



It's the Experience, Stupid!

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Over 18 years ago, Joe Pine and James Gilmore declared “Welcome to the Experience Economy” and described a new state in the progression of economic value creation in which the emerging competitive battleground laid in staging experiences.

Since then pundits have suggested that commerce has progressed to the digital economy (based on how the Internet created a global, interactive marketplace), the network economy (in which value is created and shared by all members of a network), and most recently the sharing economy (involving the sharing and reuse of excess capacity to increase the value of goods and services).

These developments have indeed re-conceived the economic landscape, remade entire industries, and created seismic shifts in the way people live, connect, and do business. But they don’t detract from the prominence of experience as the frontier on which companies compete and win today. Businesses may not be charging admission to staged experiences, as Pine and Gilmore predicted, but they are designing and differentiating their offerings to appeal to the buyers of experiences—or, at least, they should be.

That’s because, when it comes to value creation, the more things change, the more they stay the same.

What's changed...

- » Of course, people buy through new channels today. Industry research firm eMarketer projected e-commerce sales to account for \$349 billion in 2015 , and Goldman Sachs predicted sales through mobile devices would comprise over a third of e-commerce.
- » And spending has shifted. Morgan Stanley reported millennial consumers are spending more on expenses like rent, cellphones, and personal services and less on clothing. Likewise, Computerworld's annual Forecast survey showed that IT executives plan to reduce hardware spending, while services budgets for cloud computing, application development, and wireless/mobile technology will continue to rise.

What hasn't...

- » Companies still need to combat the commoditization of their categories. As the difficulty to establish and maintain competitive advantage on product design or innovation alone continues to increase, businesses need new avenues to differentiate and upgrade their offerings.

- » In-person transactions through brick-and-mortar establishments remain the predominant mode of retail commerce—in-store sales still comprise 94% (\$4.3 trillion) of total retail spending according to the U.S. Commerce Department.
- » The bar for appealing to, engaging, and satisfying customers remains high and businesses must continue to break new ground to attract attention and be memorable.

So it's still about the experience. Pine and Gilmore were right. Experience will “render irrelevant those who relegate themselves to the diminishing world of goods and services”—and in fact, is already doing it.

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What Is Experience, Exactly?

This manifesto focuses on customer experience, although these insights also apply to the experiences all types of organizations offer to all types of stakeholder groups, including donors for non-profits, patients for health care organizations, and employees of all businesses.

While customer experience can be defined as the sum of all interactions a customer has with a company, most people operate with a narrower view. Some understand it as customer service or service excellence — without recognizing that service is only one element of the entire experience a customer has. Others consider customer experience to be customer marketing — that is, the communications and promotional activities used to attract and retain customers. Again, these activities represent only a fraction of the interactions between a company and its customers — and as it's been said time and again, what an organization says in its advertising has far less impact on customer perceptions than what it does in reality.

Perhaps the most instructive understanding of customer experience is revealed by examining each part of the term—*customer* and *experience*.

Customer represents the priority of customer experience—it's about the customer, not about the company.

That means that customer experience design starts with customers—who they are and what they want, need, and expect—not where conventional enterprise starts, i.e., with an existing product, a new technology, an innovative design, target price point, or bundle of features. It also doesn't assume the channel or delivery method. Customer experience puts the customer at the center and builds out the offering from there.

As such, customer experiences must be empathetic, rooted in a deep understanding and identification with people's feelings, thoughts, and attitudes. The best customer experiences reflect an almost intuitive understanding of the problems people have, often without people even being aware they exist. Virgin America, for example, has designed a boarding pass that replaces the half sheet paper commonly available from most airlines. Virgin's boarding pass is designed to be folded to fit into a pocket with all necessary information facing outwards in large print. It provides a customer experience that people didn't know they needed but now wonder why other airlines don't do the same.

Designing around the customer also requires that flexibility replace control. Different customers will use a product or service differently, so companies can't limit their offering to one type of interaction or usage. They must allow for modification and modularity within a set of standards, the way Uber gives its customers flexibility on types of service, payment options, and even specific drivers. Even companies with a highly focused offering in a niche market must accommodate customer variation instead of trying to control it.

Experience expresses the provision of customer experience—it's what customers experience, not what they buy or use.

With customer experience, companies don't simply fulfill functions or execute transactions—they cultivate feelings around their products, services, and brands. As such, customer experiences should resonate emotionally, appealing to the five human senses and expressing a unique brand personality. People are fundamentally emotional beings and we are drawn to experiences that make us feel something. Consider how Trader Joe's makes grocery shopping—a weekly, monotonous chore—actually entertaining. From the fun shirts employees wear, to the bell used to let crew members know they need to open new checkout stands, to the hand-painted signs and clever displays—all of these elements give the experience at Trader Joe's a sense of exploration, discovery, and fun.

The most extraordinary experiences aren't just about relevance, meeting a need or fulfilling a want; they're about meaning, conveying something important or connecting through shared values. Whether it's workout apparel retailer Lorna Jane collecting used products to recycle and make into new ones or Converse enabling people to express themselves by customizing a pair of sneakers, these brands have created customer experiences that have meaning beyond the purchase and use of their products.

So, *customer plus experience equals different value.*

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The Implications of Customer Experience

The enduring significance of customer experience has several implications.

For one thing, the locus of value creation and perception changes. Value is no longer derived from the product alone; it's spread out across a value chain. When using the free Wi-Fi and charging pads for electronic devices at Starbucks, customers may be charged only for their coffee but they're actually paying for all aspects of the experience at the coffee shop. In turn, Starbucks is no longer perceived as a place only to get great coffee; it's a brand that improves people's productivity. A merchant who contracts with a supplier because it offers on-demand delivery, technical support, and "free" returns may be paying the price listed on the bill of goods, but it's really buying a seamless experience. As such, the relationship shifts from a vendor-customer one to a solution provider partnership.

These shifts are what led Pine and Gilmore to suggest that, in a full-fledged experience economy, businesses will charge admission to their venues. Such a vision seemed far-fetched nearly 20 years ago, but no doubt Apple could charge for entry into its stores now and people would gladly pay it.

Also the ecosystems of organizations that comprise customer experiences involve a different approach to strategy and management. Companies can no longer attend only to their operations and brand; they must partner with other service providers to design and manage experiences that deliver on customers' elevated expectations and needs.

Airlines, for example, now realize that the air travel experience extends beyond the plane and what happens inside it. Ground transportation to/from the airport, airport services and concessions, security checkpoints and procedures, and baggage handling all influence customer perceptions of the experience. That's why British Airways partners with local providers on the ground to deliver chauffeur and concierge services and Delta upgraded its terminal at John F. Kennedy airport in New York to include restaurants offering tablet-based, location-flexible ordering.

In another field, Equinox, the upscale fitness club chain, now partners with foodservice providers like Earthbar, a mobile app provider to link its equipment to wearable fitness devices and social networks, and fitness platform startup Lift Digital to deliver personal training into users' homes via iPads and TVs. By doing so, it provides a complete health and fitness experience.

Such collaboration requires skillful management to integrate systems, processes, and employees of multiple organizations, plus a comfort level with using open APIs and sharing customer data and company IP—all the while enforcing brand standards and ensuring operational consistency.

Perhaps most importantly, culture rises as a top priority in the business of experience. Managers must lead their organizations in significant cultural shifts:

- » prioritizing customer intimacy and empathy before product quality
- » moving from a product or service innovation focus to one that conceives of entirely new experiences
- » valuing openness over control
- » facilitating collaboration across departments, business units, and organizations

Customer experience excellence results from having a clearly stated purpose and values that are shared by everyone who contributes to customer experience design and management.

Extraordinary Experiences and Great Brands

Ultimately the experience economy requires a different approach to brands and brand-building. Relying on brands as mere symbols of quality or cues of past glory is antiquated and ineffective. But companies which use their brands as complete, strategic platforms that drive, align, and guide everything they do become customer experience leaders.

Extraordinary experiences stem from strong cultural foundations, deliberate planning decisions, and integrity in execution—all of which can be facilitated by a clear and strong brand. When company leaders put the brand at the center of the organization and uses it as a management tool, they are able to creatively design and consistently deliver great customer experiences. This brand-as-business management approach is their “secret sauce.”

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Conceiving and using brands in this way enables companies to establish impenetrable competitive advantages:

- » **They are able to engage their workforces**—often comprised of people who work for other organizations in the experience ecosystem—with a strong sense of purpose and unity so that every interaction a customer has is consistently on-brand.
- » **They are able to draw customers** away from computers, mobile devices, and other shiny new technologies, and into stores and in-person interactions with the magnetic attraction and distinct appeal that a compelling brand creates.
- » **They are able to manage inventories and control costs** by operating with laser-like clarity and a firm commitment to what they will and won't do because they are guided by their core brand values instead of immediate pressures or the prevailing wisdom.
- » **Above all, they are able to earn customer love and loyalty** through experiences that are irreplaceable and invaluable because they bring the brand and its distinctive value to life.

Great brands beget great experiences.

Customer Experience, The Evergreen Economy

To be sure, technology will continue to dramatically change the way business is conducted. Data will continue transforming inventory management, marketing, and pricing. Location-based technology, intelligent devices, and augmented reality will give birth to new shopping environments and new modes of commerce. Communications and payments will be disrupted by developments in sensors and security.

And yet, it's likely that 20 years from now, customer experience will still drive the economy. Companies will still look to experiences that define and distinguish their brands and their businesses to serve as their most powerful competitive weapon and their primary appeal. People, after all, want to be engaged personally, deeply, and memorably. They want companies to give them a reason to choose them, to make an impact that exceeds their expectations, to give them something to talk about.

People want to experience extraordinary experiences. 📍

Info



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ABOUT THE AUTHORS | Blending a fresh perspective, twenty-five years of experience working with world-class brands including Sony and Frito-Lay, and a talent for inspiring audiences, Denise Lee Yohn is a leading authority on building and positioning exceptional brands. Denise is the author of the bestselling book *What Great Brands Do: The Seven Brand-Building Principles That Separate the Best from the Rest* (Jossey-Bass) and the new book *Extraordinary Experiences: What Great Retail and Restaurant Brands Do*.

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