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# 1. Introduction to the experience economy

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## 1.1 THE EXPERIENCE ECONOMY AND EXPERIENCE ECONOMY STUDIES

This book deals with the experience economy, which is a name for a scientific and management approach that deals with business and economic activities related to peoples' experiences. No authorized definition of the experience economy exists, but in this handbook we emphasize that the experience economy concerns activities carried out in the public and private sectors that focus on fulfilling peoples' need for experiences. It also focuses on how the users or receivers react to, and use, experiential elements. The experience economy encompasses more than the creative industries and cultural economy (cf. Caves, 2000; Du Gay and Pryke, 2002); it also includes the way in which the use and consumption of goods and services can be experiential. The experience economy is a topic that has attracted increased attention in the last decade, particularly in Northern Europe, but also to some degree in the USA and Canada, Asia, Australia and South America. An increasing number of books and articles have been published on the subject (for example, Pine and Gilmore, 1999, 2011; Department for Culture, Media and Sport, 2001; Mossberg, 2003, 2007; O'Dell and Billing, 2005; Bærenholdt and Sundbo, 2007; Boswijk et al., 2007; Caru and Cova, 2007; Sundbo and Darmer, 2008; Horn and Jensen, 2011; Lorentzen and Hansen, 2012). The topic has been a basis for business development in firms, for industrial policy (Department for Culture, Media and Sport, 2001; KK Stiftelsen, 2003; Erhvervs- og byggestyrelsen and Center for kultur- og oplevelsesøkonomi, 2011) and for national, regional and local development initiatives (Sørensen et al., 2010; Erhvervs- og byggestyrelsen and Center for kultur- og oplevelsesøkonomi, 2011; Freire-Gibb, 2011; Lorentzen and Hansen, 2012). Certain theoretical assumptions, research questions and analytical traditions have emerged and point to the experience economy being a scientific paradigm with its own discussion and explanatory agenda. One may generally term this emerging scientific paradigm 'experience economy studies'. This handbook collects together most of these issues to present a state-of-the-art of experience economy studies and new findings and theoretical contributions.

The handbook thus presents how far the scientific field of experience economy studies has come. It presents general knowledge – something in between textbooks and scientific articles. The chapters are research based; however, they present a general perspective. Some are more empirical, but presented in a generalized and theoretical perspective, others are more theoretical.

The perspective of the book is on business and economic (including planning and innovation) processes. However, other aspects are also included. Psychological and sociological aspects are treated because these are necessary for explaining how and why people as customers or citizens actually experience. However, it is not a handbook on psychology just as it is not a handbook on leisure, aesthetics or content analysis

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of culture and experiences in the humanistic way (such as critics of films, concerts or novels) – even though these aspects may be included in some of the chapters to explain experience economic behaviour. The economic approach is not a classic micro-economic one, but relies on a broader institutional and business economic approach. The economy and business are also explained from psychological, sociological and technological perspectives. Thus, the book is of an interdisciplinary nature.

This introduction develops definitions of the key concept (experiences and experience economy). It discusses the experience economy as a societal phenomenon and it presents different theoretical understandings of the experience economy and its sectoral delimitation. Finally, an outline of the book is presented.

### 1.2 KEY CONCEPTS

#### 1.2.1 Experience

To give a thorough explanation of what the experience economy is we need first of all to establish an understanding of what experience is, what the economic aspect of the topic is and why we emphasize the combination of the two.

The term experience has recently been used in a number of books and articles without any particular definition and no authoritative definition exists (however, see Pine and Gilmore, 1999; Sundbo, 2009). We therefore begin this book by attempting to define the experience economy. We begin by stating that experience is a mental phenomenon. It does not concern physical needs (such as goods do) or solving material or intellectual problems (such as services do). An experience cannot be stored in the same way that a good can and it does not necessarily solve any problems. An experience is something that happens in peoples' minds, it is determined by external stimuli and elaborated via the mental awareness that people have from earlier experiences, mental needs (such as self-realization, un-stressing, avoiding everyday life through escapism) and personal strategies (cf. Giddens, 1991). Experience can be released by stimuli that affect all the senses. Some authors suggest that internal mental processes even have a physiological basis – that an experience can be (or maybe always is) a result of physiological reactions to external stimuli (Jantzen and Vetner, 2007). To what extent this implies that experience may be an unconscious process, and what the relation is between the physiological automatic reactions (such as Pavlov's (1960) dog experiments show) and conscious, intellectual reflections, is an ongoing debate.

An attempt to define the notion of experience somewhat more precisely is found in the concept of flow developed by the psychologist Csikszentmihalyi (2002). Flow is the feeling one gets when one carries out a certain activity (for example, climbing a mountain or reading Dostojevsky's collected works), when one is fully absorbed by an activity, when one succeeds and when nothing else matters. Csikszentmihalyi argues that such flow gives optimal experience. However, it can be argued that the concept of experience includes more than that. The passive non-intended observation of an unknown town-space (a square with special buildings or a special tower block) or a special series of events during the daily trip on the train can provoke an experience.

The definition of experience is also problematic because of a linguistic subtlety. In

English the word experience covers two different phenomena that in other languages are referred to by two different words (Snel, 2011). German, for example, has the word *Erlebniss*, which has connotations of amusement, escapism and the like (cf. Schulze's (1992) conceptualization of the experience society as *Erlebnissgesellschaft*) and the word *Erfahrung*, which has connotations with learning. These two different meanings characterize two phenomena that are seen as quite different and would never in German (or other Germanic languages) be confused. *Erlebniss* is the notion that would be used to characterize expressive, immediately consumed experiences (such as a concert). *Erfahrung* would be used to characterize more instrumental and long-term learning activities. One has to be aware of this linguistic subtlety to understand some of the theoretical discussions about the experience economy. It leaves us with an open question of whether the *Erfahrung* – 'learning' – aspects should be included in discussions of the experience economy. From a strict theoretical point of view one may argue that it should not because then one has to include education, practical craftsmanship and so on in the experience economy and that may water down the whole theory. The most correct solution is probably to agree that learning or *Erfahrung* (including education) is not part of experience and the experience economy per se. However, *Erlebniss*, or 'pure experience' (expressive, short-time consumed) may include an *Erfahrung*, or learning, aspect (cf. also Pine and Gilmore's (1999) notion of learning experiences). Thus, functions that carry out activities that produce 'pure experience' (*Erlebniss*) should be included in the experience economy but 'pure learning' (*Erfahrung*) functions should not.

Another discussion concerns whether an experience should be authentic to be an experience (for example, Cederholm and Hultman, 2005; Steiner and Reisinger, 2005; Gilmore and Pine, 2007; Bærenholdt et al., 2008). This discussion has a long tradition in tourism research (MacCannel, 1973; Pearce and Moscardo, 1986) but has also recently emerged as a criticism of commercials and their – in some people's view – artificial world that only have the aim of selling products that are perhaps not even needed. However, the authenticity discussion is very complex. One question is whether stimuli need to be authentic to provoke an experience. One may suggest that experiences are only provoked by authentic stimuli (as Gilmore and Pine, 2007, do). However, such a theory still has to be empirically investigated. The next question is what authentic stimuli really are. Some discussions (Cederholm, 2007) have emphasized how arguments that stimuli need to be authentic to provoke experiences easily lead to nostalgia and romanticism. Do local people need to wear outdated national costumes to give tourists an experience? Many would say no. Authenticity can be of many kinds and mean different things to different people who in different situations may have different preference levels for authenticity (Hughes, 1995). One author (Mossberg, 2003) suggests that people can get, and accept, an experience they get from fake stimuli as far as they know it is a fake or story. The post-modern tourist, for example, knows that he or she is a tourist and that tourism is 'a series of games' set up for the tourists and not an 'authentic experience' (Urry, 2002). Likewise, shopping malls may be considered fake milieus with fake facades and sales promotion camouflaged as the real 'wild west' or Mediterranean milieus. However, the users know that much is fake, but being in shopping malls may still be authentic to them: shopping malls have to be built as fake millieus otherwise they would not be authentic shopping malls.

Based on the above discussion, the following definition is suggested as a guideline for

the readers of the book: Experience, in the context of the experience economy, could be defined as the mental impact felt and remembered by an individual caused by the personal perception of external stimuli. The impact might be entertaining or learning, but does not need to be so; the stimuli may be authentic, but does not have to be; and the combination of stimuli and personal perception may invoke flow but the definition includes more than optimal flow experiences. The definition does, however, imply that experiences are something extraordinary. This is in line with Pine and Gilmore's (1999) notion that experiences are memorable events, thus the events or signs that could provoke an experience are extraordinary. They must be outside daily routine to leave a memory.

The definition implies that experiences can be of many kinds. We do not only talk about entertaining experiences. Experiences can be learning and thus intellectual. They can also be active such as when one does sport. Pine and Gilmore (1999), for example, define four different types of experiences: escapist, entertaining, educational and aesthetic. People can be active in seeking out experience provoking stimuli (such as when one goes to a concert or a football match) and people can passively and even unintentionally receive stimuli that can give them an experience (such as when a TV commercial you coincidentally watch is surprisingly unconventional or when a series of events outside your daily routine happens at your job). Experiences can be what normally is considered positive, for example, when people get amused or get in a state of flow, but they can also be what normally is considered negative. Most people when asked whether a funeral can be considered an experience will answer that it can.

The definition leaves a problem concerning which routine activities – if any – might be classified as experiences for statistical purposes. We can mention watching TV on a daily basis (every person on average uses several hours per day watching TV), which often does not appear to us to be something special and does not leave any memories, but it may produce a feeling of pleasure. In that case it should probably be defined as leisure and not as experience but this creates problems in the statistical categories: when is watching TV experience and when not? Statistical consistency may be maintained by emphasizing that the definition of experience is not seen from the receiver's perspective, but from the provider's. The crucial issue is whether the provider's intention is to provoke an experience in the receiver, not whether he succeeds in doing so. Such a delimitation will include TV programmes in the experience economy. Several of the chapters in this book will return to these questions in more detail.

Irrespective of how we may draw the line between experiences and non-experiences, experiences happen inside peoples' minds and are provoked by external stimuli as stated above. The same stimulus does not provoke an experience in all people and not even in the same person in different situations. Whether an experience is provoked depends on the state of the individual's mental readiness in general and the specific situation. The definition also implies that, for example, firms do not deliver experiences. Firms can only deliver elements that function as external stimuli, thus receivers (for example, in their role as customers or audience) get an experience. However, the sender of the stimuli cannot be sure that all receivers will get an experience, and if they do, that they get the same experience. That depends on the momentary condition of their experience readiness.

Even though this approach recognizes that experiences are not produced by suppliers alone but come into being only in the minds of people, firms and industries may

nevertheless throughout the book be characterized as ‘experience firms’ and ‘experience industries’. Constantly expressing the above understanding of experience production will be too complex and will result in a very hard read. The understanding presented in this section is thus implied. Further, the handbook is written by different authors and, as always within social sciences, authors do not need to agree. It might be that not all authors agree about the appropriateness of the above approach. This, however, will be discussed more extensively in several chapters.

### 1.2.2 The Experience Economy

Though experiences happen in the minds of people, the experience economy is about business activities. This understanding was very much introduced by Pine and Gilmore’s book *The Experience Economy* (1999) that saw the experience economy as a new business movement, which after the agriculture, manufacturing and service economies emerged as an area with strong possibilities for sales and profit. Peoples’ physical, and maybe even intellectual, needs have been fulfilled and they look for new content in their lives. Experience can give such content. Experience thus has great value to people who demand it and are willing to pay a high price for experience-stimulating business activities. Experience-stimulating activities also take place in the public sector. This was not a field that Pine and Gilmore thought of in their book, which was more inspired by marketing, which naturally is market oriented. However, much activity that provokes experiences is carried out in the public sector (for example, culture, festivals, architecture and so forth) and whereas relevant activities in some countries are market based they are public in other countries. This is an argument for including public activities in the experience economy. Such activities are paid, however, via another economic system, namely by taxes.

We define the experience sector and experience industries as sub-sectors as follows: formal economic activities that have the aim to deliver elements that can provoke experiences in people who pay directly or indirectly for them. Those people can be defined as customers or citizens, depending on whether the delivery is market or public based. The scientific study of these activities can be called experience economy studies.

The elements may be of many kinds – physical or immaterial – thus many different types of private businesses and public organizations may be part of this economy. The definition leaves us with a problem of those activities in the informal economic sector (unpaid social activities) that also function as experience-provoking stimuli. The informal sector has, for example, in leisure studies been emphasized in line with private and public providers as a crucial provider of leisure experiences (Roberts, 2004). The voluntary sector is particularly important in countries with long traditions of non-profit organizational activities that are based on volunteers’ free workforce, for example, in relation to sports activities, youth camps and so on. In many cases such activities are mixed up with the formal experience-provoking activities. For example, many festivals are a mixture of commercial business, publicly organized and voluntary activities. Consequently, the voluntary aspects of the experience economy must be taken into consideration when we try to understand and analyse activities in the experience economy.

Finally, people can of course get experiences from just being together with other people or from carrying out activities in solitude, without any public, private or

voluntary providers being directly involved. Examples are running in the forest, hiking, picnicking or different home-based social activities. Such phenomena must be seen as experiences in line with the ones provoked by paid activities. These activities are interesting also from the economic point of view, because large industries provide means and accessories (clothes, tents, bicycles, GPS watches, specialized foods and magazines and so on) whose function often is to make better experiences out of such independently carried out activities. These providers form some of the largest commodity markets in the economy (Bryman, 2004).

The informal economy, which cannot be measured in economic terms, is important, but excluded from most definitions of the experience economy. The emerging tradition, or paradigm, of experience economy studies looks at the formal economic activities related to experiences and how they can be managed and developed. Other traditions or paradigmatic approaches emphasize activities outside the formal economic sector that might provoke, or have the aim of provoking experiences. Such approaches may be termed culture studies or sociological or anthropological disciplines of different kinds. These are also important complementary fields to the experience economy. However, to not create a total, and confused, social science, we need to have a kind of division of labour and specialize our explanations and paradigms. Experience economy studies is such a specialization. While many of the other fields have existed for a long time, the experience economy study approach – where experience stimuli are seen as business or planned public activities – is new and not much theory building and research exist. That is the reason why the experience economy study approach is emphasized in this handbook. Thus, the approach here is to let the formal economic perspective be the guiding one in explaining and understanding what goes on.

Even though we use the expression ‘experience economy’ as outlined above, the research field of experience economy studies is cross-disciplinary. It includes economic perspectives, business and management approaches, psychological and even physiological aspects. Furthermore, sociological and anthropological perspectives are also included. People do not experience in isolation (at least not always). Often they experience in interactions with other people, either as part of an audience or because they discuss the experience with their friends. Which experience-provoking elements people seek and how people experience are signals about one’s social status (Gamson, 1994; Warde et al., 1999; Kurzman et al., 2007; Senft, 2008), thus experience is also used socially. Much experience is technology based. Experience on the Internet, via smart phones and other information and communications technology (ICT) platforms is perhaps the fastest growing experience area. Thus technological research, on hardware, software and content, is also an important part of the scientific experience economy field. One may even argue that different experiences and experience fields are substitutable to people. The most important is that your life is filled with interesting activities and that one experiences. One can do that by watching TV, going to a concert, playing computer games or taking a tourist trip. Thus, experience industries compete to fill out our time, which implies that market competition occurs across experience industries that all at some level compete with each other. Thus, knowledge about different experience fields and industries must be included equally in experience economy studies. This cross-disciplinary and cross-industrial approach is reflected in the book’s chapters.

## 1.3 ABOUT EXPERIENCE AS A SOCIETAL PHENOMENON

### 1.3.1 Experience is an Old Phenomenon

Experience has always existed. Some of the oldest things left behind illustrating this are cave paintings that are 14000 years old. Thus, the phenomenon is not new. Also science has for a long time been interested in experiences and the experience notion has been used back in time (Holbrook and Hirschman, 1982; Valberg, 1992; Snel, 2011), but mostly as an aspect of other phenomena, for example, art (Dewey, 1934), tourism (Cohen, 1979), consumer behaviour (Holbrook and Hirschman, 1982) and service marketing (for example, Schmitt, 1999; Pullman and Gross, 2004; Kwornik and Thompson, 2009; Verhoef et al., 2009). The latter assumes that customers get an experience from the service delivery and that experience is crucial for the customer's assessment of the service and his inclination to buy a service again.

Peoples' experience behaviour and habits have been studied for a long time within sociology, anthropology and cultural studies. The German sociologist Gerhard Schultze (1992) in a study of peoples' behaviour in the German city Nürnberg launched his results as an introduction of the concept of the experience society. Culture has been studied extensively and cultural economy studies is also an old scientific discipline (for example, Du Gay and Pryke, 2002; Andersson and Andersson, 2006). However, although culture is included in the experience economy, culture and the culture economy are narrower than the experience economy and experience economy studies emphasize the business aspects more than the culture economy normally does. The experience economy is related to more than culture, for example, nature, goods, sports activities and marketing.

Experience-provoking elements have also always been built in into goods, for example, as industrial design and services as marketing elements (cf. above). These phenomena have also been scientifically studied. However, experience economy studies as a scientific discipline has introduced and intensified the focus on experience-provoking elements in a cross-sectoral perspective: industrial design, for example, has common elements with the production of computer games and tourism in that they all attempt to provoke some experience in the receiver (or customer). Construction of these elements may thus have common principles across sectors, industries and different sorts of production. Innovation of experience may, for example, be scientifically understood generally across different industries and modes of production.

It is only since 2000 that the experience economy has been considered as an independent societal phenomenon. Experience economy studies has become an independent research field (for example, Boswijk et al., 2007, 2012; Pine and Gilmore, 2011) and the size and economic impact of the experience economy has been measured (Department for Culture, Media and Sport, 2001; KK stiftelsen, 2003; EU, 2010, Erhvervs- og byggestyrelsen and Center for kultur- og oplevelsesøkonomi, 2011). The experience itself has now become a research field and it is today a core phenomenon in tourism studies (Larsen, 2006; Mossberg, 2007; Ek et al., 2008), as a psychological and neurophysiological field (Jantzen and Vetner, 2007), as an aim of designing performances and events (Harsløf and Hannah, 2007) and as a factor in explaining the impression of physical landscapes (experiencescapes, O'Dell and Billing, 2005). The construction of experience-creating elements has become a research topic (Sundbo and Darmer, 2008); entrepreneurship in

the experience economy is studied (Hjorth and Kostera, 2007); innovation in experience firms has become a special field within innovation research (Sundbo, 2009; Fuglsang et al., 2011); and experience has become a new element in the study of regional and local development processes (Florida, 2002; Sørensen et al., 2010; Freire-Gibb, 2011).

### **1.3.2 Why has Experience Recently Attracted Increased Awareness?**

If experiences have existed for thousands of years, why has an interest in them suddenly emerged within the last decade? We can suggest at least two societal explanations of this.

One explanation stems from a combination of a psychological and production system logic. Pine and Gilmore (1999) see the experience economy as a new wave of economic activities after agriculture/fishing/mining, which satisfies our basic needs for survival, manufacturing, which satisfies our advanced physical needs, and service, which solves our most advanced physical problems and our intellectual needs (via knowledge services). This development has been characterized by using Maslow's (1954) theory of a pyramid of needs. This theory sees the most basic physical needs as the bottom of a pyramid. The layers above in the pyramid consist of more intellectual, emotional, experiential and personal life-fulfilling needs (such as self-realization). Because our most basic needs (the physical ones) can be satisfied by the societal production and market system, we seek to fulfil the needs in the upper layers of the need pyramid. We have now reached a stage where it is the feeling, sensational and self-realization needs that can be fulfilled via experiences. We are therefore focused on procuring elements that can give us experiences and are willing to pay a high price for them. The old goods and services that fulfil needs further down the pyramid are today taken for granted in most Western societies. They are 'need to have', but not 'nice to have'. As a consequence we are not interested in paying a high price for them. This development of waves of need-fulfillment and production systems (cf. Toffler, 1981) is one societal explanation of the increasing importance of and focus on the experience economy over the last decade.

Another but related explanation is more economic. It has been suggested that the experience economy and the focus on it emerged around the beginning of the new millennium because the societies (at least Western ones) have become richer. This may be one true element in explaining the emerging experience economy, but it cannot stand alone. Wealth cannot per se explain why an increase in demand for experiences emerges – theoretically the increased wealth could have been spent on other (potential) economic offerings. This economic explanation must be combined with the psychological and production system wave one. The psychological factor can explain the basic need for experiences. The production system wave approach can explain why we at the end of the twentieth century had developed a production system that could satisfy the need for experiences. The increased wealth in the societies can explain why people at the time could afford to buy the – often expensive – experience elements.

The economic explanation draws attention to which fundamental development of the experience economy we see just now. One may argue, parallel to what happened with the industrial society and later to the service economy, that when a market field becomes interesting and products and activities demanded, industrialization sets in. This is in line with Pine and Gilmore's (1999) suggestion that economic progress is about 'charging a fee for what was once free' (p. 67). When exploitation of the field, business-like as well as

political, becomes important, competition and the focus on productivity increases. This may happen to the experience economy (cf. Sundbo, 2007) and what we witness with the contemporary focus on the experience economy is the industrialization (standardization and large-scaling) of the experience economy. Thus, the reason why the experience economy currently is interesting is not the experience phenomenon per se, but that we are witnessing a large-scale industrialization of the experience economy. This includes, for example, the growth of global TV entertainment and film producers and distributors, Internet content producers, producers of smart phones and applications and it involves the standardization and modulization of the production and delivery of experience-provoking elements (Pine, 1993; Sundbo, 1994). Suppliers become global corporations, renewal becomes more based on industrial innovation organizations and so forth. At the same time, however, the increased demand for experiences also sustains small-scale localized entrepreneurial business development (for example, in the arts and in tourism). Both types of experience activities may be supposed to grow and be important. While the small-scale activities may not dominate economic statistics, they are of importance locally and they may be the necessary basis for developing industrial experience products, just as research is a necessary basis for developing high-tech goods.

#### 1.4 THEORETICAL APPROACHES TO THE EXPERIENCE ECONOMY AND ITS SECTORAL DELIMITATION

The theories of the experience economy have become differentiated and different understandings of the experience economy have developed that has also led to various understandings of the experience economy from a sectoral perspective. In some analyses, the experience economy is considered a statistical sector delimited from other economic sectors (such as agriculture, manufacturing and service). It is a group of industries that produce experiences (or, more precisely, according to what we have defined here, experience-provoking elements) (for example, Department for Culture, Media and Sport, 2001; KK stiftelsen, 2003; Erhvervs- og byggestyrelsen and Center for kultur- og oplevelsesøkonomi, 2008; EU, 2010; Fuglsang et al., 2011). Nevertheless, there is no international generally accepted convention of what should be included in this statistical sector, but different empirical analyses have made their own delimitations (for example, Department for Culture, Media and Sport, 2001; KK stiftelsen, 2003; Erhvervs- og byggestyrelsen and and Center for kultur- og oplevelsesøkonomi, 2008). Even though there may be some variation, the analyses agree on the main sectors and businesses to include and from such an approach the experience sector typically includes those listed in Table 1.1.

Some, or even the main part, of these industries are often called creative industries (Caves, 2000; Department for Culture, Media and Sport, 2001 and others) based on an assumption that they are dominated by artistic people or people who are creative in ways that are inspired by artists. There may also be variations in how creative industries are defined, but generally creative industries are more narrowly defined than the experience sector. The sectoral delimitations of the experience sector also include more business-like industries such as software (selling ICT-based experiences), activity-based industries such as sport (that is, people exercising, for example, in fitness centres or sports clubs) or

*Table 1.1 Statistical sector of the experience economy*

Sector	Businesses included (examples)
Tourism	<ul style="list-style-type: none"> <li>● hotels</li> <li>● restaurants</li> <li>● travel agencies</li> </ul>
Art and culture	<ul style="list-style-type: none"> <li>● marinas</li> <li>● TV companies</li> <li>● music producers</li> <li>● theatres</li> <li>● cinemas</li> </ul>
Entertainment and leisure	<ul style="list-style-type: none"> <li>● amusement parks</li> <li>● museums</li> <li>● sport clubs</li> </ul>
Lotteries and gambling	<ul style="list-style-type: none"> <li>● national lotteries</li> <li>● casinos</li> </ul>
Design, image and branding	<ul style="list-style-type: none"> <li>● architects</li> <li>● photographers</li> </ul>
ICT-based experiences	<ul style="list-style-type: none"> <li>● internet-dating firms</li> <li>● computer game producers</li> <li>● producers of smart phones and applications</li> </ul>

tourism sectors of which some can hardly be portrayed as more creative than many of the more traditional industrial sectors.

In other analyses the experience economy is considered a generic activity that is carried out in all industries and all types of firms. Experience can be an add-on to goods and services besides being a product of itself. Adding experience elements is done because experiences have high value for customers and thus can be the basis for more sales and higher prices. Experiences can be add-ons to goods or services such as the design of a car or furniture, a bank branch that organizes author cafés or TV in a train.

Experience has also been considered part of the marketing activities. It can increase attention to the products and increase customer loyalty. This is how Pine and Gilmore (1999) argued for the experience economy. Experience thus becomes a general product add-on and a general marketing approach. This understanding of the experience economy thrives in marketing research (for example, Arnould and Price, 1993; Schmitt, 1999; Mossberg, 2003; Pullman and Gross, 2004; Kwortnik and Thompson, 2009; Verhoef et al., 2009), which also focuses on the character of products and services because the character is crucial for the customers' assessment of the product or service and thus is a central competition parameter. One may further argue that public authorities such as municipalities and regions market themselves via experiences to attract tourists, inhabitants, companies and market products from the area (Sørensen et al., 2010; Lorentzen and Hansen, 2012). As a marketing theory, experience economy theory is a general explanation and prescriptive theory and experiences are supposed to replace older marketing elements, for example, mass announcement or the personal customer relation marketing that the service marketing theories have launched in the last decades (Gummesson, 1994; Grönroos, 2000). The customer relation service marketing theories

have already used the notion experience (Kwortnik and Thompson, 2009; Verhoef et al., 2009) as a characteristic of customers' assessment of a service. Generally, however, these service marketing theories are concerned with how services can be sold and how experience is a means to create satisfied and loyal customers to goods and services. One may say that experience within the management and marketing framework is used instrumentally (to use an expression from sociology, Parsons, 1951). People use experiences to be aware of services that can solve their problems or goods that can fulfil their physical need. In the emerging experience economy marketing tradition, experiences are seen as expressive, that is, people seek experiences for their own sake; to experience is the only goal of the purchase. Thus, the marketing-oriented experience economy theories that we are talking about here go further than the service marketing theories in considering the experience of the final goal of a purchase (for example, Schmitt, 1999; Verhoef et al., 2009). One may say that experience marketing theory is one step further than the service marketing theory, but this one step can be considered the one that finally changes the view of experiences' role in goods and service delivery from instrumental (experience is a means to sell goods and services) to expressive (the experience is the primary goal of the purchase). Further, the experience economy approach emphasizes that sale and purchase of experiences (or experience-provoking elements) is an activity in itself in line with raw materials (such as metal or basic food), goods and services. Thus, to produce and deliver experiences becomes a new field, as Pine and Gilmore (1999) argue.

The other side of the experience economy, the demand side, has also been considered a general field where people seek experiences across industries and sectors, market segments and the formal-informal economy segregation. The psychological nature of peoples' experience has been investigated (Csikszentmihalyi, 2002; Mossberg, 2003; Jantzen and Vetner, 2007). Analyses have also investigated how people experience activities and consumption is socially determined. Thus, different social classes and status groups display different patterns of experience (Schultze, 1992; Kurzman et al., 2007).

If we return to the first understanding of the experience economy, the sectoral one, we may also draw some consequences of the second generic marketing understanding discussed above. The sectoral understanding assumes that the experience economy is about a business (and public) sector that has as its main aim to provide experiences. This sector includes firms (and public institutions) within culture, tourism, Internet-entertainment, sports, gastronomy and so forth. However, the experience marketing understanding implies that experiences are (or at least can or should be) produced in all industries including manufacturing and services. We may therefore suggest an understanding of the experience industries being divided in overall sectors, the primary and the secondary experience economy (inspired by Porat's (1977) analysis of the information economy), which reflects the combination of sectoral and marketing-generic understandings. The primary sector consists of industries – or firms and institutions – whose primary aim is to provide experiences. This sector includes the industries mentioned earlier (for example, TV, computer games, tourism, culture). The secondary experience sector consists of firms and institutions with another primary aim (for example, to provide goods or services) but which also provides experience-provoking elements.

Experience production is an add-on activity in the secondary experience sector. Only some functions and job positions in this sector are dedicated to producing experiences, for example, certain marketing functions, designers and software developers.

The experience economy may be measured statistically by counting all the primary experience sector functions (jobs or production value) adding the experience-oriented functions (jobs or production value) in the secondary experience sector (as done in a Danish statistical study, Erhvervs- og byggestyrelsen, 2008). There might be practical-statistical problems in doing this, but theoretically it is possible. However, more importantly, the division in a primary and secondary sector provides an approach to investigating the experience economy theoretically and analytically that embraces the variety of experience-producing firms and functions and their societal importance. This is reflected in the variety of approaches presented in the chapters of this book.

## 1.5 CONTENTS AND STRUCTURE OF THE BOOK

This handbook presents a varied collection of contributions that discuss different issues of crucial importance for our understanding of the experience economy. Some chapters of the handbook discuss in depth several of the issues that have been raised here in the introduction while other chapters raise new issues. Some chapters are mainly theoretical while others present new empirical research results. Some chapters present already known theoretical approaches to the experience economy while others present new theoretical developments. Some take a generic stance while others focus on different sub-sectors of the experience economy, such as the video games or theatre sectors. Furthermore, the different chapters represent different scientific approaches ranging from management approaches to, for example, mainstream economics and sociology. In this way the chapters provide an overview of different issues, approaches to and understandings of the experience economy. The handbook provides an entrance point for new experience economy readers but also presents a collection of new and innovative insights for those who already know the field well.

The book is divided into three parts. In Part I different fundamental discussions about the nature and importance of the experience economy are presented. Part II presents more specific topics relevant to the experience economy, for example, innovation, networks and the design of experiences. Part III presents chapters that deal with experience economy issues that are more specifically relevant to, or illustrated in relation to, different sub-sectors of the experience industries.

### 1.5.1 Part I: Experience Fundamentals

In the opening chapter of Part I, Chapter 2, Pine and Gilmore introduce their view on the experience economy, its origin, present status and future development. The nature of the experience economy and its implications for business strategies, now as well as in the future, are discussed. The authors also discuss some of the criticisms that have been raised against their influential approach to the experience economy published in their now famous book *The Experience Economy* (Pine and Gilmore, 1999).

Some of the remaining chapters of the handbook further develop some of the discussions introduced by Pine and Gilmore in Chapter 2. However, most of the chapters discuss other and new issues that are of relevance for a broader understanding of the

experience economy, its dynamics, importance, present status, future development and implications.

In Chapter 3 Lorentzen outlines the similarities and differences between the experience economy and other closely related notions that in the public and professional discourse are often confused with the experience economy, namely the cultural and the creative economy. The author argues that the three notions provide different insights, have different origins, and also imply different strategic and practical conclusions.

The definition and categorization of the experience industries is the focus of Chapter 4. In this chapter Nilsen and Dale discuss various challenges concerning defining and categorizing the experience industries. The discussion is related to the older debate regarding how to define and categorize service industries. The chapter questions whether experiences should be seen as part of the service industries or if they may be considered a separate economic sector.

Andersson and Andersson focus on different dimensions of the experience economy in Chapter 5. They argue that all consumer goods and services are to some extent experience goods and that experiences can be conceptualized as a multi-dimensional range of characteristics. Five such experience-related characteristics are emphasized: learning by consuming, uniqueness, location and context dependence, interdependence and non-storability. The authors explain these dimensions and show how an increase in their value makes goods have greater 'experience content'.

Schulze in Chapter 6 explains, from a sociological point of view, the way in which the experience market is subject to a particular rationality. The author argues, among other things, how the rationality of the experience market can be explained by a distinction between outwardly and inwardly oriented consumption. The experience market's progression can only be explained inadequately with the increase of free time and financial possibilities. It is also important to understand the rationality of suppliers and demanders.

In Chapter 7 Snel discusses understandings of how experiences are produced. Three different approaches are emphasized: the 'environment-centred', the 'effect-centred' and the 'encounter-centred' approaches. Snel argues that each of these approaches has biases and limitations in explaining how experiences can be successfully created by organizations. The author suggests how experience-producing organizations may overcome these biases by taking a broader perspective on experiences.

Jantzen in Chapter 8 presents a psychological framework outlining the complexity of experiences. Based on a semantic discussion of the word 'experience', Jantzen discusses the paradox that experiences are both everyday and extraordinary phenomena and he emphasizes how experiences imply a tension between immediate experiencing, past and future experiences. The psychological framework discussed in the chapter has a number of important implications for both entrepreneurs and designers in the experience economy.

In the brief closing chapter of Part II, Chapter 9, Boswijk takes a look into the future. The author suggests that we find ourselves in a transitional stage from a service economy towards an economy of experiences and meanings in which meaningful experiences become central. The transition is discussed from the consumer and businesses points of view and it is suggested that the transition will result in a powerful change of the way the economy works.

## 1.5.2 Part II: Topics

In the first chapter of Part II, Chapter 10, Jensen focuses on information technology and experience. The chapter discusses and develops key concepts related to experience in connection with information technology, such as user experience, experience design and user experience design. A number of new understandings and a number of new and more precise definitions of the key concepts are presented. Furthermore, several conceptual paradoxes related to the key concepts are presented and solved in the chapter.

In Chapter 11 Hansen and Mossberg emphasize how immersion is a central aspect of experiences. The authors discuss definitions of immersion and show how immersion is related to other concepts like extraordinary experience, peak experience, peak performance and flow. They argue that underlying foundations for immersion can be found in the spatio-temporal dimensions of experiences and that immersion is facilitated by consumers' interactions within experiencescapes.

In Chapter 12 Sundbo, Sørensen and Fuglsang present a discussion and survey-based investigation of innovation in experience industries. The chapter shows that innovation is a common phenomenon in the experience industries. The characteristics of experience innovations and of innovative firms are similar to those found in services (and to a large degree in manufacturing). However, some important exceptions exist, for example, because of the creative basis that characterizes many experience industries, the importance of ICT and the multi-dimensionality of experiences.

In Chapter 13 Eide and Mossberg address how we should understand and conceptualize innovation types in the experience economy. The authors suggest an approach that focuses on customer interactions. They emphasize especially two types of interactions – between customers and between customers and personnel. The chapter illustrates how thinking in terms of these (and other) interaction types can help to conceptualize experience innovation and identify needs and restrictions for different types of innovations.

The role of entrepreneurship in the experience economy is emphasized in Chapter 14. In the chapter Fuglsang and Sørensen discuss how entrepreneurship in the experience economy in particular can face difficulties because it can be described as an open process that may come into conflict with different cultural barriers. However, the authors also show how entrepreneurs can succeed in spite of the existence of such cultural barriers.

In Chapter 15 Eide and Fuglsang discuss and illustrate the importance and dynamic nature of networks in the experience economy. They argue that the development and outcome of networks depend on network support structures termed 'scaffolding structures'. In particular, focusing the attention of the network, mobilizing its actors and creating activities and infrastructures around them is concluded to be important for networks' development potentials. This is illustrated in two case studies of regional innovative networks.

In Chapter 16 Svabo, Larsen, Haldrup and Børenholdt discuss how spatial designs provide experiences and how visitors in practice experience them. The authors argue that experiences of a particular place emerge through engagement with other designs and with the specific social group that one is part of while experiencing. While designs are powerful in framing experiences, they do not determine how experiences emerge and take place.

The role that the sense of belonging to a community, particularly in sports, plays in experiences is the subject of Chapter 17. In this chapter Chalip, Lin, Green and Dixon

discuss how the community surrounding consumption affects experience and they show how the sense of belonging to such a community can be supported. The issue is illustrated in a study of a community-based competitive swimming league for children and adolescents.

The role of communities is also the focus of the closing chapter of Part II, Chapter 18, but more specifically on what motivates volunteers to be part of communities of experiences. Gudiksen in this chapter also discusses the organizational structures and characteristics of experience organizations depending on the work of volunteers. The issues are discussed and illustrated in relation to both physical and online communities.

### 1.5.3 Part III: Application Fields

In the first chapter of Part III, Chapter 19, Holt and Lapenta discuss different approaches to the experience of cultural events. The chapter offers a grounded understanding of experiences in the study of contemporary cultural events. Different approaches to the study of such events are outlined drawing from diverse fields such as event management, media studies and marketing theory. Further, the authors suggest and detail two new contexts for contemporary cultural events: the post-industrial city and its cultural economy, on the one hand, and new media practices, on the other.

In Chapter 20 Cooke illustrates how a production site for experiences, in this case TV production, can lead to the development of other experience sectors and a creative cluster. The chapter describes how an experience setting developed out of a broadcasting context in Cardiff, Wales, responsible for, among others, the *Dr Who* TV series. It analyses how the impact of the on-location scenery of Cardiff helped a tourism industry develop and how many other creative companies today form an innovative cluster in the area.

In Chapter 21 Vang and Tschang discuss the determinants behind the spatial organization of the video games industry. Based on an analysis of the US video games industry the authors suggest that dominant research on the spatial organization of experience industries – focusing on clustering processes in larger urban contexts – needs to be extended. For example, reliance on in-house capabilities, other highly localized factors and collaboration in distant networks has consequences for the spatial organization of experience industries.

Sundbo, Sundbo and Jacobsen in Chapter 22 focus on food experiences, in particular New Nordic Cuisine. By understanding New Nordic Cuisine as a meaning-creating experience, the authors discuss if it can form the basis for a social movement. On this foundation they consider the success and diffusion of New Nordic Cuisine as a concept innovation. They conclude that the notion ‘experience concept’ can contribute analytically to explain fundamental dynamic social and economic phenomena.

Chapter 23 takes its departure in the world of theatre and performance. Rooted in critical theory and a phenomenological understanding of experience, Hallberg and Harsløf discuss the need for spaces allowing for an aesthetic and sensuous mode of being in everyday life. This creates a new type of theatrical experience space that the authors describe as live and relational, fictional parallel universes in which participants are co-creators who live out the logics of the particular universe.

In the last chapter of the handbook, Chapter 24, Boswijk focuses on the secondary experience sector by presenting a short descriptive study of a hospital that has used

experience as a way to improve the patients' stay at the hospital. The hospital's approach breaks with hospitals' traditional medical-centred approach to dealing with patients. The study shows how the experience economy is also of relevance in sectors where it may not at first be obvious.

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