

INFORMATION SUMMARY

The Experience Economy– a text by Pine & Gilmore,
Harvard Business School Press,1998. ISBN 0–87584–819–2.

This text explores the theme that work is theatre. It suggests that going into the 21st Century, a business will have five groups of economic offerings to choose from:--

- ❖ Commodities
- ❖ Goods
- ❖ Services
- ❖ Experiences
- ❖ Transformations

My own feeling is that the higher level transactions, experiences and transformations, will need to be packaged with services, goods and/or commodities, to be saleable to businesses, whether in the profit or not for profit sectors.

Pine and Gilmore, use the example of coffee, as a commodity, then as a service, finishing with coffee as an experience. Coffee the commodity, sells at say 2 cents a cup. After it (the coffee) has been ground and packaged, it could now sell at say 25 cents a cup.(Commodity)

In a “run of the mill” café, a cup of coffee could be sold for say \$2 and in say a restaurant, for \$5. (Service)

Now, imagine you are one of fifty people who have paid \$3,000 to attend a classical greek tragedy drama staged in an amphitheatre in Athens. At interval, with the stars shining down, you pay \$15 for a cup of coffee served in an earthenware cup and think nothing of it. (Experience)

So, why the price differences and how do the transactions differ?.

According to the authors, commodities are just that; the perception is that it does not matter about the qualities of the commodity, so differentiating your commodity from another is virtually impossible. This is “death”, for those who offer a commodity, or whose offerings have been reduced to a commodity, because almost invariably, the buyer sets the price, not the seller/provider.

When, however, a service is purchased, the purchaser receives a set of intangible, personalized activities, where the provision/delivery can be tailored to meet specific target markets.

Businesses “stage an experience”, when their customer(s) are engaged at a number of levels, through all their senses, by being able to see, smell, hear, relate to, become an actor in the drama, rather than just a passive bystander, whose only role is perceived by them as paying for the drama.

So, by way of summary:--

GOODS: tangible products, that are standardized and inventoried

SERVICES: intangible activities performed for a particular client

EXPERIENCES: events that engage individuals in a personal way.

The challenge therefore is to position oneself as offering transformations, not commodities. “While the work of the experience stager perishes, the value of the experience lingers” (page 13 of text)

FOR EXAMPLE--when buying a Harley Davidson, are you buying a bike or an experience/way of life?.

BEWARE!! Do not confuse experience and entertainment; an experience personally and directly engages the whole person, whereas entertainment is merely a distraction for a period of time. Entertainment may be most enjoyable, but will only become an experience, if the whole person is engaged.

Having set the scene, the authors then provide their understanding of what they see as the four domains inherent in what they have defined

as an experience:--

DOMAIN ONE- ENTERTAINMENT

- ❖ Passive absorption through the senses, of a series of events, for example, when viewing a performance, listening to music, or reading for pleasure.
- ❖ Entertainment provides one the oldest forms of experience, as well as one of the most developed and most familiar.

DOMAIN TWO- EDUCATIONAL

- ❖ Unlike entertainment ,education requires the active involvement of the individual.
- ❖ The term edutainment was coined to connote an experience straddling the realms of experience and entertainment.

DOMAIN THREE- THE ESCAPIST

- ❖ The person involved in an escapist experience is completely immersed in and actively involved in the event.
- ❖ Rather than watching others act, the individual becomes an actor, able to impact on the whole performance. Examples of this are virtual reality headsets, motion simulator rides based on popular movies and arcade games, where the individual is matching wits with a computer.

DOMAIN FOUR- THE AESTHETIC

- ❖ In this, the individual would immerse themselves but remain passive.
- ❖ Participants here just want to lose themselves in the moment, for example, watching the sunrise standing on the rim of the Grand Canyon.

The authors argue that the most effective experiences, from the point of view of providing the customer of a business with a truly significant and memorable experience, would combine elements from each of these four domains.

Having set the scene and explained the role of experience in making your business both different and memorable, whilst avoiding the trap of being caught in the death valley of commoditization, the authors now move into the “how to do it “section.

The authors suggest that you ask yourself four key questions:--

- (1) what can be done to improve the aesthetics of the experience ?
- (2) once there, what should your customer/guest do ?
- (3) what do YOU want the participants,? including yourself and your staff, to learn from this?
- (4) what can be done, by way of entertainment, to make this experience more fun, more enjoyable, more memorable?

Having answered these questions, you are now in a position to move on to step two of the three part action plan proposed by the authors, which is :

Work as theatre

drama=strategy

script=processes

theatre=work

performance=offering of product(s),service (s),or
a package of products and services.

The final step is to apply the four dimensions of value creation that have been identified by the authors, to the results of steps one and two:--

- ❑ ORIGINATION – work that generates value from something new
- ❑ EXECUTION – work that generates value from something done
- ❑ CORRECTION – work that generates value from something improved
- ❑ APPLICATION – work that generates value from something used.
