

Are they
experiencing marketing,

or are you
marketing experiences?

BIA analysis

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Are they experiencing marketing, or are you marketing experiences?

*Written by: V. Rory Jones and Scott Sangster
July, 2004*

You've probably heard of experience marketing - but are you using it? Executing well? Our experience tells us most businesses have not yet adopted this new approach; while many that have, still miss the point.

We are advising our clients to get out ahead on experience marketing, as it is likely to be a powerful source of competitive advantage for many years to come. Here are some pointers on what it is, why it is important, and how to adopt it (and how to avoid some of the pitfalls):

What is experience marketing?

Think of experiences the way Walt Disney does. To deliver the Disneyland experience (the happiest place on earth), they align ALL customer interactions; from advertising and logos, to ride queue decoration and the piped scents (like hot chocolate); no detail is too small. Do you exercise the same degree of control over the experience you deliver?

Experience marketing extends your proposition far beyond traditional products or services – to include using using multiple vehicles and senses to envelop the customer with a carefully managed experience; with the goal of influencing behavior. When customers buy your experience, they are valuing something larger than a product, and the more relevant the experience, the more intense will be the demand.

Why adopt experience marketing?

Experience marketing is able to deliver hard, tangible improvements in business performance; in growth and in profitability – together these have a very material impact on the operating value of the business (and market cap).

- a. **Enhanced growth.** Experience marketing improves both perceived and actual differentiation, and offers a real opportunity for competitive advantage in even commodity markets – leading to **share growth**. Furthermore, there is abundant opportunity to bundle other products or services (even through partnerships) - leading to **incremental sales**.
- b. **Enhanced profitability.** In addition, premium prices result from increased perceived value (of the experience itself – see 'pitfalls' caveat below), and increased demand.

How should experience marketing be adopted?

While it delivers tangible benefits, experience marketing is somewhat qualitative in how it works. And remember when crafting your experience - it is the aggregate of all interactions. Here are our implementation tips:

- a. **Three not-so-easy steps.** First, use key customer traits and needs to characterize an experience; then design the experience using the full range of tools and resources; and finally, circle back using adaptive learning techniques.
- b. **Watch for pitfalls.** Pitfalls are common-place – here are a few: Half measures (obscuring an experience's true potential); scant attention to business economics in the design phase; shortcutting around piloting and research.

What is experience marketing?

Experience marketing; simply the use of experiences, by businesses, to achieve specific market goals. We call such experiences “Business Sponsored Experiences” (BSEs).

unconcerned with experiences that are negative (whether created by them or partners); they seem to have a fatalistic view on the experience delivered; while deploying almost no resources to identifying objectives – let alone designing a desired experience.

business sponsored exp̄er'ience ...

A contrived setting of the key factors of interaction (“Experience Levers”), arranged to appeal to a target customer’s needs and wants

Such experiences are created and executed with the intent to influence customer behaviors, such that key business goals of the sponsoring company are achieved

Configured experiences are the next step in the evolution of marketing; they typically aim to create a heightened differentiation for the company, and attract new customers to the market

BSEs are contrived, managed and controlled by the sponsoring entity or its partners / allies. BSEs are designed to accomplish explicit goals.

BIA’s experience marketing philosophy

We have three guiding principals in our approach to designing experiences:

1. *The customer’s experience is the sum total of all interactions it has associated with a business; it begins from the moment customers becomes aware of the business (and what it offers) and its effects never end*
2. *Businesses have considerable influence over the consistency between the actual experience and their desired positioning strategy*
3. *Experience-influencing ‘levers’ must be selected and set according to the desired experience; implemented within the context of strategic objectives (differentiated positioning, market share growth, capital resource availability, etc.)*

Despite the common sense nature of these principals, they represent a sea-change in business’ approach to the marketplace and customers. Businesses are often

Experiences revealed

At the core of experience marketing is the notion that customer purchasing behavior can be more effectively influenced with an appeal that extends beyond the simple product or service. Such extensions address multiple senses and emotions, as well as multiple customer needs.

By appealing to multiple senses and emotions, the customer becomes more aware of you, and more engaged with you. Politicians have known this for years – knowing that the effect of a simple handshake dramatically heightens the likelihood of a vote, over an experience simply as a spectator. The extent of the handshake touch is often not even accompanied with eye contact, as the politician recognizes the additional sense input (with its associated bragging rights) is where the value really is.

Some product markets are new to the game, while others have used BSEs for some time; though have realized it can be extended (for competitive advantage) far beyond the product or service.

The car industry is one example in which BSEs have been tightly controlled for years, with varying degrees of success, and are now undergoing incremental extensions. The focus to date has typically been on the message and positioning of the brand, and the use of in dealership

interactions. The extensions grew to include merchandizing of clothes, toys and numerous nick-knacks, sponsored events, clubs and social events. Even the test drive is adapting to over-night trials and contrived test tracks. Land Rover has built off-road tracks in many of its locations, tilting the vehicles to extremes and painting a local scene of wilderness for would-be city naturalists.

Segmenting experiences

We find it helpful to consider the situation in terms of experience types. The two most important factors appear to be the type of the ‘target’ (i.e. the recipient of the experience) – consumer or business; and the type of connection to the target – whether direct, or through some intermediary.

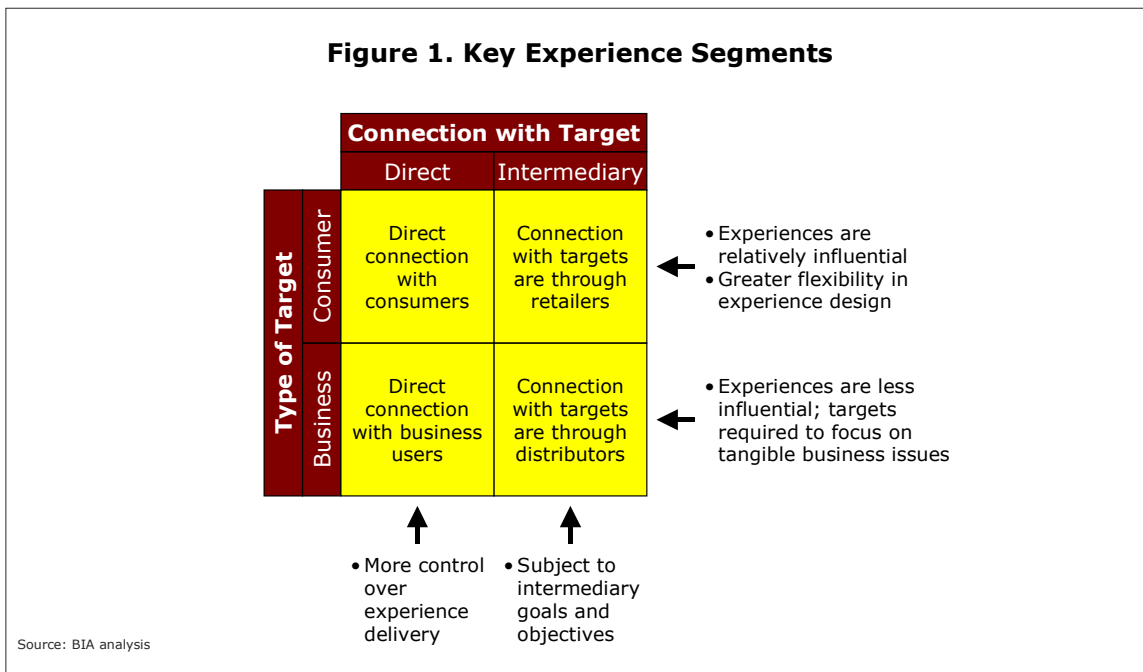
Figure 1 discusses these segments:

‘Direct’ connections offer the opportunity to control experiences more fully; while intermediaries (such as retailers, distributors and even media outlets) have the potential to inject their own goals and objectives to the experience. It is worth noting however, that many successful experiences have been delivered, in conjunction with intermediaries, such as retailers; the BOSE LifeStyle experience is a good example of this since BOSE delivers a unique consumer listening experience, even within big box retail environments.

Experience stages

We view experience delivery as a four-stage process (see Figure 2).

Typically, experiences will successfully draw customers through all four stages. Notably, they may also iterate; as



We believe consumers are relatively more influenced by the experiences, in contrast to business targets (who are often constrained by specific business considerations). With that said, business relationships are often quite complex – and extend far beyond the experience of individuals to include institutional experiences (these encompass systems and process issues).

We are mostly concerned with consumer experiences here.

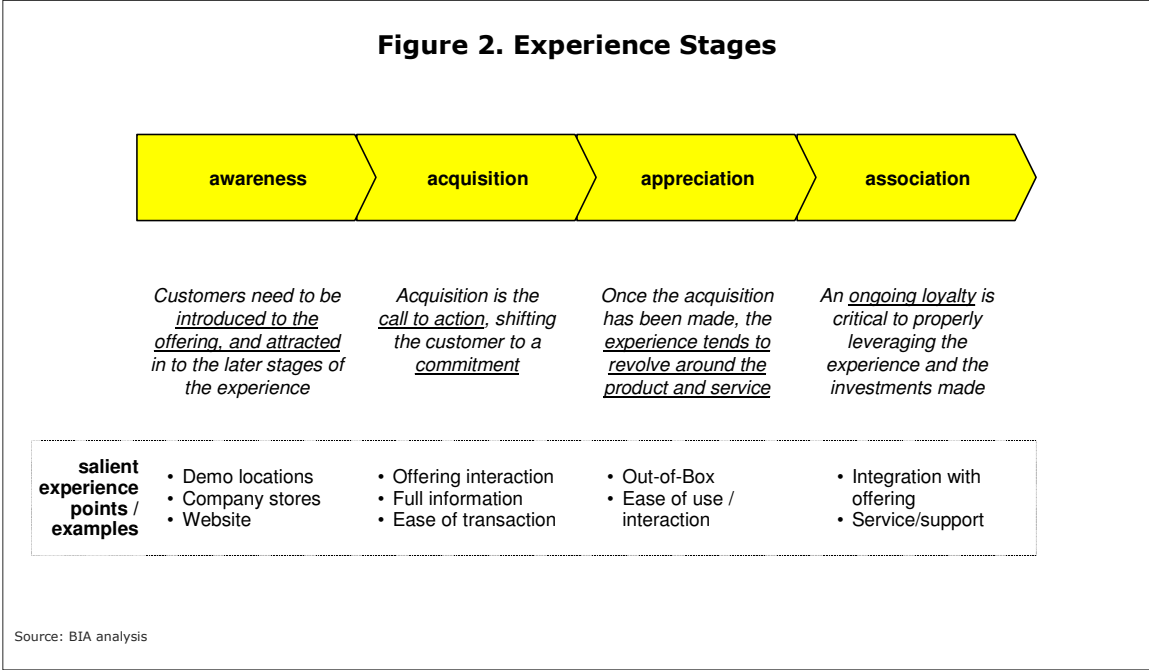
new experiences are made available, they will re-start the process from the beginning.

The first stage is ‘awareness’ of a BSE. Here, individuals are introduced, and attracted, to the business; underlying messages are delivered and relationships are established.

Next, the target is called to action in the ‘acquisition’ stage. Once the target becomes a customer, there us a transaction of some type, and the experience is reinforced.

Following the acquisition, the customer will experience the purchase directly, we refer to this stage as the ‘appreciation’ stage (certain components of this stage have historically been seen as the only relevant aspects of customer experiences).

Finally, the ‘association’ stage offers the potential to consolidate and strengthen the relationship through an ongoing connection. Properly handled, this stage will increase perceived value of the product or service by promoting use and enhancing customer satisfaction. It should also drive future transactions (new or repeat); encouraging word-of-mouth and other endorsements.



A good experience

LEGO offers a great example of an effective business-sponsored experience.

For a business that sells small plastic blocks, they have created a hugely powerful behavior driver for pre-teenagers. The experience LEGO delivers towers above those of its competitors, in all experience stages.

Awareness is delivered from all the usual good marketing sources (good brand management, targeted communications, etc.), and then some. Word of mouth is a critical vehicle for LEGO to Awareness and Appreciation. In fact, their Appreciation stage experience is so absorbing, and so oriented toward collaboration, that kids proactively discuss the experience with most people they meet – and are even further motivated by strong emotions such as pride and competitiveness.

LEGO has also opened theme parks and shops, and uses co-marketing well in the appreciation stage (discussed later), accompanied by extensive and consistent theme sub-branding.

Despite being subject to the experience-impacting actions of retailers, LEGO has crafted an Acquisition stage experience that is electric in its motivation. Images on boxes and elsewhere are well leveraged to create excitement among kids in the shop about possibilities – though are tantalizingly out of reach (needing assembly). Inter-dependencies between the products are cleverly used to increase demand, created by the exploitation of story and other themes, sub-brands and co-marketing partnerships.

LEGO's ability to manage its retail environment is noteworthy. It repeatedly has the benefit of end-caps and other prominent positioning, and its packaging is carefully designed to keep the Appreciation experience in view – though, just out of reach.

Which brings us to LEGO's Appreciation stage. Their creation of themes and stories tantalizes the kids, while the pre-designed solutions that are part of the stories (rocket ships, submarines, etc.) positively charges them with real senses of accomplishment – further extended by the enjoyment of actually playing with a realistic toy.

LEGO is able to translate this heightened motivation into real dollars, selling a box of 100 plastic parts for as much as \$20 (or, 20 cents each) – many multiples in excess of the actual production cost.

However, it is the Association stage where LEGO shows its true strength. LEGO has built social communities, using traditional means (mail, magazines and a club), and the Internet (on-line, theme-based games, club membership, shopping, competitions, etc.).

It also fosters sub-communities based on specific interests and on-going themes. And it has delivered all of this with positivity – having gone to great lengths to eradicate potential miss-steps, while rapidly dealing with customer issues. If a child loses a part while building a pre-designed LEGO assembly, LEGO will send out that very part, that day, first class.

The experience is truly amazing, and we are not able to do it justice here in words in this short article – it must be lived to be properly appreciated.

We have, however, one reservation over LEGO's experience marketing, and it is one that we see often; it is that the business model delivers poor economic results. While the experience is very effective, and highly motivating (leading to unparalleled premium pricing), the overall business model is unable to deliver premium profits. LEGO has not properly folded economics into their experience design, and are paying the price.

Why adopt experience marketing?

Enhanced growth

Experience marketing has the potential to heighten differentiation, even in commodity markets, and so deliver share gains. It also offers the potential for incremental sales – bundling sales with other products, and drawing customers to make purchases they might otherwise have forgone.

In terms of differentiation, experience marketing addresses a subtle, but core element of the increasing sophistication of our society – personal branding. Personal imaging and perception are driving personal expression to new levels - it is not enough to be associated with an image – now individuals are seeking out entire messages and collections of messages.

The iPod is a good example of this. The statement made by the iPod wearer relates to the experience created by Apple – hip, individual, confident, progressive.

And it is this that is being used to differentiate the iPod from the other personal digital music players – which seem to be just that; personal digital music players.

The result is clear for all to see. Apple has captured much of the market despite being the most expensive player. By pulling on emotions, Apple has taken the power that marketers assigned entirely to brand, and extended it to drive a powerful share strategy.

However, the story does not end there. Experience marketing is an integrated package, and the clever experience provider can find additional benefits in the other elements of the package. The product or service can be accompanied with add-on sales (iPod's music business, for example), strengthened by community activities. In creating a discussion forum (such as music assessments and other tools and mechanisms on the web), Apple locks in a range of business opportunities in its experience.

A well executed experience can completely alter the competitive landscape, and even propel a bit player to leadership. Samsung's results in cell phones is a prime example; in 1989 Samsung was a tertiary brand, in financial trouble, and not significant in the US market. Now, Samsung has developed an experience that is magnetically compelling to youthful cell phone buyers; including a hip image, leadership in trendy features (ring

tones, styling, etc.), firsts in technology (pictures, data-integration, video), and – most importantly – intuitive operation. Samsung has grabbed huge swathes of share, and has forced Nokia and others to mimic their moves. In the meantime, Samsung is now here to stay as one of the market's key share leaders.

Enhanced profitability

Growth is only a positive force for businesses when it is profitable growth, and experience marketing has the ability to make dramatic improvements to profitability.

In simple terms, experience marketing, when properly managed, can heighten demand – and in so doing present the opportunity for increased prices and margins. Using many of the same drivers as for growth (discussed above), such as superior differentiation and bundled/integrated products and services, experience marketers can manage pricing to cover the cost of the experience and add further profitability.

In spite of its poor company-level profitability, LEGO is an obvious example of the ability to create premium pricing; we estimate each plastic block yields a price tens- to one hundred-fold over its actual production cost. If LEGO is able to properly prioritize its 'experience cost-return' formula, it will be in a position to drive unparalleled profits. In fact, we see LEGO as a classic example of superior creative capability – well harnessed in creating experiences – unbalanced by comparable creative economic management.

Too often, the economics of experience marketing are an afterthought and, as a result, the entire initiative is set up for failure. To achieve true success, economics must be addressed **ALONG WITH** the design of the experience – within a coherent growth strategy.

We see this state of affairs as a huge opportunity. Failures due to the lack of insightful and creative economic skills outlined above, result in companies not adopting or not attempting experience marketing. Any competitor that overcomes this problem has an almost clear field of play in most marketplaces.

While the economics are not easy, and are unlikely to be well estimated at the start of an experience marketing initiative, they must be a core component to the program – at the outset, in the design, and in the feedback and refinement processes.

How to adopt experience marketing?

Crafting an experience marketing program is an art – and is very much dependent on trial and error. To complicate matters, experiences must continually change and adapt with the market. With that said, there are a range of tangible techniques that can be adopted to deliver a rich experience; together with early, profitable, results.

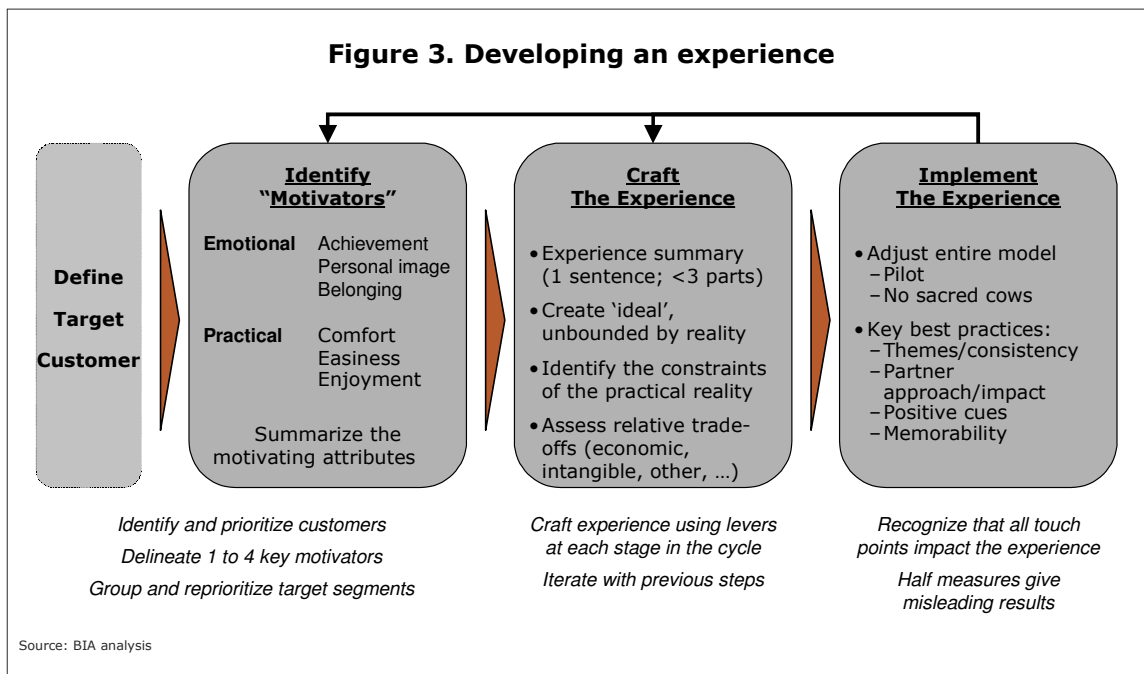
Three steps to implementation

Are you ready to break the mold in your market? Figure 3 depicts three steps for you to undertake to design, refine and deliver a successful experience.

We focus on two types of ORM; emotional and practical. There is some overlap between these two groups, and there are ORMs that do not fit into either group; with that said, this grouping is a great starting point to identify ways to influence behaviors.

Emotional motivators relate to the individual’s own goals and thinking (e.g. achievement, image, etc.). While emotional motivators are typically unique to individuals, they are frequently within groups. The art is to pick out segments where emotional traits are common in intensity and attributes.

Practical motivators are slightly easier to get a fix on, since they are in the physical world, and can be teased out with first-order investigations. Before we leave you with the impression that they are not difficult, it is worth saying that



Once you have identified and clearly defined your target (our experience suggests this does not always happen first), the steps are: 1. Find out what motivates target individuals; 2. design an experience to engages those motivators; and 3. embark a considered, well crafted implementation.

1. What motivates your target?

First, a close examination of target individuals is needed to delineate “Offering-Related Motivators” (ORMs).

each individual has their own preferences for what they like – or what they find helpful. Segmentation here is an art-form also.

A few example ORMs are listed in Figure 3. We strongly believe in thoughtful segmentation schemes, and well-researched ORM descriptors. Mistakes at this juncture prove to be very expensive down stream.

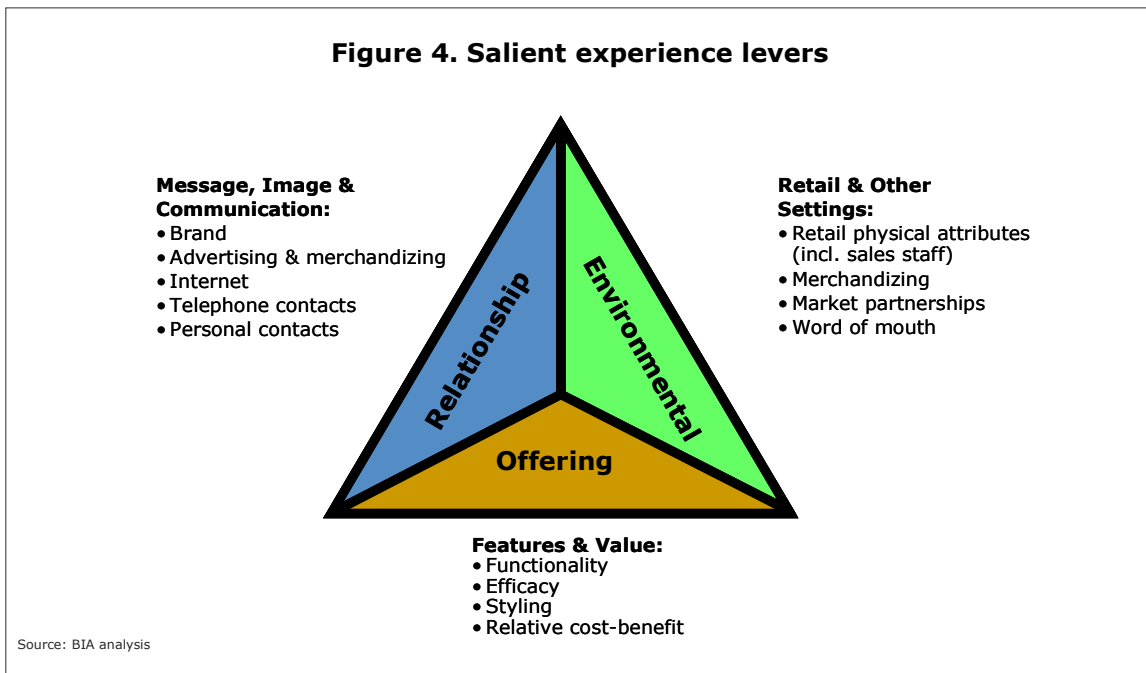
2. Experiences, and the ‘levers’ that make them

ORMs allow experience designers to create an almost infinite set of potential experiences. Such a list needs to be mulled over, consolidated and condensed into a small list (to ten or so). This is an artful and fun process.

A key element to this ‘options development’ process is crafting an intuitive assessment of each experience’s likely impact, versus its likelihood of successful implementation.

The levers in each group vary depending on the situation (indeed, some address more than one group), though there are commonly used ones / favorites that readily spring to mind (see Figure 4 below).

In the relationship area, branding, advertising and communications vehicles are the most salient levers. In the environment area, retail settings (including sales activities) and packaging are highly influential. In the offering area, the usual suspects defining product attributes are found.



The short list of high –level experiences now need to be evaluated, starting with fleshing out what each would actually mean in terms of practical implementation. This starts the design process.

The most important aspect to designing experiences is in gaining a solid understanding of those factors that can be adjusted to shape the experience. We call these ‘experience levers’ – and there are three groups:

Relationship: *Direct* interaction between customer and *company*

Environmental: *Indirect* interaction between customer and *ecosystem*

Offering-Related: Interaction between customer and *product/service*

Your experience will be shaped at the nexus of these interactions, between the target and you. In adjusting these levers, the experience designer is looking to meet three objectives:

- a. Deliver the experience defined in the first step
- b. Ensure that all aspects of the experience (including ‘collateral’ experiences) are consistent and additive
- c. Ensure that no aspect of the experience is negative; any interactions that are inconsistent with your experience will have a negative or disruptive impact

While these objectives may seem obvious, there are numerous points where it is all too easy to ignore one or more of the objectives. For example, in putting together an experience, one part of a business may conclude that the control of certain levers is not possible, and they proceed

with such a nagging issue outstanding (e.g. an inconsistent brand positioning, or call centers that focus on efficiency).

The net result is that any weak link in the chain is sufficient to reduce the effectiveness of the effort to a very small fraction of the potential, and the investment simply becomes a waste.

While avoiding experience-negative interactions is essential, it is uneconomic, and unreasonable, to utilize all desirable experience levers. To help prioritize, we suggest ranking the impact of levers, subject to the stage of the experience – as illustrated in Figure 5.

Using this framework, the experience may then be designed in a way that makes efficient use of the resources available – focusing on the levers that matter most. Naturally, some levers are more expensive to control than others, and the design process we advocate addresses both the impact of the lever and investment needed.

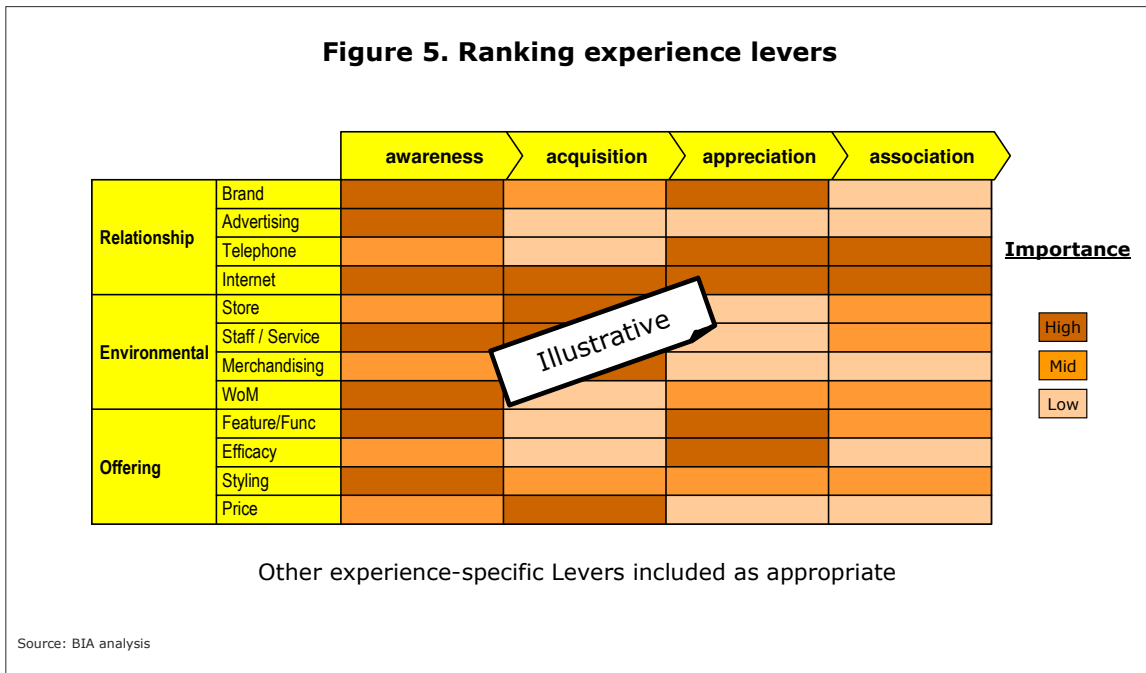
Some iterations are likely in the experience design stage, including a responsible creation and evaluation of alternatives, and an explicit use of economics in the assessment process (assessing both the viability of experience investments, and the relative merits between choices and options).

This stage must output both a very simple outline of the experience (its target(s), objectives, and its form), and a detailed description of the experience from the design exercise (including key assumptions and economics).

3. Implementing the experience

Implementation is mostly a function of the experience that has been designed, and is largely unique to each case.

With that said, experience marketing is not a fire-and-forget initiative. Given the ‘artistic’ nature of experience



Each experience will have its own profile for what is important among the group of levers (Figure 4 presents an illustration only, and not a template for all experiences). Filling in this framework for a specific situation is also an activity that must be done accurately; the importance of the levers must be based on thoughtful research, not intuition.

design, it is very unlikely that the initial output has met its objectives – and testing and iterations must be planned for. In addition, tastes, outlooks and cultures change over time, and the experience must evolve with these to remain relevant. Experience marketing is not for ordinary marketing groups – it takes the best it gets done at all.

Mind the pitfalls

Half-measured implementations

There is a tremendous temptation to implement business-sponsored experiences on the cheap, and then to wait for results to exceed expectations.

The trouble with business-sponsored experiences is that the entire experience needs to be managed. One break in the chain is all that is needed for it to be damaged, exponentially reducing its impact (impression made).

For example, a well crafted awareness message focusing on, say, ease-of-use of a technology item, together with a great packaging and in-store presentation modules, could be totally negated by retail sales staff that incorrectly set up the presentation. Not only would the message be lost, but the frustration to the customer may actually lead to a negative impression. In such as case, ignoring / not properly investing in the retail setting results in the reduced effectiveness of the entire investment.

Beyond the retail environment, there are numerous other examples of half-measures being utilized. Branding is a common area of failure, where the difficulty in adjusting the corporate brand is so great that it is ignored – resulting in conflicting messages. Customer service is also another area of incomplete deployment of an experience. Without the proper messaging, let alone training, call center staff have one of the most powerful abilities to destroy the experience entirely.

By the way, we see this pitfall as the most significant reason for the limited adoption of experience marketing in any one market. The half-measured implementations phenomena will actually act as an entry barrier – causing many businesses to either a) try the half-measure and fail (and to drop the initiative); or b) shy away from the proposition altogether, concerned at the risk (the outlay needed to do it properly). Of course, the risk is in the execution, not the notion of experience marketing. If LEGO can drive up demand for small plastic bricks, imagine what can be done for other commodity products.

Insufficient economic assessments

All business managers have a fiduciary responsibility for the investments they make. However, all too often, this element of experience marketing programs are overlooked or ignored. There appear to be three drivers for this:

1. The *artiste* in the primary manager (usually from marketing) is overbearing, leading to myopia
2. The economics are viewed as too complex to assess, and are ignored in totality, or in part
3. Management is desperate (usually to develop a differentiation), and deliberately chooses not to conduct an economic assessment

Reason 2. is often pointed to as an acceptable basis for inaction. However, the potential returns are so great, in terms of increased growth and profits, that it is worth investing to develop a core skill in economically savvy experience marketing. If it were easy, there would be no market leaders.

Notably, much of the investment aspects of experience marketing can be assessed with some accuracy. Returns may be a little more ambiguous to assess - though to the extent there are unknowns, managers can still benefit from 'backing-into' the answer. For example, identifying the ranges where results / metrics must be for the initiative to be in the black is imperative, as it provides a basis for judgments of reasonability.

At the minimum, completing an economic assessment is a responsible management act in itself, providing managers with the parameters of what might be expected, together with triggers and metrics with which to monitor the initiative. Managers must have the insights of an economic assessment to hand, and must be continually in a position to update them as their experience grows.

Shortcutting (piloting and research)

Whether driven by urgency or a desire to limit investments, managers are continually tempted to circumvent rudimentary management hedging.

Information is a basic form of management hedge, and tailored market research – particularly primary research – is a must when it comes to estimating the impact of an experience marketing program.

The examination of customer responses to an experience marketing program can be made directly in a set of tailored research projects. These can be based on known and traditional techniques. Furthermore, with the growth of experience marketing programs in various industries, there is an increasing body of results that can be used to extrapolate results to new industries and situations – and so drive more informed judgments and assessments.

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Leveraging market strategy to maximize cash flow and business value is a passion for Mr. Jones. Since the 1980s he has helped large and small technology clients find and exploit market Profit Pools; creating billions in cash flow.

Previous to Business Intelligence Associates, Mr. Jones was a Partner and practice leader in the Business Strategy practice of PricewaterhouseCoopers (PwC); engagements included assessing decisions on market entry and strategy, competitive tactics, investment and turnarounds. He led several Business Strategy practice areas, including Shareholder Value, eMarkets and the Technology sector. Before joining PwC, Mr. Jones was a project manager with Marakon Associates, where he served consumer, health and pharmaceuticals clients; prior to that he was New Product Manager with Thomson Consumer Electronics.

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Business Intelligence Associates is a global market strategy consultancy. We help clients maximize long-term cash profitability and shareholder value by finding and focusing on Profit Pools, and leveraging competitive strategies that drive returns.

Business Intelligence Associates was launched in 2002 by three Partners from the Business Strategy Consulting practice at PricewaterhouseCoopers. We have assembled a considerable body of proprietary intellectual capital at the intersection of shareholder value and market strategy; including market segmentation, Profit Pool targeting, competitive strategy formulation, and customer understanding through ethnography and other techniques.

We primarily work with C-suite managers at Fortune 500 companies, their business units, and other mid-market firms. Clients include Hewlett Packard, IBM, Liberty Media, Samsung and others.

Finally, BIA takes pride in a very distinctive approach:

- A strategic orientation to market and business issues
- Pragmatic approach to solutions
- Highly flexible to client culture
- Neutral positioning and advice
- Philosophy of teaming with client
- Respectful and attentive to all views

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