

See discussions, stats, and author profiles for this publication at: <https://www.researchgate.net/publication/243460942>

Customer experience places: The new offering frontier

Article in *Strategy and Leadership* · August 2002

DOI: 10.1108/10878570210435306

CITATIONS

149

READS

2,287

2 authors, including:



B. Joseph Pine II
Strategic Horizons

45 PUBLICATIONS 11,916 CITATIONS

[SEE PROFILE](#)

Some of the authors of this publication are also working on these related projects:



Regenerative Managing [View project](#)

Customer experience places: the new offering frontier

James H. Gilmore and B. Joseph Pine II

James H. Gilmore and B. Joseph Pine II are the founders of Strategic Horizons LLP and authors of The Experience Economy: Work Is Theatre & Every Business a Stage (Harvard Business School Press, Boston, Massachusetts, 1999). Their consultancy is based in Aurora, Ohio (pine@gilmore@strategichorizons.com).

Here is how innovative companies in a wide variety of industries create customer experience places – real or virtual venues where customers can try out offerings as they immerse themselves in thrilling, absorbing experiences. At the best experience places the customers eagerly pay for the chance to play.

In a stunning retailing reversal, AOL Time Warner closed all 85 of its Warner Bros Stores toward the end of 2001, and Walt Disney Company started 2002 by closing 50 Disney Stores, a painful climax to its decision to shut 70 others in the past year.

How could these Titans of media and marketing – with all the beloved cartoon characters featured so prominently within their stores – fail so dramatically at retailing? We believe that the problem stems from Disney and Warner hanging on too long to an outdated concept of the retail “store.” As Titans of the entertainment business, both AOL Time Warner and the Walt Disney Company should have leveraged their vast knowledge of their theme park, movie, music, and online businesses to create retail experiences.

Consider how a competitor in the toy business, The Pleasant Company, maker of the American Girl collection of dolls, made a success out of its foray into retail. When founder and ex-schoolteacher Pleasant Rowland decided to go beyond selling her wares directly to consumers, instead of opening just another retail outlet, she unveiled The American Girl Place, just off Michigan Avenue in Chicago. Here, mothers and daughters (with not a few grandmothers) can spend the

The photographs of customer experience places in this article have been supplied by REI, expert specializing in outdoor gear for rock climbers, hikers and kayakers. We would like to thank this retail company for its permission to use these images.

better part of a day together at The American Girl Theater, where for \$25 apiece they can take in a 70-minute staged production, *The American Girls Revue*. They go to The Café for a “grown-up dining experience,” paying an admission fee of \$16 for lunch or tea and \$18 for dinner. Girls pose for a \$21.95 photo shoot to take home a copy of *American Girl Magazine* with their pictures on the cover. They can even have their dolls’ hair styled in The Hair Salon for \$10 (a simple pony-tail) to \$20 (restoring the look of its original styling).

A family can walk into The American Girl Place and spend hundreds of dollars just on experiences! Of course, most arrive home with more dolls, more play furniture, more clothing, and more accessories that they purchased as memorabilia of their experiences. This Place so engages guests that their visits average over four hours – and the more time they spend, the more money they spend. The American Girl Place achieves this level of retail success precisely because it has so thoroughly abandoned the “store” paradigm. (As proof, note that the question visitors already inside The American Girl Place most frequently ask of the concierge in the foyer is “Where’s the store?”.)

Marketing experiences

The Pleasant Company, since bought by Mattel, understands a fundamental dictum many leading companies



The current issue and full text archive of this journal is available at
<http://www.emeraldinsight.com/1087-8572.htm>

employ to create demand today: the experience is the marketing. These companies have learned how to market their offerings with an experience so engaging that potential customers cannot help but pay attention – and pay up.

Marketing flounders at many companies today. The causes range from the demise of mass markets, the ineffectiveness of many traditional forms of advertising, and the seeming failure of many businesses to use the World Wide Web as an effective marketing vehicle. In response, consultants flood bookstores with new marketing concepts offered as cure-alls, including attention marketing, guerilla marketing, permission marketing, viral marketing, even emotion marketing and emotional marketing (to name but a few). Each concept may have something valuable to say about how the environment has changed, but none really addresses the core problem: People have become relatively immune to messages broadcast at them. The way to reach your customers is to create an experience within them.

“The aim of marketing is to make selling superfluous’ ... the aim of experiences is to make marketing superfluous.”

To be clear, we are not talking about “experiential marketing” – that is, giving your marketing promotions more sensory appeal by adding imagery, tactile materials, motion, scents, sounds, or other sensations. Such experiential marketing only affects marketing materials; it does not change the fundamentals of how companies can attract and retain customers. Rather than experiential marketing, we urge companies to practice marketing experiences, that is, create absorbing venues – real or virtual places – where customers can try out offerings, as they immerse themselves in the experience. As Drucker (1993) rightly articulated in *The Practice of Management*, “The aim of marketing is to make selling superfluous.” To that we add: the aim of experiences is to make marketing superfluous.

Beyond marketing

For this to work, it is crucial that the experiences you create be treated as distinct economic offerings – not as a marketing exercise alone – that engage your customers and create memories within them. A great place to start, especially for manufacturers, is to follow the lead of innovators such as The Pleasant Company.

Establish a flagship venue

Implementing this principle, automaker Volkswagen created a destination attraction called Autostadt outside its factory in Wolfsburg, Germany, where guests experience each of Volkswagen’s eight brands. Brewer Heineken fashioned the

Heineken Experience inside its old factory in down-town Amsterdam, where guests get to be a beer bottle traveling along an assembly line (and enjoy some samples along the way!). And last year General Mills opened up Cereal Adventure at the Mall of America in Minnesota, where kids go on tours and play games to learn all about how cereal is made (and, for an extra fee, leave with their own picture on a box of Wheaties).

Even business-to-business (B2B) companies are getting into the act. Case Construction Equipment created the Case Tomahawk Experience Center in its home state of Wisconsin to provide an outdoor arena for potential corporate customers to try out its large earth-moving gear in a low-key, relaxed atmosphere before they buy. (Folks often have so much fun playing with the equipment that they stay for several nights.) Not surprisingly, Case found that, due to the relationships created at Tomahawk, bringing customers there dramatically increases its close rates.

Indeed, almost any company can redesign its executive briefing centers into flagship venues, where mundane customer visits can become engaging experiences. For example, at the Johnson Controls Show-case in Milwaukee, the company plunges customers into an inky, cold darkness to simulate a winter outage – or bakes them in an arid heat wave – to demonstrate viscerally how its technology helps potential customers avoid the trauma of such occurrences. In another example, at Nortel Network’s Executive Briefing Center in Research Triangle Park, North Carolina, guests receive smart cards that activate and guide their experience with Nortel technology. Potential customers find themselves immersed in personalized presentations that use the latest in experience technologies (including virtual reality) to demonstrate how Nortel technologies would apply directly to them.

Tellingly, the money for the Nortel and Johnson Control corporate experiences – as well as the consumer-oriented Autostadt and Heineken Experience – comes out of each company’s marketing and/or communications budgets. Indeed, we suggest that all companies adopt this principle for funding marketing experiences.

Steal the resources from traditional marketing

As a start, carve out 20 percent of your traditional PR and advertising budgets and put it into staging experiences. Such experiences engender emotional connections far more powerful than those of most marketing messages. Indeed, a number of corporations that rely on staged experiences elect to do little or no traditional advertising. The Pleasant Company, Starbucks, the World Famous Pike Place Fish Market, Vans, Recreational Equipment, Inc., and a host of others choose to let the experiences they offer visiting customers (and the resulting media attention) serve the purpose of acquiring new and energizing old customers.

We also suggest that, if you have a successful marketing team, give them a new task.

Use your creative team for R&D

Do not view your internal marketing talent or your external agencies as resources solely for marketing campaigns, but let them be designers of the experiences that then drive demand for your company. However, the people designing your physical goods or in the field developing your new service offerings are unlikely to have the necessary background or skills to design and script, much less construct and cast, an experience.

Think of some of the highly imaginative advertisements of the past few years. What if we unleashed all that creativity on conceiving, designing and bringing to market revenue-generating – and profit-enhancing – experiences? Instead of just creating those wonderful dancing commercials for the Gap, what if its ad agency were assigned to conceive, design, and roll out a dance club where kids pay to show off their tops and jeans? What if Nike's incredibly creative talent were used not just to put those basketball-passing, sneaker-squeaking, breath-exhaling commercials on the air, but also to design real facilities that could become safe, yet fun youth destinations within the company's Niketown stores? Such creative skills should be used to establish ongoing businesses, not temporary campaigns.

Expanding your portfolio

And do not stop at just one experience – you should create a series of related experiences that flow one from another, creating demand up and down at every level, both generating new forms of revenue and driving sales of whatever you currently offer. In other words: create a rich portfolio of experiences.

Outdoor retailer Recreational Equipment Inc. (REI), for example, created a flagship experience in its hometown of Seattle (see Exhibits 1-4), complete with a climbing mountain (for which non-members pay a \$5 fee) as well as a bicycle track, walking trails, and other such experiences. It became the number one tourist attraction in all of Seattle, with more than two million visitors per year. Motivated by its success, REI added a second layer of similar experience venues at other locales, including one in Minnesota with a cross-country ski trail, and one next to a river in Denver with a kayaking experience. REI expands its portfolio through its 50-plus retail environments that, while recognized as “stores” by the buying public, still yield a heightened experience via their architecture and ambience, as well as through the various educational classes and clinics held there. A further member of REI's experience portfolio is its Web site, REI.com, that is effectively integrated into its retail channel. PCs in the stores direct customers directly to the Web site, while online presentations direct them to the company's stores.

Vans Inc., the 40-year-old manufacturer of athletic shoes particularly popular with skateboarders and other extreme sports enthusiasts, developed a different kind of experience portfolio (see Exhibits 5-7). While athletic retailers always

Exhibit 1 — Recreational Equipment Inc.



Exhibit 2 — Climbing at REI

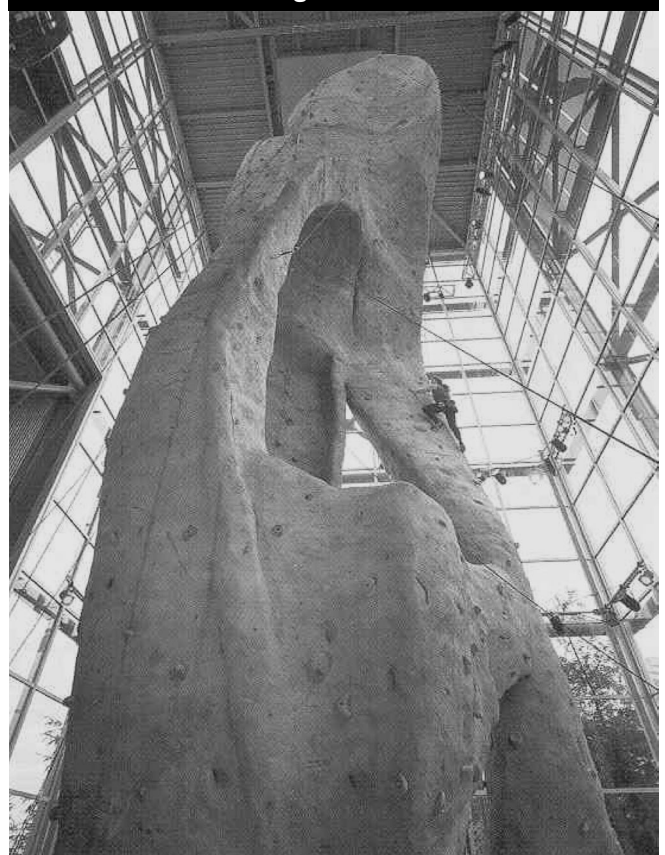


Exhibit 3 — Climbing at REI

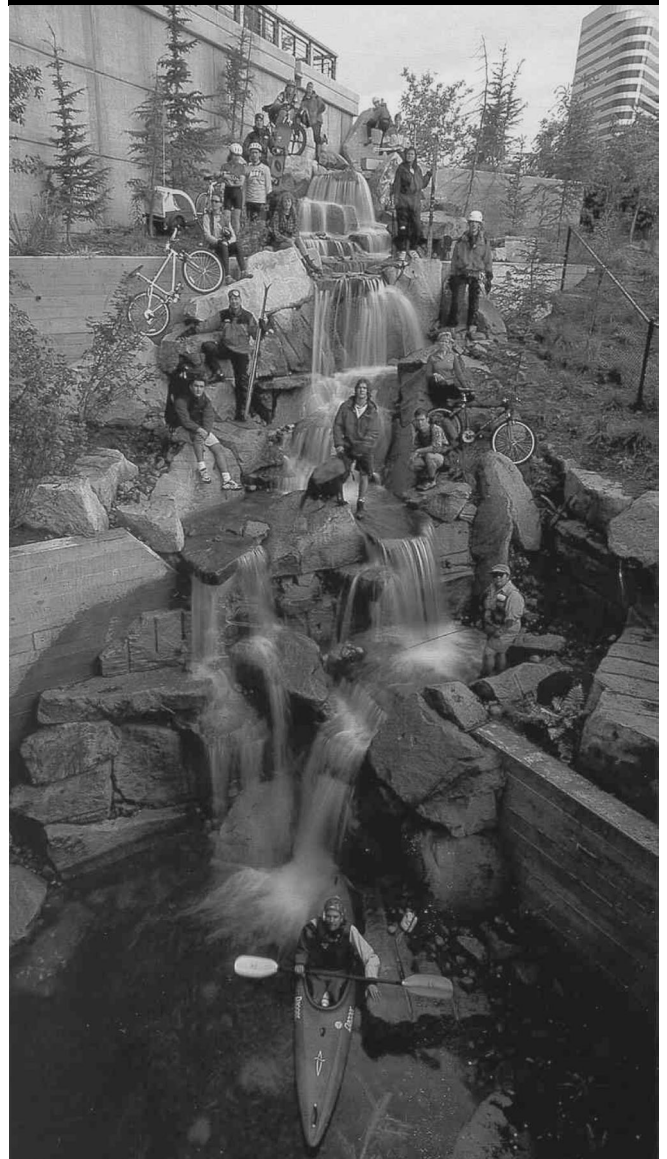


carried its shoes, Vans early on created its own retail environments. But it finally hit its experience stride in 1998, when the company opened up its first Vans Skatepark in The Block at Orange, a mall in Southern California. There, kids pay \$7 to \$14 for two-hour skateboarding sessions in, around and above ramps, jumps and obstacles. Vans now has ten Skateparks around the country, with the latest adding indoor/outdoor BMX biking tracks.

Appropriately for a company whose customers zip around on skateboards, Vans produced a mobile flagship experience, the Vans Warped Tour, which goes to some 20-plus cities every year. More than an alternative rock concert for alternative athletes, this new genre of experience combines a music festival with skateboarding spectacle. It also stages Skateboard and Snowboard Camps for aspiring enthusiasts at its Skateparks and other venues and, like REI, effectively integrates its Web site into its experience portfolio.

Through the practice of companies such as these, we have been able to divine a full location hierarchy model for where and how companies can create experiences. For just as manufacturers have a location theory about where to place plants, warehouses, distribution centers, and sales outlets, experience stagers need a theory for where to place

Exhibit 4 — Activities at REI



the marketing experiences they stage. You cannot do everything everywhere but, as shown in Exhibit 8, you should consider how best to take advantage of the five physical levels we discern:

- (1) *Flagship location.* Create the singular place, generally in a locale indelibly associated with the company, where a company stages the very best, most dynamic experience. In addition to those we have already discussed, you can also visit the Sony Metreon in San Francisco, the Bass Pro Shops' Big Cedar Lodge outside Branson, Missouri, the Guinness Storehouse in Dublin, Swarovski's Kristallwelten ("Crystal Worlds") experience outside its factory in Wattens, Austria, and the brand-new Toys 'R' Us mega-store in Times Square. In each case, the company produced a unique experience that both built upon its heritage and

Exhibit 5 — A Vans skatepark



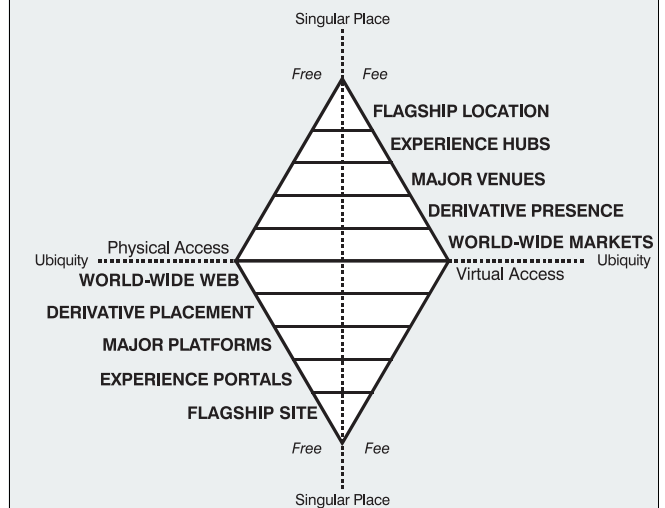
Exhibit 6 — Vans



Exhibit 7 — A Vans skatepark



Exhibit 8 — Location hierarchy model



expanded the audience for its offerings – while also providing a source of new revenue.

- (2) *Experience hubs.* Set a few places in locations where your customers naturally congregate. Locate where retail tourism is already rampant, including (but not limited to) the US hubs of Las Vegas, Orlando, Times Square in Manhattan, Chicago's Magnificent Mile, and Minnesota's Mall of America, as well as Amsterdam, London, Tokyo, Sydney, Hong Kong, and other tourist destinations around the world. Depending on your business, though, a different hub network may make sense. If you are in the cooking field, you will want to be in places like San Francisco, Napa Valley, New Orleans, New York, Paris, and Tuscany.
- (3) *Major venues.* Here is where most companies put their primary outlets. They should be located where the population is large enough to sustain attendance.
- (4) *Derivative presence.* The fourth level involves having a presence inside some other venue or event, "a place within the place," both deriving value from the surrounding environment and distilling the essence of the flagship, hubs and major venues in a more accessible way. And rather than create a flagship or even a major venue experience, Lutron Electronics Corp. of Coopersburg, Pennsylvania, went inside EPCOT at Walt Disney World to put together, with a host of other suppliers, The Ultimate Home Theater Experience.
- (5) *World-wide markets.* Finally, there is every feasible place where customers might encounter a company's offerings. For a manufacturer, this may involve not only experiences *per se* but also the pure availability of its physical goods around the world, as well as the experience of using those goods by its customers, wherever they reside. For a service provider, this may

mean turning every customer interaction – even unfortunate ones – into an experience. Cleveland-based insurer Progressive Corporation, for example, sends its claims adjusters out on the road in “Immediate response vehicles” (IRVs), where they respond directly to the very site of an accident. When an adjuster arrives on the scene, if need be, he first handles any emergency situation (like putting out the occasional fire). He then responds to the claimant’s emotional needs – such as offering a cup of coffee and a seat inside the IRV to calm one’s nerves and, when needed, arranging for a tow truck and replacement vehicle to come to the accident site. And finally, he adjusts the claim using a laptop computer with wireless uplink to the company’s mainframe computers. In a great many cases, the customer receives a check on the spot!

Interestingly, one of the company’s policyholders told us, “I didn’t used to be a customer of Progressive – until I got hit by someone who was!” The Progressive experience went so far beyond the mundane service her old insurance company provided that she said, in essence, “If I ever have another accident, that’s how I want to be treated.” Now here’s the kicker: this reaction occurs often enough for the company’s claims adjusters now to carry around application forms to sign up the other person in the accident upon request. The experience is the marketing indeed.

Virtual experiences

Companies can also employ virtual marketing experiences. We therefore offer another principle: Integrate physical and virtual experiences. The Pleasant Company leverages its face-to-face interactions at The American Girl Place to create demand for its remote relationships via catalog and Web site. Nortel uses its in-person sales meetings to create personalized Web sites based on the technological interactions the person has at its flagship venue (neatly recorded on the individual smart cards). And shoemaker Vans streams video from its Skateparks, so that online buddies (and parents) can view the physical action electronically.

In fact, Vans exemplifies what Peter Chernack, president of MetaVision Corporation in Burbank, California, advocates as one way of integrating the virtual with the real: using the Web as a “pre-show” for the live experience. It is a concept borrowed from Disney’s use of its queuing areas to set up the “back story” of its rides and thereby create anticipation for the experience ahead.

Perhaps the movie studios have figured out how to do this best, with online trailers, games, behind-the-scenes videos, and other digital experiences that, when done well, greatly enhance the chances of having a hit on their hands. *The Blair Witch Project* is probably the most famous for having its producers leverage an online pre-show to create an audience before ever showing the film in theatres. However,

the most successful pre-show may be that of AOL Time Warner’s film unit New Line Cinema, the makers of *The Lord of the Rings: The Fellowship of the Ring* and its two upcoming sequels. It brought the fanatical followers of J.R.R. Tolkien’s fictional trilogy – who not only provide the core audience for filmed versions, but could have easily derailed its potential through word-of-badmouth – all but into the filming and production process. Through a carefully managed official Web site (www.lordoftherings.net) launched two-and-a-half years before the movie premiere, as well as coordinated information sharing with the myriad fan sites, New Line produced an unprecedented success, with over one billion site visits prior to the opening of the film.

“Because of the mass congregation of Web surfers on these portals ... it pays to have relationships with them to feature a company’s own goods, services and experiences.”

Companies can further use the World Wide Web for a dramatic “post-show” experience. Vans, for example, documents every one of its Warped Tour stops online, complete with artist list and a gallery of photos (“Hey, dude, is that me in that picture?”). The Experience Music Project (EMP) in Seattle stages one of the best post-shows we have encountered. EMP, Microsoft co-founder Paul Allen’s celebration of the Seattle music scene (and in particular, local hero Jimi Hendrix), provides each of its guests with a customized Palm, Inc. hand-held computer called a MEG, for Music Experience Guide. It serves the normal museum function of playing audio clips about the contents of each display found at EMP, while also allowing its users to “bookmark” whichever artifacts they find most interesting. At the conclusion of their tour, they give the device back to a host, who uploads the bookmarked information on to EMP’s servers. When any guest goes to the company’s Web site, www.emplive.com, and inputs his personal ticket number, EMP then dynamically produces a mass-customized Web page filled with information specifically about the items that guest bookmarked.

From these and other examples, we have formulated a hierarchy of five virtual levels that precisely mirror the five physical ones:

- (1) *Flagship site*. This is the singular place (www.yourcompanyname.com) on the Web where people will expect to look for your company and your online experience. Unfortunately, most companies treat their Web sites as pure brochure-ware rather than experience-fare. Perhaps the best examples of flagship

online experiences are gamesites like www.MaMaMedia.com. But many companies are beginning to make at least part of their flagship site an experience, including retailer Gallery Furniture of Houston, Texas, which placed a slew of mobile cameras in its warehouse-like store that Web site visitors control. (Many customers use the capability while talking to their at-work spouses to spare them a trip to see the furniture under consideration.) And at its flagship site, wgsn.com, B2B company Worth Global Style Network effectively uses Webcams (so its paying visitors from the fashion industry can see what is happening at that moment in store fronts in Milan, Paris, London, New York, and so forth) as well as streaming video (for live and archived fashion show footage).

- (2) *Experience portals.* The online world consists of a number of experience portals where people spend large amounts of time. The premier platform, of course, is America Online with its 33 million paying customers, while others include Yahoo! and MSN (the Microsoft Network). Because of the mass congregation of Web surfers on these portals – equivalent to the vast amount of tourists visiting the experience hubs in the real world – it pays to have relationships with them to feature a company's own goods, services and experiences. General Motors, for instance, produced a NASCAR-themed game, the Dodge Speedway, for MSN's Gaming Zone. On AOL's welcome screen, one can immediately link to a greeting card page from American Greetings with a simple click, to cite just one of the thousands of areas produced by other companies to fit AOL's format.
- (3) *Major platforms.* These are distinct Web sites, though of course they may link to the others, where a company can create a unique Web experience outside the normal parameters expected of a corporate Web site. Sony supplies a terrific immersive gamesite at Everquest.com, and movie studios create a distinct Web platform for every new movie they produce. Automaker BMW maintains bmwfilms.com to show-case short films by edgy film-makers that, not coincidentally, feature its own cars. At www.motorola.experience.com, Motorola created a futuristic environment – where as a visitor you can “explore the many worlds of your personal network” to “experience the future” – in order to expose its consumer and business customers to its new technologies.
- (4) *Derivative placement.* Outside portals, companies can create “sites within the site,” placing their own digital experiences within others' Web sites. Perhaps the best at this is Amazon.com, which provides the bookselling portion of hundreds, if not thousands, of distinct Web sites. Sometimes this merely points to specific Amazon Web pages – a rudimentary placement at best – but at other times Amazon.com's book covers, listings,

reviews, and ordering and shipping information are placed on other sites, with only the actual ordering process clicking over to Amazon.com itself. Obviously, experience portals provide a great place for companies to place a derivative presence. At the woman's portal iVillage.com, five of its 14 or so “channels” are provided by other Web sites – some with straight links and some framed by the iVillage look and feel.

- (4) *World Wide Web.* Finally, matching the physical ubiquity of being available in world-wide markets is the virtual ubiquity of being available on every Web site having anything to do with the company's offerings. A recent search at Google.com for “Vans shoes,” for instance, yielded a grand total of 59,300 Web pages with those words on them.

Snapping all the pieces together

Every company should examine its own situation and determine which levels – amongst the five physical and five virtual – make marketing sense. One company that chooses to occupy each and every one of the ten levels is the Lego Company of Billund, Denmark. As indicated in the sidebar “Exemplar: The Lego Company”, Lego integrates all of the levels of marketing experiences to drive demand for its toys.

“If you want an experience to market your offerings, it needs to be a great experience: engaging, robust, compelling and memorable.”

Note how Lego, a manufacturer, created not only fascinating experiences but, when it comes to its Legoland theme parks, experiences so engaging that guests find it worthwhile to pay for them. Lego practices the most controversial principle of creating marketing experiences: Charge admission for your experiences. Charging admission opens the way to new revenue and profit possibilities through innovating new offerings, and is the logical consequence of recognizing experiences as distinct economic offerings. We can cite dozens of examples of companies now charging admission where one would never have thought it possible, including REI, Vans Skateparks, The American Girl Place, Autostadt, the Heineken Experience, WGSN, and Everquest.com.

Remember, the experience is the marketing. If you want an experience to market your offerings, it needs to be a great experience: engaging, robust, compelling and memorable. It is only when you charge admission that you will be forced to design an experience that is worth an admission fee. Still, this is not yet possible for all companies in all situations. Most companies are easing into it, charging for particular activities or at specific times in an otherwise admission-free

Exemplar: The Lego Company

Toymaker Lego placed its original flagship Legoland theme park outside its own factory in Billund, Denmark, and is now putting similar theme parks in major experience hubs across the world, including outside London, Los Angeles and Munich. These introduce youngsters to its brand, create an emotional attachment to that brand, and drive demand for its unique building-block toy system. (When it opened Legoland in Carlsbad, California, sales of its toys went up over 15 percent throughout all Southern California.) It also has a few Lego Imagination Centers at other experience hubs, including the Mall of America and Downtown Disney, that echo the Legoland experience by exposing kids to its toys in an interactive, playful atmosphere. In addition, it has placed its Mindstorm experiences in science and industry museums, venues that attract youngsters and their parents (not to mention their teachers). Lego's directly owned and operated experiences increase demand for its toys bought at all retail outlets.

Lego mirrors this physical with a virtual structure. It uses the Internet to reach consumers at children's sites, toy retailers, and search engines all over the World Wide Web, produces derivative placements on sites like StarWars.com and HarryPotter.com, presents its own major platforms for distinct product lines (such as the ongoing storyline at www.bionicle.com), employs the drawing power of experience portals MSN (where Lego supplies content for its kids pages) and AOL (keyword: bionicle), and then stages its own experiences at its flagship site, LEGO.com Just a few of the online experiences it stages at this virtual place are story contests, consumer-created movie events, imaginary worlds to be explored (that grow monthly), and a mass customized product section. The overall goal of Lego's experience hierarchy: enhancing children's creativity and imagination by stimulating them to make their own designs from Lego elements.

place. But, as indicated by the vertical line in the location hierarchy model, companies should consciously choose which experiences should be free, and which for a fee. Never just assume that you cannot charge for it.

Making it happen

When considering creating marketing experiences you might reasonably worry that, if such premier experience stagers as Disney and AOL Time Warner could not get it right when it came to designing their own stores, then how can you ensure that your company does? Implement our final principle: recruit a chief experience officer. (To eliminate any confusion over who has the CEO title, call your new hire your Chief Xperience Officer, or CXO.)

The CXO should be responsible for developing, launching and managing the rich portfolio of paid-for experiences you should create in order to generate new sources of both revenue and profits in an increasingly commoditized world. When done properly, experiences have an incredibly powerful impact on customers, so moving to a business model based on such economic offerings is necessarily strategic in scope. Wherever appropriate, make the CXO a line executive with accountability for developing a profitable line of business driven by economic experiences. Alternatively, you can charge the CXO with creating experience offerings that the line executives then integrate into their existing lines of business and the overall mix of marketing activities.

In creating a CXO position, do not just name a senior marketing executive to the role. As we noted earlier, the skills to design, script, construct and cast experiences differ greatly from those found in marketing organizations. Traditional marketing activities to build brands and create demand must continue. Let your marketing organization do what it does best, while you find the right talent to lead your team of experience creators.

For the opportunity for new revenue growth within any company lies not only in driving sales of existing goods and services, but in creating experiences for which customers prove willing to pay. That is precisely the role of the CXO. ■

Reference

Drucker, P.F. (1993), *The Practice of Management*, HarperBusiness, London.