7. Experience as the DNA of a changed relationship between firms and institutions and individuals

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7.1 INTRODUCTION

Based on the argument that goods and services have become or are rapidly becoming commoditized, Pine and Gilmore (1998) claim that companies need to focus more on the customer and offer experiences as distinct economic offerings to be able to differentiate themselves and gain competitive advantage. Although attention for the importance of experience has increased enormously in the last decade, the idea that the customer and how he or she experiences things as a very important aspect of consumption has existed for much longer (for example, Levy, 1959; Boorstin, 1964; Toffler, 1970; MacCannell, 1976; Hirschman and Holbrook, 1982).

The *raison d'être* of the experience economy is the need to decommoditize economic offerings, thereby maintaining or increasing profit margins and making sure that customers choose economic offerings not solely based on price. The main reason that is given for entering a new economy is that since many economic offerings are nowadays similar in characteristics, features, quality and price, the importance of other differentiating aspects as an opportunity for competitive advantage in the marketplace increases (Dumaine, 1991). This development lies behind the current focus on experiences.

The purpose of this chapter is to explain how the relations between individuals and firms and institutions should change if the latter truly want to enter the experience economy to counter commoditization. I first explain that experiences consist of three elements, and that most scholars and practitioners mainly focus on one of these elements at the cost of the other two. The choice of one element and thus taking a specific approach of experience leads to a biased perspective of the experience economy. Furthermore, I argue that within the approaches the dominant objectivist organizational perspective is also a problem. Firms and institutions are seen as the entities that determine and manage what experiences should consist of, what effects the individual should experience and which values the individual should invest. I shall indicate that this perspective is problematic because it doesn't lead to the intended decommoditization and give recommendations for how this problem can be resolved by changing the way firms and institutions relate to individuals.

7.2 WHAT IS EXPERIENCE? THREE ELEMENTS AND APPROACHES

To get a grasp of what experiences entail, most current literature on the experience economy does not suffice. According to Poulsson and Kale (2004), the area of experi-

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ence creation suffers from poor conceptualization and fuzzy directions. There is a lack of understanding of what experiences exactly are, how they differ from services and goods and in what way they deliver value to companies and customers. It is difficult to extract a clear and concise definition of what exactly is an experience from business literature on experiences. Some authors even claim that a definition of an experience is nowhere to be found in marketing literature and that no attempt has been made to systematically define what exactly constitutes an experience (Poulsson and Kale, 2004).

Without a clear definition of what an experience is and what it is not, the term can suffer from inflation. The problem is not that there is no definition to be found but that with all the definitions and descriptions given in the literature and all the different distinctions made between different types and kinds of experiences based on many different dimensions, it is not clear what experiences are and what they are not.An extensive analysis of definitions of the term 'experience' in various dictionaries, thesauri and encyclopaedias (Snel, 2011)shows that there are three elements that make up an experience: something in the environment that is experienced, someone who experiences some kind of effects and some type of encounter between this someone and the something (Figure7.1). These are the three elements of an experience, and while one can try to distinguish between them, they cannot be separated for together they form what I call experiences. 'An experience is always what it is because of a transaction taking place between an individual and what, at the time, constitutes his environment' (Dewey, 1938 [1977], p. 43).

To be able to speak of experience all three elements should be present, so, for example, an event or occurrence per se cannot be counted as experience, only when it has one or some of the conditions mentioned in the other columnsof Figure7.1. To be able to call them experiences, they should affect one in some way, cause someone to learn something and/or have been personally lived through. Not every event, activity, occurrence or thing in the individual's environment should be called an experience according to these sources, but only those that satisfy the conditions.

One problem of the current experience economy discourse in the fields of marketing and business is that scholars and practitioners often seem to focus mainly on one of these three coreelements. Since a focus on one of the elements means that one is approaching experience from a specific angle, I argue that there are three approaches that can be distinguished in the current discourse.

One approach is focused on the 'experienced being', or 'what' it is that is experienced in the individual's environment, for example, events, activities, occurrences, things and so on. I have named this approach the environment-centred approach. The second approach is focused more on the 'experiencer', and the effects that he or she experiences, hence I have called this approach the effect-centred approach. The third approach is focused on the characteristics of the encounter of the individual and his or her environment. This approach is called the encounter-centred approach.

The bias resulting from taking one specific perspective on experience, one of the three approaches, does not necessarily lead to problems if one consciously makes this choice and is aware of the consequences of the choice made. However, given the theoretically ill-founded nature of the subject, one may doubt whether this choice is always made intentionally.

Although the choice for one approach or the other may have unintended consequences,

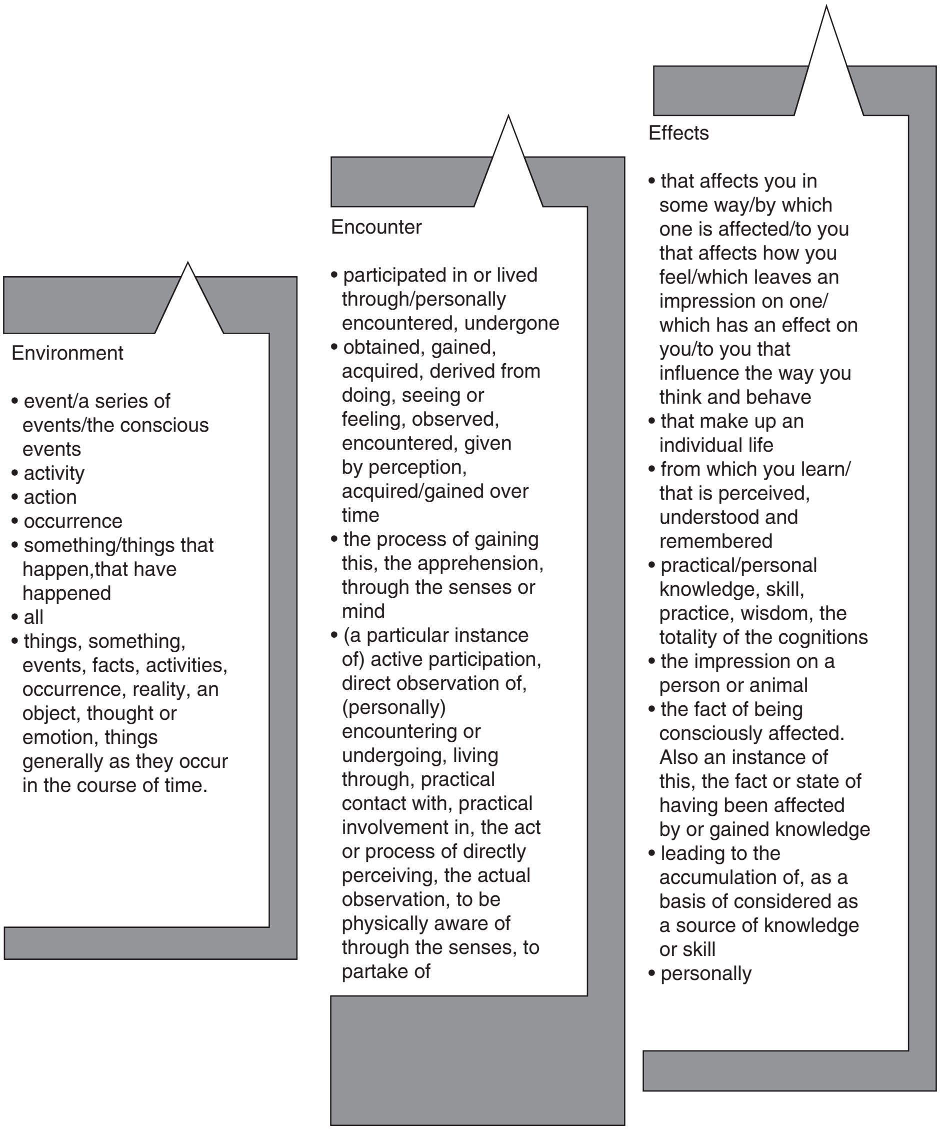

Figure 7.1 Three components of the definition of experience

there is yet another bias in the discourse on a different level, namely the level of the approaches themselves. Even within the specific approaches marketing and business scholars take a restricted and objectivist view since the theory is often defined from an organizational perspective. This shouldn't surprise anyone, given the fact that the assumption is that commoditization is the main reason for the emergence of an experience economy. This causes a search for new ways to add value to economic offerings, so that one can differentiate one's offerings from those of the competition as explained earlier. Since the assumption seems to be that it is always the firm or institution that has to add value to the economic offerings, the organizational perspective is highly dominant in current literature.

In the environment-centred approach, for instance, the view of what is experienced according to marketing and business scholars is often restricted to treating experiences as if they are products or environments with objective characteristics that can be produced and managed. The objectivist perspective can be recognized in this approach in many ways. Experiences are staged, produced, sold, managed and so on, as if they are separate objects in the individual's environment. In the effect-centred approach, the marketing and business scholars' focus usually lies on how effects can or should be invoked and managed. Also here one can notice a clear objectivist perspective, since the effects, be they, for example, emotions, feelings or moods, are dealt with as if they are entities separate from the individual that can be given or sold to him or her. Thirdly, the role of the individual in the encounter-centred approach in marketing and business literature is primarily restricted to the investment of money. The encounter is often described as a transaction between a firm or institution that functions as 'experience-provider' and a customer, in which the provider gives something of value to the customer and the customer gives something of value, usually money, in return. The way in which these 'somethings-of-value' are discussed resembles a discussion of objects, separate from the firm or institution and separate from the individual, which are transacted. Again one can recognize the objectivist perspective. In the discussion of the three approaches the objectivist perspective is explained in more detail.

7.3 THE ENVIRONMENT-CENTRED APPROACH

In business and marketing literature on experience, experiences are often seen and dealt with as if they are products. The focus then is on the features and internal processes within the organization that can be managed in order to produce an experience. Literature is, for example, focused on connecting product features to experience, creating elaborate checklists with criteria describing the experience contexts, and practical ways in which experiences can be defined, distinguished, designed, evaluated and produced. Books that belong within this approach, for example, contain self-assessment tests (for example, Shaw, 2005) or tests and 'lessons learned'sections at the end of each chapter (for example, Ford and Heaton, 2000). Other books present a toolkit that readers can use to design an experience (for example, Smith and Wheeler, 2002) and subdivide the experience into manageable stages (for example, the Driving Improved Customer Experience model (Shaw and Ivens, 2002), levels (for example, the Customer Experience Pyramid™ (Shaw and Ivens, 2002; Shaw, 2005), touch points (for example, the Experience Touchpoint Charts and Pallettes (Millet and Millet, 2002) or moments (for example, Moment Mapping® (Shaw, 2005)).In a way, firms and institutions are doing what they have always done: they try to avoid commoditization and create new ways of differentiating themselves from competitors.

According to many authors, every time a customer comes into contact with a product or a company, he has an experience; the only thing that has changed is that firms and institutions should now focus on managing the experience and all elements, or clues, that are part of it (O'Sullivan and Spangler, 1998; Carbone, 1999, 2004; Jones, 1999; Schmitt, 1999; Millet and Millet, 2002; Shaw and Ivens, 2002; Adcox and Wittenstein, 2003; Shaw, 2005). The more phases of the experience that are managed and the more clues that are incorporated, the better the experience will be.

However, a problem with this way of dealing with experiences is that if exceptional experiences can be offered to people by exceptional management of experience clues and features, then knowledge of these clues and how to manage them would give everyone the same advantage in the experience economy and destroy the differentiating function of experiences. Benchmarking, checklists and blindly copying elements from competitors in practice rarely help in becoming successful in the experience economy (Carbone, 2004). Indeed, success of economic offerings will also be dependent on what the customer finds important in the specific situation and context he finds himself in.

In some situations consumers are primarily interested in what they can gain from the physical characteristics or technical performance of a product, from the so-called objective features of the product that are under the control of the organization providing the product. Products that primarily provide this type of value are called utilitarian, since it is their use, their utility, that motivates individuals to buy and consume them. Examples are many use products, such as cooking oil, detergent and cartridges. Functionality is mainly dependent on the objective features of the product and the subjective response of the individual usually has little or no influence. 'If we are upset about something or especially nervous or unusually happy, our feeling has no impact on the way the flashlight works' (Addis and Holbrook, 2001, p. 59). When the only element that is focused on is the environment, by taking the environment-centred approach, this is the line of reasoning. However, the encounter between the individual and the environment is then left out of the equation.

The techniques used for gaining an understanding of the individual's perspective are also radically different from the ones that are used in traditional inward-focused organizations (Levy, 1981; Zaltman and Higie, 1993; Zaltman, 1997; Carbone, 1999, 2004; AdcoxandWittenstein, 2003), which lead to self-referential results (Fornell, 1976; Baudrillard, 1983). 'Customers don't break their experiences down into twenty-seven different operational-based processes, analyze the execution of each process, and tabulate and average the results to determine whether they've had a great customer experience' (Millet and Millet, 2002, pp. 42–3). Customers don't care about the fact that 'we can build multiattribute models that predict preference toward toothpaste; we can generate complex multidimensional spaces that represent perceptions of cigarettes; we can construct devilishly clever procedures that trace the acquisition of information on cereal brands; we can – with our bare hands – construct mighty regression analyses that relate detergent usage to 300 separate life-style variables. In short – when it comes to factors of least importance to the consumer's emotional, cultural, and spiritual existence – we excel' (Holbrook, 1981, p. 36).

According to the literature in the environment-centred approach, organizations in an experience economy should be focused on producing experiences as economic offerings with the 'right' objective features and experiences are seen and dealt with as products by focusing inward on production processes. Within this perspective, the focus remains on the firm or institution that offers the experience, that manages all elements of the experience and that creates value. When one focuses exclusively on the elements that are under the control of the firm or institution, a large part of what makes an experience valuable is not recognized. Experiences are not under the complete control of the organization and therefore one should doubt the usefulness of how-to guides for producing, staging and building experiences with the goal of combating commoditization.

7.4 THE EFFECT-CENTRED APPROACH

The effect-centred approach focuses primarily on the effects the individual experiences and the role of firms and institutions in managing and producing predetermined hedonic effects neglecting the influence that the individual has on the effects he or she experiences (for example, in terms of the intensity of the effects, the type of emotions and the meaning attached to what happens to the individual).

For services, the customer's perception of value is seen as a trade-off between the quality of the obtained result and the service process and, on the other hand, the price he has to pay and the effort the customer has to make to obtain the service, as expressed in Heskett et al.'s (1997) customer value equation. For experiences, the customer's perception of value consists of more than this trade-off. According to many authors, there is a lack of attention for the emotional and irrational aspects involved in experiences and an excessive focus on functional and utilitarian aspects (Sheth et al., 1991; Schmitt, 1999; Snowden, 1999; Mathwick et al., 2001). Satisfiers, aspects of products or services that, when present, should cause satisfaction, have become dissatisfiers, aspects that are expected and taken for granted and can only cause dissatisfaction when absent (for example, Green and Jordan, 2002). Quality, reliability, pricing, brand or for that matter any of the traditional differentiators 'have become unspoken requirements, tickets to entry' (Shaw and Ivens, 2002, p. viii).

In search of new differentiators, many assumptions have been made about what individuals value and what their desires are. A review of the literature on this subject provides a myriad of potential, mostly hedonic, differentiators. Individuals allegedly want to be surprised, mesmerized, seduced, enhanced, enriched, pampered, entertained, inspired, scared, touched, amused, shocked, stimulated, dazzled, enthralled (de Cauter, 1995; Jensen, 1999; Wolf, 1999; Goossens, 2000; Mommaas, 2000; Scheerder, 2000; Schulze, 2000; Dagevos, 2001; Poulsson and Kale, 2004; Postman, 2005) and this list is not exhaustive.

De Cauter (1995) sums up the growing concern with hedonic effects by stating that the late modern society we live in is characterized by 'experience hunger'. Even in churches people are claimed to be looking for kicks, events and entertainment, and reading the Bible should be fun and personally engaging (Oevermans, 1999). Agritainment, edutainment and entertailing are some of the other terms that show that entertainment is pervasive nowadays. Everything seems to revolve around entertainment, 'If it isn't fun, cute, or packaged in a ten-second sound bite, then forget it. If it can't be presented with a smiling, cheerful, sexy face, then it ain't worth attending to' (Mitroff and Bennis, 1989, p. 7).

Besides this focus on hedonic effects, firms and institutions are perceived as providers of stimuli that in the encounter with an individual are transformed into effects in a seemingly black box way. However, especially now that firms and institutions are more and more recognized as cultural producers of symbolic goods (for example,Levy, 1959; Hirschman and Holbrook, 1982; Featherstone, 1991; Rifkin, 2000; Schulze, 2000;

Richards, 2001; Ter Borg, 2003), there is an increased need for a better understanding of the workings of this black box, of how meaning is created and how effects come about. There appears to be much concern about the neglect of this process of meaning making. 'With an ever quickening turnover time, objects as well as cultural artifacts become disposable and depleted of meaning . . . People are bombarded with signifiers and increasingly become incapable of attaching "signifieds" or meanings to them' (Lash and Urry, 1994, pp. 2–3). Falk and Dierking (2000) refer to William James (1890), when they describe that people are continuously bombarded with stimulations and that 'interest' is their filter. 'Millions of items in the outward order are present to my senses which never properly enter into my experience. Why? Because they have no interest for me. My experience is what I agree to attend to. Only those items which I notice shape my mind – without selective interest, experience is an utter chaos' (James, 1890, p. 403). This chaos caused by overstimulation or the excessive supply of disorganized, patternless and chaotic sensory stimuli can lead to confusion, bewilderment and impairment of the ability to think and act clearly (Toffler, 1970). 'It is for this reason that practitioners of political or religious brainwashing make use . . . of sensory bombardment involving flashing lights, rapidly shifting patterns of colour, or chaotic sound effects – the whole arsenal of psychedelic kaleidoscopy' (Toffler, 1970, p. 310).

In consumption experiences, the relative weight of the individual's subjective response is greater than that of the objective features of the product. While 'If we are upset about something or especially nervous or unusually happy, our feeling has no impact on the way the flashlight works' (Addis and Holbrook, 2001, p. 59), our feelings do have an impact on our consumption experiences when consuming, for example, products like ice cream or dinners in one's favourite restaurant. In cases like these, speaking of managing the effects of an experience or giving people certain emotions or feelings is a too simplistic way of explaining what is actually a quite complex process. If there were a simple way to give individuals emotions and feelings, then where would the decommoditizing function of the experience economy be, since everyone could or would be doing the same things? The problem that is pointed out is that there is an abundance of stimuli, but also a lack of attention for the capacities that people need to make sense of them. When experiences are not considered as mere hedonic effects that are causal effects of the individual's encounter with stimuli in his environment, then attention should be paid to the process of meaning making.

7.5 THE ENCOUNTER-CENTRED APPROACH

From the perspective of scholars and practitioners adhering to the encounter-centred approach the main role of individuals in the encounter is that of paying money in exchange for experiences, which causes a neglect of the other values that individuals invest. The individual's role does not just consist of investing money, but what seems to have happened in the encounter-centred approach of the experience discourse is that at first the encounter was perceived in terms of utility provided by firms and institutionsin exchange for money provided by customers (Figure 7.2). When commoditization of goods and services urged firms and institutionsto think about other ways to add value to their offerings besides offering mere utility, let's call this utility+, for some reason

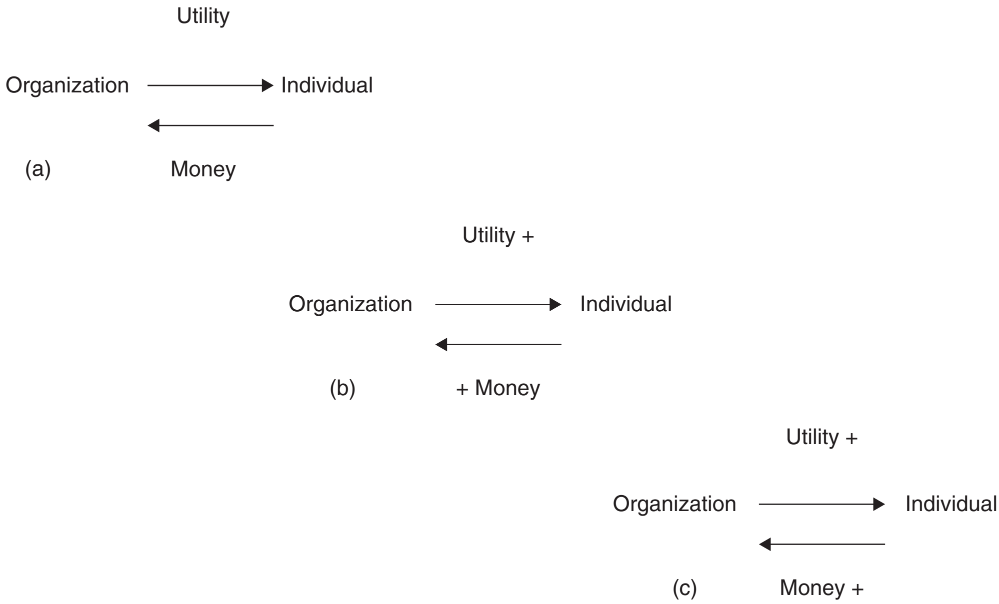

Figure 7.2 Development in value exchanges between organizations and individuals

most scholars' reasoning consisted of charging higher prices to the customer (+money) rather than thinking about what other values besides money (money+) were or could be invested by customers in exchange and recognizing that individuals are active participants in an experience.

The interaction of individuals with products during consumption is one of the research areas that is receiving much attention. It is becoming more difficult to stick with this traditional 'produce and sell' attitude. Individuals resist being treated as a sales target anymore and demand dialogues with firms and institutions as valid interlocutors (Vavra, 1995; Duijvestein, 2001; Adcox and Wittenstein, 2003) and a more active role in the experience itself as co-producers (Ford and Heaton, 2000; LaSalle and Britton, 2003). This active role in production by individuals is not entirely new; after all, self-service concepts have been around for quite some time. However, there is now more recognition for the fact that consumers do not just get involved because they have no choice or to save time or money, but that they can also reap personal benefits from the activity and increase their enjoyment (Lewis and Bridger, 2001). People allegedly do not only use consumption to actively produce meanings (Csikszentmihalyi and Rochberg-Halton, 1981; Hirschman and Holbrook, 1982; Bengtsson, 2002) but this sense making capacity is even claimed to be the primary function of consumption nowadays (Douglas and Isherwood, 1979; Ter Borg, 2003).

There are, however, scholars who argue that businesses are defined by that for which they collect revenue. 'You're not truly selling a particular economic offering unless you explicitly ask your customers to pay for that exact offering' (Pine and Gilmore, 1999, p. 62) so organizations are not active in the experience economy unless they charge a fee for the experiences they offer.

On the other hand, by focusing merely on the market value of experiences and the financial value that the individual should invest, marketing and business scholars are claimed to be responsible for the commodification of experience. Rifkin (2000), for example, describes the experience economy as 'a world in which each person's own life becomes, in effect, a commercial market' (p. 7). Today many aspects of life have come under the influence of commodification, such as time, signs and symbols, human practices, culture, human relationships, shopping and identity and even happiness and life itself (Falk and Campbell, 1997; Rifkin, 2000; Dagevos, 2001; Richards, 2001; Hackley, 2003; Galle, 2004). Schumacher (1973) describes the risks of this singular focus on financial values for the environment, the culture, social structures and the like, but also for business itself. As the experience economy is growing, and more people will pay to participate, issues like rationalization, efficiency and economies of scale will become more important. This will inevitably lead to 'disenchantment', as Ritzer (1999) calls it, causing the loss of 'something of great, if hard to define, value' (p. 96). Enchantment has more to do with the qualitative aspects of experiences than with the quantity of experiences. 'An emphasis on producing and participating in a large number of experiences tends to diminish the magical quality of each of them . . . The mass production of such things is virtually guaranteed to undermine their enchanted qualities' (Ritzer, 1999, p. 98).

Contrary to enchantment, rationalization, efficiency, economies of scale and mass production are not typically the terms one associates with decommoditization. The focus on other values instead of or besides financial values may help to overcome the risk of commoditization

7.6 A DIFFERENT PERSPECTIVE ON EXPERIENCE

As the descriptions of these three approaches have shown, one cannot only recognize a bias towards one of the three essential elements of experience in the discourse, but also within the approaches there is a bias towards the objectivist and organizational perspective. In the environment-centred approach, there is a bias towards producing experiences with certain objective characteristics. The effect-centred approach suffers from a bias towards the management of certain pre-specified, usually hedonic, effects. And finally, the encounter-centred approach shows a clear bias towards the values that the organization decides should be invested by the individual, in most cases financial value. These biased perspectives do not help firms and organizations in overcoming the effects of commoditization, which was the *raison d'être* of the experience economy as I indicated earlier, but they even pose a risk for more commoditization (Snel, 2011). After all, if there exists a checklist of the right objective characteristics one should incorporate in an experience (the bias in the environment-centred approach), then every organization could implement these and we would again all be doing the same thing, leaving the individual with just one criterion to base his decision on: price. In the same way, if it were possible to determine which effects should follow from an experience and to manage these (the bias in the effect-centred approach), or which values the individual should invest in the experience and to manage these (the bias in the encounter-centred approach),then organizations would be able to follow the prescribed steps and again be doing the same things, leading to commoditization.

A different, broader perspective on experiences can help in overcoming the biases and indicate what firms and organizations could do to truly incorporate the experience discourse in their relationships with individuals.

7.6.1 Offsetting the Bias in the Environment-centred Approach

In the environment-centred approach, there is a bias towards producing experiences with certain objective characteristics. The idea behind this approach is that one can explain what a good experience consists of by giving information on the 'right' objective features that should be implemented in the experience. However, by understanding the difference between different meanings of the word 'experience', *Erlebnis* and *Erfahrung*, one can see that the core of experience does not consist of objective features but of meaning that is constructed by individuals. Instead of trying to understand experiences by consulting third-party explanations of experience in the form of information, one has to focus on grasping the meaning of the experience, which cannot be transferred by mere information as I shall explain.

Erlebnis and *Erfahrung* have come to imply two very different notions of experience (Jay, 2005).

Erlebnis generally connotes a more immediate, pre-reflective and personal variant of experience (Jay, 2005), with a focus on instantaneity and the totality of sensorial experience (Mommaas, 2000). The immediacy of *Erlebnis* is reflected in a focus on intensity (Goodman, 2003) but also in a focus on the immediate gratification of needs (Mommaas, 2000). In fact, the modern selling of experiences, and their commodification, has primarily to do with *Erlebnissen*, leading to the immediate gratification of individuals who 'buy' experiences (Schulze, 2000; Goodman, 2003).

When individuals exert mental activities on an *Erlebnis*, for example, by distancing themselves from it, contemplating or reflecting on it and making sense of it, it can become an *Erfahrung* (Mommaas, 2000; Jay, 2005). The individual is not just taking in or absorbing stimuli from her environment and neither does she merely have feelings of pleasure; there is some kind of cognitive processing involved, in the context of a long-term learning process, and the focus is not or not just on the immediate gratification of needs (Mommaas, 2000). *Erfahrung* connotes a creation or restoration of the coherence or narrative of an individual's life (Goodman, 2003), in the sense that a series of events in the past, present and hypothetical future are meaningfully connected in a temporal way and with a point of view (Georgakopoulou, 2004).

Erfahrung does not consist of mere sensations or subjective responses, but 'involves at least a potential learning process produced by an encounter with something new, an obstacle or a challenge that moves the subject beyond where it began' (Jay, 2005, p. 403). There are several theories on how individuals learn from their experiences, such as the Experiential Learning Cycle (Kolb, 1984), the Experiential Learning Model (Lucknerand Nadler, 1997) and the Reflective Teacher Model (Ashcroft and Foreman-Peck, 1994). '(E) very experience enacted and undergone modifies the one who acts and undergoes, while this modification affects, whether we wish it or not, the quality of subsequent experiences. For it is a somewhat different person who enters in them . . . every experience both takes up something from those which have gone before and modifies in some way the quality of those which come after' (Dewey, 1997, p. 35). The discrete encounters with the environment over time leave some sort of permanent residue for the individual (Jay, 2005, pp. 61, 330). In this sense, an experience has a temporal dimension as accumulated learning, and memory has a central position in experience. The experiences from the past and the knowledge the individual already has play a part in experiences in the present and since no one has experienced the exact same things and accumulated the exact same knowledge as another person in the world, experiences are highly personal.

Compared to a layperson, an art critic sees an artwork differently, a professional musician listens to music in a different way, a head chef tastes food differently, a doctor perceives the human body in a different way and so on. These people have accumulated experience and knowledge, which enables them to learn more and make more sense of their experience.

For Gadamer (2004), genuine experiences function to provide the individual with 'a new horizon within which something can become an experience for him' (p. 348). The meaning an experience has for an individual not only depends on her prior knowledge and experience but also on this 'new horizon', and the impact the experience has on the life of the individual (James, 1902; van Saane, 1998).

The experience becomes part of the individual and can now be used in every context it is needed. The individual can now see things that, although they existed before, were not perceived by her, 'thus leaving us and the world itself irrevocably changed' (Jackson, 1998, p. 33).

The mental agency exerted and the temporal dimension involved make experiences inherently personal and unique. Because of this one can hardly expect someone else to fully understand one's experience, let alone determine and manage the objective characteristics of an experience for someone else. The other person has a different narrative and life horizon, has different knowledge and experience, and will therefore interpret events in a different way. This is what makes it so hard, or even impossible, to truly share an experience with someone who has not had the experience.

One can try to gain information on someone else's experience by asking her questions about it and having her tell about it, but the information shared consists of 'secondary experience.' Secondary experience means that 'information is processed – selected, modified, packaged, and presented' (Reed, 1996, p. 3), 'externalized' in Sveiby's terms (1997, pp. 81–2), providing at best second-hand or indirect knowledge (Reed, 1996). The person telling about her experience determines what to tell and what to leave out, and many aspects of her experience cannot be externalized and expressed at all. To truly understand what the person has experienced, the secondary experience or information is not enough; one needs to have primary experience for oneself. Primary experience is defined as 'the information . . . that all human beings acquire from their environment by looking, listening, feeling, sniffing, and tasting –the information, in other words, that allows us to experience things for ourselves' (Reed, 1996, pp. 1–2).

In terms of experience, it would be good if the people in charge of designing experiences would have primary experience of the situation they are dealing with and not just secondary experience of certain objective characteristics. However, this is not always possible. One cannot experience everything for oneself. If, for example, the task is to design solutions for the elderly, one cannot expect students in their twenties to have primary experience of what life is like as an elderly person. Fortunately, one can make use of what is called 'vicarious' experience. What distinguishes vicarious experiences is that (1) the individual is not in direct contact with the raw material of the experience (not having a primary experience) and (2) although there is no direct contact of the individual with the raw material and the experience can therefore be considered to be secondary, something is done to create the illusion of contact with the raw material in a less filtered and framed way than in a pure secondary experience (Snel, 2011, p. 119).

Based on the degree to which the primary experience is filtered and framed and based on the proximity of the actual raw material to the individual having the vicarious experience, one can distinguish various forms of vicarious experiences. One can, for example, talk with individuals who have or have had the primary experience, observe them, create and participate in a simulation of the primary experience, use role play; the list can go on and on. The most important point is to find a method that takes one as close to the primary experience of the people having the experience. Research, to provide meaningful results, should make use of techniques found in, for example, ethnography (Adcox and Wittenstein, 2003; Berthon et al., 2003) and most importantly, it should view the experience as a whole, as a Gestalt, not as a series of distinct and isolated components or objective features (Holbrook, 1986; Chartrand, 1987). Experiences consist of encounters between individuals and their environment and so to gain valuable insights from the experience, this whole constellation should be taken into account from as close to a first-person perspective as one can get.

7.6.2 Offsetting the Bias in the Effect-centred Approach

The effect-centred approach suffers from a bias towards the management and direction of certain pre-specified, usually hedonic, effects. Scholars and practitioners who take the effect-centred approach of experience view the effects of experiences as being directed and evoked one-sidedly, from the side of the firm or institution, and neglect the interpretive framework of the individual and the process of meaning making that is involved in the emergence of effects. Two errors in relation to the construction of meaning may occur when holding this view: a syntactic error and a semantic error (MacCannell and MacCannell, 1982). In the case of a syntactic error, the signifier is taken at face value and there is no recognition of the fact that it refers to or represents something else, resulting in an uncritical absorption of the stimuli and impressions. McLuhan (1967) has coined the phrase 'the medium is the massage', to indicate that we have so many stimuli that we encounter day by day, that we become numb to them, we don't have the mental capacity to interpret them all and give them meaning. They are presented to us in this information-overloaded society and we don't even consciously register them. In the case of a semantic error, the signified is taken at face value, leaving the individual with a flawed understanding of the actual or complete meaning of it. Highlighting one specific detail of a complex situation and presenting the situation as if that detail is the whole picture is an example of a semantic error. The semantic error consists of not recognizing that a sign may mean different things under different circumstances. The assumption is that the sign will be interpreted in the same way by anyone confronted with it. However, perspectives work like filters or lenses and just like there are lenses that work better for looking at the stars, there are also lenses that are fit for looking at bacteria. Every

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perspective in isolation gives us a partial, limited or even distorted view of reality, and only by taking into consideration various perspectives and contexts will we gain a better understanding of the nature of reality.

When a perspective limits the view of available possibilities, this can have serious implications for the process of meaning making. Perspectives can 'limit people's choice sets by indicating what is likely to be seen as viable or productive, and define the implications of their choices. They affect what people try to understand, what problems they attempt to address, and how they direct their imagination and learning toward the yet unknown' (Huizing, 2002, p. 163). In this context, Tyrrell (1947) distinguishes 'convergent' and 'divergent' thinking. Convergent thinking starts with the end-state or the desired goal as a starting point and is focused on reaching that end-state or goal in the most efficient and effective way. The description of the effect-centred approach of experiences clearly refers to convergent thinking: desired effects are determined and the focus is on how to make the individual experience those effects. In the case of divergent thinking, choices have to be made related to which goal or end-state to strive for. There are many possible options and one first has to decide on which option to choose. The concepts thus refer to two different modes of operation; one narrows the mental focus until it converges into a solution, the other broadens the mental focus in many different directions.

Tyrrell (1947) further claims that convergent problems do not exist in reality, but are created by a process of abstraction. 'The true problems of living . . . are always problems of overcoming or reconciling opposites. They are divergent problems and have no solution in the ordinary sense of the word' (Tyrrell, 1947, p. 89). Although a process of reduction and abstraction of reality can translate all divergent problems into convergent problems, the price of doing so in terms of knowledge is high.

The construction of meaning is clearly a divergent problem, for which there is not one right solution. The individual interprets and relates to his environment within a certain context and by using his inherently personal interpretive framework. There is an unlimited quantity of possible contexts and unique interpretive frameworks since each person has a unique collection of existing knowledge, prior experience, concerns, motivations and goals. This makes the management of the interpretive process, with the aim of controlling the meaning that the person will attach to whatever happens to him and the effects that he will experience, a difficult, if not impossible, task.

Most people have been educated within a discipline, that has taught us to view the world in a certain way, from a certain perspective, in line with and prescribed by that discipline. To prevent the limitation of possibilities and choices it would therefore be wise to bring people with different perspectives, different knowledge and different experiences together in order for them to learn from each other. Developments in the areas of co-creation and democratized innovation in fact indicate a need for firms and institutions that want to understand experiences to disembed from their own viewpoint and incorporate the view of customers and users, since these may have very different but valuable perspectives. Customers may, for example, 'intuitively look at a function being performed, such as checking in at an airport, and ask themselves why their supermarket will open another checkout if there are more than three people queuing, but the airline does not: a reasonable question. This means you have to look across industries' (Shaw and Ivens, 2002, pp. 31–2).

Deductive thinking doesn't help us in situations like these, we need more abductive reasoning: using the insights gained divergently from our primary and vicarious experience to discover and explore valuable possibilities and frames of the situation, with the goal of finding valuable ideas (Dorst, 2011).The confrontation of a variety of perspectives offers more opportunities to abductively find a useful frame with which to view the situation and to discover possible ideas for dealing with it that would not come to the front if we keep on trying to engage with it from our conventional mono-disciplinary perspective.

The one-sided determination and management of effects is an example of convergent thinking, leading to semantic and syntactic errors. One doesn't and cannot know whether and, if so, how individuals are going to interpret signs, so the idea that firms and institutions can determine and manage the effects they want individuals to experience is an illusion. Can they influence the individual's process of meaning making? Of course, but given the inherently personal nature of interpretive frameworks and experiences this should not be done in a convergent way. To grasp the effects that individuals experience and the meanings they construct, one needs to grasp how the effects come about and how the meaning is constructed. One therefore needs to incorporate different viewpoints and perspectives in the thinking process to incorporate possibilities, alternatives and options that one would cut off if one were to engage in convergent thinking.

7.6.3 Offsetting the Bias in the Encounter-centred Approach

The encounter-centred approach shows a clear bias towards the values that firms/institutions decide should be invested by the individual, in most cases financial value. To determine the value that they can expect individuals to invest, firms and institutions need to have an idea of what value individuals expect in return. Traditionally, in the service economy, customers were expected to determine what to invest in a transaction based on what they expected to receive in return. A well-known and often-used model for measuring the quality of services is SERVQUAL, which is based on the premise that a customer's evaluation of a service depends on the comparison of his perception of what was received with what was expected, leading to a confirmation or disconfirmation of pre-consumption standards (Zeithaml et al., 1990; Fournier and Mick, 1999). If perception and expectation can be measured on a scale of 1 to 10, one can imagine that an offering with a score of 7 for perceived value results in a different experience of value if a score of 9 was expected than if a score of 5 was expected. However, for experiences these 'pre-consumption standards' or expectations are often not as clear as they are for services. The product classification theory, also called the Search-Experience-Credence (SEC) framework (Animeshet al., 2005), explains why expectations for experiences are usually vague and why it is therefore difficult to use traditional expectation-based models for determining perceived value for the evaluation of experiences.

Search, experience and credence characteristics indicate the moment in the purchase process when consumers can accurately assess whether the good actually possesses the expected level of attributes (Animesh et al., 2005).Search characteristics are qualities a consumer can determine by inspection prior to purchase (Nelson, 1974; Aldrich, 1999; Animeshet al., 2005) or use (Girard et al., 2002). The information needed to be confident about one's purchase decision, in other words, the information needed to form clear expectations and be able to assess whether the product will satisfy the expectations, can easily be obtained prior to buying or using it. Examples of such search characteristics are price, size of package or colour. Experience characteristics are qualities a consumer cannot determine prior to purchase (Nelson, 1974) or use (Wright and Lynch, 1995). Examples of these characteristics are taste, durability or maintenance needs (Aldrich, 1999). Objective information on how someone will like the taste or smell or comfort of something does not exist and only the experience of the experience characteristics will help in determining whether the experience lives up to one's expectations(Andersen and Philipsen, 1998; Aldrich, 1999). Credence characteristics are characteristics of which the quality cannot be inferred before, during or sometimes even after the purchase or use of a product (Darby and Karni, 1973; Aldrich, 1999). Not only can consumers never know, verify or be certain of the level of credence characteristics they receive, they do not even know what level or extent of the characteristics supplied they actually need (Darby and Karni, 1973; Emons, 1997; Dulleck and Kerschbamer, 2006). Consumers therefore have to rely on outside experts (Ford et al., 1988), a role often taken on by the sellers themselves (Emons, 1997). Examples of credence characteristics are the benefits of dietary supplements, the expertise of a doctor or the honesty of a car repair shop (Aldrich, 1999).

For experiences the experience and credence characteristics are dominant. One will not know what something looks, sounds, feels, tastes or smells like or how someone is going to feel about something before one actually experiences it (experience characteristics). Learning experiences and experiences that change the individual's interpretive framework or life horizon will often be characterized by credence characteristics. After all, the impact of these types of experiences may not emerge for a very long time and one will never know for sure what someone will learn from the experience or in what ways he or she will change. Especially the presence of experience and credence characteristics makes it difficult or even impossible to form expectations of experiences and therefore to evaluate them, let alone put a price tag on them. To know what to expect, the customer at the very least needs to have the possibility to try the product, to experience it for himself or herself. The idea that firms and institutions can one-sidedly and upfront determine what type of value and how much of this value the individual should invest then seems illusory.

Yet another problem with determining the value that the individual should invest is that in the case of services, the role of individuals in the encounter consists of them investing money and dealing with costs to acquire or get access to the service (Heskett et al., 1997); in other words, the effort someone has to make to gain access. For experiences, there appear to exist three different types of effort that have to be distinguished to be able to make sense of what happens in the context of values during the encounter.

The effort a person has to make to get access to the experience is determined by decisions made by the provider. Are the opening hours convenient? Is the store or venue located conveniently? Are convenient options available for the consumer to contact the provider? This type of effort is provider-based since the choices involved are choices that the firm or institution makes. Of course individuals may perceive the required effort in different ways but it is the provider that can influence this type of effort. The second type of effort also has to do with getting access to the experience but in a different meaning, having more to do with the individual herself. Because of the fact that the individual plays an active role in the experience, she first and foremost has to be able to have the experience. Schumacher speaks of 'adaequatio' in this context, defining 'knowledge as *adaequatioreietintellectus*: the understanding of the knower must be adequate to the thing to be known' (1978, p. 50). Being adequate means that a certain endowment has to be present and a certain effort has to be made to grasp the experience in full. 'Some people are incapable of grasping and appreciating a given piece of music, not because they are deaf, but because of a lack of *adaequatio* in the mind. The sense of hearing receives nothing more than a succession of notes; the music is grasped by intellectual powers' (Schumacher, 1978, p. 51). Of course effort is not some objective characteristic of the experience; it depends on the individual. The amount of effort needed depends on the knowledge and experience, or 'human capital' as Ratchford (2001) calls it, the individual has, and even on her emotional state (Cosmides and Tooby, 2000). This type of effort is more or less 'experience-based' in the sense that the nature of the experience determines what the required effort should be and the individual can only react to this by trying to comply with the requirement or by choosing a different experience. The third type of capital has to do with the fact that individuals who have made the effort that is required for access to the experience have the choice to invest even more effort in it. From an efficiency perspective, this behaviour would seem irrational: why would someone invest more than is required? In fact, this perhaps is one of the main differences between services and experiences. In an experience context, some investments actually cause an increase in value to the customer. In general, people gladly invest more time in activities they enjoy (Holbrook and Gardner, 1998).

The third type of effort, the investment of more human capital than is required for access, is not under the control of the provider. However, by providing opportunities for individuals to try the experience out, firms and institutions can explore which elements of the experience individuals seem to enjoy most and are most involved in. The other two types of effort are at least partially under the influence of the provider. The first type, access, is determined and designed by the provider so a try-out session can deliver feedback on whether the right choices have been made in the design. With the second type of effort, the adaequatio, individuals can be supported by the provider since this is influenced by the experience that is created by the encounter of the individual with whatever the firm or institution has designed for them.

A try-out session, which can take the form of testing out a prototype, literally a first ('protos') impression ('typos'), or providing a simulation of the experience, can also help in solving the problem with expectations. Because of the dominance of experience and credence characteristics, inherent in experiences, it is difficult for individuals to form expectations. Firms and institutions should make sure that the right information is available related to the search characteristics, try to be as reliable and transparent in relation to the credence characteristics, but trying out the experience can be especially helpful in communicating the experience characteristics. Also here one could make use of various forms of primary and vicarious experience. Abstract information on experiences is hard to grasp, so a tangible representation of the experience can help the communication process immensely. Not only can experience characteristics be communicated this way but the individuals can also communicate their feedback on the tangible representation, which can be very valuable information for the final design of the experience. The sooner in the process mistakes are discovered, the lower the risk of incurring high costs for adapting things later in the process (Thomke, 2003)

The idea of using a tangible object for communication reasons, to get feedback based on a first impression of what the firm or institution has thought up for the individual, can be related to theories on socio-materiality. Especially because the prototype is intentionally unfinished and meant to be adapted based on feedback, individuals will want to actively deal with it, because of the lacks it displays while it unfolds (Knorr-Cetina and Bruegger, 2000). Because of the interaction between the individuals and the objects, in which the objects influence the actions of the individuals and the individuals in their turn influence the objects, we can speak of socio-materiality, the constitutive entanglement of the social and the material in everyday life (Orlikowski, 2007).

The value that individuals are prepared to invest related to search characteristics can for the greater part be researched. The value individuals are willing to invest in credence characteristics is most difficult to estimate since it may take years or forever before the individual knows how he perceives the value of what he has experienced and what it was worth to him. It cannot be determined upfront, not by the individual, let alone by the firm or institution providing the experience. The value that individuals may invest for experience characteristics can't be estimated upfront either. Individuals have to be able to 'experience the experience' to know how much they value the encounter and how much and which types of effort and investment they are willing to make to have the experience. Providing individuals with the possibilities to have (a part of) the experience so they can get clearer expectations may help in this regard.

7.7 CONCLUSION

To recapitulate, in this chapter, I have shown that experiences consist of three elements, an individual, something in the environment and an encounter between these two, and that a dominant focus on one of these leads to a biased view of experience and problems related to commoditization, which was allegedly the *raison d'être* of the experience economy. I have also shown how even within the approaches of experience one can see a bias towards the objectivist perspective of the firm or institution, again with consequences in terms of commoditization. If firms and institutions maintain these biases, they will have a hard time changing their perspectives and assumptions, and therefore have a hard time changing their relationships with individuals, be these customers, patients, citizens, students and so on. Offsetting the biases and taking a different perspective on experience helps in changing these relationships. To conclude this chapter, I want to use the etymological root of the word experience to show how firms and institutions can give the individual a different and more meaningful role in the mutual relationship and diminish the risk of commoditization.

The root of the word experience can also be recognized in the words 'periculum' (danger, peril) and 'expereri' (to try). I shall start with experience.

7.7.1 Experience

To gain deep insights into the individual's experience one has to connect with the individual's experience. The ideas on primary and vicarious experience can be used in this stage. Ethnographical principles but also phenomenology and grounded theory can be very valuable in this respect. To understand what individuals experience, one has to step into the shoes of the individual and not rely so much on objective characteristics that have been determined from the outside. The mental agency and temporal dimension involved in experiences makes every experience unique and personal. A focus on secondary information on the experience will not help much in this respect; one needs to have more subjective and primary insights into the experience. The attention paid to quantitative research in market research and reports should at least be complemented by qualitative research focused on the individual's experience. Whether this research should take the form of deep interviews, role play or simulations and so on depends on the questions at hand and the context in which one operates, but the most important point is that one should try to get as close to the primary experience as possible. Scholars and practitioners with an objectivist perspective, who look at experiences from the outside to find the 'right' objective characteristics that should be implemented, try to find universal rules for a quality experience. The downside is that universal rules make for a certain degree of sameness, resulting in more and not less commoditization. Although paying more attention to the personal and unique characteristics of specific experiences of individuals may require more time and effort, the flipside is commoditization.

7.7.2 Periculum

Firms and institutions should not focus on determining and managing effects in a convergent way but take into account a variety of interpretive frameworks. Effects involve meaning and the determination and management of this meaning increases the risk of semantic and syntactic errors. Therefore, to understand how effects originate one should gather different people: people from different disciplines, people with different experiences, people with different worldviews, talents, intelligences and so on. This is where the periculum or danger becomes apparent because where in situations of convergent thinking from one perspective one knows what the intended goal or end-state will be, we now invite people with other ideas in the process, leading to uncertainty of where the process may lead us (Van Loon, 2001). Although this uncertainty may not receive a warm welcome in every firm or institution, one should contemplate on the fact that by forcing real-life divergent questions and problems in a convergent straightjacket, one loses many opportunities to create value. Diverse people, of course including the individuals who have the experience or for whom the experience is intended, can inspire and build upon each other's ideas, leading to new insights that may result in valuable and unique innovations in terms of what firms and institutions do and how they do it. The openness of this divergent process may feel uneasy for firms and institutions that are used to determine and manage what they do and how they do it, but it is necessary to avoid doing the same as other parties in the market resulting in commoditization.

7.7.3 Expereri

Firms and institutions cannot determine upfront which and how much value(s) the individual should invest if the individual himself doesn't even know what to expect. He

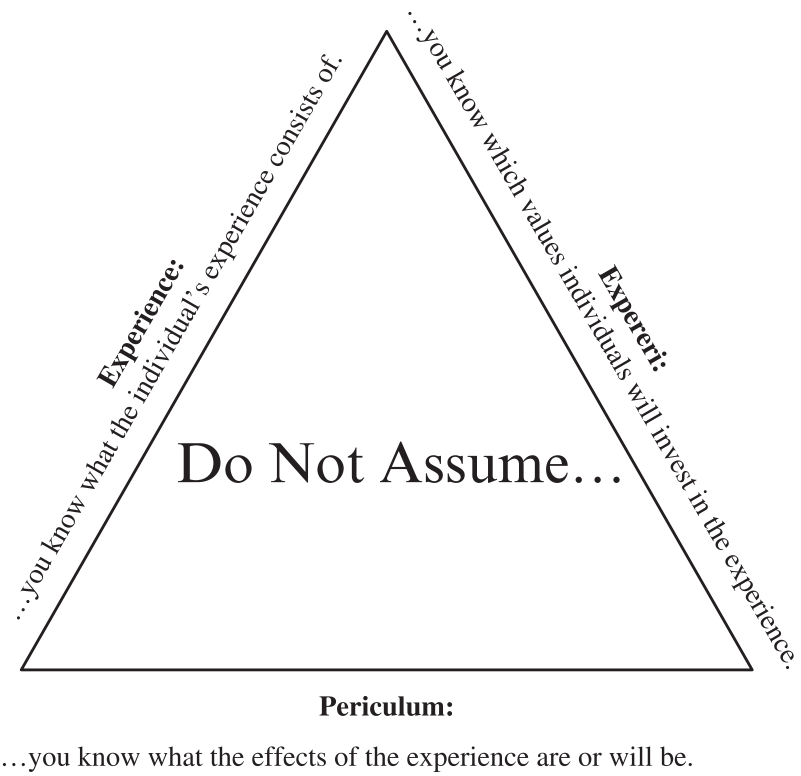

Figure 7.3 Changing assumptions in the experience economy

therefore should be provided with opportunities to try out and experiment (expereri) at least the experience characteristics. Experiments with tangible representations of the experiences and trying these out have benefits for both the individuals involved and the firm or institution. Individuals can now better know what to expect from the experience since they can form expectations on the experience characteristics; the firms or institution scan get insight into how their idea of required invested effort would work out in practice: are the access costs acceptable, do individuals have enough adaequatio and are individuals willing to invest more human capital in the experience than required? If individuals do not know what to expect, all they have to base their decisions on are the search characteristics, like price, leading to commoditization. By giving them primary or vicarious experience of what to expect, firms and institutions provide the individuals with different information, based on which more informed decisions can be made.

The acronym DNA may help as a mnemonic device for organizations that are serious in trying to focus on experience and changing their relationships with individuals. DNA in this context stands for Do Not Assume, since the changes that entering the experience economy entail are not superficial but truly have to do with a change in the basic assumptions of firms and institutions. As described above, they have to let go of the assumption that they can determine and manage certain things upfront and from the sideline and be open to the individual's perspective, to uncertainty about where the process will lead them and to first giving something to the individual to experiment with before he enters into the relationship so firms and institutions can learn from the individual.

It cannot be over-stressed: although explained in words and a three-letter acronym this may seem a straightforward story; one cannot overestimate its complexity. Most of us have been educated in a completely different way and the assumptions we have because of our training, our experience with the status quo, with incentives in organizations and so on will in some cases have to change 180 degrees (Figure 7.3). We have been used to the ideas of control, direction, determining, but if we really want to change our relationship with our customers, we will have to get used to the finite nature of our influence as firms and institutions. The decommoditizing power of experience can only result from this changed relationship, in which the individual takes centre stage.

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