

IDEAS IN ACTION

Learn about the Experience Economy

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An Interview with Jim Gilmore

A Trip Down LASIK's Memory Lane

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In writing a regular column on marketing over the years, what I've come to appreciate is that great marketing typically boils down to how well you serve the needs of your customer. Two years ago I hit upon a motherlode while reading *The Experience Economy*, by Jim Gilmore and Joe Pine. These two economists described how companies and individuals are creating greater value in our economy and helping sustain its growth.

The book's message is highly durable, and the authors have emerged as leading thinkers in the business world. This issue features an interview with co-author Jim Gilmore. For those of you who are seeking ways to differentiate your services or offering, read on!

An Interview with Jim Gilmore

Shareef: Thanks for speaking with me, Jim. A lot of our readers have either read your book or have seen me reference *The Experience Economy* in the column. Clearly, the models and frameworks you describe are helpful in understanding where our economy is headed and why we all need to be thinking differently about our businesses.

How did you first "discover" the Experience Economy?

Jim: I'm glad you used the word "discover" because my co-author Joe Pine and I do like to say that we didn't "invent" the Experience Economy but merely discovered what many businesses were already doing -- and gave it a name. One of the most satisfying aspects of having written *The Experience Economy* is how many folks tell us that we gave them a vocabulary for the work of staging experiences. Why, saying "stage an experience" -- versus the dreadfully constructed "deliver an experience" -- is part of that very lexicon that has taken root in many organizations! I remember a meeting that we had, soon after our Harvard Business Review article, "Welcome to the Experience Economy," with Craig Hanna, now of Thinkwell Design, when he was with Universal Studios and part of their \$1 billion development effort for Islands of Adventure. When Craig met us the first thing he asked was, "Where are you two from? Why haven't I heard of you before?" And he went on to explain how useful he found our terminology to be in describing the work they do. We took that as quite a compliment, given the source.

The origins of our thinking about experiences can be read about in the Credits section of The Experience Economy. In a nutshell: Joe, who wrote the book Mass Customization, has for years been fond of saying "If you customize a good, you automatically turn it into a service." Think Dell; it exhibits all of the characteristics of a computer-making service, not a computer goods manufacturer. And of course, Joe and I have both long encouraged companies to also customize services. Well, one day when Joe was teaching an executive education session at IBM, a hand shot up and a person asked, "What happens when you customize a service? What do you automatically turn it into?" And Joe responded, viscerally, "an experience." I'll never forget it: Joe called me that night and said, "Guess what I said today. Let's go figure out what it means." And that's exactly what we then did.

***Shareef:* It seems like lots of companies are talking about their "experience" these days. What do you think of that?**

Jim: Oh, yes, experiences are front and center in the thinking of business people today. And no wonder, for there has been an explosion of new experiences in the ten years since the idea first appeared in our Manager's Journal piece in The Wall Street Journal. (That column, by the way, was entitled "How to Profit From Experience" and appeared in the Journal on August 4, 1997).

One can hardly keep up with the pace of experiences innovation. Experiences at their very infancy ten years ago have grown into large-scale enterprises -- Starbucks, Geek Squad, Build-a-Bear, ESPN Zone, Cirque du Soleil, boutique hotels -- can you say "W" -- and even events like Burning Man. Or my goodness, ringtones. That's for-fee experience today: ringtones! New experiences are emerging all the time: Netflix and XM Satellite Radio, chocolate lounges like Ethel's and cereal bars like Cereality. Go google: zorbing; canyoning; cross golf, guerilla golf, and Top Golf; home staging; MetroNaps; medical tourism; or Maxine Clark's latest offering, Ridemakerz. I can't keep up. It's so much easier to bring a new experience into the world than a new good or service.

At the same time, many businesses have merely grabbed the term "experience" and affixed it to their current offerings, without actually staging anything new. An iconic felon here: the Grand Canyon Experience in Las Vegas. It's not grand; nor is it an experience. I like to remind folks: it's better to actually be an experience than to just say you're an experience.

***Shareef:* How is what you're describing different from "experiential marketing"?**

Jim: Very good question, Shareef, for many folks throw around various terms unthinkingly. And note that we never used that term in our work.

There have been three major directions where experience thinking has gone since the publication of our book. One is Customer Experience Management, or CEM -- making operations more experiential. Think here of the work of John diJulius or Lou Carbone. The second is experiential marketing, or making marketing more experiential. Bernd Schmitt's work, for example, serves as a marker here, but also the efforts of untold agencies and other marketers. It's all useful, but our emphasis has always been on experiences as a distinct form of economic output, on experience offerings that command a fee or a premium price. While experiential marketing is usually far more effective than traditional means of

advertising and marketing, it is still largely about selling more goods and services. It's about the promise of an experience, rather than staging the experience itself.

Peter Drucker once wrote, "the purpose of marketing is to make selling superfluous." Amen. To which we add, the purpose of experiences is to make marketing superfluous. The experience is the marketing!

Shareef: Where are you seeing the Experience Economy currently growing the fastest?

Four areas stand out to me. One: experiences enabled by new technology -- from online gaming like Everquest and Second Life, to at-home experiences like Guitar Hero, to life-commemorating experiences like Fetal Fotos, which uses ultrasounds for nonmedical reasons to create artifacts and artwork celebrating the development and birth of a child. Two: experience tourism. Everything is quickly becoming tourism -- retail tourism, culinary tourism, film tourism, vocation tourism, medical tourism, and so forth. Three: financial services are morphing into what I call "wealthcare" experiences. And finally, lifetending, of which life coaches are a first-order form.

Shareef: How did theatre emerge as a model for work?

Jim: Well, one delivers a service but stages an experience. And that word "stage" first suggested to us that work is theatre. Whether acknowledged or not, whether done well or not, every time work is performed before the watching eyes of a customer, it is a performance, an act, an act of theatre. We have three whole chapters in *The Experience Economy* devoted to theatre as a model for work. There are many implications here -- from the design on environments, or sets, to costuming, to acting with intention. Take a simple application: too few businesses think intentionally about their opening lines, be they face-to-face or over the phone. I love how W Hotels answers the phone, "Whatever, whenever" -- based on the letter-as-theme, W. I once told some folks at YMCA that they should similarly answer the phone, "Y are you calling? Y do you want to talk to her? Transfer you...Y not?"

Shareef: What happens when everybody's staging experiences and it's more the norm than the exception?

Jim: Well, the experience-staging has to be done well. Nothing is automatic. Some experiences will be more engaging than others, just as some services are more beneficial than others, and some goods have better features than others. But beyond that, transformations -- charging for demonstrated outcomes -- offers value beyond experiences -- or charging for time -- and certainly beyond services -- or charging for activities performed. These may seem like subtle differences, and to a certain extent they are, but especially in health care these subtle differences can have huge implications on the mindset and the practices that go beyond the norm, and truly differentiate one's offerings.

Shareef: What's next on your horizon?

Jim: We have a new book coming out at the end of September 2007, *Authenticity: What Consumers Really Want*, by Harvard Business School Press.

Shareef: Why is authenticity becoming more important in commerce?

Jim: It's what we're calling a the new consumer sensibility. With the rise of the Industrial Economy, cost emerged as the dominant reason to buy, as mass production brought down the cost of goods so that nearly everyone could afford to buy one of nearly every category of goods desired. With the Service Economy, quality emerged as a sensibility, as the performance of goods and services became critically important when one no longer changed one's own oil, mowed one's own lawn, or prepared one's own food. And now with the emergence of the Experience Economy, an increasingly unreal world of mediated experiences, people want real -- the genuine from the sincere, not the fake from some phony. In the new book, we identify the emergence of the Experience Economy as but one of five drivers behind the consumer desire for authenticity.

Shareef: And I suppose we'll all have to get the new book to learn the other four.

Jim: You said it, not me! Actually I can quickly rattle of the other four: the automation of services -- such as just trying to reach a "real person" today, the prevalence of postmodern thought -- and its influence on consumption, the rise of baby boomers -- and their influence on all consumer behavior, and the failure of our social institutions to fulfill their purpose.

Shareef: Thanks, Jim, for spending time with me. Many of our readers will be taking note, especially those who are providing services that are "wants" like elective medicine.

Jim: You're welcome!

A TRIP DOWN LASIK'S MEMORY LANE

Those of you who are part of the LASIK community will enjoy this brief show of winners from the Logo-a-Gogo contest held in the summer of '99. Over 125 surgeons' practices showed how they were using the VISX logo to promote LASIK and the One Millionth VISX laser procedure performed in the United States. From Nashville to the Hollywood Hills, click [here](#) to have a look (hint: have your sound turned on, too).

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