

THE VALUE OF EXPERIENCE

"We always arrive finally at something whose value does not depend on the value of anything else, and this is something (a quality of experience) having intrinsic value....extrinsic value depends on intrinsic value" (P.W. Taylor, 1961).¹

Think about a pleasant experience. What comes to mind?

The fact that it comes to mind is important in and of itself: it is memorable; it abides.

Now, think about *what* comes to mind. The chances are less than 20% that you are thinking about words. Is it the color of a sunset? Is it the feel of cool grass on a humid summer night? Is it the smell of exhaust fumes and chicory coffee? Is it the sound of water rushing past the bow; the curve of the horse's neck; the taste of the sauce?

Whatever it or they may be, you are now emotionally involved---just as you were then, because "pleasant" is an emotional value judgment. The trigger of this emotion may have been, at the time, on the periphery of your consciousness, but it has since become the gateway to a multiplicity of associations---some rational, some emotional. If asked to describe the experience, you will almost always select and arrange these associations into a story; and just as certainly remember how you *felt* about it.

What do you think are the chances that a positive experience with your company would come to mind if your customers, or employees, or suppliers were asked these questions? What do you estimate would be the value to your organization if those chances were high?

Increasing the likelihood that important constituencies will recall their experiences with your business---and remember them as pleasant, as well as profitable---requires an investment. It means making choices. It means designing a way of consistently producing positive, memorable experiences that have a high probability of coming to mind when a need addressed by your products or services arises. And it means effective, reliable execution of the design.

If that sounds like the makings of a strategy, it should. The choices individuals make about where they spend their money are based on a weighting of both logical and emotional conclusions. Where there seems to be no difference in the utility of two alternatives, emotional factors will determine our choice. In some cases, such as those involving health, love, anger or safety, the emotional content of a decision may absolutely overwhelm its rational counterpart.

From a strategist's point of view, we are talking about extending a firm's value proposition in a new dimension: one that transcends the utilitarian attributes of products and services to include preferences that are valued for their own sake. To make this happen, the value proposition must explicitly include an experiential component. And this should be as carefully considered, designed and executed as the prod-

ucts and services associated with it. In fact, as we will discuss later, it may be necessary to alter certain aspects of the product and service to ensure that they add to, rather than detract from the experience.

The Generic Value Chain: Products, Services, Experiences

This should not come as new news. For more than a half century scholars interested in the theory of value have been telling us that products and services are the means, and experiences are the ends.

The goodness of good objects consists in the possibility of their leading to some realization of directly experienced goodness. (C. I. Lewis, 1946)²

What people really desire are not products, but satisfying *experiences*.....People want products because they want the experience-bringing services which they hope the products will render. (L. Abbott, 1955)³

In other words, people buy products in anticipation of the services that products enable; and they pay for services in anticipation of the experiences the services ultimately enable. In the final analysis, products and services provide value only to the extent that they make possible valued experiences.

To effectively manage experience as the third, and ultimate, dimension of a firm's value proposition, it is important to be clear about the distinction between it and product and service dimensions. Yet, with the notable exception of the entertainment industry, experience qualities are usually overlooked as a strategic opportunity because they are muddled in with the functional attributes of a product or service. The solid "chunk" of a car door closing is thought of as a product attribute; as is the feel of the leather, and the "new car smell." Similarly, the tone of voice of the person making an after-sale phone call to inquire about a customer's satisfaction with the selling process is considered---if it is considered at all---to be a service attribute (the call is, but the tone of voice is not).

Because the concept of "value" and the distinctions between "products," "services" and "experiences" are so crucial, it is worth understanding with some precision what we mean when we use these terms.

What is the "Value" in Your Value Proposition?

Morris Holbrook, a leading researcher in the field of consumer value theory, classifies values as:

- **Extrinsic or Intrinsic.** Extrinsic values are *instrumental, i.e.*, they are associated with something judged to be helpful in bringing about some further purpose. Intrinsic value "characterizes the appreciation of some experience for its own sake. "
- **Self-oriented or Other-oriented.** Self-oriented values are associated with preferences that arise from self-interest. Other-oriented values "cover preferences that look beyond the self."
- **Active or Reactive.** Active values are generated from a customer's manipulation of the environment. Reactive value occurs when the environment triggers a response in the customer.⁴

Like Holbrook, I think consumers exhibit their response to value propositions by demonstrating preference for one over another. Accordingly, we have adopted preference as the primary measure of the value of an experience.⁵ Holbrook's analysis of how preference is created led him to differentiate between eight core values on the basis of the three classifications described above:

➤ **Efficiency (Output/Input Ratio, or Convenience)**. The extrinsic value that comes from manipulating a product in pursuit of a self-oriented end. Cars, computers and hammers are examples of products that typically generate this kind of valuation.

➤ **Excellence (Quality)**. The extrinsic value that comes from the customer's response to, or appreciation of, something's capacity to serve as a means to a self-oriented end. Meditation lessons, haircuts, professional training, recipe books and exercise machines are products and services that may trigger this kind of valuation.

➤ **Politics (Success)**. The extrinsic value derived from the active pursuit of success awarded by others. Getting an MBA, participating in a beauty pageant, and running for office may create this kind of value.

➤ **Esteem (Reputation)**. The extrinsic value arising "from the reactive contemplation of one's own status or prestige, as reflected in the [approving] opinion of others." Luxury products, Gold Cards, and lawn services are examples of products and services that may give rise to this kind of value.

➤ **Play (Fun)**. The intrinsic value that comes from doing something that is disinterested, self-sufficient and done for its own sake, regardless of whether or not it has an ulterior utility. Games are the obvious example of products and services that can produce this value.

➤ **Esthetics (Beauty)**. This intrinsic value stems from the passive pleasure of sensations and states of consciousness triggered by something in the environment. Books, paintings, tours of Yosemite, and theater have the potential to produce this value.

➤ **Morality (Virtue)**. This intrinsic value is produced by "ethical action....doing something for the sake of others...because it is 'right' in and of itself." Blood drives, soup kitchens, charitable contributions (but not if the purpose is to obtain a tax deduction) offer the potential for generating this kind of value.

➤ **Spirituality (Faith or Ecstasy)**. This intrinsic value stems from states of consciousness triggered by responses to devotional experiences. Church services and religious statuary may produce this value.⁶

Holbrook's Taxonomy of Values⁷

Value	Outcome	Extrinsic/Intrinsic	Self/Other-Oriented	Active/Reactive
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Efficiency	Productivity, convenience	Extrinsic	Self	Active
Excellence	Quality, fitness for use	Extrinsic	Self	Reactive
Politics	Success	Extrinsic	Other	Active
Esteem	Reputation	Extrinsic	Other	Reactive
Play	Fun	Intrinsic	Self	Active
Esthetics	Awareness of beauty	Intrinsic	Self	Reactive
Morality	Virtue, ethical acts	Intrinsic	Other	Active
Spirituality	Faith, ecstasy	Intrinsic	Other	Reactive

This classification of different types of value allows us to sharpen the distinction between products, services and experiences as the three potential components of a value proposition.

Products are tangible assets that offer functionalities with extrinsic value.

Products show up on balance sheets as depreciating capital assets. Customers acquire them as the means to accomplish some end. We may decide to buy or lease a car in order to solve some of our personal transportation needs. Which car we buy will, in all likelihood, be influenced by price, specifications and availability, and we usually rely to some extent on rational processes to assess alternatives (and later, the wisdom of our choice). Proximity of the dealership may determine the weight we give to "efficiency." We might use J.D. Powers or Consumer Reports if "excellence" is important to us. If we are trying to sell something to a car manufacturer, the political value of buying a car produced by that company may be important. And parking an expensive nameplate in our executive garage space may satisfy a craving for esteem value.

Products imply the existence of services, at least potentially. If a company elects to provide them for the customer, it extends its value proposition to include the outcome or outcomes of one or more applications of its products. Leasing and renting automobiles is a business based on the economic truism:

"Goods are wanted because they are capable of performing services" (R.T. Morris, 1941)⁸

Services are applications of products that produce extrinsic values helpful to the accomplishment of some purpose.

Services, like products, produce extrinsic value. But unlike products, services are consumed as they are produced. They cannot be inventoried or depreciated, so they don't show up on the balance sheet. We tend to rely heavily on the rational circuitry in our brains to assess the values produced. The outcomes created by services may enhance the value of products in the eyes of customers, but these outcomes are still the means to some higher-value end.

Experiences are the results of interactions with things or people that produce intrinsic values.

"Only an *experience* can be appreciated for its own sake so as to attain intrinsic value."
(Holbrook, 1994).⁹

I have gone to some lengths to emphasize that experiences create intrinsic values for two reasons. First, to separate experiences conceptually from products and services; and second, to underscore that incorporating experience in the value proposition entails creating such things as "fun" and "beauty." If this sounds to you like getting into the entertainment business, it does to me as well, as I will discuss in the following section.

Other important implications arise from the fact that intrinsic values are largely emotional in nature. Scientists studying the human neural system tell us that we have two categories of thought: rational and emotional, and that the two are neurologically different.¹⁰ As a result, ensuring coherent and responsible stimulation of people's emotions requires managing the signals sent by the experience to all five senses.¹¹ The bulk of this book is devoted to a systematic and proven way of providing added value by doing just that.

It would be convenient to our discussion if the world were as tidy as the above value-based parsing of products, services and experiences suggests. But as we know, these components are inextricably intertwined: it's not possible to acquire, use, pay for, service, dispose of, or complain about products and services without having.....well, an experience. Some of the signals that contribute to this aggregated experience come from the ambient environment, some from the products and services, and some from the people providing them. What's more, we sometimes seek out emotional experiences to achieve rational ends.

So, when I talk about "experience," I include both the emotional and rational, conscious and subconscious, thought processes that add up to an aggregated perception in the minds of a target constituency. Experiences incorporate both the extrinsic values that are primarily dealt with by the rational processes in our brains, and the intrinsic values processed predominantly by our emotional circuitry. .

It is the emotional component of an experience that makes it such a powerful potential differentiator. That potentiality is realized or not depending on the coherence and quality of its delivery.

Experience Delivery as Stagecraft

Most people who have worked in large organizations are familiar with "job descriptions"---documents that supposedly define the "roles and responsibilities" of the individual holding a particular position. The term "roles," borrowed from the theater, suggests at least two things. First, it implies that our behaviors in the organization are not entirely unscripted; and that it is not only appropriate, but important, to affect a different style, or different styles, when we are at work. "Executive distance," and "professional demeanor" are frequently used to describe character traits that are generically desirable in certain organizational roles. And, at least until fairly recently, a particular type of costume is often implied for specific roles.

Interestingly, it is often the case that roles enjoy more trust than the people playing them. We trust Mickey Mouse with our children more than we trust the stranger in the Mickey Mouse costume. As long as the role of Mickey is consistently portrayed, that trust is sustained. That's why Walt Disney reacted immediately and forcefully when, shortly after the opening of Disneyland, he heard that Goofy had been selected by the Los Angeles Dodgers to catch the first pitch in a home game. Disney's intervention was to make sure that Goofy did *not* catch the first pitch---that he drop it, instead. Goofy must be trusted to be goofy in all contexts. Professions such as doctor, judge, professor, seem to be invested *per se* with a presumptive trust that comes with the role, and individuals in those professions usually pay more than a little attention to the consistent preservation of this esteem-creating .

Most of us are expected to play multiple roles: manager, mentor, team-member, presenter, subordinate, creator, implementer. Again, most of us will tailor our vocabulary, our choice of humor, our candor and our tone of voice, among other things, to correspond to our sense of what is appropriate to a particular role, a particular audience, and a particular setting. And this concept of "acting the part" applies in our private lives as well, as we naturally and frequently switch roles---from parent to spouse to friend to host to shopper to neighbor to teacher to resident clown to long-suffering misunderstood hero. Unless we suffer from some kind of disorder, most of us are pretty skilled at managing these transitions without compromising our integrity or undergoing personality changes.

A wide variety of such learned behaviors are required for successful socialization in any culture. The performances we give stem from our individual improvisational interpretations of the characters appropriate for the roles we are called upon---or elect---to play. When we overact, we may be cautioned by our audience not to take ourselves so seriously. If we fall out of the role, we may not be taken seriously at all. And if we slip into the wrong role, we could be asked to "be yourself."

This one-dimensional discussion of the way we conduct our lives is, of course, grossly incomplete. We've talked only about style, not substance, making no mention of content, meaning or morality. So let us hasten to add that a play with a bad plot, poorly scripted, and conveying the wrong moral messages to its audience will certainly fail. Having said that, it is instructive to note how easily we can describe the conduct of our lives in theatrical terms; and how apt seems Shakespeare's metaphor, "all the world's a stage."

We intend to leverage the power of the theater analogy in several ways:

- Theater is a "pure play" in terms of experience, even though there are occasions when we attend a performance for ulterior motives. In fact, the entire entertainment industry is, in our opinion, incorrectly classified as a service industry. It is an *experience* industry, in which companies succeed or fail based on their ability to deliver intrinsic values such as fun and beauty.
- Theater can be managed. Angels, producers, writers, directors, stage hands, scenery and costume designers are some of its institutional competencies.

- Theater can be managed for profit.
- Theater's finer creations can sustain competitive advantage for centuries.
- Theater can stimulate demand for products and services....from scripts to books, to cast recordings to ET dolls, to Video Tapes to drama schools to agents.
- Theater delivers its value proposition with performances. Some of these are *for* the audience, some *with* it, and some by it.

How does a performance become an experience?all events, whether fictional or not, owe their intelligibility to the ease with which they form good stories. A lucid performance is one that an audience can fluently translate into a narrative. (John Deighton, 1992).¹²

Harvard's John Deighton makes the connection between performance and experience in terms of stories. A story is the natural way for humans to articulate an experience. Stories are how we learn from each other. Good stories encapsulate memorable experiences.

Deighton says that consumers react to the way firms market to them by behaving "as if they were audiences responding to or participating in performances." It follows from this that there are strategic choices to be made regarding the type of performance. Specifically: should the performance be designed to emphasize realism or fantasy? should the design call for the consumer to be a participant or an observer? "What is fake in one context might be fun in another," says Deighton. The consumer will judge the performance as deceptive if the context is not set correctly.¹³

This is why producers and directors of theatrical performances spend as much time on the context in which it is delivered as they do on the script and the actors. As we are about to explain, the same holds for those who set out to engineer the experiences of their customer. The reward for success is the customer's perception of, and preference for, a unique value proposition.

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- 1 ¹ Taylor, P.W., *Normative Discourse*, Prentice Hall, Englewood Cliffs, N.J., 1961.
 - 2 ² Lewis, C.I., *An Analysis of Knowledge and Valuation*, Open Court, LaSalle, Ill., 1946.
 - 3 ³ Abbott, L., *Quality and Competition*, Columbia University Press, N.Y., 1955.
 - 4 ⁴ Holbrook, Morris B., "The Nature of Customer Value," Chapter 2 in *Service Quality: New Directions in Theory and Practice*, R.T. Rust & R.L. Oliver, editors, Sage Publications, Thousand Oaks, 1994. Those interested in a very comprehensible and comprehensive survey of the application of "axiology" (theory of value) to consumer experiences are unlikely to find a better source than this chapter. We are indebted to John Deighton for directing us to it.. The taxonomy Holbrook describes at length is summarized by us in Chapter 1.
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 - 6 ⁵ Carbone, L.P., and S.H. Haeckel, "Engineering Customer Experiences," *Marketing Management Magazine*, Volume 3, No. 3, 1993.
 - 7 ⁶ Holbrook, *op. cit.*
 - 8 ⁷ *Ibid.*
 - 9 ⁸ Morris, R.T., *The Theory of Consumer's Demand*, Yale University Press, 1941.
 - 10 ⁹ Holbrook, *op. cit.*
 - 11 ¹⁰ LeDoux, Joseph, *The Emotional Brain*, Simon and Schuster, NY, 1996.
 - 12 ¹¹ Orwellian as this may sound when phrased as a declarative sentence, such orchestration of our emotions occurs every time we see a movie or read a novel or watch a ball game or get a letter from a friend or visit a theme park--especially if it is Disney World. As long as this orchestration is an explicit part of the value proposition we are buying into, attempts to make our experiences coherent and pleasant are, in our opinion, to be welcomed.
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 - 14 ¹² Deighton, J., "The Consumption of Performance," *Journal of Consumer Research*, Vol. 19, Dec., 1992.
 - 15 ¹³ *Ibid.*