Why experiential marketing may have reached its peak

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Credit:
Color Factory

Direct-to-consumer brands, known for being innovative in how they reach customers, are also testing the waters. Showfields, the new four-floor retailer that gives a brick-and-mortar home (for a monthly fee) to d-to-c brands including Quip, Boodles Gin and kitchen sponge seller Skura Style, this month introduced an experiential component on its second floor. Called House of Showfields, the program is a guided tour through different brand spaces. Each room is decked out in different branding as part of the immersive theme, and tour guides are paid actors. Tickets immediately sold out for July, with 10,000 of the free spots claimed.

“Creating a moment for the sake of creating a moment doesn’t really work,” says Tal Zvi Nathanel, CEO of Showfields. The experience is instead about brands creating a memorable experience with consumers to build repeat visits and sales, he says. So far, that experience involves brands such as book recommender “Book of the Month,” Skura and Boodles Gin.

Established brands dig in

Larger retailers are also doubling down on more permanent experiences—in some cases as a way to return to solvency. Tru Kids Brands, the new owner of recently liquidated Toys R Us, announced late this month the toy retailer will return from the dead with new stores that include a treehouse, academic workshops and photo ops with Geoffrey the Giraffe. Tru is partnering with b8ta, a company that provides retailers with brick-and-mortar assistance. Similarly, Lululemon just opened a 20,000-square-foot experience in Chicago with a restaurant, meditation room and yoga studio. And Sweetgreen, the salad chain, is also trying to offer more in its brick-and-mortar with a new concept location in New York City that has a space for sampling and a different menu format. Even London Fashion Week recently announced a move toward experience with creative installations, expert panels, talks and a lab that will open to the public in September.

“There is a commercial side to all of this—obviously people are trying to make money,” says Denise Lee Yohn, a brand leadership expert and author of “What Great Brands Do.”

“Whether you’re a brand using this to supplement advertising and marketing efforts or if you’re the Museum of Ice Cream trying to make money off of a museum experience, either way they’ve become a bit like tourist attractions and people seek them out as destinations.”

Yet, as with any trend, the more popular and plentiful these experiences become, the greater the risk of the bubble bursting. Yohn points to an increasing focus on privacy, particularly with younger generations such as Gen Z. This group is more conservative and cautious than its older counterparts, particularly when it comes to sharing information over the internet. In addition, some consumers are starting to prune their Instagram lists, unfollowing certain people and influencers to make a statement about their beliefs—if the influencer does something socially insensitive, for example.

“In general, [experiences are] trendy or faddy right now, but I think it will die down,” says Yohn.

That puts pressure on marketers to make sure their experiences are worth consumers' time and dollars—and not just social media hype. Samantha Callender, a freelance beauty writer in Chicago, was disappointed by a visit last year to 29rooms, Refinery 29’s five-year-old interactive activation that includes a mix of artist installations and sponsored booths. After seeing the pictures her New York-based friends posted on social media, Callender paid around $50 for a ticket for the event in Chicago, intentionally choosing a random weekday in the hope of avoiding crowds. That didn’t work out so well—she only made it through a handful of the 29 rooms before her time slot expired and she had to leave.

“That’s what left a sour taste in my mouth,” she says, noting the lack of organization. “I paid $50 to see five rooms.”

A representative from Refinery29 did not return a request for comment.

The cost of entry

These experiences don’t come cheap. Marketers are increasingly looking at the returns they are gaining from the investment. Experts estimate temporary activations could cost a brand at least six figures, but typically it takes seven figures to really break through the clutter.

In the past, companies were less focused on value gained, instead using softer metrics like “brand perception” and “likelihood to purchase” following an event, according to Matt Sincaglia, VP of strategy and analytics at Alexandria, Virginia-based marketing agency RedPeg. Now, they’re more interested in harder analysis to determine ROI. RedPeg works with brands to look at short-term revenue, like ticket or product sales, as well as longer-term potential revenue. It derives this in part from consumer surveys about what kind of person is attending the event and if that person is already a loyalist to the brand. Companies are also measuring the visibility an event is giving them—how it’s spreading on social media and through word-of-mouth.

“Everyone is asking about the numbers,” says Sincaglia. “People are starting to really plant their feet and cement themselves and say, ‘That’s well and good, but what does it mean to our investment?’”

In late May, Under Armour hosted an interactive pop-up performance lab to showcase its new Rush fabric in New York’s SoHo. The shop, which included a spot for selfies, took visitors through three science-focused zones highlighting how energy can convert to light. The objective of the initiative was to help both new and existing customers understand how the Rush fabric works—a goal the Baltimore-based sportswear brand met, according to consumer surveys, says Kelley Walton, senior director of global experiential marketing. She adds that shoppers who participated in the Rush activation are purchasing Under Armour product at a higher value, on average, than customers who did not.

“Experiential is a channel for marketing that can really amplify your brand positioning,” says Walton, but she cautions to remain true to one’s business objectives. “We’re not an Instagram museum—we don’t want folks to come and just take photos and post on Instagram. We want them come and understand how Under Armour makes them better—that’s how we’re differentiating.”

Beyond just buzz, the devil is also in the details, says Jong of Giant Spoon, which worked with Under Armour on its spring shop. Many marketers underestimate the level of maintenance and commitment involved in a truly authentic experience—but consumers are paying attention. At its "Game of Thrones" activation for HBO at SXSW this year, Giant Spoon gained acclaim for its all-encompassing strategy, which included a last-minute run to a nearby magic shop for incense in the church reconstruction.

"There will always be a narrative to tie everything together," says Jong.

If there is a shakeout, experts say the survivors will need to be well-positioned financially since the cost of entry to newcomers will be too high. Many museums are venture-capital funded—Meow Wolf, an interactive art museum in Santa Fe, New Mexico, recently raised more than $150 million in venture capital—and several also use sponsor dollars. Rosé Mansion is mostly self-funded with 1 percent of revenue coming from sponsorship, says Balliet. The mansion is closed one day a week so staff can repaint and fix things that have been broken, but it's a loss of revenue.

"The biggest gap will come down to money and operations," he says. "I can tell you it's not cheap to create and it is not easy to run," though he declined to provide specific costs. Color Factory, which sells tickets for $38—consumers typically spend nearly two hours at the installation—had partners in Alaska Airlines and Method in San Francisco and Maybelline and My/Mo Mochi ice cream in New York. Alison Piepmeyer, director of marketing for the two-year-old venture, says finding sponsors is a balancing act.

"We don't want a branded experience," says Piepmeyer. "We want to use our platform to promote these partners, but we don't want it to feel like a giant ad."

Correction: *Giant Spoon made a last-minute run for incense for its "Game of Thrones" SXSW activation this year. That fact was misstated in an earlier version of this article.*