

See discussions, stats, and author profiles for this publication at: <https://www.researchgate.net/publication/291025310>

Welcome to the experience economy

Article in Health Forum journal · January 2001

CITATIONS

878

READS

984

6 authors, including:



B. Joseph Pine II

Strategic Horizons

45 PUBLICATIONS 11,920 CITATIONS

SEE PROFILE

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



Regenerative Managing [View project](#)

Reprinted from:

Health Forum Journal

volume 44 number 5

September/October

2001

www.healthforumjournal.com

THE EXPERIENCE ECONOMY

Patienthood Transformed page 10

Tips for Experience Stagers page 17

Growing Your Partnership page 22



HEALTH FORUM
AHA

Cloude Mont 1991

From the CEO

If you have to go to a hospital, why not choose one that feels like an afternoon at the beach?

Imagine undergoing an MRI scan inside a sand castle. The scents and sounds evoke more of an ocean beach than a hospital ward. You're having an "experience," and it's one you're not likely to forget the next time you need a health care provider.

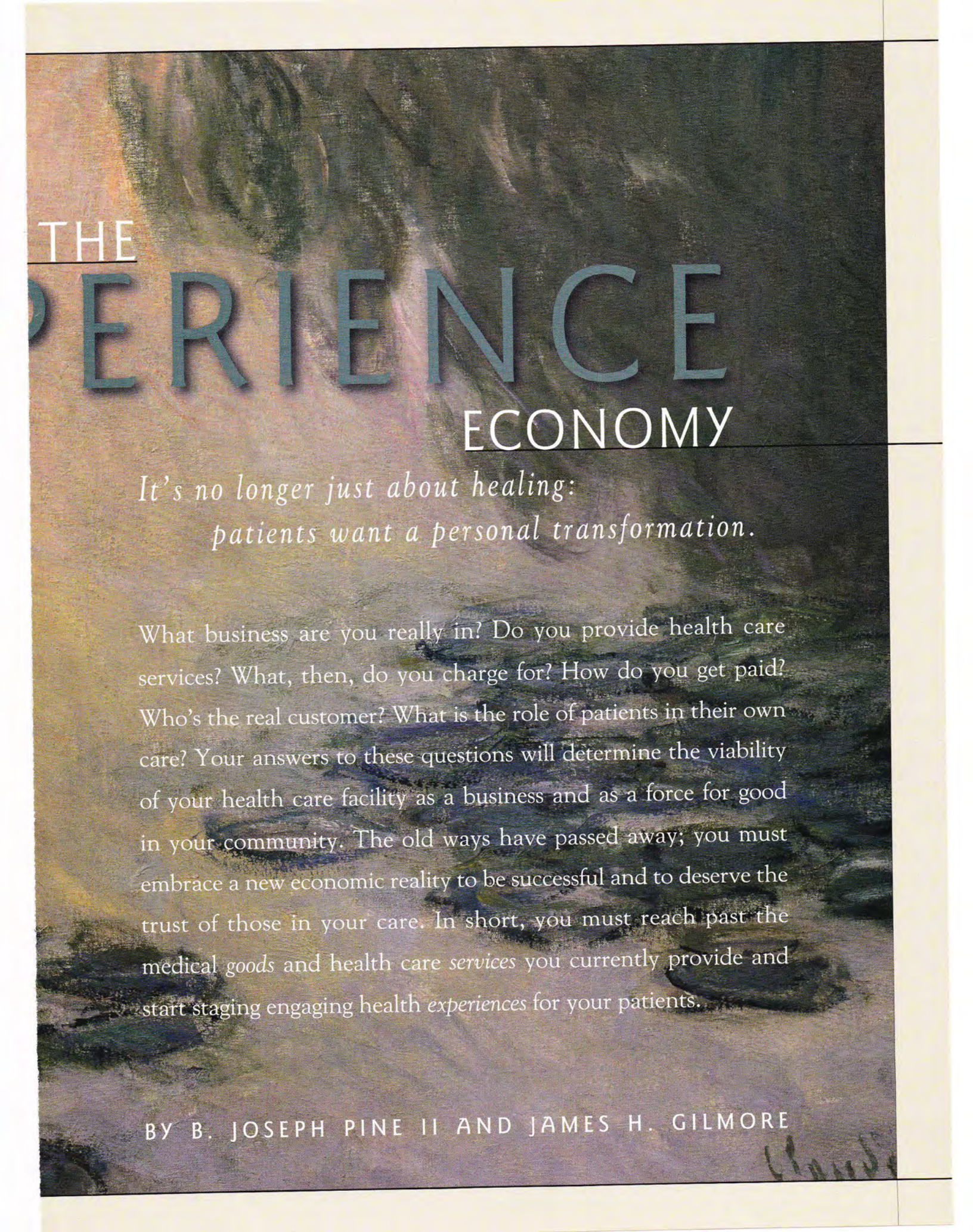
B. Joseph Pine II and James H. Gilmore, authors of *The Experience Economy: Work Is Theatre and Every Business a Stage* (Harvard Business School Press, 1999), are championing a transformation in health care delivery. A patient wants a healing relationship, they report in their cover story, and institutions are responding with "memorable events" to engage patients "in an inherently personal way." Witness also the popularity of courtyard gardens and virtual-reality play spaces in today's healing environments.

Pine and Gilmore have asked the leaders of three health care institutions to describe their new approach to patient relations. As you read the sidebars, note the positive effect of this approach on employee and patient satisfaction, hospital-physician relations, and market share. Al Stubblefield, the president of Baptist Health Care in Pensacola, Florida, expresses the aspiration of many of his fellow leaders: "What wins customer loyalty for a health care organization are experiences so great, so outstanding, so far above every expectation, that customers will not even consider using other providers."

-Kathryn E. Johnson



WELCOME TO EXP



THE EXPERIENCE ECONOMY

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

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.

BY B. JOSEPH PINE II AND JAMES H. GILMORE

Beyond Goods and Services

Experiences are a distinct economic offering, as distinct from services as services are from goods, but one that—until now—went largely 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 climb-

ing 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 Health Care"). 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 Kamuela, 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.

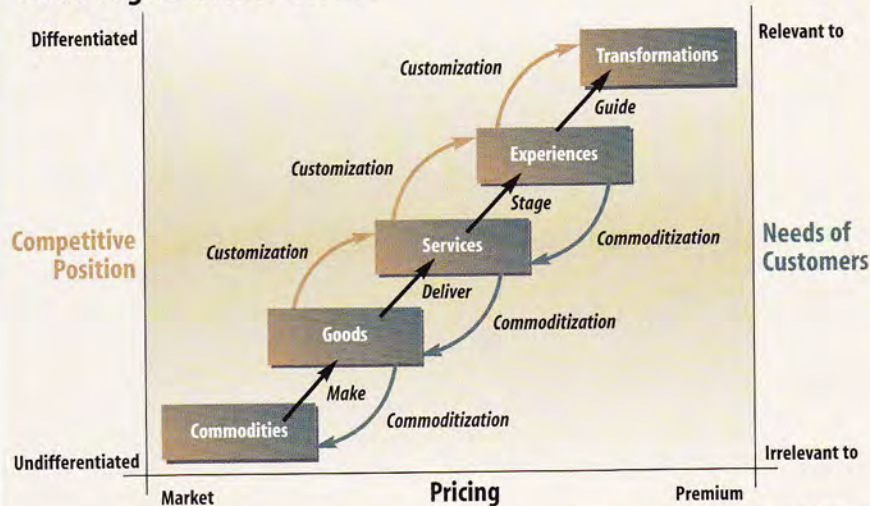
- Memorial Health System in Springfield, Illinois, offers a rehabilitation center where patients can experience real-world situations such as cooking, grocery shopping, and even golfing. These experiences help prepare patients for a return home and give them the confidence to succeed.

- 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 co-chaired by Steven Spielberg and General H. Norman Schwarzkopf, 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

Figure 1:

The Progression of Economic Value



Source: Strategist Horizons LLP. Copyright ©1999

Figure 2:

The "Insurance" Industry through Successive Economic Offerings



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 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-

Building a Mickey Mouse Organization

BY PETER J. BETTS

As CEO of East Jefferson General Hospital, I made guest relations our first priority in 1982 when three new competitors moved into the New Orleans area, bringing the total number of competitors to five. Each of these competitors was larger than we were, had many more resources, could move more quickly, and did not have to function in the public sector. My goal was to set the hospital apart by making guest relations practices so pervasive that they would become a part of the organization's culture.

After eight years of successful in-house training, we decided to go to Disney to see how they did it. I came away with three major impressions of why Disney is so successful: emphasis on employees (called "cast members" because they are putting on a show), attention to the environment ("on stage" is where the customer is and "back stage" is where the support areas are), and understanding and exceeding customers' expectations.

Back home, I created and chaired a steering committee to improve our guest relations expectations. We assembled task forces that reported to the steering committee; these task forces examined how we handled each of the three aspects of guest relations and made recommendations for improvements.

We started referring to our employees as "team members" to enhance the fact that we are all pulling together and depend on one another. We also created a service statement, which all employees are required to memorize: "Providing care and comfort are our highest mission. We pledge to our guests the finest in personal service, courtesy, and respect and a satisfying experience." To promote teamwork, we designed easy-to-read name tags without titles and degrees. We held focus groups with patients to find out what sort of dress code employees should follow. One of our more important changes was to modify our performance evaluation tool so that meeting guest expectations became half of the requirement for a merit increase.

As CEO, my responsibilities included setting the vision and culture of the organization, assuring that management serve as role models and that we uniformly and consistently apply core values. A culture of guest relations has been driven deep into our organization, but it is continually nurtured and reinforced.

In 1997, the Disney Institute noted that 30 percent of those attending their management seminars were from health care. They came to East Jefferson General to see what we were doing, as they had heard much about "the Disney hospital," and were impressed enough to present us with their Mousecar, a statuette of Mickey which is, to them, an Oscar. We are the first organization recognized by Disney for customer service.

The best recognition, however, is from our team members, patients, and physicians. In our most recently tabulated team member satisfaction survey, we scored in the 99th percentile in the seven key attributes for satisfaction, including "This is the best job I have ever had" and "I would recommend employment at East Jefferson General to family and friends." Our medical staff tells us that this is the best hospital in the region and that they prefer to care for their patients here.

Our market share has grown, and one of the competitors has closed. Since 1995, outpatient visits are up 10 percent, ER visits up 9 percent, inpatient admissions up 10 percent, and our closest competitor lags 46 percent in being the overall preferred hospital.

Creating a culture in which customer service is provided automatically and without thinking is not an undertaking for the faint of heart. It takes years of persistence and preoccupation to create and maintain a culture. The results, however, are more than worth it.

Peter Betts, FACHE, is president and CEO of East Jefferson General Hospital in Metairie, Louisiana.

Celebrating the Guest Experience

BY LARS HOUMANN

Walt Disney imagined a prototype town where innovations in education, technology, community, design, and health could be implemented. Part of this dream was realized when Florida Hospital launched Celebration Health, a health care center located in the Walt Disney company-created town, Celebration, Florida, in 1998.

Celebration Health provides full inpatient, outpatient, and emergency services with physician offices; a fitness center; and medical, retail, research, and education facilities. Florida Hospital, an Adventist Health System facility, owns and operates Celebration Health as part of its seven-campus network in Central Florida.

The mission statement of the hospital is based on eight principles of health: choice, rest, environment, activity, trust in God, interpersonal relationships, outlook, and nutrition (CREATION). The facility offers customers a close connection with nature: it has ample outdoor views, healing gardens, and nature-inspired indoor environments. Each patient, visitor, fitness member, staff, physician—anyone who enters the building—is part of the CREATION experience. Celebration Health's programs and services provide a complete health care experience for guests and an opportunity for improved health. Below are four examples:

CT and MRI scans. Recognizing that many patients are anxious and fearful of these scans, Celebration Health's diagnostic imaging team decided to turn the scan experience into one as relaxing as a visit to the beach.

The virtual beach experience begins with a stroll down a wooden boardwalk to a cabana, where patients change into flip-flops and robes sporting beach imagery. They wait for the scan in an area that's scented with coconut oil and filled with sounds of crashing waves and seagulls. Finally, they climb inside an MRI machine that's disguised as a sand castle.

Pulmonary therapy. Inspired by an article about harmonica therapy at a hospital in New Jersey, the respiratory therapy team adapted the concept for patients in pulmonary rehabilitation at Celebration Health. Therapy sessions formerly marked by thin attendance now fill the room, with harmonica instructor Linda Bouchelt leading a chorus of patients grinning about their therapy. They are enjoying a health care experience, while achieving once-lost skills such as walking without gasping for air.

Annual exam. Developed in collaboration with Dr. James Rippe, a cardiologist and author, the Rippe Health Assessment is an all-day affair. After giving blood and urine samples, patients eat a healthful breakfast, then meet with a physician for the physical. Later, they undergo cardiovascular testing and talk with an exercise physiologist, nutritionist, and pharmacist for custom evaluations. After lunch, patients see specialists about specific health concerns and talk with counselors to explore personal goals, objectives, and lifestyle concerns. Finally, patients see their physicians to review tests results and discuss recommendations. A comprehensive report is then mailed to the patient's home.

Patient rooms. Each room is designed to accommodate a patient at any level of care: intensive, progressive, or basic medical/surgical. Warm wood tones, cabinetry, and panels that hide outlets and gauges when they're not in use soften the traditional hospital appearance.

Patients remain in the same room and under the care of the same team members for their entire hospital stay. They are clustered by diagnosis, and a high ratio of the nursing staff is trained in critical care. As a result, patients are exposed to fewer hospital moves, they develop a healing relationship with their care team, their physician has the same care team to rely on for the whole stay, and staff are more efficient, wasting little effort on the transfer process.

These experiences have the potential to greatly improve the outcomes sought by the guests of our facilities.

Lars Houmann is executive vice-president, operations, at Florida Hospital, Orlando, Florida.

unique value. Finally, Healthcare Support and the hospital develop a multi-skilled, 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—health care 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. Whether

Taking a Cue from the Hospitality Industry

BY AL STUBBLEFIELD

It would have been heresy just a decade ago to claim that health care was no different from the hotel and restaurant industry. Back then the field still saw itself as too lofty an enterprise to compare with ordinary commerce. To call patients "customers" was near blasphemy.

Today, as president of the largest health care organization in northwest Florida, I have learned much from the hotel and restaurant industry. Our fields have a great deal in common: the way people experience our services will determine whether they return to use our services again.

Customer loyalty takes more than good or even excellent care. People expect that much, along with the most up-to-date treatments, therapies, and technologies, when they receive health services. What wins customer loyalty for a health care organization are experiences so great, so outstanding, so far above every expectation, that customers will not even consider using other providers.

The five hospitals, two nursing homes, and myriad outpatient services that make up Baptist Health Care employ the same principles and practices for managing our customers' experiences. Every employee—whether a nurse, technician, or clerk—is trained to anticipate needs and fill them before a customer has to ask for help. Every employee is responsible for protecting the customer's privacy and showing sensitivity to his or her situation. Every employee is required to ask, "Is there anything more I can do? I have the time," whenever leaving a customer.

At every Baptist Health Care entity, customer satisfaction is carefully measured and tracked. Since 1995 our hospitals have used the Press, Ganey Associates patient satisfaction survey of more than 600 hospitals across the United States; Baptist hospitals have dominated the top percentiles of the survey for more than three years. We use those scores to tell us how we are doing: if they drop even a little, we find out why and use it as an opportunity to do better.

But at Baptist, we don't concentrate just on customer satisfaction—we also focus on employee satisfaction. If the providers aren't satisfied, you can almost bet that the patients aren't either. At Baptist, we have a "no-secrets" environment that allows employees to understand why decisions are made and what the hospital leaders hope to accomplish by them. We let employees share in the decisions that most affect them, let them show initiative, and eliminate barriers to their success.

Behind employee satisfaction is an important—and often overlooked—component: leadership training. Every quarter, every leader in the Baptist Health Care network undergoes leadership training, which runs the gamut from writing 90-day plans to understanding different personality types. Communication is also crucial in ensuring employee satisfaction: in February we initiated a program, The Lineup, used in the hotel and restaurant industry. On every shift and every day throughout the organization, employees gather in groups for five to ten minutes of information, discussion, and, most important, inspiration.

Recently, a skeptical physician who was benchmarking with Baptist Hospital decided to conduct a test. He waited until evening when his hosts had gone home. Without identifying himself to any of the staff, he strolled through the hospital's halls, noting the way he was greeted by each employee, offered help when he looked confused, and escorted to the destination he requested. Stopping at the emergency room registration desk, he told the clerk he was looking for a loved one. When the clerk could find no patient listed under the name given, she called Pensacola's two other tertiary hospitals—our competitors—and asked if they were treating the "patient" in question.

The physician was convinced. The next day he asked if he could describe his experience to others who were benchmarking with him. That kind of testimony tells me that the Baptist Health Care experience will continue to win customer loyalty.

Al Stubblefield is president and CEO, Baptist Health Care, Pensacola, Florida.

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. (See figure 1.)

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 transformation 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 health care 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. ■

B. Joseph Pine II and **James H. Gilmore**, founders of Strategic Horizons LLP of Aurora, Ohio, can be reached at pine@gilmore@customization.com or (330) 995-4680.