

WHITEPAPER: Death of the Experience Economy

Everyone wants a terrific experience, but implementation is a different matter.

Keywords & Concepts

Pine and Gilmore

Customer Experience Planning

Loyalty

CEM, Customer Experience Management

CEO, Customer Experience Optimization

Song Airline

Mayo Clinic

Peter Drucker

Interaction Economy

Experience Economy: The Good

The experience economy built awareness around the concept of "experience" and helped to create a dialogue about how to push service considerations beyond humdrum, unremarkable qualities.

Experience Economy: The Bad

While much talked about, in large the customer experience is still mostly just OK—or worse. When there does seem to be something exceptional happening (as in Apple stores), product innovation or the execution of powerful design principles may more accurately describe what customers are actually paying for.

Experience Economy

Defined by authors Pine and Gilmore, the Experience Economy is a way that companies can charge a premium value for their offerings by involving the customer in a memorable and differentiated customer experience.

From Inside the Trenches: A Practitioner's Perspective on the Experience Economy

It's been 9 years now since the publication of Joseph Pine and James Gilmore's influential book, *The Experience Economy*.^[1] Their excellent work has inspired thousands of conference sessions in nearly every industry, all devoted to the importance of excelling with the customer experience.

But here's the rub...in spite of all the hype about the customer experience, outstanding experiences don't seem to have made their way into day-to-day reality in any notable way. The ACSI (American Customer Satisfaction Index) continues to fluctuate, and crummy, unintelligible, unbranded customer experiences abound. Email and call-based questions often go unanswered; meanwhile, face-to-face experiences all too often lag behind customers' needs and expectations.

We observe three main reasons the customer experience is apt to fail:

1. **Vague Plans:** Mission statements with broad concepts like "caring," "helpful" and "professional" are great for ad copy but lousy for creating great customer experiences. Customers have specific time frames, information needs and communications requirements. Companies that subscribe to the customer experience without attending to the details will deliver a compelling customer experience only in intention—but not in reality.
2. **Inconsistent Execution:** Many executives mistakenly believe that the service concepts hammered out in the boardroom are taken straight to the frontlines and put into practice

100% of the time. But when people are involved, a high rate of variability is inevitable UNLESS a solid, quality program is in place. Unfortunately, many—if not most—companies forgo this step or assume that management has execution covered.

3. **The Wrong Metrics:** Often companies rely exclusively on metrics that gauge the operational and not the actual, perceived qualities of the customer experience. As business guru Peter Drucker so famously quipped, "that which cannot be measured cannot be managed."

Strategies to Consider

Experience Strategy #1: Subtlety Works

When it comes to experience design, don't rely on broad programs, but instead look to the **nuances, gestures and words** that create compelling customer experiences. The compelling customer experience is one that brands, sells and inspires loyalty, even when customers may not be aware of exactly why the experience works.

Experience Strategy #2: Consistency is Key

Delivering a *consistent* customer experience is the key to winning with customers. Certainly associates can (and should) each have their own words. But if their customer objectives are fundamentally different or the policies and procedures they carry out are at odds with each other, then you have neither an effective strategy nor a functional QA process in place. Address this and work vigilantly to create buy-in with all customer interfacing staff.

Academic Roundtable

Experience Economy Overview

In brief, the theory of the experience economy is this: companies can charge more for experiences than they can for goods or services. Customers willingly pay a premium for experiences that are distinctive, excellent, and memorable.

The oft-cited example of the experience economy at work is Starbucks. According to the Pine and Gilmore school of thought, Starbucks has succeeded precisely because it does not sell a good (coffee beans [pennies per cup]) or a service (a cup of joe to go [75 cents per cup]). Instead, as a "Third Place" (not the home or the office but the place between), Starbucks sells a one-of-a-kind experience—and the experience is so enticing that customers clamor for more.

As the Experience Economy Unfolds, There is Room for Concern

Pine and Gilmore anticipate the potential argument that, like goods and service, experiences will one day become the expectation or the new normal. In other words, experiences will also become commoditized.

In response, the authors foresee a level beyond experiences and they call it a "final economic offering." At this level, companies will create transformative events perfectly tailored to the customer's needs. These transformations will change the customer in a uniquely uplifting way.^[ii]

In pondering companies that appear to be in the transformation business, spas, health clubs, and organic grocery stores come to mind. Beyond providing just a positive memory for customers, these companies seek to *transform* their customers' relaxation levels, physical stamina and eating habits. Certainly all of this qualifies as a lasting impression—and what company could possibly hope for more? But in these instances the question is this: What is the **cause** driving the transformation? If the company truly provides a unique experience, then it can confidently forecast strong customer loyalty. But if it's their product offering that is unique, this is not necessarily the case.

Experience Economy Overview

Certainly, the concept of the experience economy got companies to ask some important questions: What experience are we providing? What experience could we provide? Is there anything memorable or positive (theatrical) about our physical stores, our web store or our call centers?

And while some companies (birthday party companies, for instance) have succeeded with theatricality, other companies seem to have gotten so bogged down (see section below on Song Airline) with creating a vivid experience that they have failed to deliver necessary brass tacks services. To better understand the experience economy principles at work, consider the Mayo Clinic and Song Airline, two companies that have focused heavily on the customer experience.

The Mayo Clinic: Managing to the Smallest Details

Ever since the first Mayo Clinic opened in 1883, the hospital has been renowned for its quality care and innovative medical practices. More recently, the Mayo Clinic has begun to approach hospital care in a thoroughly new way.

Recognizing that the quality of medical attention is NOT all that patients remember from a hospital visit, the clinic set out to reshape other aspects of the hospital atmosphere which would positively reflect on the Mayo Clinic as a stellar, high-class facility.

Changes began with architecture and design approaches, but the Mayo Clinic directors also acknowledged the need for nuanced, consistent experience design. They equipped rooms with extra amenities for visiting family members and added comforting touches to outpatient facilities. They also altered the employee dress code, requiring physicians to wear professional business attire when interacting with patients outside of surgical situations.

Mayo Clinic directors thought through the nuances of their approach to such a degree that they even requested that employees (even those who did not regularly interact with patients) replace their dirty shoelaces. Why? Because the Mayo Clinic understood that employees encountered patients in a number of ways—walking down the street in Mayo attire or passing patients in the halls—and that each one of these interactions subtly impacted (if perhaps unconsciously) patients' impressions and feelings about the Mayo Clinic as a whole.

An article in the Harvard Business School magazine "Working Knowledge" detailed why this policy mattered for the Mayo Clinic. For one, it inspired employees to take customer service seriously. One Mayo administrator recounted that her initial reaction to the shoelace policy was confusion, but that she soon came to see the wisdom in it:

"Though I was initially offended, I realized over time [that] everything I do, down to my shoelaces, represents my commitment to our patients and visitors." [\[iii\]](#)

In other words, the Mayo Clinic treated even the most minor detail as "a piece of evidence, a small but integral part of the story Mayo tells its customers." [\[iv\]](#) And by consistently telling its story, via concentrated focus on the customer and customer service, The Mayo Clinic has continued to attract and impress customers from around the world.

Song Airline: Stylish Fun but Perhaps Lacking in Key Details

In 2003, Delta Airlines introduced Song, a new kind of air carrier service designed specifically for hip, professional women. [\[v\]](#) The airline was outfitted with personal entertainment systems and the flight attendants wore Kate Spade-designed uniforms. The airplanes even featured in-flight exercise programs. In short, Song had everything a stylish, urban 30-something might want on a long cross-country flight. It seemed to be the epitome of the experience economy with its "business as a stage" doctrine in practice.

Even so, ultimately Song failed to take off. In 2005, Delta incorporated the aircraft back into its operations, refitting the interiors and repainting the exteriors with traditional Delta colors. Mired in bankruptcy problems, Delta officially removed the airline from its schedules in 2006. Without the inside scoop, we can only surmise as to why: In contrast with the Mayo Clinic's nuanced approach, perhaps Song's execs were so focused on theatrical aspects that they overlooked the more subtle—but equally, if not more, important—details of the customer experience, such as on time, excellent service and a multitude of other factors. Or maybe they failed to find out what was truly important to customers and deliver in those core areas. Whatever the case, the Song experience just

didn't connect with customers enough to turn a profit.

About the Experience Economy, Interaction Metrics Poses Five Questions

1. Is the "Experience" concept too top-down?

The experience economy approach relies on a top-down management strategy, whereby executive managers and marketing teams design the experience and frontline associates rehearse and eventually act in the play. But if just a few fail to buy in to the concept or if the performers are not consistently on cue, customers will see variation and utterly miss the big-picture idea.

2. Could "experience" just be a fancy word for innovation?

While the idea of Starbucks as a 3rd place with comfortable chairs and other amenities is nice, wasn't it the innovation of espresso-style, high quality coffee that started it all? And think of NetFlix, Apple and Google ... while these companies certainly provide a quality "experience," all of them have succeeded largely due to their radical, timely innovations. In fact, in the case of Google, one could even argue that customers worldwide have bookmarked this search engine precisely because Google has focused unwaveringly on removing the experience to instead deliver a purely and absolutely functional interface.

3. Is the idea of charging admission for experiences an out-of-date concept?

Central to the experience economy is the idea that a company has succeeded with its experience when it can charge admission. ^[vi] In a web-centric era where so much is free this just seems unrealistic—besides, for the majority of companies it is hard to imagine how this could possibly apply.

4. Is the Experience Economy too company-centric?

Pine and Gilmore chiefly foster the idea that experience economy practices should serve to ingrain a company and its services in the minds of customers. ^[vii] But does this approach necessarily neglect the needs and motivations of customers themselves? Pine and Gilmore allude to the benefit of collaboration with customers in their section on "mass customization," ^[viii] which they define as the process of providing highly personalized experiences on a wide-scale corporate level. However, while they briefly suggest this point,

in many instances more focus on the customer may be precisely the strategic course that companies need to drive home.

5. How-to?

The book fails to outline a clear process for aligning the high-level aspects of the experience (architecture, design, etc.) with the all-important nuances (think of the Mayo clinic) to create a totally consistent and self-contained experience that sticks with customers.

Furthermore, while exciting architecture and welcoming lighting may get customers in the door, it is the quality of the employee interactions and the products or services offered that creates involvement—to the point that customers buy and ultimately return to buy again.

References

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