

EXPERIENCE ECONOMY

*In tomorrow's  
experience economy,  
consumers will  
demand "life-transform-  
ing experiences"*





# All the World's a Stage!

Consumption is an experience, every business a stage, and work is theater. In the age of the experience economy, customers themselves become the product. They demand “experiences” that can transform their behavior, their health, even their lives

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the substance remains in  
customers themselves*





# When the Customer Becomes the Product!

It is becoming increasingly evident that companies are offering “experiences.” This occurs whenever a company intentionally uses services as the stage and goods as props to engage an individual. While commodities are fungible, goods tangible, and services intangible, experiences are *memorable*. Buyers of experiences – we’ll follow Disney’s lead and call them guests – value being engaged by what the company reveals over a duration of time. Just as people have cut back on goods to spend more money on services, now they also scrutinize the time and money they spend on services to make way for more memorable – and more highly valued – experiences. The company – we’ll call it an *experience stager* – no longer offers goods or services alone but the resulting experience, rich with sensations, created within the customer.

Experiences are a fourth economic offering (commodities, goods, services, experiences), as distinct from services as services are from goods, but one that has until now gone largely unrecognized. Experiences have always been around, but consumers, businesses, and economists lumped them into the

service sector along with such uneventful activities as dry cleaning, auto repair, wholesale distribution, and telephone access. 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 a personal way.

**A**ll prior economic offerings remain at arms-length, outside the buyer, while experiences are inherently personal. They actually occur within any individual who has been engaged on an emotional, physical, intellectual, or even spiritual level. The result? No two people can have the same experience – period. Each experience derives from the interaction between the staged event and the individual's prior state of mind and being. Even so, some may still argue that experiences are just a subclass of services, merely the latest twist required in today's fast-paced world to get people to buy certain services.

afterward. While the experience itself lacks tangibility, people greatly value the offering because its value lies within them, where it remains long afterward.

Every business can indeed be a stage for offering economic experiences. Whether selling to consumers or companies, firms must recognize that goods and services are no longer enough; customers now want experiences. But to what end? Experiences can offer enjoyment, knowledge, diversion, and beauty, but more than the desire for such memorable qualities drives the experience economy. For not all experiences are fun, enlightening, distracting, or breathtaking.

**W**hy, for example, do people pay good money to join fitness centers, where they expect to experience physical pain? Why do they pay 100 dollars an hour to a psychiatrist, in whose office they may re-experience mental anguish? Why do tens of thousands of men pay admission to attend an event sponsored by the Christian organization Promise

panies to stage experiences that change us. Human beings have always sought out new and exciting experiences to learn and grow, develop and improve, mend and reform. But as the world progresses further into the experience economy, much that was previously obtained through non-economic activity will increasingly be found in the domain of commerce. That represents a significant change. It means that what we once sought for free, we now pay a fee.

**A**long with the decline of the agrarian and industrial economies there has been a great decline in the number of people who support themselves by doing hard, physical labor. Many of us now pay to get and stay physically fit in venues outside the workplace. It is, after all, people with desk jobs who most often visit health clubs after work, not meatpackers and bricklayers.

But what are people really after as they enter into all these pursuits? Experiences, yes. But there is more than that: we want to transform ourselves, to become different. While experiences are less transient than services, the individual partaking in the experience often wants something more lasting than a memory, something beyond what any good, service, or experience alone can offer. The person who buys a membership in a fitness center is not paying for the pain but for an ongoing exercise regimen that will increase his or her physical well-being. Exercise routines, counseling sessions, learning courses, and religious excursions are actually a means of eliciting something that is more desirable, and more valued, than the experience itself.

## Memories Count!

However, while the *work* of the experience stager perishes upon its performance (precisely the right word), the *value* of the experience lingers in the memory of any individual who was engaged by the event. Most parents don't take their kids to Walt Disney World just for the event itself but rather to make that shared experience part of everyday family conversations for months, and even years,

Keepers, whose goal it is to change men's behavior? And why do young managers leave well-paying jobs to spend tens of thousands of dollars on business school? There seems to be only one answer to all of these questions: to be affected by the experience.

The experiences we have affect who we are, what we can accomplish, and where we are going, and we will increasingly ask com-

Nothing is more important than the intelligence and ingenuity required to transform the customer



*People who partake in experiences often want something more lasting than a memory, something beyond what any good, service, or experience alone can offer*



In the healthcare industry, a sick patient wants more than pharmaceutical goods, medical services, or even a hospital experience; he wants to be well. The same goes for management consulting, where a struggling company wants something beyond informational goods, advisory services, or even educational experiences: it wants to grow.

As economic activity shifts further and further away from goods and services, those companies which stage experiences alone – without considering the effect these experiences will have on the participants and without designing the experiences in such a way as to create a desired change – will eventually see their experiences become commoditized. The second time you experience something, it will be marginally less enjoyable than the first time, the third time less enjoyable than that, and so on until you finally notice the experience doesn't engage you nearly as much as it once did. Welcome to the commoditization of experiences, best exemplified by the increasingly voiced phrase, "Been there, done that."

**E**xperiences are not the final economic offering. Companies can escape the commoditization trap by the same route as all other offerings can take: customization. When you customize an experience to make it just right for an individual – providing exactly what he or she needs right now – you cannot help *changing* that individual. When you customize an experience, you automatically turn it into a *transformation*, which com-

panies create on top of experiences (you've heard the phrase "a life-transforming experience"), just as they create experiences on top of services, and so forth. Transformations are therefore a distinct economic offering, the fifth in our progression of economic value. A transformation is what the out-of-shape person, the emotionally troubled person, the

transformation elicitor, paid not on the basis of the food itself, the service surrounding the food, or even the experience enveloping both but for measurable improvements in cholesterol, fat, weight, and similar health-affirming measures.

Whereas commodities are natural, goods standardized, services customized, and expe-

## Venues for Experiences!

young managers, the hospital patient, and the struggling company all really desire. Such transformation offerings will emerge across almost every industry that today views itself as part of the service sector.

**L**et's consider the food industry and the way dining experiences, such as those staged by theme restaurants, might progress into transformational offerings. Nutrition management may be the next shift, where themed establishments compete against Jenny Craig, Weight Watchers, Weigh Down, and others by making healthy food interesting and exciting to eat. Aiming all four realms of an experience at improving a guest's nutritional intake, the entertainment realm could make eating decisions fun, the educational realm might emphasize the personal effect of eating properly, the dining esthetics could encourage the proper pace and amount of eating, and the establishment might provide a place to escape when tempted to relapse into old behaviors. All foodstuffs, food services, and dining experiences would be managed by a single

experiences inherently personal, transformations are *individual*. The offering does not exist outside the changed traits each aspirant desires; it is that change itself. Experiences are events to which the individual reacts and thereby creates a memory, but transformations go much further, actually changing the *being* of the buyer, whether a consumer or business. People value transformation above all other economic offerings because it addresses the ultimate source of all other needs.

Indeed, with transformations, the economic offering of a company is the individual person or company changed as a result of what the company does. With transformations, the *customer is the product!* The individual buyer of the transformation essentially says, "Change me." The company's economic offering is neither the materials it uses nor the physical things it makes. It's neither the processes it executes nor the encounters it orchestrates. When a company guides transformations, *the offering is the individual*. ○



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