to making our own bread and knitting our own clothes, we (in the advanced industrial economies) have chosen to spend our time purchasing **services**. Restaurants now cook and serve our meal and clear the dishes; personal shoppers advise on suitable fashion garments and then they spend time making the purchase.

This services stage has become so rooted and so prevalent that in many instances it is becoming commoditised in the same was that raw materials such as wheat and oil certainly have, and goods such as PCs and family cars almost have. Within financial services, cheque accounts, home and car insurances, and savings accounts are seen by most consumers to be identical services, with selection based solely on price or interest rates.

In order to differentiate many companies are moving beyond services into experiences. Thus Pizza Hut offers more than a meal; it will host your child's birthday party, complete with a candle lit cake and amusements. Walt Disney with their Disney Parks is the recognised expert in offering experiences. The workers are called **actors**, you the visitor are the **guests** and the theme park becomes the **stage**.

More than a Service

Pine and Gilmore believe that experiences are a distinct offering from services. Experiences must provide **amemorable** offering that will remain with one for a long time, but in order to achieve this, the consumer - sorry, the guest, must be drawn into the offering such that they feel a **sensation**. And to feel the sensation, the guest must actively participate. This requires highly skilled actors who can dynamically **personalise** each event according to the needs, the response and the behavioural traits of the guests.

Providing experiences requires a new supplier perspective. Suppliers of goods typically see themselves as manufacturers and service suppliers as providers. Those companies that wish to offer their customers an experience need to see themselves

as **stagers** of events. Like any theatrical event, there needs to be a design activity for the sets and the props as well as dialogue scripting. However, these scripts are not like many call centre scripts that are often blindly followed in monotones. Your actors need to dynamically select individual props and sentences in response to the statements, questions and body language of the guests. That is, it has to be a truly interactive experience to the point where the guest has as much or more influence on the actions as the actors. Where the experience is of a more sensitive or personal nature, then guests cannot be expected to open up and fully engage on their first encounter. It may require a number of encounters so that they **reveal themselves over a duration**. Like all relationships, trust and bonding need to be developed.

Beyond Entertainment

At first sight it appears that experiences have an affinity with the entertainment and leisure industries. Walt Disney's Theme Parks, a visit to a West End Theatre, an out-door adventure play ground, or a theme restaurant like Benihana. There is no doubt that the entertainment industry has acquired the skills and talents for engaging people, but now other industries have realised that many such facets can transform a vanilla "me too" service into a memorable event that the customer will want to repeat again and will want to recount to all their friends.

Sir Colin Marshall, former British Airways chairman, stated: "*[What British Airways does] is to go beyond the function and compete on the basis of providing an experience.*" The aircraft and the flight is the stage, the setting, for a distinctive en route experience [1].

Andersen Consulting's Smart Store Europe in Windsor UK, transports senior executives into the year 2010. Here they can interact with advanced technology all within the setting of a home, a supermarket, a distribution centre, etc.. Andersen Consulting use film set designers to produce visually striking sets that embrace the executive and in some cases transport them into another world. Mr Kevin Duffill, Operations Director, told Managing Change that many executives came away shell-shocked with the experience. Smart Store is particularly aimed at the retail and financial services sectors.

Educational Discoveries and Professional Training International provide basic accounting courses for non financial managers that are based around lemonade stands using real lemons, balloons etc. [1]. Other companies do base their financial courses around games, the beer game and the automobile industry game are well known, but toy cardboard cutout props don't quite have the same excitement about them.

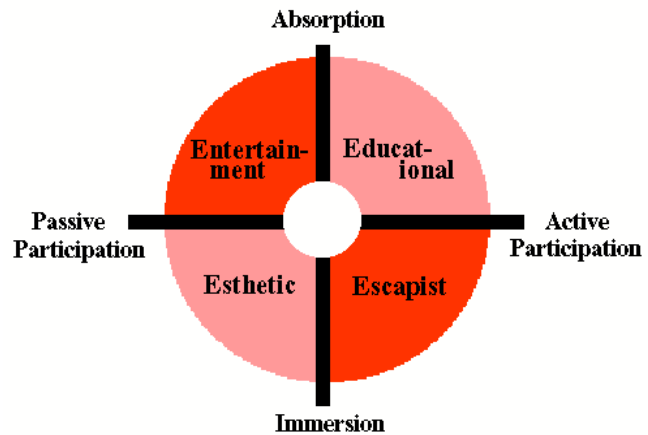
Staging events like these is expensive but in the experience economy more and more people will be willing to pay a premium to turn the mundane into a sensation.

The Four Realms of an Experience

Joseph Pine and James Gilmore have identified four types of experiences, with the riches being those offerings that combine all 4.

When offering experiences it is possible that different customers will be looking for different experiences even when the base goods or service may be the same. Getting it wrong and offering the wrong experience is likely to be disastrous.

Similarly the depth of required of experience will vary depending not just on the personal characteristics of the customer (guest) but also on the depth of the relationship and the place where it takes place.



Delivery

When designing and delivering experience you should aim to [1]:

- theme the experience
- harmonise impressions with positive cues
- eliminate negative cues
- mix in memorabilia
- engage all five senses

An Insurance Experience

Progressive Corp. makes settling a motor insurance claim an experience. Its claims adjusters arrive at the scene of the accident in vans fitted out with everything to help turn a crisis into soothing "drama". There is a place to calm down, refreshments on hand, and access to a mobile phone [2]. The claims adjuster will arrange for the vehicle to be towed away and repaired and provide for onward travel for the customer or over night hotel accommodation.

Beyond Experiences - Transformations

Experiences aren't the ultimate form of economic offering. Pine and Gilmore have identified a fifth stage: **Transformations**. Whilst experiences do provide sensations and a memorable event these do wear off with time. Transformations on the other hand make a permanent beneficial change to the customer. A sick person become well in body and mind, a dying company is turned-around, and a customer habitually spending beyond his or her means achieves financial viability and

stability. Whilst experiences are memorable and are sustained for a time, transformations are **inspirational** and **must be sustained through time** [1].

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