

**The Experience Economy:
Inspiration to Innovation and Beyond**



DENNIS MOSELEY-WILLIAMS
STRATEGIC CONSULTING

On a pleasant Spring evening, you and your spouse enter a trendy establishment and are seated at a dinner table with another couple, total strangers. Surrounding you are other diners in what is a small, intimate room. You introduce yourselves to your table mates and proceed to share your anticipation for the evening's event which, interestingly enough, will be a cooking class. Within minutes, the chef hosting the event calls everyone's attention to the front of the room where he stands behind a stove top much like those featured in televised cooking shows. He welcomes you, spends a bit of time explaining what will follow and introduces his *sous chef*, who just happens to be the head coach of your city's NHL team.

Over the next two hours, you learn how to prepare what the chef calls "killer" canapés, little morsels guaranteed to delight your palate and those of your friends should you dare to try making them at home. You sample every item, each one paired with a different wine whose merits are described by the guest wine consultant. At the end of the evening, you prepare to leave with your notes and recipes, a few new acquaintances, and the special memory of having chatted with an Olympic gold medal-winning hockey coach. As the walls of the dining room are slid back, you walk directly into the aisles of the wine store where this entire event has taken place. It goes without saying that you do not pass Go – in this case, the cashiers – without first having selected a few of the vintage wines you sampled so you may enjoy them at home.

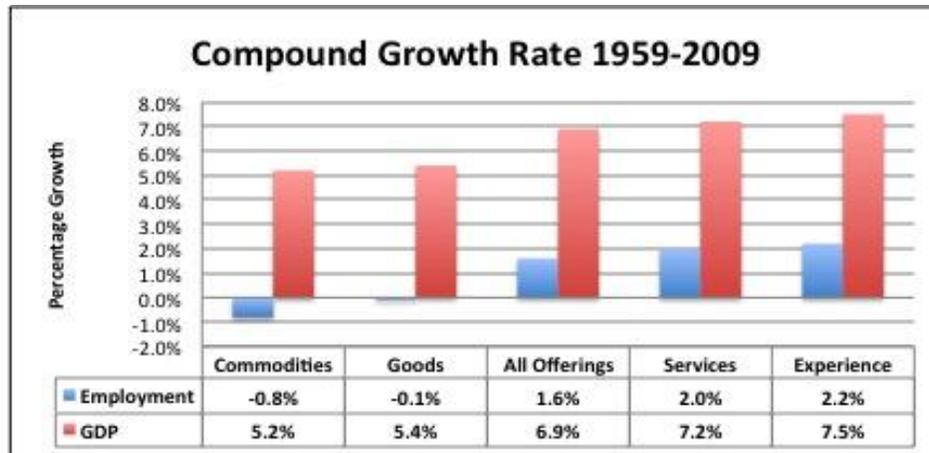
Welcome once more to the Experience Economy.

What Is The Experience Economy?

The Experience Economy is the latest level in the evolution of commercial exchange which began when mankind began bartering one thing in exchange for another. Commodities are generally regarded as the first, the rawest and the dominant unit of exchange going back into pre-recorded history. An example would be gold or a goat. With time, the dominance of commodities was overtaken by the trade of goods or products, which were essentially commodities with value added. An example of this evolution would be raw metal (commodity) becoming an automobile (good). The exchange of goods enjoyed a lengthy market reign, but in turn, they were replaced as the dominant economic driver by the arrival of the service industry, which was essentially a product with value added. If we follow our example of metal being formed into an automobile, then an auto repair shop would represent the service level.

The service industry has enjoyed its own durable history as the defining market force, one that has continued into recent times. Modern economies, however, with their accelerated consumer demand and competitiveness, have evolved to want and need something more. Service delivery is no longer enough; customers are now willing to pay – and pay well – for a new level of added value, one that includes an experience. In a competitive market, a car repair service that merely provides a mechanic

and a service bay will struggle to survive without augmenting experiences such as a customer viewing platform, a manned snack bar, a waiting area with plasma TV, high-speed internet access with free Wi-Fi, a drive-thru option, at-home pickup or complimentary car rental.



The Experience Economy, however, is not simply one of specialized or augmented services. To regard it as such would exclude the innovative and creative offerings that distinguish the Experience Economy from its predecessor. It's one thing to buy wine, collect a few air miles while doing so and have the bottles carried to your car. It's something else altogether for a top chef and his celebrity assistant to show you how to cook the food you can enjoy with that wine. To cite B. Joseph Pine II and James H. Gilmore in their acclaimed business book, *The Experience Economy*: "When a person buys a service, he purchases a set of intangible activities carried out on his behalf. But when he buys an experience, he pays to spend time enjoying a series of memorable events that a company stages – as in a theatrical play – to engage him in an inherently personal way."

The Imperative for Delivering Experiences

It is a given in today's marketplace that the Experience Economy has arrived and is thriving. One need look no further than Walt Disney World Resort, Starbucks or the Genius Bar inside every Apple retail store to discover businesses that have ensured their economic strength and customer loyalty by providing exceptional connections and experiences. Companies that are in the business of delivering experiences can point to clients who are advocates, economic growth through word-of-mouth, employees who are inspired, and durability during difficult economic times.

The Experience Economy is now the prevailing differentiator between those businesses which merely provide customers with what they've come to expect and those which engage customers in highly personal, memorable and engaging ways. The difference or gap between those two deliverables – what's known in the experience industry as "customer sacrifice" – is the one thing that business owners need to close if they plan on having any kind of longevity and growth. It would be a mistake – and a

critical opportunity lost – to dismiss the relevance and applicability of the Experience Economy to one's business, regardless of the goods or services it happens to provide.

It would be a mistake, too, to assume that providing those you serve with an experience they will remember would require execution on the scale of Disney World or demand a Hilton-sized budget. Nothing could be further from the truth. Just as some of our favorite personal memories involve kind words said or the smell of a pine tree, experiences are memorable not because of what they cost but because they engage us and we perceive them to be real.

Given this challenge to change, then, how does a business make the transition from being a provider of products or services to being the engineer of experiences that deliver to customers and clients those products and services in ways they really want?

Meeting Expectations vs. Exceeding Expectations

It's important to first know what customers truly are looking for. By understanding these expectations, business owners can then create experiences that can be transformative, both for their clients and for their own professional and corporate growth.

Value

In an environment where dollars change hands, it goes without saying that one of the first criteria that customers and clients look for is value. Unless your business is Walmart, however, value doesn't necessarily mean cheap. (Nor is that last statement meant to deride Walmart, which is memorable precisely because it delivers on low cost.) What is memorable to customers is something that is personally valuable. Whatever it is they are looking to buy – a product, service or experience – it has to connect with them as something that improves their own sense of worth.

Understanding

Customers want to be understood. They need to know that what they want is being met in ways that are important to them. A product must look, feel, taste, smell or sound a certain way. A service must be delivered personally, understandably, comprehensively and specifically to need.

Predictability

Customers need to know that what they will receive, either as a product, service or experience, will be consistently provided *every time*. There is only one Big Mac and one way of lining up for it, and customers know that they can get it anywhere in the world every time they step into or drive up to a McDonald's restaurant.

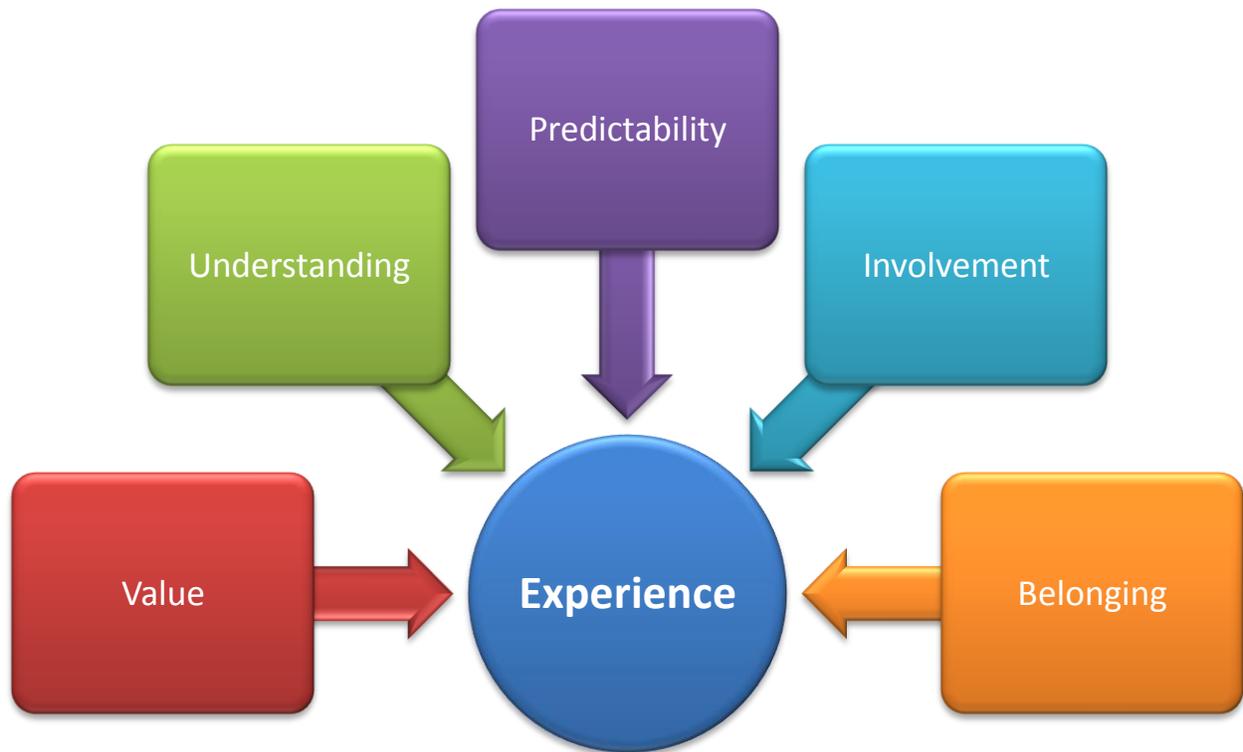
Involvement

Customers desire a heightened level of involvement in their business interactions. Being involved builds upon the sense of personal value (since no two people react to an experience the same way), turning a commercial transaction into an expected pleasure. Consider the following example: singer Katy Perry released her studio album *Teenage Dream* in the summer of 2010. But when buyers opened the CD, they were met with the aroma of sweet cotton candy from an additive applied to the veneer of paper

artwork housed within the jewel case. For consumers, their product purchase went from being an anticipated musical experience to one invoking adolescent memories of county fairs and fun. They slipped in their ear buds and hit the Play button having been predisposed to what would follow. It's a strategy no different from baking bread before showing a house.

Belonging

Customers appreciate being recognized as members of a select community, and they are not reluctant to pay for it. Special membership bestows a sense of uniqueness to the purchaser, and strengthens their commitment and allegiance to the business with whom they are engaged. Sound improbable? Not to someone carrying a gold customer card from Starbucks with their name in it, or a U2 or Red Hot Chili Peppers fan willing to spend upwards of \$50 for a concert t-shirt. Membership does indeed have its privileges.



Experience Engineering 101: Imagine, Inspire, Innovate, Accelerate

Knowing what customers want, how then do business owners transform their companies and build experience delivery into the framework of their customer transactions?

It starts with accepting the inevitability of the Experience Economy, of being – to paraphrase the words of Tom Wolfe – either on the bus or not. Embracing its potential, as a first step, shows that you are at least willing to imagine how the transfusion of experiences into customer interactions can raise your corporate game.

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From imagination comes inspiration, fundamentally important because inspiration fuels everything that follows. A business owner who is inspired to change is a business owner open to possibilities, to finding the energy, creativity and entrepreneurial enthusiasm to move forward.

Part of that forward motion is examining and revamping, if necessary, corporate intent. This means that business owners don't merely wish to surpass their customers' expectations, but they feel they are obliged to. They regard every interaction with a customer as one that must reflect and communicate the customer's importance in order for the obligation to become fulfilled. The result is that customer interactions become proactive and controllable rather than reactive and beyond control. Employees brought into this process likewise feel empowered and enthused rather than insignificant and uninvolved. Delivering experience, as we can see, is a two-way door, infusing vitality to both sides of the customer relationship.

Inspiration, in turn, leads to innovation. One need only look to the home entertainment industry to see how innovation has changed the viewing experience in the past twenty years and inspired still more innovation and greater customer experience. Opportunities for innovation on smaller scales are no less available. Whether one sells cookies or insurance, experience can be built into a company's offerings by examining each step of the delivery processes that already exist and weighing it against what customers want. Determining how each existing step might be improved upon from an experience-generating perspective leads to exploring new and additional experiences.

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Paramount to implementing any experience, however, is the need to keep it real. If not delivered authentically, experiences, by virtue of being constructed or staged, can be subject to consumer suspicion that the experiences are contrived or lacking in sincerity. Look back, however, on each example presented so far. Are there any in which the intention of the experience was not wholly transparent in how it engaged the customer personally and memorably? The experience of being immersed in a Disney theme park is highly staged, yet one would be hard pressed to suspect the corporate intent of being anything other than a sincere desire to deliver to their guests (never "customers") an authentic and well-intentioned experience. Again, sincerity of intent needs to be kept foremost in planning.

Resistance: Fighting the Lizard

Despite best practices and intentions, resistance to change can thwart any successful endeavor. We call resistance the LIZARD because it comes from the primitive part of the brain. The LIZARD will do anything in its power to circumvent your inspiration to innovate and evolve. Even with the Experience Economy percolating all around us, many business owners choose to ignore incorporating some aspect of it into their delivery. Four major reservations are expressed time and again.

What's it going to cost me?

We can tackle this a few ways. First, consider what it is going to cost you *not* to do it: customer disloyalty, uninspired employees, stagnant personal growth. Each of these results has its own attendant costs. When clients aren't aligned with your offerings, the likely outcomes are a lack of referrals and poor word-of-mouth. Employees who are not inspired to engage customers in creative ways can tire of their routines, leading to diminished productivity, abuse of sick days and staff turnover. The same can hold true for the owner. Ask yourself: Is what one gets from the day truly more important than how one gets through it?

Secondly, delivering experience IS marketing. What would be paid out in advertising, promotions and marketing otherwise? And to what effect? How compelling is broadcast advertising to customers who haven't already been predisposed through experience?

Finally, customers are willing to pay for experience encounters. Whether the costs are embedded in product or service offerings (for example, a Starbucks coffee or an Apple iAnything) or whether a visible fee is charged (a rock band fan club membership), the Experience Economy is not a giveaway.

Status quo: I'm doing fine as is.

And maybe you are. Entrepreneurial risk doesn't appeal to everyone. Sometimes the timing is wrong for a business owner. Perhaps retirement is only a year away, or perhaps other events in the owner's personal life are placing demands on time and attention.

Avoidance of risk for the sake of avoidance, however, only leads to stagnation. Nothing is static, whether the company is Ford, Walmart or the shoe repair on the corner. The history of commerce abounds with examples showing that every sector of the economy is subject to a lack of innovation that can spell its demise, whether it sells commodities, goods, services or experience. Therefore, business owners would be well-advised in being proactive about creative innovation rather than reactive to market conditions.

How authentic and sincere can anything be that is staged?

To quote Barry Tatelman, furniture salesman and Experience Economy entrepreneur, "There's no business that's not show business." Customers are accustomed to staged experiences; in fact, they anticipate them strictly for the enjoyment they provide. Staged experiences succeed precisely because of the transparency of their intent.

I don't have the staff.

Actually, you do. Up until now, however, you've probably been focussing on *what* they do – the activities they carry out and tasks they need to complete. While these tasks are important, it is just as

important, when delivering experiences, for your staff to focus on *how* they do the job. You may have a receptionist in your office, but what would be the impact upon clients arriving for a business meeting if your receptionist were to meet them in the lobby of your building, recognize them on sight with a warm handshake, and personally escort them to meet with you? Would your clients perhaps find that experience more personal, more engaging, more memorable?

Where Does It All Lead?

In a word, it leads to acceleration. A business whose point of difference is to attract customers in predictable, engaging, novel, unexpected yet anticipated ways is one whose momentum sets it apart from those not yet on board with the Experience Economy. These energetic and creative enterprises ride the crest of the economy, enjoying the view from this new vantage, content to foster a sense of community in the economic niches they've carved out for their clients and themselves. Their goal is vibrancy – for themselves and for those whose business they've earned. Trust, transparency, engagement – these are not mere buzzwords of a new order. They represent the *raison d'être* of being in business, of forging strong relationships while reaping the results of one's labors.

In 1953, Walt Disney drafted a proposal to secure funding for the new theme park he envisioned. In it, he wrote: "The idea of Disneyland is a simple one. It will be a place for people to find happiness and knowledge." As a business owner and employer, can your own purpose be very far removed from this same goal?

Since 1996, Dennis Moseley-Williams Strategic Consulting has become a leader in helping the financial services industry transition to the Experience Economy.

To learn more, call 613-729-0419 or log on to www.MoseleyWilliams.com.