

# Trends in the Experience & Service Economy

## The Experience Profit Cycle

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# Introduction

## Study Focus

- The Experience Economy
- Destinations
- Management challenges
- New business models – The Experience Profit Cycle

# The Experience Economy

*Shopping is Theatre – The Brands are the Players*

Vittorio Radice – Marks and Spencer (formerly CEO Selfridges)

# Experience and Branding

*Emotional bonds between companies and customers are difficult for competitors to break.*

*Managing the Total Customer Experience, Berry, Carbone, and Haeckel, MIT Sloan Management Review, Spring 2002.*

# Experience and Branding

## Driving Forces

### 1. Emotion and Engagement

- Experience creates passionate consumers: at a football match, skiing fresh powder, driving their new Jaguar
- Exceptional experiences provide the opportunity to engage people and their emotions
- Branding can both support and build on this

# Experience and Branding Driving Forces

## 2. Decline of effectiveness of traditional media

- As consumers become more sophisticated, the ability to connect through 'broadcast' means such as advertising and media promotion declines.
- This will drive the need to exploit experience more in brand building

# Experience and Branding Driving Forces

## 3. Cost Effectiveness

- Experience can be cost effective through
  - Creating publicity and word of mouth
  - Driving viral marketing
  - Creating associated revenue streams

**BE PERSONAL**

**BE PASSIONATE**

**BE IMAGINATIVE**

**BE RELEVANT**

**BE GENUINE**

**BE INVOLVED**

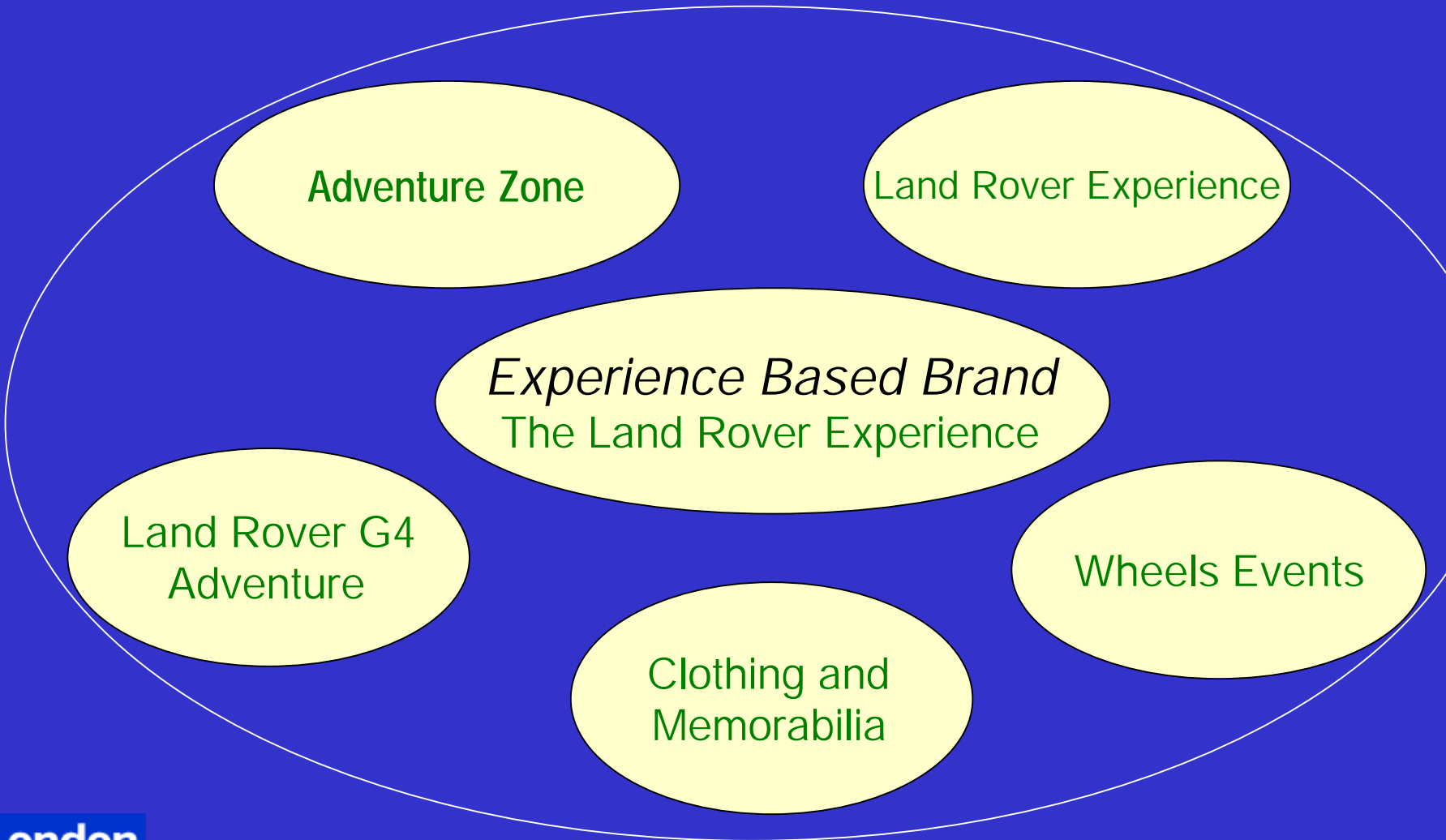
**BE MEMORABLE**

**BE FAMOUS**

**BE RESPONSIBLE**

**BE SIMPLE**

# The Experience Portfolio – Land Rover

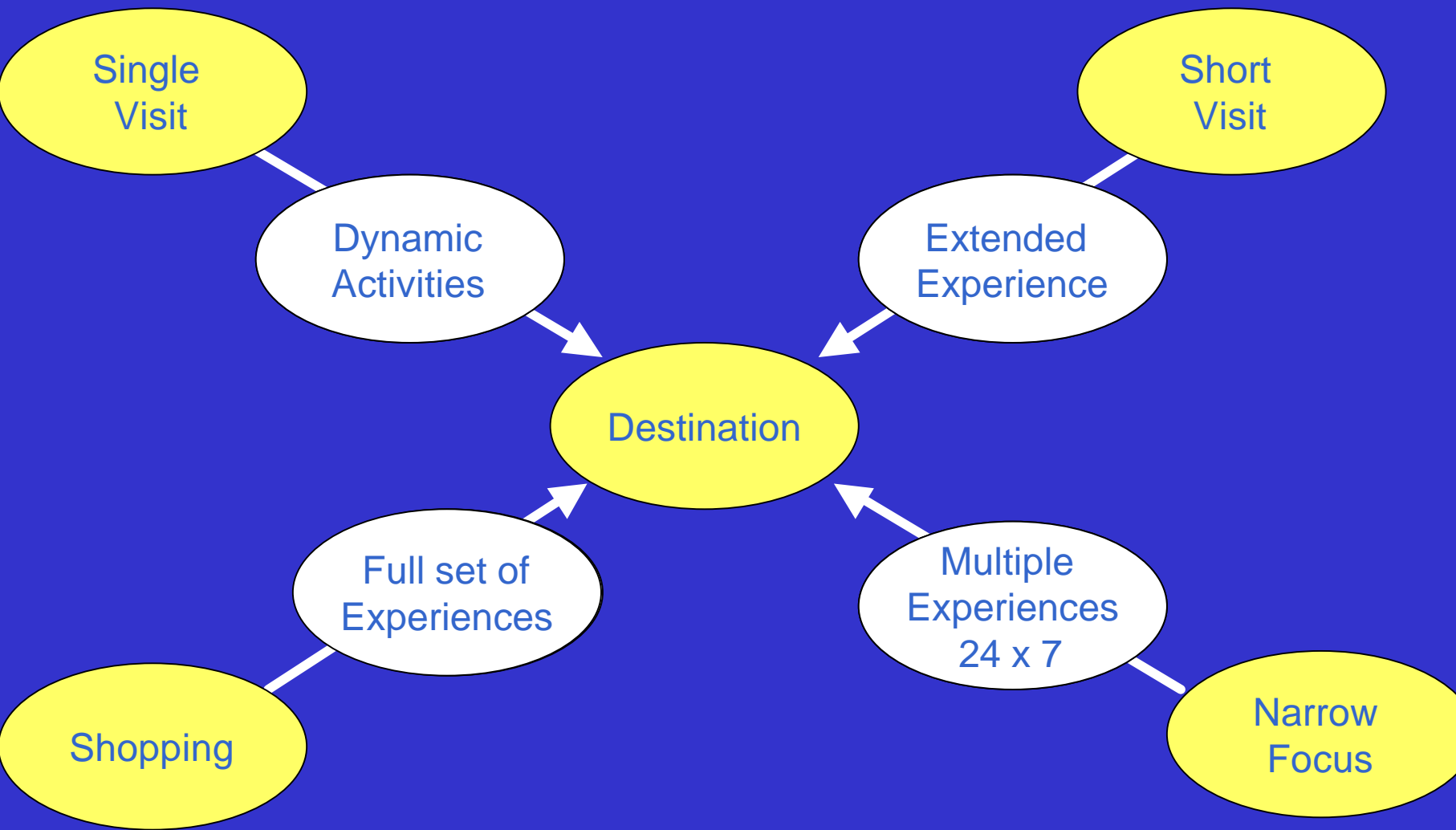


# Destinations

*“At the heart of any destination is an experience that consumers will remember, that they will want to repeat and that they will want to share with their colleagues”*

# A Destination

- Is more than somewhere that you go to visit the cinema, dance the night away, immerse yourself in the history or the landscape.
- Destinations are places where:
  - people visit for an extended period of time,
  - they engage in multiple activities,
  - there are activities for possibly a range of target customer groups and where people want to come again, not just to repeat the experience, but often in the anticipation of new things to see and do.



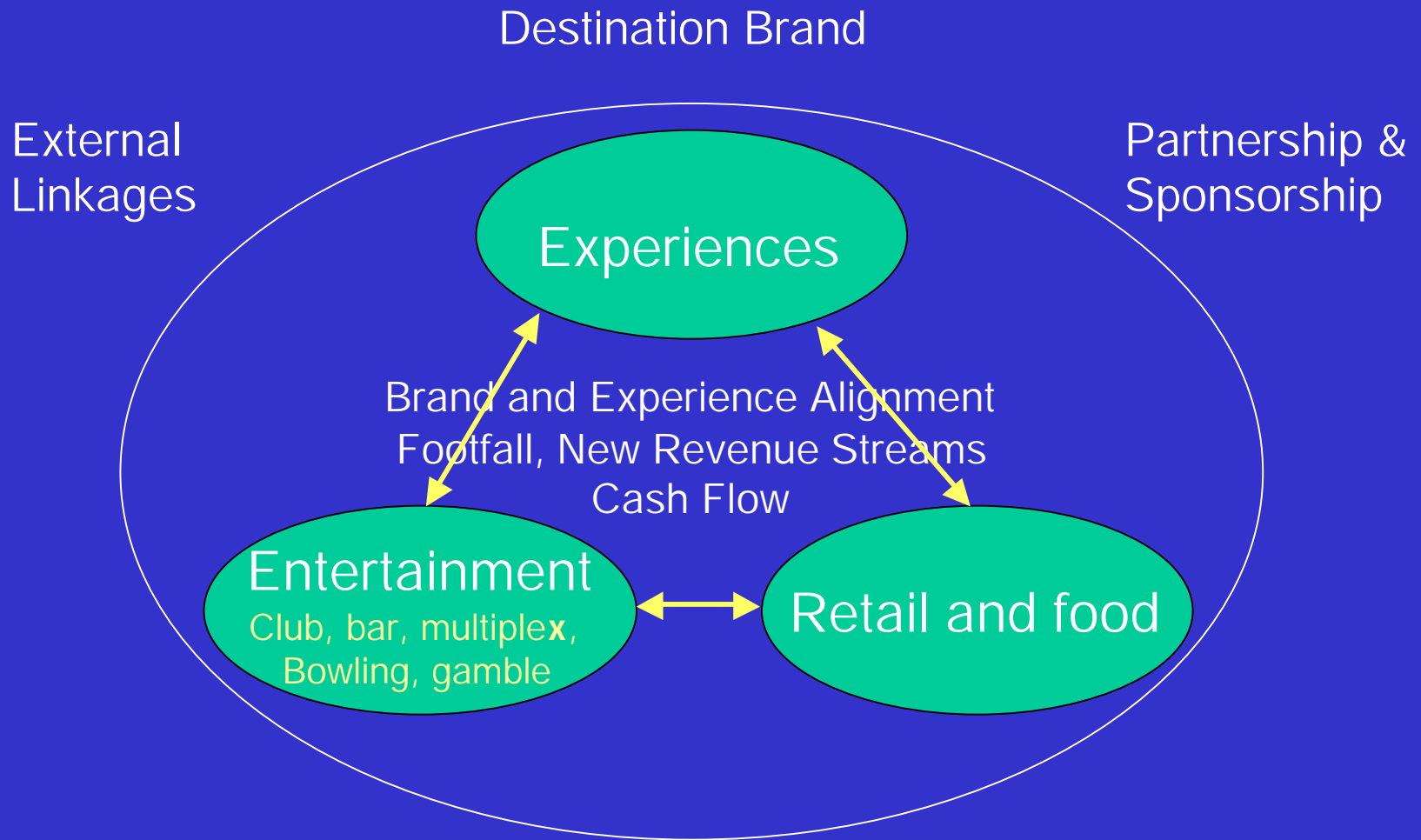
# Business Models

- Leveraging footfall, spend and stay
  - Upside sharing
    - Xscape
  - Property values
    - Intrawest
- Creating new revenue streams
  - Land Rover, Soccer, Formula 1
- Partnership, sponsorship

# Destinations Summary

- There is a New Destination Model is found not just in retail, sport and Leisure, but in
- Branded Goods
  - Guinness Storehouse
- Products
  - Mercedes Benz, VW
- Tourist areas etc.

# The Destination Model



# Management Challenges of Experience Organisations - Summary

*Eight Key Conclusions Emerged from the Interviews. These led to Five Key Imperatives for managing experience being from the interviews and research.*

## Eight Key Conclusions

1. Experiences are Theatrically Based

2. Personality of the Business Must Shine Through

3. Experiences are Unforgiving

4. Spontaneity is Key

5. The Most Creative Organisations Often Are the Most Focused on Control

6. Management of Conflict is Essential

7. Solving Problems Creatively

8. Assessment is Difficult

## Five Imperatives for Managing experiences

Manage Experience  
As Theatre

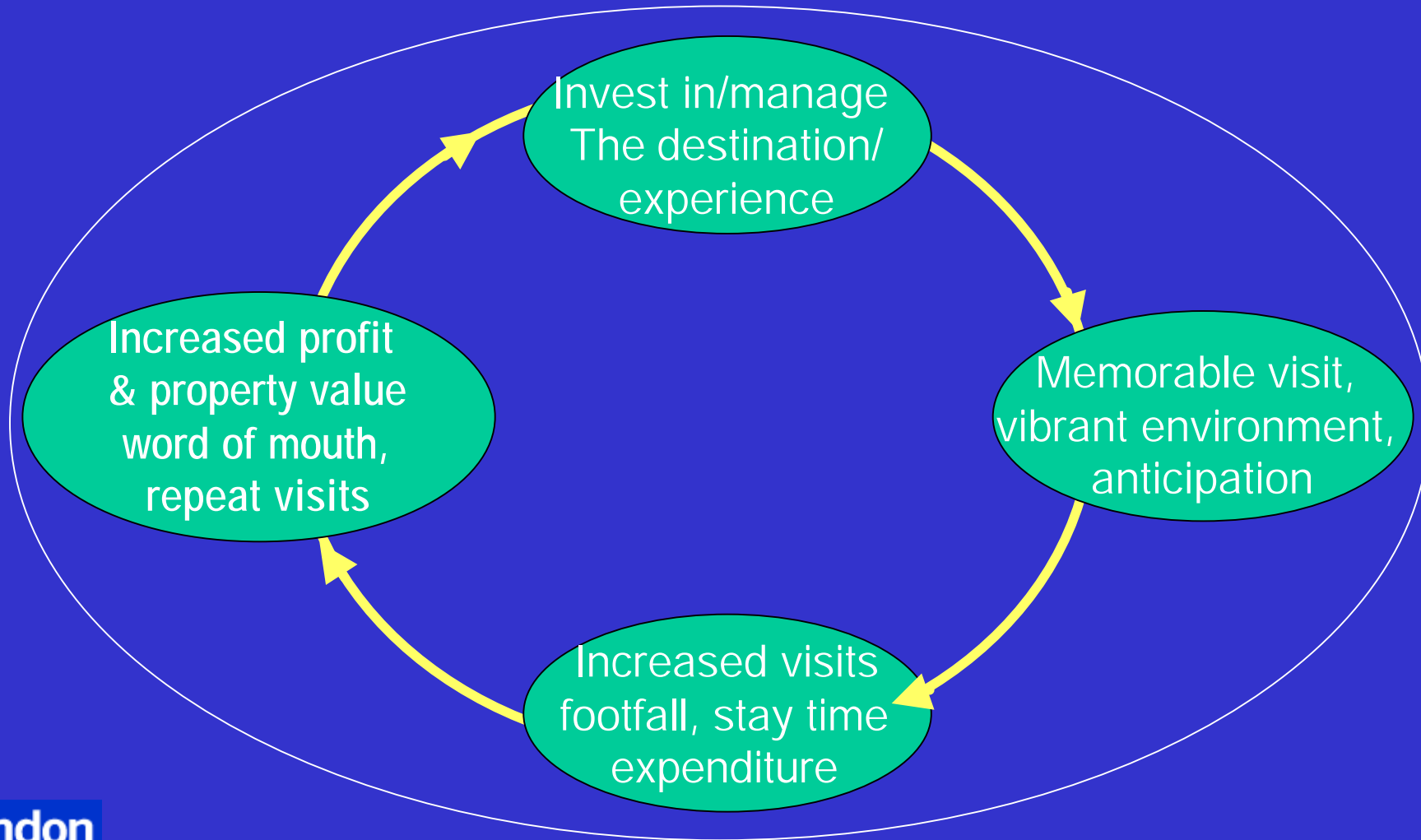
Use Experience to  
Build Brand Equity

Balance Control and  
Spontaneity

Manage Conflict  
Between creativity and  
Business

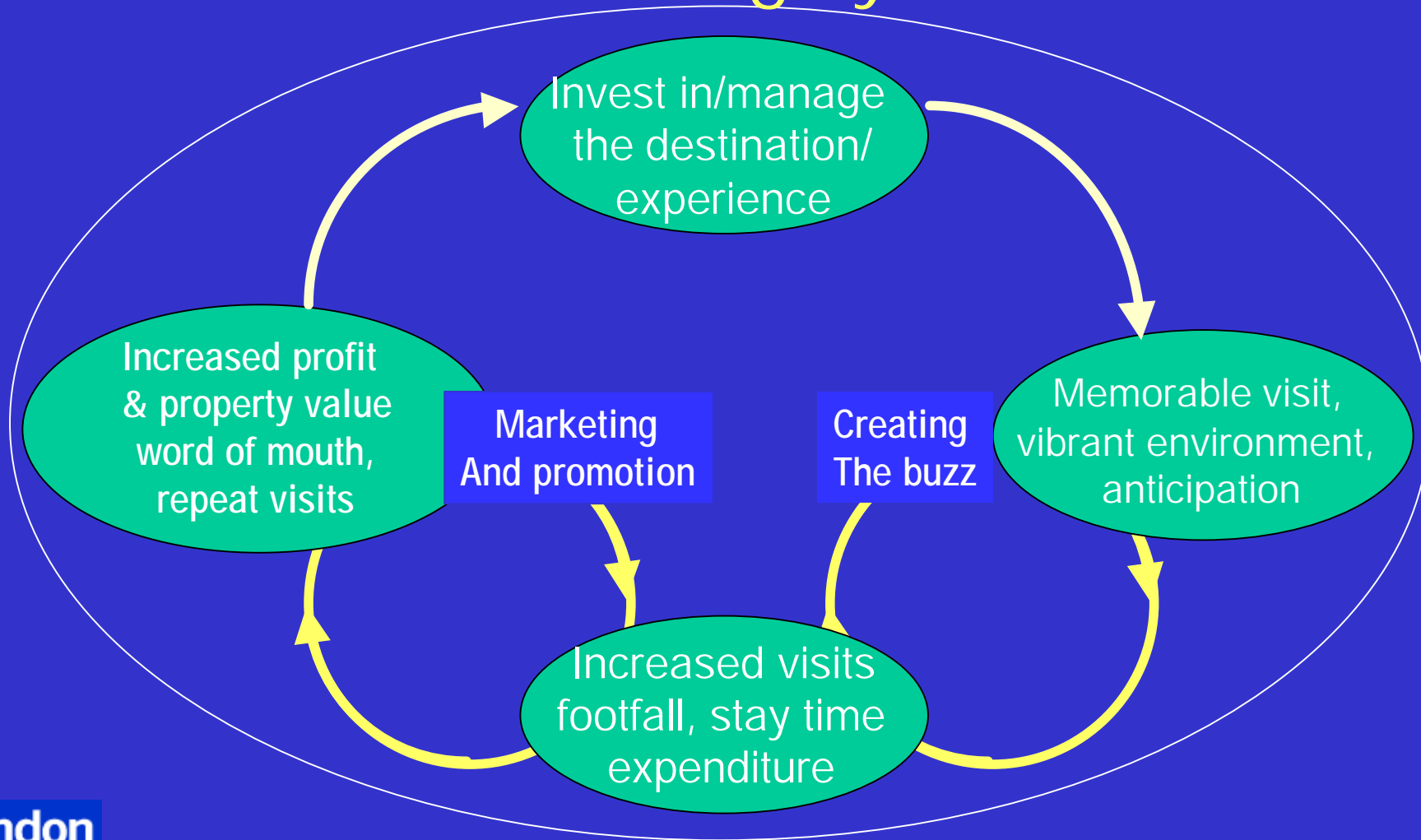
Develop and Use  
Appropriate Measures

# A Roadmap - The Experience Profit Cycle



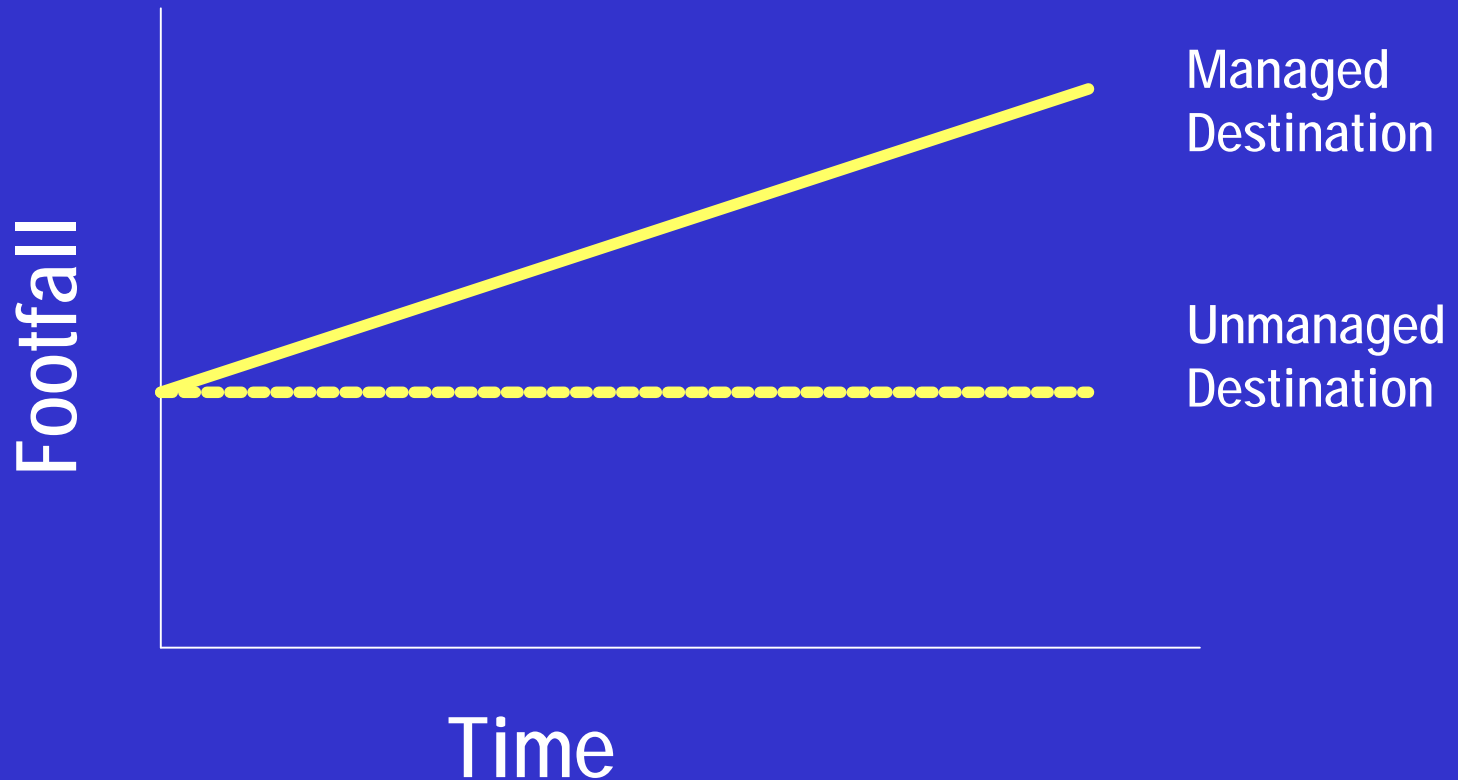
# The Experience profit cycle

## Reinforcing cycles

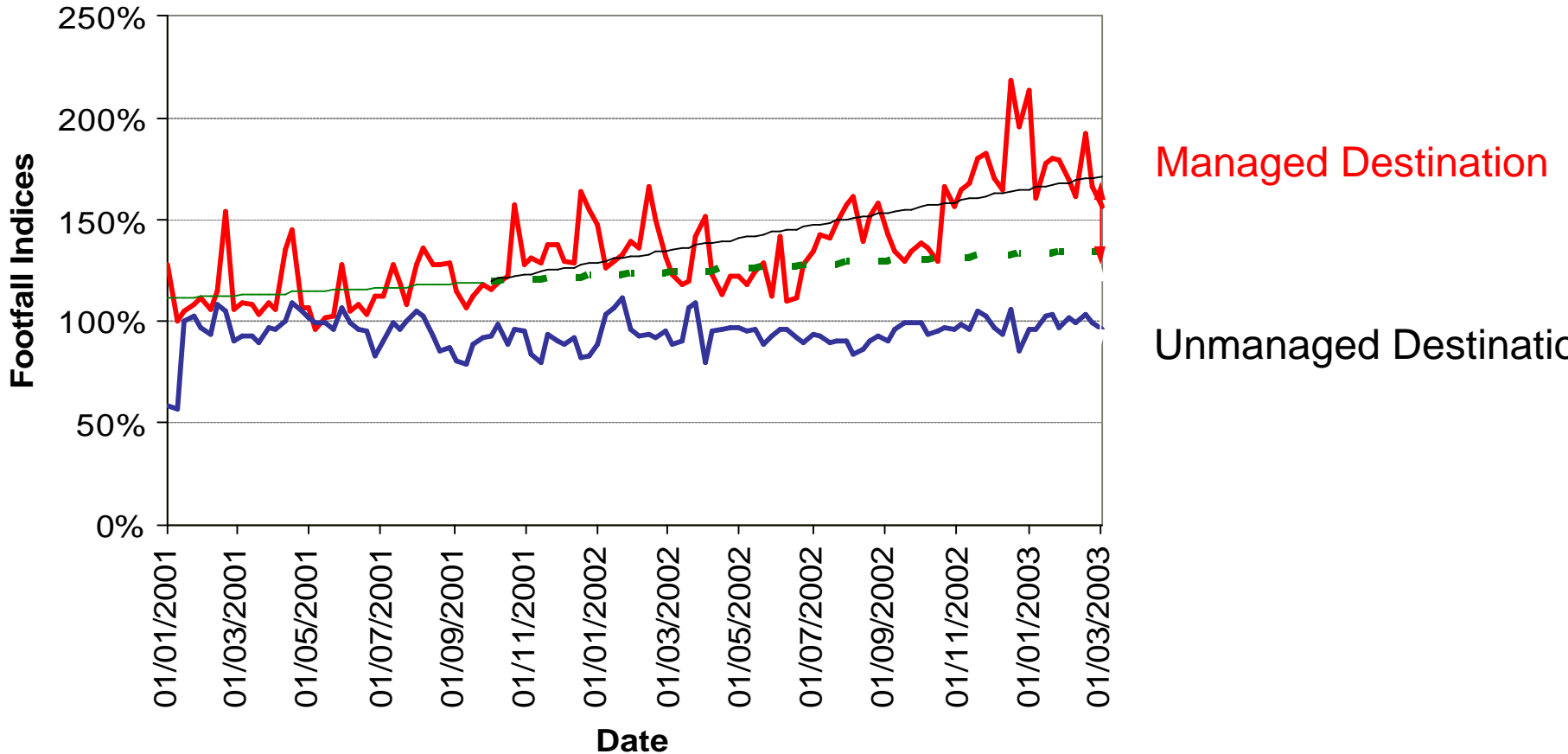


# Testing the Experience Profit Cycle

Benchmarking managed and unmanaged destinations



# Benchmarking – actual results



# The Experience Profit Cycle – Example Intrawest



# Conclusions

## Destinations and The Experience Profit Cycle

- Destinations are a growing trend
- New models are emerging
- The experience profit cycle is a powerful and effective model for organisations

# Experiential Predictions

Brand portfolios to Experience portfolios

New product development to New experience development

Media Planning to Experience planning

Marketing costs to Experiential Ventures

Pay with new currencies (Info/time/money)

New mind-set, roles, skills and relationships (CMO to CXO)

Telling encounters we have had to transforming experiences we want

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