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**G**oods and services are no longer enough. What people want today are experiences – memorable events that engage each individual in an inherently personal way. So just as the Service Economy supplanted the Industrial Economy last century (as it too superseded the Agrarian Economy in time past), today we are shifting into the Experience Economy. Think of the rise of theme restaurants, boutique hotels, interactive gaming, and of course experiential retail, among many more developments that could be cited, as we see a constant drumbeat of new and wondrous experiences across the economic landscape and around the world.

This history of economic progress can be encapsulated in a coffee bean – a true commodity. The amount of beans that go into a standard cup of coffee in fact cost only 2 or 3 European cents. But take those beans and roast, grind, and package them for a grocery store shelf and now you get 10-20 cents per cup. Perform the service of brewing those beans in a vending machine, kiosk, or



# Your Competition?

brown cafe and you get 50 cents to a euro or two for your cup of coffee. But surround the brewing of that coffee with the ambience and theatre of a Starbucks – which innovated a coffee-drinking experience in places where people value the time they spend there – and watch them get 4€, 5€, and even 6€ or more per cup of coffee. So it is within every industry – and especially in retail – where we can see four distinct levels of economic value, totally depending on what business the company thinks it is in.

## COMPETING AGAINST THE WORLD

But no matter what business you think you are in, recognize that because of the rise of today's Experience Economy you now compete against the world. You may think your competition is only with other retailers, or only with other companies in your geographic area, but in fact you compete with every other company in the world for the time, attention, and money of individual consumers. There is a reason we use the word "spend" in front of each of these three nouns, for they are the currencies of the Experience Economy.

And time is limited. We can only experience twenty-four hours a day, seven days a week – and we have to fit

sleep in there at some point. So if some other company captures my time and gets me to spend time with it, what am I not doing? Spending time with you, in your store.

Similarly, attention is scarce. In today's media-fragmented world it is increasingly hard to capture consumers' attention with normal advertising. If an advertisement comes on the TV, they may step out of the room to get something to drink – or more likely, just skip over it on their DVR. If they come to an ad of yours in their newspaper or magazine, they may just flip the page

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 experience’*

# The World

and give it no mind. And who doesn't hate pop-up ads as well as videos blaring out at you, getting in the way of what you are trying to accomplish online? But when some company does capture my attention because they created an engaging experience – whether online or off – then what am I not doing? Giving that attention to you and your business.

And finally, money is consumable, meaning if a consumer has a euro to spend and he purchases some economic offering (whether a commodity, good, service, experience, or transformation) from some other company in some other geographic area, then that is money he is not spending with you, on your merchandise. Everyone has finite resources; if your offerings do not provide more value to consumers than their other options, you will not get their business.

Therefore, you need to understand a fundamental principle of the Experience Economy: *the experience is the marketing!* The best way to generate demand for your retail stores – the mission of marketing – is to create an experience that is so engaging that consumers cannot help but spend time with you, give you their attention,

and then buy your merchandise as a result. You must then create and stage marketing experiences – experiences that do the job of marketing by generating demand for your merchandise.

## MARKETING EXPERIENCES

Interestingly, manufacturers have come to embrace this principle more readily than retailers. That is why you see such “brandlands” dotting the landscape as the Guinness Storehouse in Dublin, Volkswagen’s Autostadt in Wolfsburg, Ferrari World in Abu Dhabi, a growing number of LEGOLands around the world, and of course the Heineken Experience right there in Amsterdam.

But manufacturers do not have to create such spectacular flagship locations; you find them increasingly in normal retail locations. Nike was one of the first to go this route with its Niketown format, but I would argue that they have degenerated over time from truly exciting experiences into mere merchandising.

Inarguably the most successful, of course, is Apple. I can still remember back in 2002 when Steve Jobs announced he was going into retail, and he got lambasted in the business press. Commentators said he did not know what he was doing, that Apple was going to tick off their business partners, that the company would fail. But Jobs proved them wrong by creating not just a normal retail store, but the Apple Store experience. Every product not inside of clamshell packaging is live, ready to be touched, fondled, used, and experienced. The store personnel are incredibly knowledgeable and fall over themselves to help. Consumers can get any question they have answered, can take classes and workshops in-store, and interact with geniuses by appointment.

Today, Apple is the most productive retailer in the entire world, getting on the order of US\$6,000 per square foot across almost 500 stores around the world – over an order of magnitude greater than the average retailer. Now obviously that is predicated on great products. If Apple did not have such wonderful (and wonderfully engaging) products, then the store experience would not matter as much. But when you have both great products and a great experience, then magic can happen.

## AMERICAN GIRL PLACE

The best retail experience I have ever seen, though, is the American Girl Place, from a manufacturer (now owned by Mattel) of very high-end (over US\$100) dolls. The Places (not stores!) are paragons of merchandising, but it is all of the experiences – places within the Place – that are the most engaging. There is the Cafe where you can eat lunch, tea, or dinner, including having a special seat and place setting for your girl’s own doll (and she can borrow one if she didn’t bring her own!). There is a doll salon to get your doll’s hair done, a photo shoot to see her picture on the cover of American Girl Magazine, a doll hospital, and in the original Places even a 150-seat theatre with a live staged production! →

Think about it: you can go to an American Girl Place and spend hundreds of dollars without buying a thing – just for the admission-feed experiences. But then of course you leave with a bag or two with another doll, clothing, books, and other merchandise all serving as memorabilia for the engaging experiences you just had. No wonder the average family going into an American Girl Place doesn't leave for over two hours!

**CHARGING ADMISSION**

And that's the key. Perhaps paradoxically, the best way to get consumers to spend their money, give you their attention, and get them to spend time with you is to charge for that time via an admission or membership fee. More and more companies are charging for time in retail, including the Mall of America (near where I live in Minnesota) with

ces. But other cafes have, most notably Ziferblat, a small chain of cafes in the UK that charge 6 pence per minute – and the coffee is free! It is subsumed within the admission fee people pay to spend time in the place.

And remember each of the brandlands mentioned earlier? Every single one of them charges admission, and you may recall that when Heineken redesigned the Experience a few years ago it even upped the fee from 5€ to 15€ – and attendance actually went up, as well, I'm sure, with beer sales.

**HAJENIUS**

But my favorite Dutch example is what I think is the best cigar store experience in the world: P.G.C. Hajenius on Rokin in Amsterdam. The place first of all exudes authenticity (a subject for another time). Second, it lets



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its central amusement park; Recreational Equipment Inc., which charges to climb a 60-foot mountain it has placed in its larger stores to get consumers to experience the mountain-climbing gear it sells; the flagship Lush store in London with its day spa; Eataly with its Italian cooking classes; and on the list could go. In each case the retailer understands that if they can get you to experience its products before you buy them, the chances you will buy them go up.

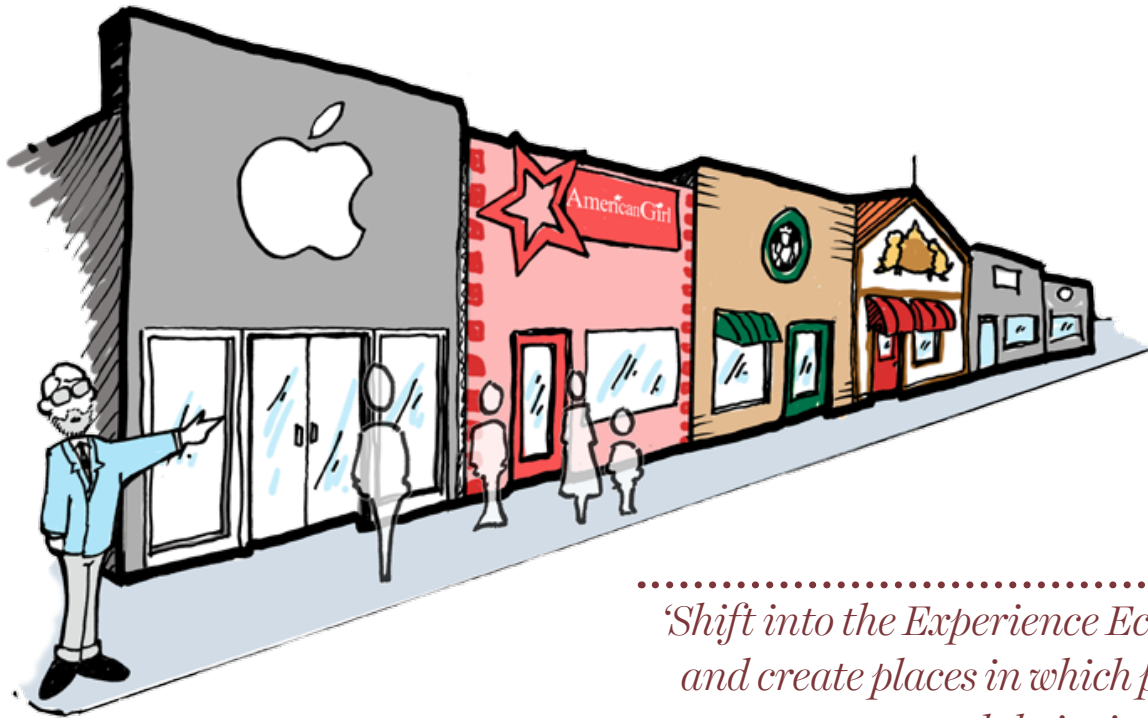
Starbucks has always been one of my favorite exemplars of the Experience Economy, for Howard Schultz recognized the value of going beyond the selling coffee goods to creating coffee-drinking experiences, places where people enjoyed the time they spent there. For what consumers seek in their experiences are time well spent. Focusing solely on price and convenience – time well saved – is a sure route to commoditization.

Starbucks has yet, however, to take the next logical step of charging people for the time they spend in its pla-

you experience its products right in the store, with its own cafe. And third, twice a week it stages an admission-feed experience in its back boardroom, where people pay 35€ for an educational cigar class, with a cigar itself subsumed within the experience for free.

And I remember being in London a number of years ago with my wife and asking the hotel concierge if there were any experiences I should check out. He asked, "Have you ever been to Vinopolis?" Inquiring as to what exactly it was, he responded, "Well, it's a wine store that charges admission." "Oh," I replied, "we have to go!"

On arriving, however, I discovered it was really a wine museum, with "City of Wine" as its theme. After paying the £15 admission fee, we spent over two hours in the well-executed experience, learning where grapes are grown, how they are turned into wine, the different varieties, and every once in a while using one of the five coupons that we each received as part of our admission fee to taste a small glass of wine.



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The last part of the experience was a wine-tasting hall for those who had not yet used up their coupons – or who wanted to purchase more – and then, being a museum, we were pushed through to the gift shop. But this was no ordinary gift shop! In fact it was a cavernous wine store where we could purchase any variety of wine that could be tasted in Vinopolis, which could be shipped home.

So we went there thinking it was a wine store, discovered it was a museum, but upon leaving we realized, yes, it really was a wine store that placed a museum out front as a marketing experience to get people to walk through the store! And of course it charged admission for that experience.

#### IT’S ABOUT TIME

For what does charging for the time customers spend with you do? It sends a signal that this is a place worth experiencing. And if you do not charge admission, then not only will your customers not value it, but you are unlikely to have the wherewithal to stage a worthwhile experience, one that truly gives time well spent.

Of course, not every retailer will be able to charge admission for its place or places within the place. But even if you are not sure how to do it or even whether to do it or not, ask yourself, “What would we do differently if we charged admission?” Ami Arad – founder of Wingtip, a men’s store in San Francisco he calls “Solutions for the Modern Gentleman” – asked himself that very question as he was designing the store. So he decided to create a members club on several floors above the store, charging US\$200 per month for an amazing membership

experience. So the men’s store creates demand for the club while the club creates demand for the men’s store!

In doing so, Arad induced current and potential customers to give Wingtip their time, attention, and money. He embraced the principle that the experience is the marketing, and then created an engaging and memorable marketing experience that generates demand for his store.

So whether you are a mall developer or retailer, recognize that you face a stark choice. You can either keep doing the same things that your industry has always done and slide down the slippery slope of commoditization, or you too can shift into the Experience Economy and create places in which people want to spend their time, give you their attention, and then pay you for the merchandise that they experienced themselves – and perhaps even pay for an admission or membership fee into your engaging, memorable experience.

The choice is yours. ←

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