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Winning Manufacturing Strategies

## What is Experience Economy? (Part 1)

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I recall that few years back if I have to shop for a branded shirt, I have to locate all good branded retailers in my vicinity, visit each of them and compare the quality and price before purchasing a satisfactory shirt. Similarly if have to shop for a shoe I should repeat the same process. Today, I see lot of shopping malls which offer wide variety of branded products from numerous vendors under single roof. I can just walk-in to this single place for most of my shopping needs. The malls are not just offering me all products under one roof, but they offer numerous other unique features: it has food outlets, kids' area, gaming centers, cinema halls which create a unique shopping experience and keep the shoppers engaged. Dubai mall has taken this shopping experience to next level by hosting one of the world's largest indoor aquariums which attracts all range of visitors and is considered as a main attraction of Dubai city.

Let's consider another example from a manufacturing industry: Maruti Limited which is the leading automobile manufacturer has enhanced its car purchase experience. Now the Maruti showroom not just sells cars but offer wide range of services around it. Most of these showrooms provide after sales services very near to the shopping floor and provides all kinds of car accessories. In some areas Maruti car dealers also provide "TrueValue" which helps Maruti customers sell/Buy used cars. The Maruti showroom near my house also offers a state-of-art driving school.

Similarly laptop manufacturer Dell not just sells laptops, but it bundles it with accessories, help customers to customize and personalize the laptops and offers world class after-sales service.

Like the above examples there are array of examples in almost all industries these days. Be it healthcare, travel industry, entertainment, e-commerce or retail, most businesses are offering value-added services around their core offerings. Not only it helps them to cross-sell and up-sell by bundling their products, but also and more importantly provides a **truly enriching and all-round experience** for the user which results in increased loyalty and customer retention.

There is a theme behind the above said transformation of moving from silo-shops to single-stop-shop; it's called "experience economy".

**Experience Advantage**

There is this popular saying: "*Life is not the amount of breaths you take. It's the moments that take your breath away*". It is natural for consumers to be attracted towards a unique experience more than the actual product or service. The food is not much different between decent restaurants when compared to a revolving restaurant in the skyline of downtown. Given a choice which one do you choose? The answer lies in the unique experience it offers; be it ambience or uniqueness or restaurant theme or a special food or live music. So the food (which is the core business of a restaurant) is no longer the differentiator and does not provide a good competitive advantage.

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Nicely packaged products or value-added services are no longer enough in today's competitive world. To attract and ultimately retain customers, business should offer some memorable events which engage customers and which have potential to become part of customer's memorable experience.

Most of the goods and services have already been commoditized. Bruce Greenwald envisioned this when he stated "*In the long run, everything is a toaster*". Quality products and value-added services alone are not sufficient to hold the customer (Shall we say that quality products and services are necessary but not sufficient?)

Speaking of experience, Disney theme park stands out as a marquee example as to how Disney is using the experience as a key differentiator in its offering. Its theme park not only offers the usual games and rides for kids but brings in lot of other things like live Disney characters, shows, fireworks, Disney theme all round, adventure games, courteous support staff, creation of fantasy world, attached resort and how can we forget that majestic Disney parade? I still consider my visit to Disney Land as one of my most memorable experiences. Disney has redefined the experience of a theme park.

Experience has always been the heart of user's focus point. Following are some of the example of experience-based offerings in various industries:

| Not so long back | Today | Experience |
|---|---|---|
| Discrete resources ranging from Encyclopedia books to multiple online sites | Interactive learning sites like Wikipedia, howstuffworks etc. | Knowledge |
| Discrete reservations sites for travel, stay, city tours | Single integrated travel experience egg. Orbitz. MakeMyTrip, Expedia | Travel |
| Purchase DVDs for viewing movies | Highly interactive and rich media, online streaming, state-of-art recommendations. Eg. Netflix | Entertainment |
| Purchase the product | Compare, customize, bid, see recommendations, rate and review product, and view people from friend circle who liked it etc. Eg. Amazon, eBay | e-commerce/online shopping |
| Game parlors for specific ages | Games for all ages, actors, shows, Interactive games Eg. Disney theme park | Gaming/Family entertainment |

As said earlier, the list is long enough and we can spot this trend in almost every industry.

Posted by Shailesh Kumar Shivakumar on June 5, 2012 5:40 AM | Permalink

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