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Are You Experienced?

By Joseph Pine II and James H. Gilmore

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The Internet is the greatest force of commoditization known to man. Sites such as Netmarket and Buy.com are driving down the prices of goods, while Priceline.com and the Energy Market, among others, are doing the same for services.

In the Internet Economy, delivering goods and services is no longer enough. Internet companies must do more: They need to stage experiences.

As economic offerings, experiences are as distinct from services as services are from goods. While they've always been around, consumers, businesses and economists have lumped them into the service sector with businesses like dry cleaning, wholesale distribution and telephone access. But they are not the same thing.

When people buy a service, they purchase a set of intangible activities carried out on their behalf. When they buy an experience, they pay to enjoy memorable events that engage them in a personal way: visiting Disney World, dining at the Hard Rock Cafe, shopping at a Niketown or strolling at Universal CityWalk. Or chatting on **America Online** ([dossier](#)) or watching streaming-music videos from SonicNet Streamland. The Service Economy, which supplanted the Industrial Economy earlier this century, is being replaced by an Experience Economy.

Make no mistake: Information isn't the foundation of the new economy. Information is not an economic offering. As John Perry Barlow likes to say, information wants to be free. Only when companies package it in a form customers will buy - informational goods, information services or informing experiences - do they create economic value.

Several principles provide the key to designing a compelling online experience.

The first is to turn cyberspace into a personal place. For many, the online world provides a welcome respite from real life. The

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Internet can meet the need for what sociologist Ray Oldenburg calls a "third place," somewhere people can interact with others in a small community. Physical third places - pubs, cafes, coffeehouses - are on every city street corner. But suburbanization has left people too far apart to commune this way, creating an opening for virtual alternatives. Make your online guests feel at home.

Every experience must make indelible impressions - the "takeouts" that affect the individual and create memories. The sensory cues - what each guest sees, hears and feels - must be methodically designed on the site. Together these cues create the desired impressions and affirm an overall theme of the offering.

Experience stagers also must eliminate features that diminish, contradict or distract from the theme. Too many cues, particularly when put together haphazardly, can ruin the experience. Web portals are especially susceptible to this design error. They cram so much information, so many links and so much advertising onto each page that the impact is not one of helpfulness, but rather of sheer bombardment.

A better model to embrace is theater. Brenda Laurel, founder of the software firm Purple Moon, provides a detailed application of that notion in her book, *Computers as Theater*. Laurel argues that human-computer interaction should be a "designed experience," and advises looking at a computer as a medium rather than an interface. "Thinking about interfaces is thinking too small," she writes. "Designing human-computer experience isn't about building a better desktop. It's about creating imaginary worlds that have a special relationship to reality."

Create an interactive world in which the guest isn't just an audience member but rather a participant in the drama. EBay does this well, turning every auction into a theatrical play of "Will I or won't I get the goods?"

Finally, charge admission to your site. Today, almost every company uses its Web experience to better sell its goods and services. But the only way to succeed long-term in the Experience Economy is to charge explicitly for what customers value: the experience itself. And that means charging admission.

It doesn't necessarily follow that companies should stop selling their wares. Walt Disney generates considerable profits at its theme parks from parking, food and other services and memorabilia.

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In the Experience Economy, experiences generate much of the base demand for goods and services. So explore what online experience you could stage that would so engage customers that they would pay admission for it - and then charge extra for your goods as memorabilia. Disney has learned the lesson. It already charges for some content on sites such as Club Blast and ESPN SportsZone. In the Experience Economy, companies have to learn to charge for the experiences their guests value.

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