

# DISTINCTIVE EXPERIENCES

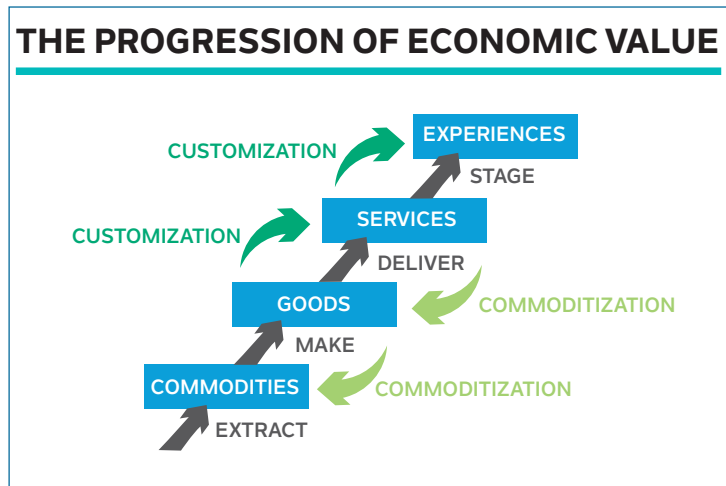
By Joseph Pine II & James Gilmore

Today we are in an Experience Economy where goods and services are no longer enough; what consumers want are *experiences* – memorable events that engage each individual in an inherently personal way. But in the two scant decades since we first wrote about this natural economic progression beyond the Agrarian, Industrial, and Service Economies, the focus on economic experiences has already been diluted by follow-on concepts that have arisen in its wake. Most notable among these is the “Customer Experience” movement, generally abbreviated CX, which aims to make interactions with customers nice, easy, and convenient. These are all well and good attributes, but they characterize services, not experiences, and are themselves easily copied. Retailers must resist the siren call of CX and learn to stage the truly distinctive experiences consumers desire, lest they be commoditized.



It has been 20 years since we described economic history through our Progression of Economic Value first on the pages of the *Strategy & Leadership* journal,<sup>1</sup> more popularly in the *Harvard Business Review*,<sup>2</sup> and then more fully in our book *The Experience Economy*.<sup>3</sup> In short, as the figure illustrates, we discovered and promulgated that just as the Agrarian Economy (based on commodities) was supplanted by the Industrial Economy (based on goods), which in turn was superseded by the Service Economy, now that economy based on services is being unseated by the Experience Economy. Today, experiences – memorable events that engage each individual in an inherently personal way – are fast becoming the predominant economic offering, as well as the source for growth in jobs and GDP in all developed economies. From a retailer’s perspective, goods and services are no longer enough; what consumers want are *experiences*.

To see how the Experience Economy is playing out in the world of business, we examined the state of experiences in popular business literature and across myriad enterprises to see how businesses are incorporating experiences into their operations. We determined that there are five arenas in which enterprises were using the term and concept of experiences, which we outline in the table below and then detail in the body of the article with case examples.



Perhaps the most impactful way that the term is being used today is in the concept of “customer experience,” generally abbreviated CX, which aims to make interactions with customers nice, easy, and convenient. However, as we will show with definitions and case examples, while these are all useful attributes, they characterize services, not experiences, and are themselves easily copied. If retailers resisted the siren call of CX and instead embraced the fifth way that experiences are being used in business today – the way we originally constituted it, as distinct economic offerings – and staged the truly distinctive experiences consumers desire, then they can avoid the fate of being commoditized and instead thrive in today’s Experience Economy.

### EXPERIENCE ARENAS

The first way that we see experiences play out in business is with *in-name-only experiences* – establishments that emblazon the word across their marketing messages, in their customer interactions, and especially as part of their name, without doing much of anything to be worthy of the word. One example here will suffice: the Grand Canyon Experience on the Las Vegas Strip. Nestled into a spot within the MGM Grand block, directly across from the New York New York Hotel & Casino, one walks in under the word “EXPERIENCE” in nearly five-foot-high script letters with high experiential expectations to find. . . a souvenir shop. Yes, there’s a nod to the real Grand Canyon in the wall décor and a serpentine walk as if in a newer museum, but the establishment does nothing to fulfill the expectations inherent in the name, remaining merely a souvenir shop amid countless other souvenir shops. Saying you are something you are not through such naming is a surefire way of having consumers perceive you as inauthentic.<sup>4</sup>

The second way that companies embrace the concept of experiences today is with *user experience*, or UX as it is known. This focus on the experience of using human-computer interfaces came out of usability and human factors work among computer hardware and software designers in the mid-1990s,<sup>5</sup> and eventually expanded to encompass any experience customers, or users, have with physical goods. Think of Apple and how it designs every device in a way that consumers enjoy *using* its products in achieving their functional needs, even extending to the “box-opening experience” that many have filmed and posted on YouTube. Or Nespresso, with its beautiful

EXPERIENCE ARENA	DESCRIPTION
In-Name-Only Experiences	Establishments named “Experience” that are anything but
User Experience	Experience of using human-computer interfaces, and increasingly any physical offering
Experiential Marketing	Marketing messages, positionings, materials, and events designed to engage potential customers experientially
Customer Experience	Sum total of customer interactions with a brand or offering, generally designed to be nice, easy, and convenient
Experiences as Distinct Economic Offerings	Memorable events that engage each individual in an inherently personal way; the fourth level in the Progression of Economic Value after commodities, goods, and services

machines designed so that every customer's interaction would result not only in meeting the functional job of making a cup of coffee, but also the emotional job of creating a little joy in the process.

Over the past two decades as the Experience Economy rose in prominence, UX work increased across most all companies that digitally interact with customers, and beyond such electronic interfaces to goods to include all types of technological interfaces, today including not only those on retail websites but in retail stores themselves. Designing such interactions with consumers to make emotional connections, to be engaging, and even to create a memory is a good thing. As *UX Magazine* put it in a May 2014 article, "We're Living in an Experience Economy, Design Accordingly."<sup>6</sup>

The third way that experiences have permeated enterprises is with *experiential* (or *experience*) *marketing*. This generally means companies making their mailers more dimensional, or evoking the senses in e-mail

the Charmin mascot or getting their pictures taken on the world's largest toilet. Charmin's "experience agency," the Gigunda Group, stated that in the first year alone over 400,000 people exposed themselves, if you pardon the expression, to Charmin toilet paper, yielding over 450 million media impressions around the world.<sup>7</sup>

We like to think of such activity not so much as experiential marketing but as *marketing experiences* – actual experiences (whether real or virtual) that do the job of marketing by generating demand for a company's core offerings. Nespresso with its Nespresso Boutiques and Apple with its Apple Stores perfectly exemplify such marketing experiences. In fact, perhaps no company has embedded marketing experience into its business model more than Apple. When Steve Jobs first announced that Apple – traditionally classified as a manufacturer – would go into retail, it got lambasted in the business press. *Business Week*, for example, ran a commentary titled "Sorry, Steve: Here's Why Apple Stores Won't Work,"<sup>8</sup> but Jobs proved it and all

**One interesting issue here is that so many of the most engaging marketing experiences in retail come not from retailers themselves, but like Apple and Nespresso, from manufacturers! Retailers now compete with such manufacturers for the three currencies of today's Experience Economy – time, attention, and money. And thus far, they are, on the whole, losing.**



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campaigns, and so forth. It is *experiential*, but rarely does it truly engage and make a real difference.

Better are those that go beyond such tactics to create events – live, programmed experiences that engage current and potential customers in whatever offering(s) the company wants to promote – that increasingly displace advertising in marketers' budgets. For example, for years Procter & Gamble placed the Charmin Restroom Experience in Times Square, New York, during Christmas season (from Thanksgiving to New Year's), the most heavily trafficked time of the year. Patrons head up an escalator while brand ambassadors sing the praises (literally) of Charmin toilet paper. At the top they can peruse Charmin's brand values while waiting their turn to use a restroom, one that P&G cleans after every use. During their time inside they choose from the toilet paper menu, and after they are done, patrons partake in such experiences as singing and dancing with

other critics wrong by creating a series of places that enables consumers to directly experience all of its devices. In fact, Apple is now the most productive retailer in the world, with over \$5,500 in sales per square foot in the U.S.<sup>9</sup> Of course this is predicated on the amazing devices Apple consistently offers. Without them, the stores would be nothing. But, when you combine great offerings with an engaging experience, that's when magic can happen.

One interesting issue here is that so many of the most engaging marketing experiences in retail come not from retailers themselves, but like Apple and Nespresso, from manufacturers! Sure, there are older chains like Recreational Equipment Inc. (REI) that have such experiences as mountain climbing in their flagship-class stores; newer chains like Pirch that sell appliances (of all things) in an engaging, even joyful environment complete with café, cooking demonstrations, and the ability to actually experience products, such

as showers and toilets in-store; and several mall developers such as Curuso Affiliated with its beautiful The Grove rising organically from the Los Angeles' Original Farmers Market and North American Properties with its belief that all of its employees are "ExperienceMakers."<sup>10</sup> But by and large it is manufacturers like American Girl (now a unit of Mattel), LEGO, Tesla, Samsung, Build-A-Bear Workshop, and countless others that have brought experience staging into retail through their own marketing experiences. Retailers now compete with such manufacturers for the three currencies of today's Experience Economy – time, attention, and money. And thus far, they are, on the whole, losing.

Perhaps that is why so many are employing the fourth way that the term experience is making its impact felt in business: *customer experience*, usually abbreviated CX but sometimes CEM for "Customer Experience Management." When done well, such a focus on operations – on the interactions that customers have with the company (and generally its workers) – can indeed shift an offering from a service into an experience.

The Geek Squad, for example, does so through its operational focus on theater. Founder Robert Stephens dropped out of the University of Minnesota in 1994 to get into the computer and installation repair business, and he figured who better to do that than geeks! So he took on a law-enforcement motif, costuming his Geek Squad Agents in white shirts with clip-on black ties, black pants and shoes with white socks, and had them drive around in Geekmobiles – black-and-white Volkswagen Beetles with the Geek Squad logo emblazoned on the side. Special Agents greet consumer and business customers with a titanium badge and a line such as "Step away from that computer, ma'am!" (Robert always wanted the experience to be so engaging that customers loved it when their computers broke down.) Since Best Buy bought it to enhance the experience in its own stores – every one now with a Geek Squad Precinct inside, filled with Counter Intelligence Agents – the retailer has scaled it up to over 20,000 Geek Squad Agents around the world.

Operationally, bringing theater into interactions focuses not just on the *what* – the functional activities that must be performed – but further on the *how* – the intention for those activities, changing the way in which they are performed. This focus on intention in operations can turn mundane interactions into engaging encounters.

But what most companies (and consultants) now mean when they talk about "customer experience" is, once again, to make interactions nice, easy, and more convenient. Unfortunately, this puts retailers squarely in direct competition with Amazon.com, which is as nice, generally easier, and way more convenient than any physical retailer could ever hope to be. And now Amazon is bringing that same CX excellence to its own physical locations! For anybody – with the possible exception of Walmart – that is a losing proposition. Retailers must seek differentiation, not sameness.

The second problem is that "nice, easy, and convenient" are all attributes of *good service* and not indicative of the concept of experiences as distinct economic offerings that we first described 20 years ago. And as the first shall be last, the final way that experiences are being embraced in business is as the true, distinctive economic offerings that they are.

## EMBRACING DISTINCTIVE EXPERIENCES

Perhaps the best way to look at experiences as distinct economic offerings is to compare them with services – as summarized in the table below – using this popular notion of CX. First, services are intangible – having little or no materiality (as tangible goods do) – while experiences are *memorable*. If a retailer does not create a memory, then it has not offered a distinctive experience. And while being "nice" is, well, nice, rarely does it rise to the level of memorability.

	SERVICES	EXPERIENCES
ECONOMIC FUNCTION	Deliver	Stage
NATURE OF OFFERING	Intangible	Memorable
KEY ATTRIBUTE	Customized	Personal
METHOD OF SUPPLY	Delivered on demand	Revealed over a duration

So instead of just being nice, retailers must design their interactions to be so engaging that customers cannot help but remember them – and tell others about them. Think of the amazingly named Eataly, which manages to combine all things Italian cooking into one engaging space: from a café, to one or more restaurants, of course a cooking school, also the occasional museum, and especially the rows of Italian groceries, kitchenware, and small appliances it has for sale. Consumers often spend hours there, and then memorialize their visit with photos posted to their Instagram feed or other social media outlet, which in turn further cements the memories created. Or consider the few shopping malls that work hard to create engaging public spaces (as opposed to the myriad mundane malls dotting the retail landscape), whether through architecture (Horton Plaza in San Diego), spectacle (The Forum Shops at Caesars Palace in Las Vegas), heritage (Jin Li Street in Chengdu, China), or amusements (The Mall of America in Minnesota).

Second, services are outwardly customized – done for an individual person (or company) – while experiences are inherently *personal*. If a retailer does not reach inside of people and engage their hearts and/or minds, then it has not offered a distinctive experience. And engineering processes to be "easy" actually tends to get in the way of making them personal, for usually that means routinizing them in a way that's easy for employees, not personal for consumers.

So instead of trying to be easy, always take into account the actual, living, breathing person in the store, even if treating consumers individually gets in the way of greater efficiency. Department store Neiman Marcus, for example, allows shoppers to personally interact with sales associates from within its app, who can pull up personal sales histories and even prepare a dressing room with desired apparel even before a shopper arrives. Its beacon technology also allows it to notify customers who have the app open in-store of special events happening that day. Or consider how Starbucks creates personal interactions by asking for the names of customers and then



using that name as a barista prepares and presents each one with his own customized drink, which the company promises to be perfect every time or they'll remake it for free. (One co-author's standard order: a venti nonfat 6-pump no-water Tazo Chai Tea Latte extra-hot.)

Third, services are delivered on demand – whenever the customer says this is what he wants – while experiences are *revealed over a duration* of time. If a retailer does not let its experience unfold dramatically over the course of its encounter with shoppers in a way that goes beyond the routine, then it has not offered a distinctive experience. And striving to be “convenient” is diametrically opposed to this approach, for it means to spend as *little* time with the customer as possible – getting them in and out as quickly as possible – which drains the interaction of all drama.

So instead of aiming for convenience, retailers should design their places for *more* time with consumers, staging the sequence of interactions in a way that yields a dramatic structure, rising to a climax and then bringing shoppers back down again in a personal and memorable way. That's why services are delivered while experiences are *staged*. On the small scale, think of Pike Place Fish Market. Every fishmonger understands that he is on stage for the rafts of waiting consumers and has several routines on call to engage them (all street theater bits), with the climax of its signature moment that happens whenever someone buys: The worker throws the fish 15 to 20 feet across the counter, where his counterpart wraps it up and completes the transaction. And, on a larger scale, think of the “Streetmosphere” players at The Grand Canal Shoppes at The Venetian, where performers roam the mall to regale, amuse, and engage.

## CHARGING ADMISSION

The best way to summarize the distinction between partaking in services – even excellent ones properly enhanced through “customer experience

management” – and encountering experiences is through the concept of time. Making things nice, easy, and convenient results in customers spending *less* time with you, and less money as well. And that's exactly what they want from services, so they can spend *more* of their hard-earned money and their harder-earned *time* on memorable, personal, and dramatic experiences that truly engage.

What consumers look for with rapidly commoditizing services is time well saved, while with engaging experiences what they seek is *time well spent*. And the easiest way to measure whether or not a retailer is truly offering time well spent? By whether or not it explicitly charge for the time consumers spend with it.

What happens in every one of these economic shifts is that companies give away the next level of value in order to better sell what they already have today. So even most retailers who go beyond customer experience to embrace the Experience Economy give away the experience to better sell their merchandise. Even Starbucks – which manages to turn 2 to 3 cents worth of beans into \$3 to \$5 worth of a coffee-drinking experience – does not explicitly charge for the time people spend in its experience places. But there are cafés that do! Ziferblat, for example, is a small and growing chain of cafés in Europe that charges (in the UK) 6 pence per minute – and then guests can drink coffee and even eat pastries for free, as the goods are subsumed inside of the explicit experience! As its slogan goes, “Everything is free inside; except for the time you spend.”

And it's not alone. Think of how consumers can pay \$15 to climb the mountain in an REI flagship store; spend over \$20 for lunch, tea, or dinner at the café in an American Girl Place; give their money for amusement park rides at the Mall of America or the gondola ride at The Canal Shoppes; pay admission at such retail “brand lands” as the Guinness Storehouse, the Heineken Experience, or the Jack Daniels Distillery; and on and on the list could go.



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But one more exemplar of charging admission to a retail experience is instructive. Wingtip is a men's store in San Francisco founded by Ami Arad; he calls it "Solutions for the Modern Gentleman." Inspired by the idea of an admission fee,<sup>11</sup> Arad created a members club on several floors above the store, charging \$200 per month for an amazing membership experience. The men's store now creates demand for the club, and the club creates demand for the men's store!

For understand that in today's Experience Economy, the experience IS the marketing. The best way to generate demand for whatever merchandise you have for sale is with an experience so engaging that consumers cannot help but spend time with you, give you their attention, and then purchase your merchandise as memorabilia for that experience. And the best way to ensure that you stage such a memorable, personal, and dramatic experience is by explicitly charging for the time customers spend with you, if not for the entire place, then for particular experiences or places within the place. For if you do not charge admission, then chances are you will not design an experience worthy of consumers spending time with you, and viewing it as time well spent.

As a retailer, you must resist the siren call of CX – a surefire route to commoditization – and instead learn to stage the truly distinctive experiences consumers desire in today's Experience Economy.

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## NOTES

1 James H. Gilmore and B. Joseph Pine II, "Beyond Goods and Services," *Strategy & Leadership*, Vol 25, No 3, 1997, pp. 10-18.

2 B. Joseph Pine II and James H. Gilmore, "Welcome to the Experience Economy," *Harvard Business Review*, Vol 76, No 4, July/August 1998, pp. 97-105.

3 B. Joseph Pine II and James H. Gilmore, *The Experience Economy: Work Is Theatre & Every Business a Stage* (Boston: Harvard Business School Press, 1999), which was revised in *The Experience Economy*, Updated Edition (Boston: Harvard Business Review Press, 2011).

4 See chapters 6-8 of James H. Gilmore and B. Joseph Pine II, *Authenticity: What Consumers Really Want* (Boston: Harvard Business School Press, 2007).

5 "User experience" was coined by famous user-centered design advocate Donald Norman, now the director of The Design Lab at the University of California, San Diego. In his definition, he says it "encompasses all aspects of the end-user's interaction with the company, its services, and its products." Jakob Nielsen and Don Norman, "The Definition of User Experience," *Nielsen Norman Group*, <http://www.nngroup.com/articles/definition-user-experience/>.

6 "We're Living in an Experience Economy, Design Accordingly," *UX Magazine*, May 19, 2014, <https://uxmag.com/articles/were-living-in-an-experience-economy-design-accordingly>.

7 "Charmin NYC Restrooms," *Welcome to Gigunda Stories*, <http://www.gigundastories.com/charmin/>.

8 Cliff Edwards, "Commentary: Sorry, Steve: Here's Why Apple Stores Won't Work," *Business Week*, May 20, 2001, available at <http://www.bloomberg.com/bw/stories/2001-05-20/commentary-sorry-steve-heres-why-apple-stores-wont-work>.

9 Lisa Eadicicco, "Apple Stores Make An Insane Amount of Money," *Time*, May 18, 2016, available at <http://time.com/4339170/apple-store-sales-comparison/>.

10 See "I Am An ExperienceMaker," *YouTube*, <https://www.youtube.com/watch?v=Ai6gmIRwm5k&feature=youtu.be>.

11 *The Experience Economy*, Updated Edition, p. 93.