

UNDERSTANDING THE EXPERIENCE ECONOMY

WELCOME TO THE EXPERIENCE ECONOMY

Learn why the Experience Economy has created transformational change in the way we behave as buyers.



ATLATL Software

A VISUAL COMMERCE COMPANY

www.atlatlsoftware.com

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WELCOME TO THE EXPERIENCE ECONOMY

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WAKE UP AND SMELL THE EXPERIENCE



Christopher Beaudin
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Like so many of you, I like to start my day with coffee. Or better stated, I can't start my day without it. I'm an iced coffee guy most of the time, light ice and light cream. And I actually own the cup you see in this picture. It sits on my desk most days like a nice decoration stating that I'm outdoorsy. We're pretty fortunate in our office to have cold brew on tap. So every now and then this mug sees some use. But most days I decide to skip the free coffee, steps from my desk, and instead drive down the street to a Starbucks. Why would I inflict this burden on my time and wallet?

The answer is **experience**

What Starbucks has done is taken a commodity (coffee beans), and while they do offer a packaged good (bagged ground coffee) and while they could just serve it to me (like other stores do)... they instead have focused on creating an experience centered around becoming a place of community.

When you go into any Starbucks you expect a consistent experience. The drinks will have a consistent quality, there's enjoyable music playing, there's a board for local events, there's food and snacks, there's branded drinkware available for purchase, they record your drink preferences, you can mobile order, they have your name on the cup and they call you by name when your order is ready, on and on...

What Starbucks has done so well is to take a simple transaction (buying a cup of coffee) and **turned it into an event**. There's a rewarding feeling for going to Starbucks. It feels like a treat. This is why people pay so much more for an experience. **They're not just buying the product, it's everything associated with it.**

This is why we now live in an Experience Economy. And it's time we all wake up to it.

UNDERSTANDING THE EXPERIENCE ECONOMY

Experience is most often defined as our contact and observation of facts or events. It's what we encounter or undergo. Experience comprises the events and occurrences of our lives.

So how have we related something so active and engaging with a word used to describe "wealth and resources of a country or region"?

Let's take a look:

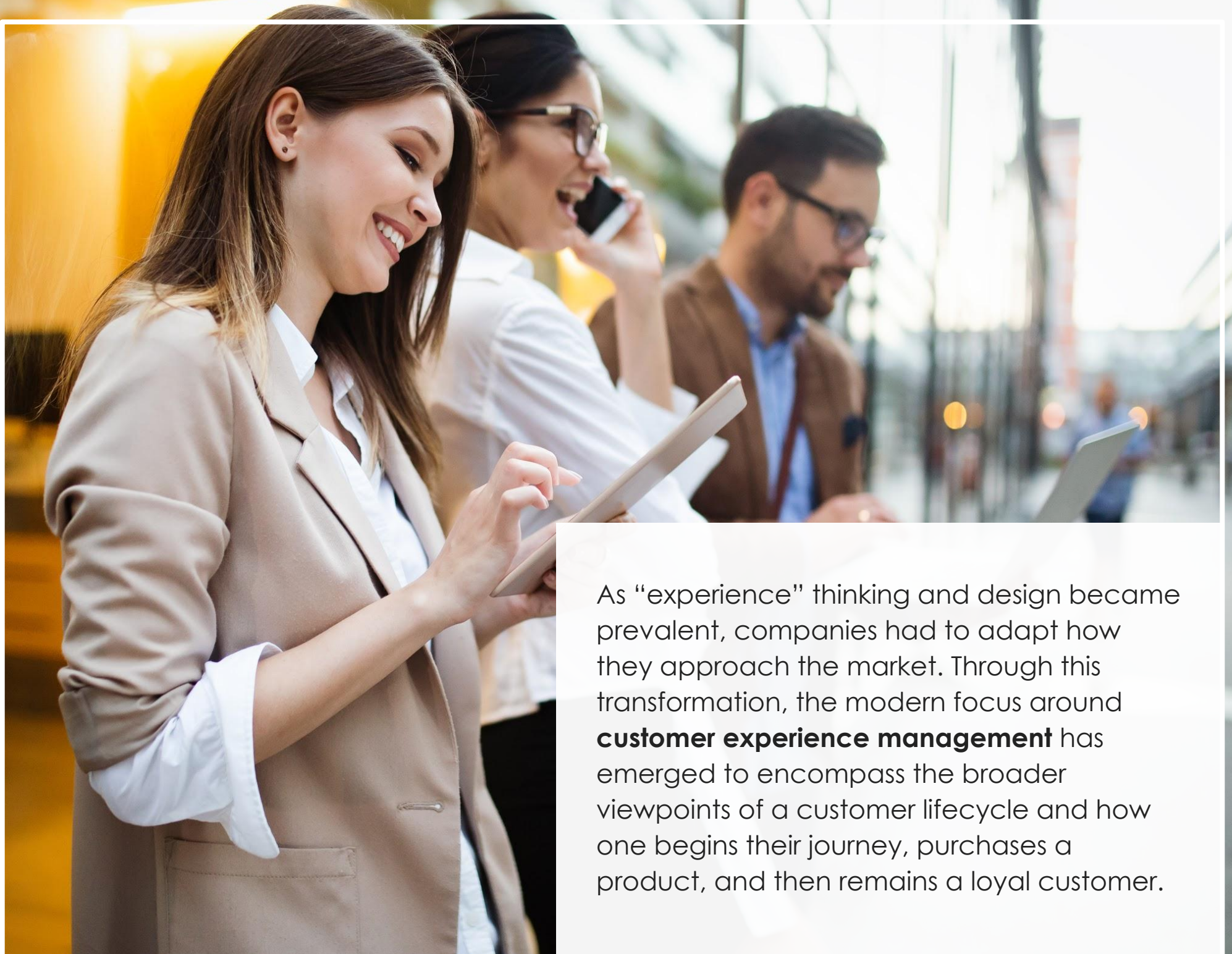


A photograph of three people in an office setting. On the left, a man with a beard and glasses, wearing a brown jacket over a blue shirt, is smiling. In the center, a woman with dark hair and glasses, wearing a white shirt, is also smiling. On the right, another woman with long blonde hair is partially visible, looking towards the others. A large white number '2' is overlaid in the top left corner.

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Origins of the *Experience Economy*

The term *Experience Economy* is credited as being first used in a 1998 article by [B. Joseph Pine II](#) and [James H. Gilmore](#) where they describe the experience economy as the next economy following the [agrarian economy](#), the [industrial economy](#), and most recently the [service economy](#). In their article, the authors argue that companies must create memorable events for their customers and that the memories themselves become the product, or the *experience*, that they consume. The authors were not proposing that companies must go out, hire party planners and host lavish events to help their brand stand out. But instead, the intention is that companies **must think beyond the experience of the product and what it was designed to solve, and more about the experience of acquiring the product and the journey that their customers take in their pursuit of it.** Originally this was applied to traditional business, but quickly the concept was applied to tourism, urban planning, and so many other fields as well.



As “experience” thinking and design became prevalent, companies had to adapt how they approach the market. Through this transformation, the modern focus around **customer experience management** has emerged to encompass the broader viewpoints of a customer lifecycle and how one begins their journey, purchases a product, and then remains a loyal customer.

A look at the

ORIGINS OF ECONOMIES

To understand where we are
let's take a look at where we've been



AGRARIAN



INDUSTRIAL



SERVICE



EXPERIENCE



??????

EARLY ECONOMIES



AGRARIAN

- Preceded only by hunter and gatherer societies, Agrarian Economies relied on the farming and maintenance of crops and farmland.
- These commoditized goods amassed to represent a nation's total production measures. Those who held the most cultivated land held the most wealth.



INDUSTRIAL

- Industrial Economies began to emerge as societies found new commerce paths beyond agriculture.
- Advances in travel and trade, as well as the development of industrial technology, created new opportunities.
- Now people could look to mechanical sources of energy to approach ever-increasing numbers of production challenges.
- This led to the Industrial Revolution and societies did not look back.



SERVICE

- As industries matured, the need for service created a structural transformation in the global economy.
- Where there used to be a siloed nature between product and service there's now more of a continuum that exists between the two.
- This extends to the point that many product makers actually position themselves as service providers, with part of their service offering being physical products.

BIRTH OF THE EXPERIENCE ECONOMY

There are many contributing factors that led us to demand better experiences from the companies we buy from.

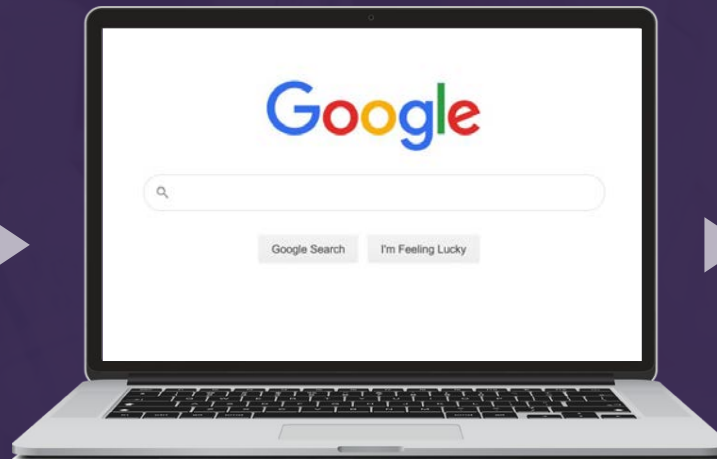
COMMODITIZATION

As companies have continued to battle for differentiation, **commoditization** has become an increasing challenge.



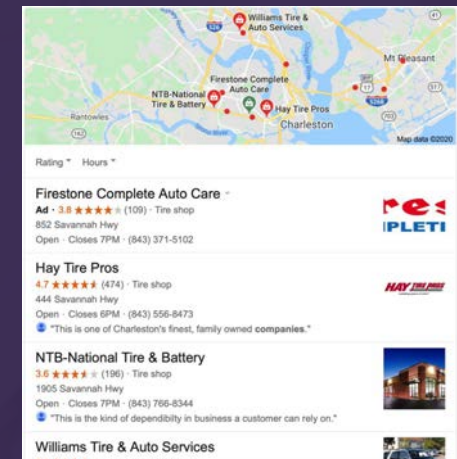
DEMOCRATIZED

With the web, **democratized information** shifted power from salespeople to the consumer.



EXPOSURE

This results in consumers being **exposed to every option**, not just the ones on their block.



BIRTH OF THE EXPERIENCE ECONOMY

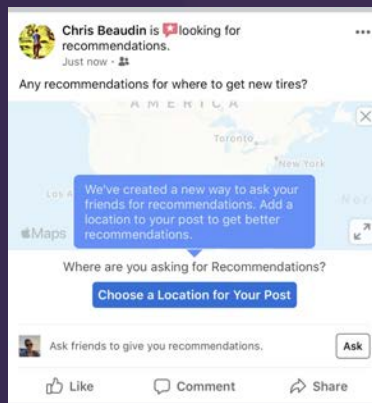
There are many contributing factors that led us to demand better experiences from the companies we buy from.



DIGITAL NETWORKS

Then we saw the advent of **social media**, the proliferation of **mobile devices**, and a shift to shorter **text driven communication**.

Combined, these elements created **networking at scale** to drive reviews and steer preferences.



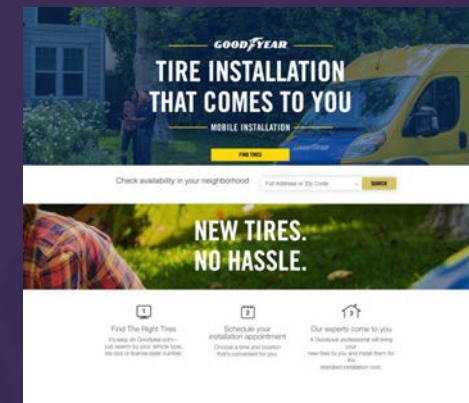
BETTER WAY

This exponential growth and exposure to “another way” created a mind-set that there's always “**a better way**”.



EXPERIENCE

As a result a shift began where **social currency** was no longer determined by the product or service alone, but by the rare **experiences that we could leverage as social capital**.



EXPERIENCE IS THE NEW BATTLEGROUND FOR THE CUSTOMER

We see and interact with examples of the Experience Economy daily. Some create added value to an existing product or service. Others create entirely new ways of presenting a solution to you.



EXPERIENCE IS THE BATTLEGROUND

ENTERTAINMENT EXPERIENCE

For example, parents of young children could host their child's birthday party at a number of pizza restaurants. But, for relatively the same price, they will often choose establishments like Chuck E Cheese or Peter Piper Pizza because the overall **experience they offer far exceeds that of a normal restaurant** given their need. Here they've added value (games and entertainment) on top of an existing product (pizza).

FRICTIONLESS EXPERIENCE

In another example, brands like Casper, Tuft & Needle, and Purple exploded onto the mattress scene, disrupting an age-old business. Though they preached how new and innovative their products were, foam mattresses were not all that revolutionary. What was different was that you could now sit on your old mattress, buy a new one risk-free, and it would arrive at your door, all for less money. This was an innovative new way of **creating an enjoyable buying experience**. So much so that people wanted to be among the first to **tell their friends they tried one of these new brands**. They'd go on and on about how easy it was and why it's so much better than going to the mattress store. (I've tried one, and I loved it too). Whether it's added value or ingenuity in your presentation, *experience*, at the end of the day will always win over the competition.



ELEMENTS OF WELL CRAFTED EXPERIENCES

As you begin to think about goals for delivering superior experiences, you need to consider these key elements. These pillars may stand independently or work in combination to create the ideal experience for your particular product.



VALUE



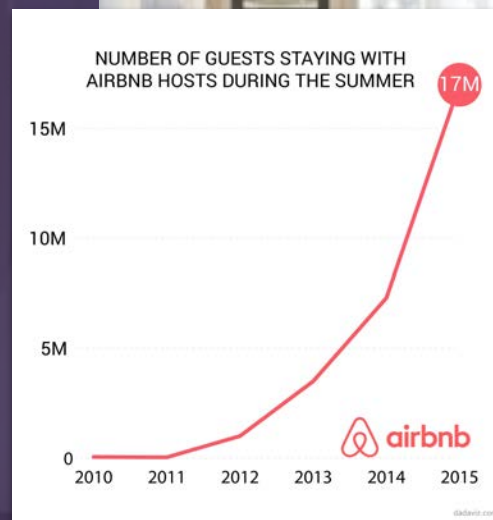
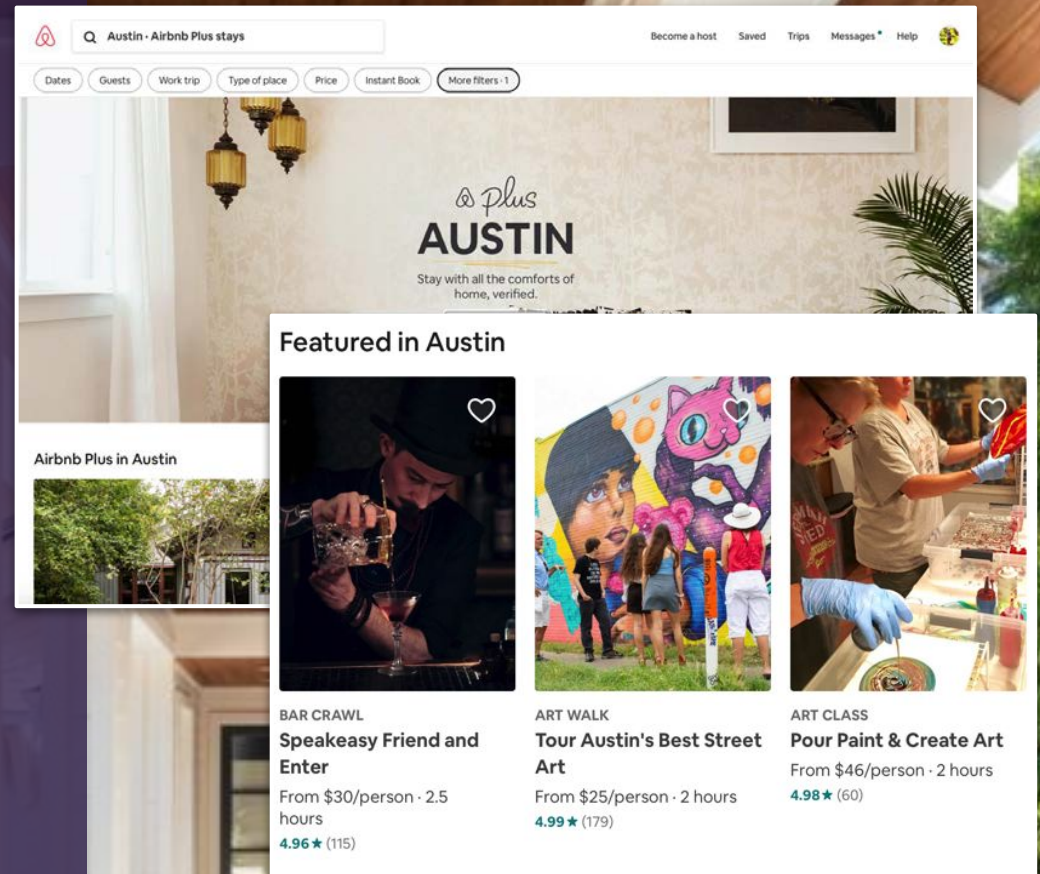
ENGAGEMENT



CONNECTION

VALUE

A well-designed experience should add value beyond what is expected. Value can take many forms and is in the eye of each individual and how they view the experience. Thus it's best to consider your ideal customers as you examine what it may mean to them to add value to their experience. A great story about one company that went through this is from Airbnb. As told on the Masters of Scale podcast, the founders of Airbnb researched what 5 star experiences most often looked like. But they then considered what value they would have to add to create a 6 star, 7 star... even an 11 star experience. While it was mostly an exercise in hypotheticals, it produced some tangible items that have come to life as elements in their offering.



The result of this added value? Airbnb has grown their customer base exponentially and continues to disrupt a hotel industry searching for ways to inspire travelers

ENGAGEMENT

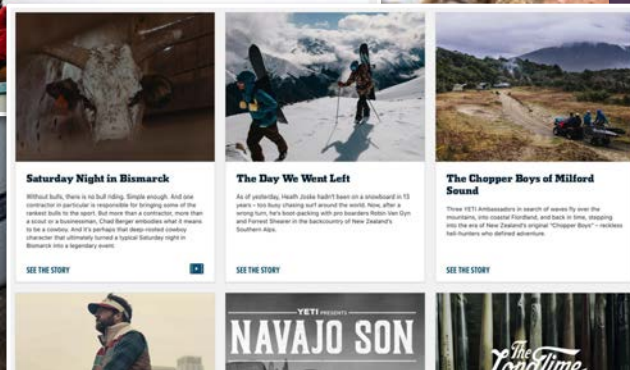
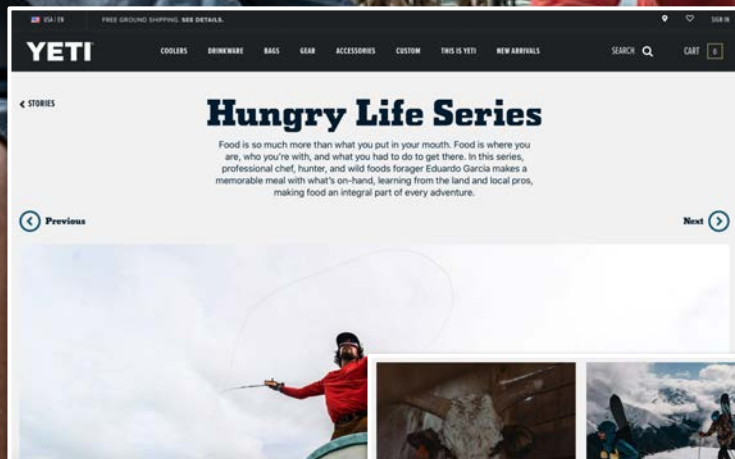
A well-designed experience should drive participation and deeper engagement with a brand and its products. As consumers, we appreciate structure but also want the freedom to explore and venture on our own. As this relates to experience, consider how you can guide your shoppers and offer insightful inspirations or information without creating friction that slows their progress towards the purchase. Also, provide your shoppers with an experience that helps them move quickly towards something they know they want. I love how Spotify has quickly embraced their opportunity to engage with users on their musical journey. Tactfully offering new genres, subtly presenting new albums, and creating moments of delight as they deliver new playlists to engage with. Spotify doesn't provide music, but a soundtrack to its user's life. And their efforts are evident in their growth.

Spotify Growth Timeline
Social Features & Platform Integrations



CONNECTION

When customers find value and engage with your brands and products, they begin to connect with you on a deeper emotional level. Some brands develop incredible brand affinity that leads to a lifetime of loyalty. Coke does this incredibly well, selling happiness delivered in sugary water. All brands can work to build connections with their customers by understanding what matters most to the customer. For example, tool companies like Hilti don't promote that they help you drill holes, but instead that they help you build memories through pictures of a family enjoying a new swingset. These connections are built through experiences that offer inspiration and unexpected value, creating a psychological sense of ownership in the viewer's mind. Yeti does a great job with this. They sell coolers and drinkware. Pretty simple products on the surface. Yet on their site you'll find things like an entire video series dedicated to the adventures of Chef Eduardo Garcia and his inspiring story of coming back from a tragic accident to cook once again. The series has incredible production value and is captivating to the user. You forget you're watching a Yeti video and instead are enjoying cinema. In your mind you begin planning your next adventures, where of course, your YETI will be a key part of your loadout.




\$5 THE RESULT IS A
BILLION DOLLAR COOLER EMPIRE

YETI

CREATING MEMORABLE EXPERIENCES

Companies are being measured on experience in any moment a customer engages with your brand. This may be an active interaction, such as when they're shopping for your products. But this also extends to passive engagements, like the condition of your store's signage when they drive by it. **Every interaction, every touchpoint, both physical and digital, is in some way a reflection of your company and its brand.** Thus, it can all be considered a part of your customer's experience in their journey with you.





“Buyers will judge your presentation of the product and translate these perceptions onto their view of product quality. The more impressively you present your product, the higher they view the product’s quality to be.”

This statement was relayed to us from a customer who understood the value of product presentation. When you look to improve your experience it’s important to understand that “experience design” is as important to the customer as “product design”. This logic happens all too often negatively when people find friction in the buying process and end up settling for an inferior option purely because it was easier to buy.

CREATING MEMORABLE EXPERIENCES

Here are 5 key elements of experience design you should consider:

1 THEME

2 GUIDE

3 ELIMINATE

4 MEMORABLE

5 SENSES



CREATING MEMORABLE EXPERIENCES

Here are 5 key elements of experience design you should consider:

1 THEME

THEME THE EXPERIENCE

A theme provides structure and direction

2 GUIDE

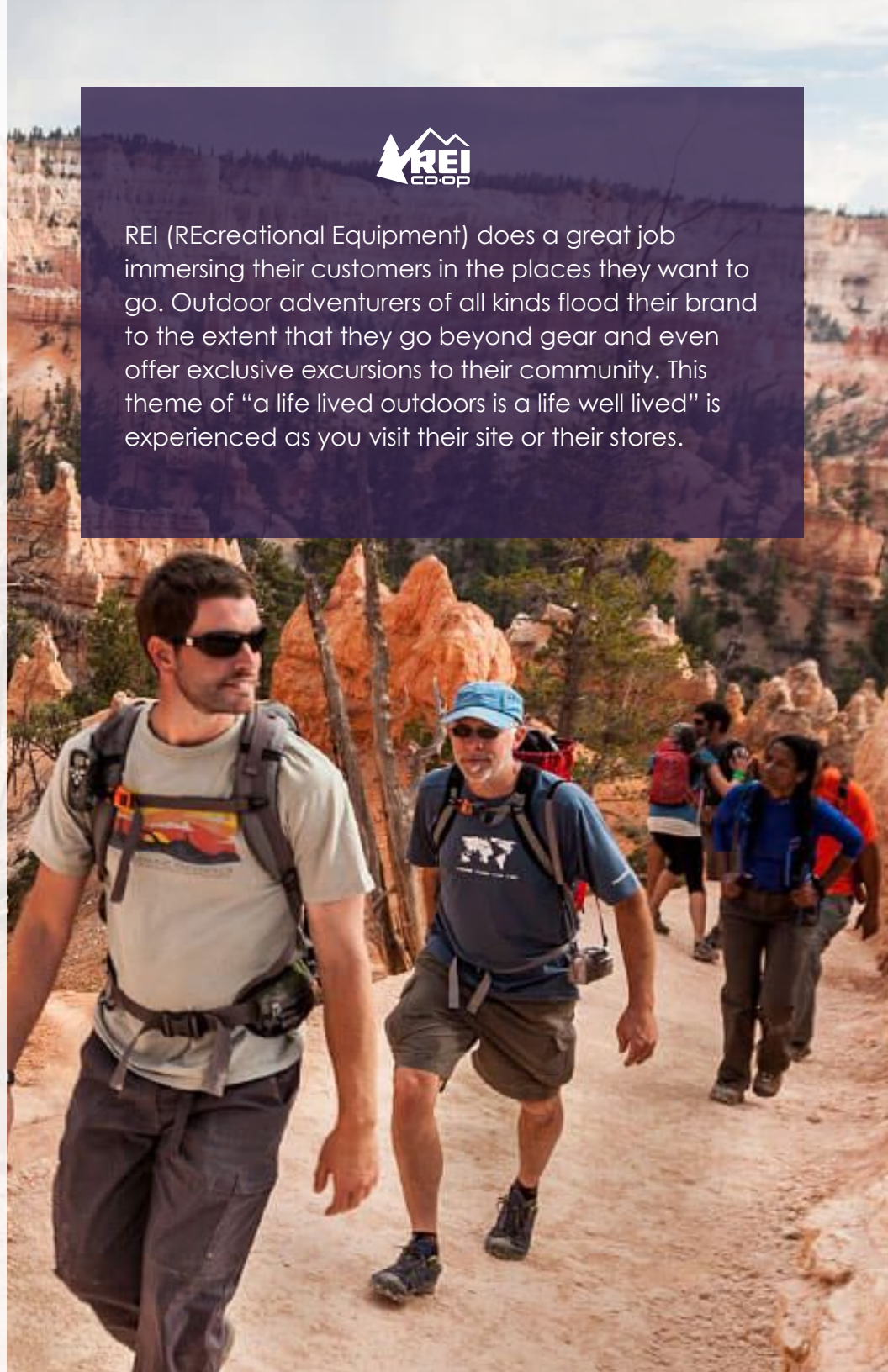
3 ELIMINATE

4 MEMORABLE

5 SENSES



REI (REcreational Equipment) does a great job immersing their customers in the places they want to go. Outdoor adventurers of all kinds flood their brand to the extent that they go beyond gear and even offer exclusive excursions to their community. This theme of "a life lived outdoors is a life well lived" is experienced as you visit their site or their stores.



CREATING MEMORABLE EXPERIENCES

Here are 5 key elements of experience design you should consider:

1 THEME

2 GUIDE

GUIDE WITH POSITIVE CUES

Help them find the takeaways you want

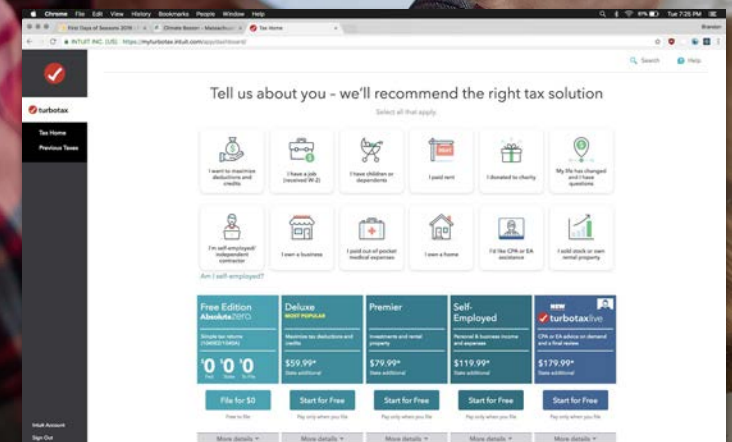
3 ELIMINATE

4 MEMORABLE

5 SENSES



TurboTax has done an amazing job of developing a guided process that encourages even the most novice of users that they too can do their own taxes. The experience of using their software includes a transparent process that shows you where you are, tells you what you need to do exactly, and congratulates you as you progress.



CREATING MEMORABLE EXPERIENCES

Here are 5 key elements of experience design you should consider:

1 THEME

2 GUIDE

3 ELIMINATE

ELIMINATE NEGATIVE CUES

Avoid things that add friction in their minds

4 MEMORABLE

5 SENSES



Apple's brand affinity leads most charts and rankings for so many reasons. But beyond the crisp designs people clamor over is what we actually enjoy most, how easy their products are to use. Apple's teams are constantly working to find ways to make products simpler from adding facial recognition, one-step payments, voice to text, and so forth. These innovations all add convenience and ease into our interactions and experience with their devices.



**"Look Mom, no thumbs."
Face ID is easier and more
secure than Touch ID.**

The most secure facial authentication in a smartphone. Face ID lets you unlock your iPhone instantly, and it's even more secure than Touch ID. With just a glance you can sign in to apps, access accounts, and pay with Apple Pay. And setting it up is quick and simple.

CREATING MEMORABLE EXPERIENCES

Here are 5 key elements of experience design you should consider:

1 THEME

2 GUIDE

3 ELIMINATE

4 MEMORABLE

MIX IN PHYSICAL AND DIGITALLY SHAREABLE

Make the experience positive enough they want to keep something to remember it by

5 SENSES

Airlines could give you plain napkins. Hotels could offer generic notepads and pens. Restaurants don't need gift shops. But the thing is, we always see branded napkins, notepads, pens, and gift shops full of t-shirts, mugs and stickers. Sometimes we want to remember an experience so strongly we'll pay to do so. Just look in your coffee mug and t-shirt collections for proof. But just because the majority of companies won't reach this pinnacle doesn't mean they should not have "keepsakes" in mind. In today's digital age, perhaps an even better goal is to be "Instagramable". Creating an experience that people are willing to share on social media is the modern answer to the postcard, but so much more immediate. Embrace the network effect of digital communications through memorable interactions with your customers.



CREATING MEMORABLE EXPERIENCES

Here are 5 key elements of experience design you should consider:

1 THEME

2 GUIDE

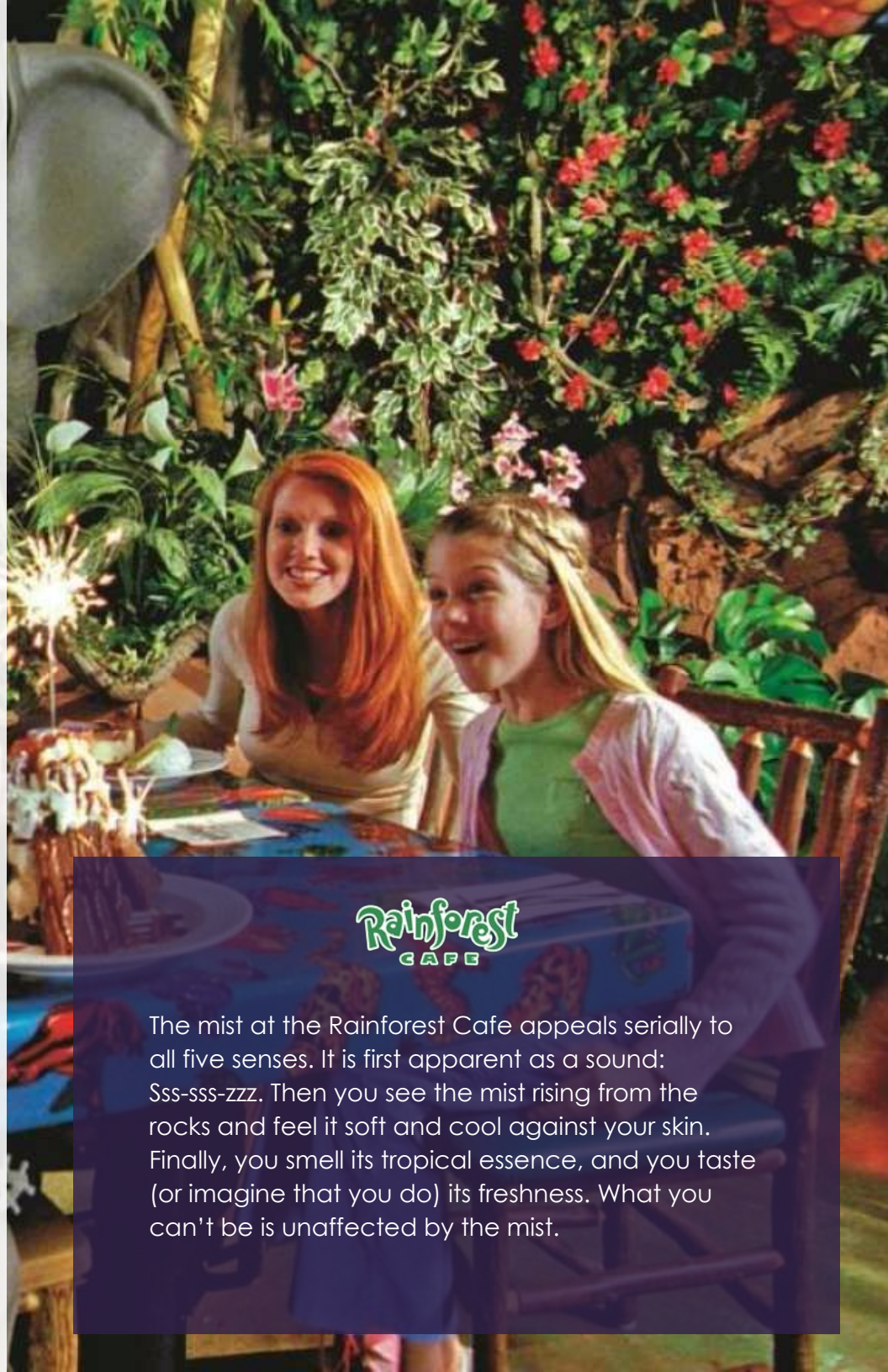
3 ELIMINATE

4 MEMORABILIA

5 SENSES →

ENGAGE THE EXPERIENCE

The more senses an experience engages, the more effective and memorable it can be



Rainforest
CAFE

The mist at the Rainforest Cafe appeals serially to all five senses. It is first apparent as a sound: Sss-sss-zzz. Then you see the mist rising from the rocks and feel it soft and cool against your skin. Finally, you smell its tropical essence, and you taste (or imagine that you do) its freshness. What you can't be is unaffected by the mist.

THE MODERN CUSTOMER EXPERIENCE

The “establishment” of economies gone by is under siege, and those left standing are continuing to feel the challenge as technology and experience driven companies have merged to challenge the norm and create more customer centric offerings. These new school companies have found their place in our daily lives.

Amazon is the biggest among them. Looking at Amazon it's easy to see where we found value. It was not in their products, the services they offered, or even their prices.

It was in the **experience** we gained in shopping with them. We gravitate towards these modern day models because they offer us a better way. Convenience, speed, personalization.



So what are the “established” companies to do? Roll over and die?

Or, transform themselves.



“Half of the companies that used to be on the Fortune 500 list have disappeared because they failed to digitally transform”

TRANSFORM

Companies should have a mindset of continuous improvement anyways, but the imperative now is greater than ever. **Half of the companies that used to be on the Fortune 500 list have disappeared because they failed to digitally transform.** To be successful it's time to think smarter, not harder.

An example I love is how grocery chains have moved quickly to combat upstart delivery services. Most chains now will let you order your groceries online and pick them up at your convenience. Other retailers like Walmart and Target have made massive investments in BOPIS, or Buy Online Pick-Up Instore. These adaptations are necessary in the war for the customer, and **these are the experience driven battlegrounds it's being fought on.**



86%

WILL PAY MORE FOR EXPERIENCE

Customers will determine the winners of this war with their wallets.

And what's interesting is that in the age of experience, **86% of customers will actually pay more for a product if it means they get to engage with what they believe is a better experience.**

I know I'm guilty of this. And data shows we all are. We shop at *this store* because it's "nicer" than the other - even though *the other* has a lower price and is selling the exact same things. These are the subtle powers of experience.

GUIDELINES FOR IMPROVING EXPERIENCE

1 **CX or Customer Experience has to be a team sport.**

It's not all on one department, it has to be holistic. If this isn't the case in your organization fix this first and align your operation to support the buyer's journey.

2 **Start with Marketing, but include Sales, Service, and your CX team.**

Marketing must lead the way as they will often make the first touch with each new potential customer. Craft the journey you want each customer to follow and work from there.

3 **Invest in the technology to help each department do this effectively.**

CRMs, Chat platforms, AI and Bots, and of course, Visualization. (More on that in a minute)

4 **Ensure your "journey" design is not linear - make it circular.**

Marketing does not stop nurturing a prospect when sales gets involved, just as *Sales* does not walk away once a deal closes. Ownership and experience improvement mindsets have to run throughout each department as loyal customers are much more cost-effective than new customers. Plus, they talk about your great experience with other companies, and referrals are the best form of sales. Let each department feed up and down the journey their ideas and thoughts for how to help reduce friction.

VISUALIZATION'S ROLE IN THE MODERN CUSTOMER EXPERIENCE



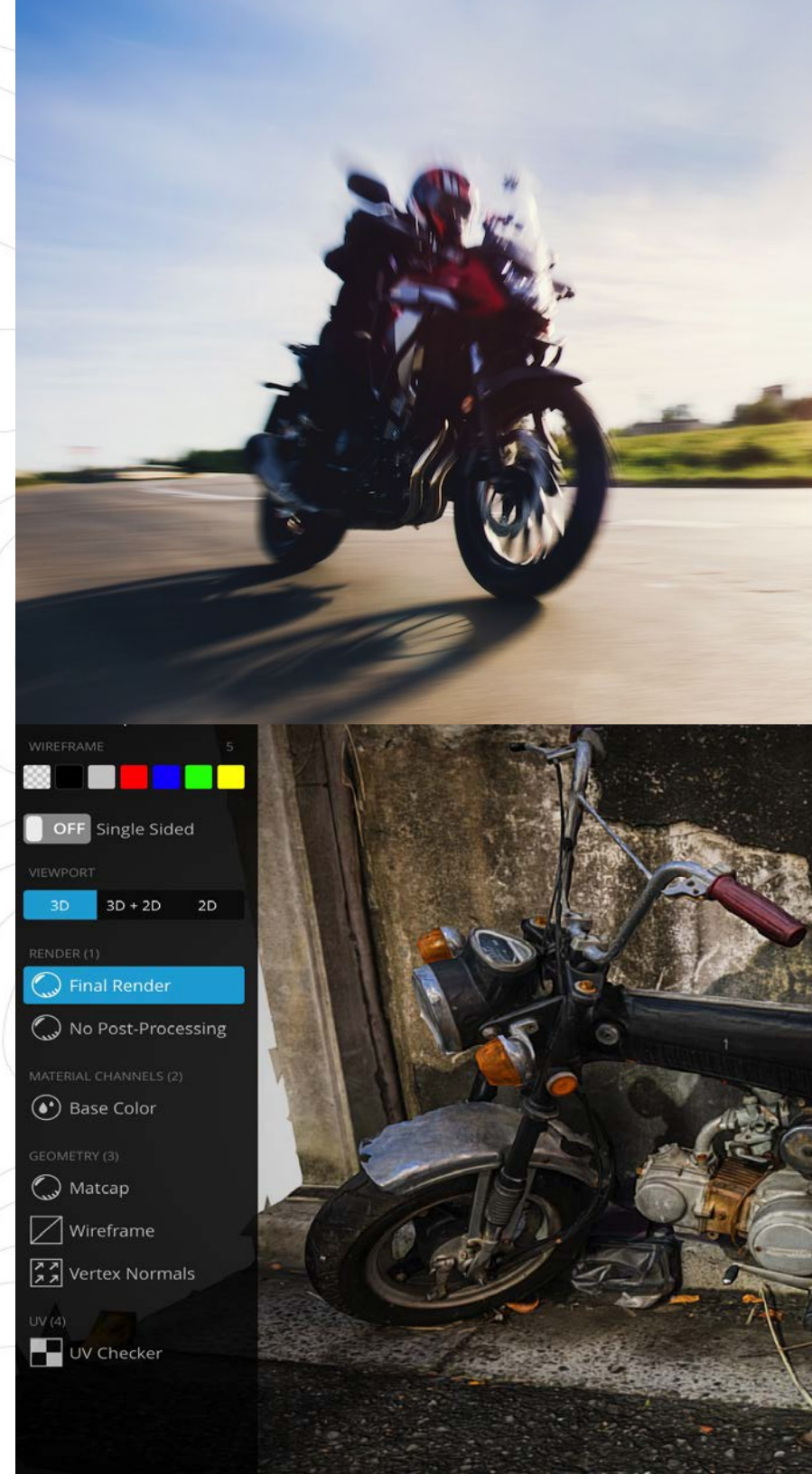
THE EVOLUTION OF VISUALS

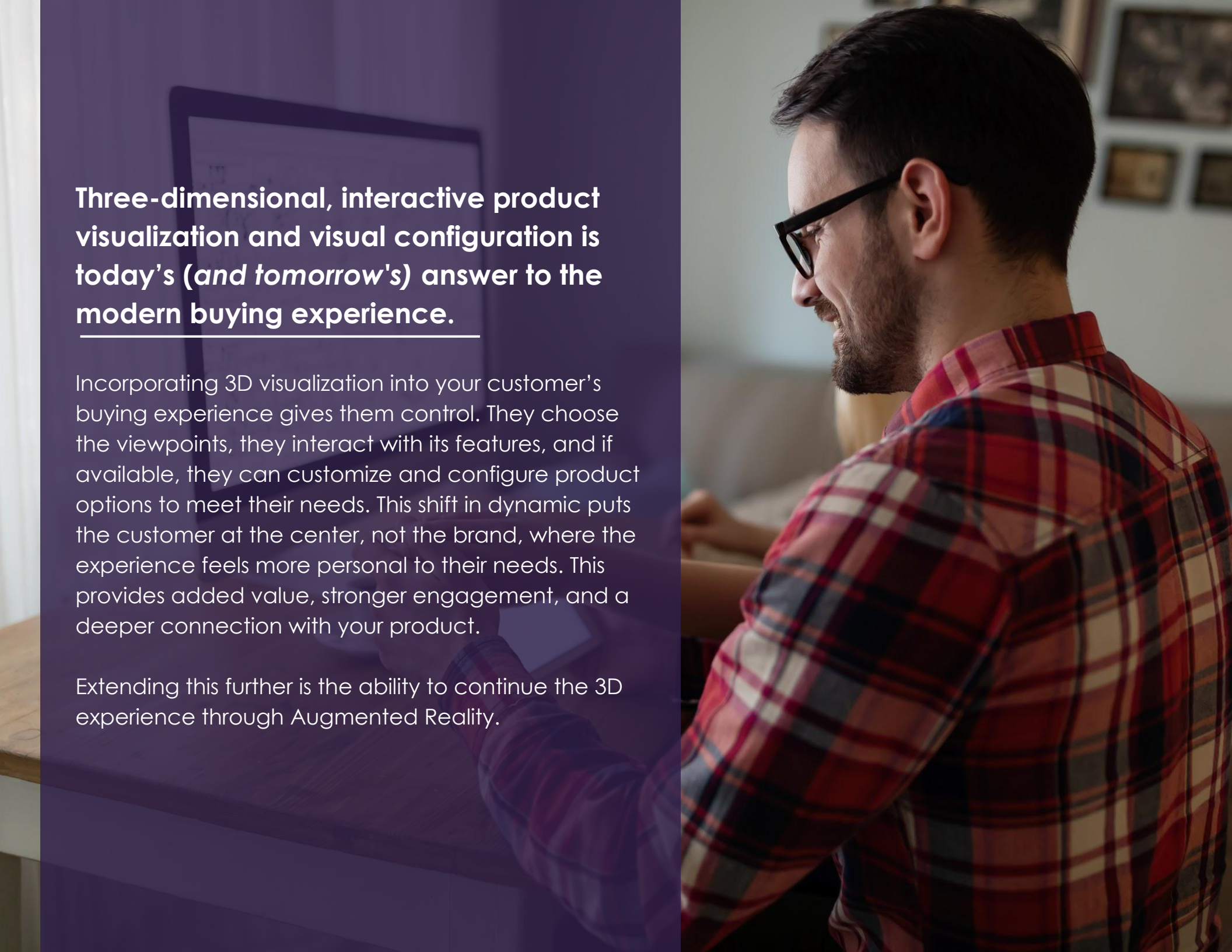
The evolution of visual selling became incredibly important in the age of eCommerce. As our online shopping tendencies have grown exponentially, we have become incredibly dependent on product visuals during our shopping experiences.

At a minimum, the market will settle for pictures of products. But, their buying tendencies show that brands who offered higher quality product imagery and multiple photos will often win their purchase because they get to experience the product more than through one photo. Having multiple images provides better expectations and thus greater trust with their purchase.

But imagery alone can only go so far as they are static representations of a single viewpoint. As such, data has shown a significant increase in purchase probability when a product video is included in the buyer's experience. In addition to imagery, a buyer having the chance to see the product in motion, from multiple angles and perspectives, further increases the trust in the purchase.

Still, imagery and videos are not enough. The Digital Age has created new demands on customer experience and companies must do everything they can to advance their presentation to the market. Enter **Visualization**.



A man with a beard and glasses, wearing a red and black plaid shirt, is shown in profile, looking at a laptop screen. The background is slightly blurred, showing a desk and some framed pictures on the wall. The overall tone is professional and focused.

Three-dimensional, interactive product visualization and visual configuration is today's (*and tomorrow's*) answer to the modern buying experience.

Incorporating 3D visualization into your customer's buying experience gives them control. They choose the viewpoints, they interact with its features, and if available, they can customize and configure product options to meet their needs. This shift in dynamic puts the customer at the center, not the brand, where the experience feels more personal to their needs. This provides added value, stronger engagement, and a deeper connection with your product.

Extending this further is the ability to continue the 3D experience through Augmented Reality.



Augmented Reality's Role in the Visual Buying Experience

Transcending reality through virtualization, augmentation, or mixing the two has been a topic of fascination for so many who look into technology's impact on our world. But to take a break from the pontificating, let's cut right to it. **Virtual Reality is far too intrusive** to become a mainstream method for experiencing products. The need for a wearable device constricts its utility, despite the amazing level of immersion it offers.

Instead, here is why you need to consider the benefits of Augmented Reality in the product visualization process. First, you need to think of AR as a feature, or a subset of the overall visualization experience. Through the benefits of 3D product visualization and configuration technology, the ability to translate visual experiences into AR experiences is now easier than ever. **Think of AR as the finishing touch to a visual shopping experience.**

Let's imagine you're shopping for a piece of furniture. In the past you would have had to visit the stores to see available pieces, only to then have to imagine what those would look like at home. But, brands that **empower their customers with online product visualization and configuration will allow their customers to select, view, customize a new sofa all from their current one.** Without ever leaving the living room, a new sofa can be designed and now viewed, in AR within your own space. This ability lets the user get a feel for options they've selected like color or pattern, as well as space it will occupy.

But aside from these functional benefits, there's a **deeper emotional connection.** Instead of standing in a store, they're seeing this sofa in their own home. They can share it with their spouse, neighbors, or friends. The **experience is much more social, more inspirational, and less imaginative.**

AR connects the visualization experience to the real world in a way that most brands have yet to feel the power of.

The Commandments of Visualization in the Experience Economy

As you evaluate your buyer's experience, consider these commandments of visualization as guardrails to help you in your experience design process:

1 Your product quality will be judged on how well you present your product. The more sophistication you build into your presentation, the greater the customer views your offering and the higher the chance you will close the sale.

2 Customers must be empowered. Images and videos do not do enough because these are provided by the brand. Empower your customers to interact digitally with your product through *digital test drives*. The digital showroom of the future will be based on 3D visualization and product immersion.

3 Visualization can not operate in a silo. As you incorporate visualization and visual product configuration you need to have their end goal in mind. Does this lead directly to a purchase (commerce) or does it lead to a next step (CPQ, CRM) in their journey?

4 Visualization is not a custom project, but a platform to build on. Do not build a one-off project-based visualizer or configurator. Work with a platform provider who will grow with you. This will save you immensely down the road.



Closing Thoughts...

The Experience Economy arrived when people were exposed to the possibility that there is a “better way”. As shoppers, we don't just demand great products, **we desire great brand experiences**. Spend time in your market learning what your customers value. Extrapolate that value in ways that exceed their expectations. **Design experiences that empower customers to interact and connect with your product**. When buyers are in control the experience feels more personal. Great experiences speak to great products. If you want to differentiate your brand, you have to win in the modern battlefield: **Experience**





The Best Ways to Continue your Exploration into Experience

1. Read more from others [here](#)
2. Explore more of our helpful resources [here](#)
3. Talk with one of our Visual Strategists [here](#)