

THE EXPERIENCE ECONOMY

Work is Theatre and
Every Business a Stage

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MAIN IDEA

A business is ultimately defined and judged by what it chooses to charge for.

Therefore, the key economic dynamic around which every business's profitability hinges is: "What do your customers value the most?" Answer that question accurately and you know exactly where the most economic value is being created. The challenge then becomes capturing as much of that added value as possible. In fact, know the answer to that question accurately and you won't just be able to charge as much as anyone else, you'll be able to charge a premium.

From a customer's perspective, there is always a value hierarchy -- they are willing to pay more for an experience that is engaging and compelling than they are for a simple stand-alone service, a physical good or a commodity. In fact, if your organization can conduct its business in such a way that interacting with it becomes an engrossing experience, not only will customers be willing to pay a premium for your goods and services -- they will even be willing to pay an admission price just to give you the opportunity to do business with them.

That's the power of an experience, and a complete Experience Economy is emerging around the provision and commercial exploitation of just such compelling business experiences. In essence, work is becoming more like a theatre where goods are props and services create a stage on which a rich customer experience can be blended. This mode of business is highly differentiated, highly customized to the needs and preferences of the customer and becomes difficult to emulate because over time the experience can be further fine tuned and enhanced.

By its very existence, the emerging Experience Economy offers an enticing way for business organizations to create added value for customers. Creating added value can sustain long-term growth in profitability. Experiences are an entirely new and previously ignored type of economic output.

Those businesses that can best recognize the emergence of the Experience Economy and position themselves effectively to respond to this dramatic shift in the business environment will prosper.

Section 1 -- The Concept of The Experience Economy Page 2

There is an emerging Experience Economy which is growing out of the Services Economy (which in turn grew out of the Goods Economy which superseded the Commodities Economy). In short, an experience offering occurs whenever an organization uses the delivery of services as a performance framework around which a rich, memorable and distinctive customer interaction is constructed.

Section 2 -- Frameworks For Making The Transition To The Experience Economy Page 3

- Companies and organizations make the transition to the Experience Economy by:
1. Staging multi-faceted experiences that engage customers.
 2. Designing an experience worth paying for and charging customers an admission fee.
 3. Embracing the principles of mass customization.

Section 3 -- New Business Models For The Experience Economy Page 5

- In the emerging Experience Economy:
1. Your business is always on stage whenever a customer has anything to do with it.
 2. The experience should be structured according to the needs of the customer and the situation.
 3. Everyone in the organization should know their roles and be able to perform flawlessly in those roles.

Section 4 -- In the Experience Economy, The Customer Becomes The Product Page 7

In the Experience Economy, the final economic value is not created by experiences. Instead, the greatest opportunity for creating added value comes in managing transformations -- customizing an experience so it becomes a life- or career-changing event for the customer.

Over the longer term, the Experience Economy is going to become the Transformation Economy.

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