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Welcome To The Experience Economy

It's no longer just about healing: patients want a personal transformation.

By B. Joseph Pine II and James H. Gilmore

Monday

July 1, 2002

What business are you really in? Do you provide health care services? What, then, do you charge for? How do you get paid? Who's the real customer? What is the role of patients in their own care? Your answers to these questions will determine the viability of your health care facility as a business and as a force for good in your community. The old ways have passed away; you must embrace a new economic reality to be successful and to deserve the trust of those in your care. In short, you must reach past the medical goods and health care services you currently provide and start staging engaging health experiences for your patients.

Beyond Goods and Services

Experiences are a distinct economic offering, as distinct from services as services are from goods, but one that--until now--entirely unrecognized. When someone buys a good, he receives a tangible thing; when he buys a service, he purchases a set of intangible activities carried out on his behalf. But when he buys an experience, he pays for a memorable event that a company stages to engage him in an inherently personal way.

Companies in industry after industry recognize the need to stage experiences for their guests. The Hard Rock Cafe, for example, which opened in London in 1971, merged rock music with food service to create a unique dining experience--one successful to this day. Seattle-based REI has erected 65-foot climbing walls inside many of its latest establishments and charges guests \$5 to climb them. Some stores have cross-country ski or bicycle trails, walking paths with different surfaces for testing shoes, rain rooms, and, in Denver, a kayaking experience.

One of our favorite examples is a pediatric dentist outside of Phoenix, Dr. John Culp. He's known as The Jungle Doctor, as he created a jungle motif for his office. His business results have skyrocketed. The word of mouth is fantastic, kids don't cancel their appointments anymore, and they actually leave with smiles on their faces!

The forces of commoditization grow stronger every day, especially as the government puts more and more pressure on cost containment, HMOs practice greater control over clinical pathways, and consumers gain increased access to information about their conditions, options, and the quality of doctors and facilities.

So where does a health care organization start? You can do a lot worse than examining your EVO--your experience value opportunity (see the accompanying article, "Maximizing the Value of HealthCare"). Today, many executives in health care have capitalized on their EVOs to go far beyond mundane treatment services. Some examples:

- North Hawaii Community Hospital, in Kapaeha, Hawaii, created a "total healing environment"--a place to get well, rather than a place to be sick. And a wonderful environment it is. Patients can select the artwork that goes on the walls, while every room opens to a courtyard garden. North Hawaii, started by Medtronic cofounder Earl Bakken, combines high-tech conventional methods with high-touch complementary treatments, centered on holistic therapies from Hawaiian tradition.
- Memorial Health System in Springfield, Illinois, offers a rehabilitation center where patients can experience real-world situations such as cooking, grocery shopping, and even golfing. These experiences help prepare patients for a return home and give them the confidence to succeed.
- In California, the Fresno Surgery Center provides a comfortable environment in a nonhospital setting, which research shows helps patients heal faster. Rooms feel like home, meals taste as if they come from a fine restaurant, and management's been trained by the Ritz-Carlton to provide exceptional, personalized attention. Not only is every patient called a "guest" and treated as such, but so are family members, who are invited to stay overnight whenever they want.
- Starbright World, a company cochaired by Steven Spielberg and General H. Norman Schwartzkopf, offers a "virtual-reality play space" that enables sick children in hospitals around the country to interact with each other over a high-speed network. Its goal is to help kids cope with being in a hospital: they can play games with each other, share their experiences with procedures, learn about their illnesses, and make new friends.

Staging experiences greatly increases the value rendered to customers. But most hospitals must beware a fundamental axiom: the easiest way to turn a service into an experience is to provide poor service--thus creating a memorable encounter of the unpleasant kind. And the surest way to provide poor service is to treat individual clients via rote, impersonal activities that sacrifice patient need on the

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altar of doctor efficiency.

Mass Customize Your Offerings

How does a health care organization offer personalized service to thousands of customers? The answer is mass customization -- producing standardized modules that combine in different ways for different buyers. Think of Lego building blocks. You can build anything you want because of the many different sizes, shapes, and colors of blocks, as well as the simple system of tabs and holes that lets you easily snap them together. These two basic elements -- a set of modules and a linkage system that dynamically connects them -- define the modular architecture that equips a company to mass customize.

Consider the Healthcare Support Services division of the managed services company Aramark. It created a program called Interserv that provides customized, integrated, nonclinical support services to hospitals. The company collaborates with its clients to design the specific process modules desired in the areas of food service (e.g., catering, menu distribution), distribution (patient transport, stocking of linen carts), maintenance (boiler room, carpentry), and environment (discharge and cleaning, hose down, and so forth). Together, the company representative and the client redesign the overspecialized, functional-silo methods hospitals traditionally use to create a customized, integrated, modular architecture that provides customer-unique value. Finally, Healthcare Support and the hospital develop a multiskilled, comprehensively trained workforce that operates as a team.

A local Aramark Resource Center maintains in a database descriptions of all team members, all process modules contracted by the hospital, and a list of which team members can execute which modules. It further classifies process modules as scheduled or unscheduled and interruptible or uninterruptible. This allows hospital personnel to schedule many tasks ahead of time yet still arrange for some tasks -- such as "move this patient to radiology, stat" -- to be requested and dispatched at any time.

Think about how your health care facility can apply the principles of mass customization to stage a more engaging -- and more successful -- healthcare experience.

Working on Stage

Mass customizing your services is a great way to shift into the Experience Economy. But, particularly for health care, it's imperative to understand that when you are staging experiences, work is theater. Whenever employees are in front of customers, they are acting -- the simplest definition of which is "someone watches another person work." They must act in a way, therefore, that engages each guest with every interaction.

Flight attendants and hotel staff routinely perform acts of theater when they direct patrons to the nearest exit or rented room. The work of a retail store associate is theater when he straightens merchandise on a shelf. Bank tellers, insurance agents, and real estate brokers engage in theater when they explain terms and conditions. Your costumed postal worker performs an act of theater with every package she delivers, and Federal Express's "overnighting" is absolutely, positively theater. Even the trading of commodities in exchange pits is theater of a particular attention-grabbing kind.

And doctors who perform surgical operations in an amphitheater also perform theatrical operations by the side of every patient's bed. But how differently (and more memorably) would such activities be performed if those executing them understood their work is theater and acted accordingly?

On September 17, 1994, *Lancet* created quite a furor in the health care community when it published an article applying the principle that work is theater to medicine. In "Acting in Medical Practice," Drs. Hillel Finestone and David Conter of the University of Western Ontario asserted that physicians, and by extension all others in health care, should be trained as actors:

"If a physician does not possess the necessary skills to assess a patient's emotional needs and to display clear and effective responses to these needs the job is not done. Consequently, we believe that medical training should include an acting curriculum, focused on the conveying of appropriate, beneficial responses to those emotional needs."

Many physicians disparaged or ridiculed the notion of doctors becoming actors. One wrote in the *Minneapolis Star-Tribune* that if drama becomes a part of medical school curriculum, we would see scenes like this one: "Problem: Obesity. Old way: Doctor gives printed diet sheet. New way: Music swells as doctor stands in front of brilliant sunset, tears welling up, and makes the emotional, heart-rending promise, 'As God is my witness, you will always be hungry again.'" But proper acting does help a patient tell more of what ails him during diagnosis, better understand treatment choices, and more readily handle the therapy. Further, medical research backs up the contention that doctors must be actors. Numerous studies demonstrate that those doctors who deal with their patients in a more caring, empathic manner -- in short, those with better bedside manners -- not only face fewer lawsuits but have better patient treatment outcomes.

Similarly, everyone in contact with patients must find a role, characterize that role, rehearse it, and perform it well in every interaction.

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Whether you're a receptionist, security guard, nurse, or administrator, the patient's health care experience depends on how well you act.

Is a Great Experience Enough?

Embracing theater in your work will go a long way toward staging a compelling experience and thereby gaining a competitive advantage. But just as goods and services before them, experiences will eventually be commoditized.

Think again about how mass customization is the antidote to commoditization. What about customizing the experience itself? When you customize an experience to make it just right for an individual--providing exactly what he needs right now--you cannot help changing that individual. When you customize an experience you automatically turn it into a transformation, which companies layer on top of experiences, just as they layer experiences on top of services.

With transformations, the economic offering of a company is the individual person or company changed as a result of what the company does. In other words, the customer is the product! Therefore, the exact form and content of any particular transformational offering has to be considered very carefully. The transformational elicitor must first understand its customers' aspirations before it can hope to affect the right change in particular traits--whether they be physical, emotional, intellectual, or spiritual--within that individual. These aspirations center not on some external good or service, but on the customer herself, about what she wants to become.

Consider Lifeline Systems, Inc., of Cambridge, Massachusetts, which provides personal response devices. If the user presses the device's button, a signal goes through the telephone line to a 24-hour monitoring center. There, trained monitors assess the nature of the call and, if necessary, dispatch the appropriate responder--friend, relative, or public emergency personnel--to handle the situation. Fewer than 5 percent of the calls require emergency assistance, the ostensible reason for having the service. Rather, most people call when they're feeling isolated, and talking to someone at the center enhances their daily lives. Most of Lifeline's customers--the ones who actually pay Lifeline--are family members for whom the offering relieves them of worry. That's Lifeline's true business.

At some point in the future the Experience Economy will peak, and such offerings will become commoditized. Then, the Transformation Economy will take over. Fitness centers and personal trainers, universities and management consultants--and, yes, hospitals and surgeons--are already in the business of transforming their customers, but unfortunately rarely recognize what economic offering they're really selling. How should health care facilities think about making the play from services to experiences to transformations, without dropping the ball?

The insurance industry makes the transition through successive economic offerings. Traditional policy carriers merely insure their policyholders--meaning, as shown in figure 2, that clients only secure a payment in the event of a loss. Something happens, they eventually get money--that's it.

Progressive Insurance of Cleveland takes insurance a step further. Its claims adjusters ride in SUVs outfitted with a personal computer, wireless uplink, and everything else needed to efficiently resolve a claim from the accident site. The Progressive claimant finds his particular needs handled right then and there: he receives not only a check, but perhaps a cup of coffee as well, and, if need be, time to settle his emotions inside the van and reassure loved ones of his safety (or arrange for a ride) over the adjuster's cell phone. Progressive's compelling experience assures its policyholders--meaning guests secure confidence, encouragement, trust, or a feeling of satisfaction. When something happens, Progressive assures that its policyholders not only get their money immediately, but also that they feel better about the whole unfortunate situation.

To guide a transformation, carriers must ensure their policyholders--meaning aspirants will secure an actual event, situation, or outcome. Business-to-business provider MMI Companies, Inc., of Deerfield, Illinois--purchased by the St. Paul Companies a year ago--still insures hospitals and physicians' practices against malpractice and other risks. But rather than just pay for lawyers and claims against policyholders, MMI works hard at ensuring its doctors don't get sued in the first place. Health care institutions cannot buy MMI's insurance without agreeing to participate in programs that encompass data gathering and analysis, education courses, and hands-on consulting that together help ensure that doctors, health care professionals, and health administrators become less of a risk. Every year MMI analyzes how well each institution progressed and adjusts its programs to respond to changes in the industry, with the emphasis on improving clinical care. As former CEO Rick Becker related to us, "In today's litigious society no one can eliminate all possibilities of a lawsuit. But we're not interested in a business becoming a customer unless that business is interested in becoming less of a risk."

Doesn't that same sentiment apply to patients in the healthcare system? No hospital can eliminate all the possibilities of illness and injury. But patients aren't interested in treatments, pathways, and procedures per se. Even customized services, compelling environments, and engaging interactions aren't enough. If they're undergoing treatment, what patients want is to be made whole again. If they are healthy, they want to remain so. And in the end, what we all aspire to is a long and healthy, full and productive life. There are no economic offerings more valued than that, and no company better positioned to provide it than yours.

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This article first appeared in the September/October 2001 issue of Health Forum Journal