2017 Reinventing Customer Experience

Joseph Pine II & James Gilmore, along with JGA Chairman Ken Nisch, discuss how to execute a successful Customer Experience program.
Customer experience has become the guiding principle for service industries of all types, but it plays a particularly important role in the retail sector where digital options have exploded over recent years. How the shopper experiences your brand — in either the physical or digital environment — has become the top determinant in whether they will continue to shop with you.

With this special report, Shop! is proud to present shopper behavior insights from two important sources to help you create an experience that is truly distinctive. We selected insights from the research paper by Joseph Pine II & James Gilmore featured in the Spring 2017 edition of the Journal of Shopper Research as well as content that JGA Chairman Ken Nisch shared in the new Shop! MaRC Exam Prep.

Shop! is honored to be associated with the authors and hope you find their knowledge beneficial to understanding key strategies to achieve a successful retail experience for your customers. We would like to thank Joseph Pine II, James Gilmore, and Ken Nisch for enabling us to provide this valuable information to the industry.

This report is one of many deliverables supporting our association’s mission to deliver value to our members and the global industry at large. Shop! drives value in the form of relevant education, certification, research, thought leadership, networking, events, award programs, and more.

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Thank you!

Todd Dittman
Shop! Executive Director
Today’s consumers want experiences – memorable events that engage each individual in an inherently personal way. In the two decades since Joseph Pine II & James Gilmore published their pivotal book, The Experience Economy, the customer experience movement has become a siren call to retailers and brands worldwide.


We are currently living and working in an Experience Economy where goods and services are no longer enough. Consumers of all types want experiences – memorable events that engage each individual in an inherently personal way. But in the two decades since Pine & Gilmore first wrote about the Experience Economy and this natural economic evolution beyond the Agrarian, Industrial, and Service Economies, the focus on economic experiences has been diluted by other concepts that have arisen in its wake.

Most notable among these is the Customer Experience movement, generally abbreviated CX, which aims to make interactions with customers nice, easy, and convenient. These are all good attributes, but they characterize services, not experiences, and are easily copied. Retailers must go beyond the call of CX and learn to stage the truly distinctive experiences that consumers desire, lest they be commoditized.

In his chapter on reinventing customer experience, Ken Nisch explores the experience economy, and how CX, customer experience-based retail, leverages the physical tools of design, materials and finishes, fixturing, space, and even technology. Experiential retailers must determine how these tools go beyond the tactical to the strategic and extend into content, social media, and the human factor. By mastering retail and activating reinvention tools, retailers can connect and engage with customers, often making them the stores’ strongest advocates.

While all retailers can benefit from a more experiential approach to design and shopper marketing, for certain categories of retail, experiential is critical because of changing consumption patterns among its core customers. The experiential “value add” of retail is often at the core of customers choosing not only where to buy, but if to buy.
Distinctive Experiences

By Joseph Pine II and James H. Gilmore

It has been 20 years since we described economic history through our Progression of Economic Value first on the pages of the *Strategy & Leadership* journal,¹ more popularly in the *Harvard Business Review*,² and then more fully in our book *The Experience Economy*.³ In short, as the figure illustrates, we discovered and promulgated that just as the Agrarian Economy (based on commodities) was supplanted by the Industrial Economy (based on goods), which in turn was superseded by the Service Economy, now that economy based on services is being unseated by the Experience Economy. Today, experiences – memorable events that engage each individual in an inherently personal way – are fast becoming the predominant economic offering, as well as the source for growth in jobs and GDP in all developed economies. From a retailer’s perspective, goods and services are no longer enough; what consumers want are experiences.

To see how the Experience Economy is playing out in the world of business, we examined the state of experiences in popular business literature and across myriad enterprises to see how businesses are incorporating experiences into their operations. We determined that there are five arenas in which enterprises were using the term and concept of experiences, which we outline in the table below and then detail in the body of the article with case examples. Perhaps the most impactful way that the term is being used today is in the concept of “customer experience,” generally abbreviated CX, which aims to make interactions with customers nice, easy, ad convenient. However, as we will show with definitions and case examples, while these are all useful attributes, they characterize services, not experiences, and are themselves easily copied. If retailers resisted the siren call of CX and instead embraced the fifth way that experiences are being used in business today – the way we originally constituted it, as distinct economic offerings – and staged the truly distinctive experiences consumers desire, then they can avoid the fate of being commoditized and instead thrive in today’s Experience Economy.

**EXPERIENCE ARENAS**

The first way that we see experiences play out in business is with *in-name only experiences* – establishments that emblazon the word across their marketing messages, in their customer interactions, and especially as part of their name, without doing much of anything to be worthy of the word.

One example here will suffice: the Grand Canyon Experience on the Las Vegas Strip. Nested into a spot within the MGM Grand block, directly across from the New York New York Hotel & Casino, one walks in under the word “EXPERIENCE” in nearly five-foot-high script letters with high experiential expectations to find… a souvenir shop. Yes, there’s a nod to the real Grand Canyon in the wall décor and a serpentine walk as if in a newer museum, but the establishment does nothing to fulfill the expectations inherent in the name, remaining merely a souvenir shop amid countless other souvenir shops. Saying you are something you are not through such naming is a surefire way of having consumers perceive you as inauthentic.⁴

The second way that companies embrace the concept of experiences today is with *user experience*, or UX as it is known. This focus on the experience of using humancomputer interfaces came out of usability and human factors work among computer hardware and software designers in the mid- 1990s,⁵ and eventually expanded to encompass any experience customers, or users, have with physical goods. Think of Apple and how it designs every device in a way that consumers enjoy using its
products in achieving their functional needs, even extending to the “box-opening experience” that many have filmed and posted on YouTube. Or Nespresso, with its beautiful machines designed so that every customer’s interaction would result not only in meeting the functional job of making a cup of coffee, but also the emotional job of creating a little joy in the process.

Over the past two decades as the Experience Economy rose in prominence, UX work increased across most all companies that digitally interact with customers, and beyond such electronic interfaces to goods to include all types of technological interfaces, today including not only those on retail websites but in retail stores themselves. Designing such interactions with consumers to make emotional connections, to be engaging, and even to create a memory is a good thing. As UX Magazine put it in a May 2014 article, “We’re Living in an Experience Economy, Design Accordingly.”

The third way that experiences have permeated enterprises is with experiential (or experience) marketing. This generally means companies making their mailers more dimensional, or evoking the senses in e-mail campaigns, and so forth. It is experiential, but rarely does it truly engage and make a real difference.

We like to think of such activity not so much as experiential marketing but as marketing experiences – actual experiences (whether real or virtual) that do the job of marketing by generating demand for a company’s core offerings. Nespresso with its Nespresso Boutiques and Apple with its Apple Stores perfectly exemplify such marketing experiences. In fact, perhaps no company has embedded marketing experience into its business model more than Apple.

Perhaps that is why so many are employing the fourth way that the term experience is making its impact felt in business: customer experience, usually abbreviated CX but sometimes CEM for “Customer Experience Management.” When done well, such a focus on operations – on the interactions that customers have with the company (and generally its workers) – can indeed shift an offering from a service into an experience.

The second problem is that “nice, easy, and convenient” are all attributes of good service and not indicative of the concept of experiences as distinct economic offerings that we first described 20 years ago. And as the first shall be last, the final way that experiences are being embraced in business is as the true, distinctive economic offerings that they are.
EMBRACING DISTINCTIVE EXPERIENCES
Perhaps the best way to look at experiences as distinct economic offerings is to compare them with services using this popular notion of CX. First, services are intangible — having little or no materiality (as tangible goods do) — while experiences are memorable. If a retailer does not create a memory, then it has not offered a distinctive experience. And while being “nice” is, well, nice, rarely does it rise to the level of memorability.

Second, services are outwardly customized — done for an individual person (or company) — while experiences are inherently personal. If a retailer does not reach inside of people and engage their hearts and/or minds, then it has not offered a distinctive experience. And engineering processes to be “easy” actually tends to get in the way of making them personal, for usually that means routinizing them in a way that’s easy for employees, not personal for consumers.

Third, services are delivered on demand — whenever the customer says this is what he wants — while experiences are revealed over a duration of time. If a retailer does not let its experience unfold dramatically over the course of its encounter with shoppers in a way that goes beyond the routine, then it has not offered a distinctive experience. And striving to be “convenient” is diametrically opposed to this approach, for it means to spend as little time with the customer as possible — getting them in and out as quickly as possible — which drains the interaction of all drama.

CHARGING ADMISSION
The best way to summarize the distinction between partaking in services — even excellent ones properly enhanced through “customer experience management” — and encountering experiences is through the concept of time. Making things nice, easy, and convenient results in customers spending less time with you, and less money as well. And that’s exactly what they want from services, so they can spend more of their hard-earned money and their harder-earned time on memorable, personal, and dramatic experiences that truly engage.

What consumers look for with rapidly commoditizing services is time well saved, while with engaging experiences what they seek is time well spent. And the easiest way to measure whether or not a retailer is truly offering time well spent? By whether or not it explicitly charge for the time consumers spend with it.

But one more exemplar of charging admission to a retail experience is instructive. Wingtip is a men’s store in San Francisco founded by Ami Arad; he calls it “Solutions for the Modern Gentleman.” Inspired by the idea of an admission fee, Arad created a members club on several floors above the store, charging $200 per month for an amazing membership experience. The men’s store now creates demand for the club, and the club creates demand for the men’s store!

The preceding content is an excerpt from the Spring 2017 edition of the Journal of Shopper Research. To read the full article, please visit www.journalofshopperresearch.com
Reinventing CX: Mastering the Experience
By Ken Nisch, Chairman, JGA

While consumer societies exist concurrently around the globe, they operate at different points of development, first evolving from need-based Acquisition (think of it in terms of purchasing basic needs like water and food), to the more emotional state of the Inquisitive; seeking out goods and materials to designate status and self-expression, with the celebration of status (logos, luxury goods). Ultimately as they evolve toward the Inquisitive, the Experiential shopping environment dominates as the ultimate motivation to purchase. The levels of evolution often as well coexist within cultures driven by factors including affluence, rural vs. urban settings, freedom of travel, and today, the Internet and social media.

TARGETING NEW GENERATIONS
The movement of consumer from the Acquisitive to the Inquisitive places much of the focus on the millennial consumer and the emerging Gen Z-ers. These customers have a very different sense of what shopping experiences should be, having matured in malls where in many cases their former formats of choice have become static, repetitive, and ubiquitous. Technology rapidly changed the perception of connectivity, social space, and even shopping access. Media became highly fragmented, and these Millennials and Gen-Zers have begun to describe themselves as not having a personality, but rather as being a brand unto themselves.

many and changing mediums, be it art, communication, visual merchandising, display, digitally-delivered content; and also all the sensory elements of sound, scent, and the most difficult ambient element, the human element (whether consumers or associates). Content needs to be thought of as “Made Fresh Daily.” Think of the smell of a bakery at dawn or the scent of a library (assuming the Millennials/Gen-Zers will know what a library is by 2020!). These elements of content evoke the softer side of experience; all evocative and sit deeply in our emotional context. Through these emotional triggers we can find a space that is something vertical or one that is cut up and cubby-looking, as if small individual rooms.

CONTEXT AS AN IMPORTANT TOOL
Today in our fast-changing environment, Context does not need to be any less articulated, although it can become a mere background or dramatic and bold. Through the use of scale, geometry, lightness or darkness, connection or disconnection with the outdoors, context lends experiential texture. Does it draw you in or does it create a sense of mystery and intrigue? Is it highly thematic or classically neutral? Is it traditional or modern, or is it refined, or industrial? Context is one of the “legs” of the three-legged environmental experience.

THE THREE C’S OF CX
In looking at the development of Experiential Retail, there are three major building blocks. These include Content, Context, and of course, Consumer. Content focuses on those elements that are considered to be temporal, often localized, planned with obsolescence in mind and across...
and creating rhythm and cadence. Context delivers a degree of scale and organization supporting many of the critical operational and behind-the-scenes aspects of store operation and merchandising, as well as taking on a supporting role in the development of experience. The highly background nature of high-density displays with their order, discipline and geometric organization contrasts well with the artistic and display-focused highlighted areas.

**A STORIED IMPACT**

As part of the evolution from Acquisitive to Inquisitive through Experiential, traditional transaction retail must more effectively position itself against the sophisticated and evolving consumer alternatives (travel, food, education, and entertainment). To put this in perspective, if you begin to think of an iPad Pro purchase as an alternative to a designer handbag, or the downloading of a music app to the latest fashion accessory, you can see the customer’s dilemma that exists today in a time of relatively flat income, and in some cases, decreasing disposable income.

Technology, along with other non-tangible accumulative purchases, are competing for a customer’s attention and interest. As a consumer, being able to share your excitement about the place where you bought the product, understanding the stories of what inspired the product, who made the product, how it is either specifically or by implication unique; product aspects that might include sustainability, upcycling, and the storytelling behind the inspiration of the product and how that inspiration might translate in your own life within the content and the context of an experiential value, is what significantly connects with the consumer. This impact symbolizes more of their emotional needs and needs of actualization, than a product that is merely a “shiny object” sold in an environment that is expected and commonplace.

**TOOLS FOR EXPERIENCE BUILDING**

As CX is designed to meet or beat consumer expectations, there are numerous ways to connect with consumers and engage them to become the store’s biggest advocates. Sometimes a retailer’s critical eye becomes blurred or distorted by complacency, habit and operating fatigue. Like old-fashioned spring cleaning, it works best when starting fresh with a top-to-bottom attitude and a clean slate. We often suggest, only half-jokingly, that the best first step is too literally, or at least figuratively, “drag everything out to the parking lot.”

This includes the merchandise, fixtures, props and visuals that have been accumulated over the years — including preconceptions and old ideas. By accomplishing this proverbial “dragging out,” you yourself will begin to look at things in a new way. Consider how many times you have reached to the back of your closet and became newly acquainted and connected with that pair of shoes you forgot you had; or the two or three items you put together in a new way with a sense of renewal and freshness, all while enjoying a moment of self-congratulation for your thrift and creativity. Creating a sense of theme and narrative will further enliven and support the journey you have created for the customer.
Retailers share six common (or should I say uncommon) attributes that serve as the building blocks to customer loyalty. These six traits not only differentiate their way of doing business from others in the same category, but also clearly establish their leadership position in the consumer’s mind. They define the category by providing a winning CX. This M.A.S.T.E.R. Plan encompasses the attributes — Magnitude, Authority, Stimulation, Temptation, Ease and Revelation — and clarifies how each manifests itself in the consumer experience.

PUTTING IT TOGETHER: CATERING TO CONSUMERS
This chapter has looked at the Three C’s of CX — from the Context and Content of the physical environment, to the third “C,” today’s Consumer. Living in a world of Circular Commerce, the majority of customers pre-shop, whether it be tactically, recreationally or socially-driven, which has resulted in fewer, but more purposeful store visits, providing more productive shopping time, and in many cases, an increased transaction level per visit. Circular Commerce also offers consumers a greater sense of Retail Ecosystem on the part of their buying habits whether they are shopping online, via catalogs, or through the more traditional store setting.

CONSUMER IS KING
Throughout this chapter we have reviewed CX and the changing consumer, and by examining retail design validated this to be true: the Consumer is King! That is reinforced by the role of the emotional and the rational in developing the tools that MASTER retail, and the key building blocks of an experiential brand: Content, Context, and Consumer.

Retail design is a formula based on art and science, the subjective and the objective, and is as much psychology as physics. Given this mixture of art and science, successful retail cannot be narrowed down into a few rules, a spreadsheet, or a computer program; but both need and elicit the uniqueness of individuals, the human spirit, and like all forms of art, is equally comfortable finding its audience, or in contrast celebrating its “irrelevance” to those outside its target audience.

The role of CX in retail design is changing rapidly given the nature of consumer shopping and the role that Circular Commerce is increasingly playing in their shopping behaviors, the expanded role of “what is retail” from medical, service, education and food, beyond our typical sense of what is a store. Today there is a wellness store, a banking store and, yes, even an online grocery store given Amazon’s most recent announcement and experimentation in the food segment.

The preceding is an excerpt from the Shop! MaRC Exam Prep, 2017 Edition textbook. To read the complete chapter, please visit www.shopassociation.org/marc.
Key Takeaways from the Articles

By understanding the following takeaways from the Pine & Gilmore and Nisch articles, retailers and their partners can provide consumers with distinctive experiences in today’s Experience Economy.

1. **UNDERSTAND THE EXPERIENCES PLAY OUT IN BUSINESS.**
   - **In-Name-Only Experiences** Establishments named “Experience” that are anything but.
   - **User Experience** Experience of using human-computer interfaces, and increasingly any physical offering
   - **Experiential Marketing** Marketing messages, positionings, materials, and events designed to engage potential customers experientially
   - **Customer Experience** Sum total of customer interactions with a brand or offering, generally designed to be nice, easy, and convenient
   - **Experiences as Distinct Economic Offerings** Memorable events that engage each individual in an inherently personal way; the fourth level in the Progression of Economic Value after commodities, goods, and services

2. **USE THE SIX COMMON ATTRIBUTES THAT BUILD CUSTOMER LOYALTY.**
   These six traits not only differentiate their way of doing business from others in the same category, but also clearly establish their leadership position in the consumer’s mind. They define the category by providing a winning CX. This M.A.S.T.E.R. Plan encompasses the attributes — **Magnitude, Authority, Stimulation, Temptation, Ease** and **Revelation** — and clarifies how each manifests itself in the consumer experience.

3. **UTILIZE THE THREE MAJOR BUILDING BLOCKS IN EXPERIENTIAL RETAIL; CONTENT, CONTEXT, AND OF COURSE, CONSUMER.**
   Content focuses on temporal elements. Today in our fast-changing environment, Context does not need to be any less articulated, although it can become a mere background or dramatic and bold. As part of the evolution from Acquisitive to Inquisitive through Experiential, traditional transaction retail must more effectively position itself against the sophisticated and evolving consumer alternatives. In today’s Experience Economy, the experience is the marketing. The best way to generate demand for whatever merchandise retailers have for sale is with an experience so engaging that consumers cannot help but spend time with the retailer and then purchase merchandise as memorabilia for that experience.

4. **MAKE THE MOST OF SHOPPERS’ TIME.**
   What consumers look for with rapidly commoditizing services is time well saved, while with engaging experiences what they seek is time well spent. And the easiest way to measure whether a retailer is truly offering time well spent? By whether or not they explicitly charge for the time consumers spend with them.

5. **ADD VALUE BY CHARGING ADMISSION.**
   The best way to ensure that retailers stage such a memorable, personal, dramatic experience is by explicitly charging for the time customers spend, if not for the entire place, then for particular experiences or places within the place. If admission is not charged, then chances are the experience is not worthy of consumers spending time with the business and viewing it as time well spent. Retailers must resist the siren call of CX — a surefire route to commoditization — and instead learn to stage the truly distinctive experiences consumers desire in today’s Experience Economy.
NOTES:

For the James H. Gilmore and B. Joseph Pine II article


5 “User experience” was coined by famous user-centered design advocate Donald Norman, now the director of The Design Lab at the University of California, San Diego. In his definition, he says it “encompasses all aspects of the end-user’s interaction with the company, its services, and its products.” Jakob Nielsen and Don Norman, “The Definition of User Experience,” Nielsen Norman Group, http://www.nngroup.com/articles/definition-user-experience/.


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For additional questions about the data or information contained in this Special Report, please contact us at: mbaumgartner@shopassociation.org, or call us at 312-863-2900