the experience IS the marketing

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One of AOL Time Warner's last acts of 2001 was announcing that it would close all 85 of its Warner Bros. Stores, while one of the Walt Disney Company's first acts of 2002 was its own announcement of closing another 50 Disney Stores (for a total of 120 in the past year). Then in March, amidst continued disappointing sales, Disney decided to split its remaining studio stores into two distinct formats – Disney Play aimed at kids, and Disney Kids at Home aimed at their parents.

What happened? How could these titans of media and marketing – especially with all the beloved cartoon characters featured so prominently within their stores – fail so miserably at retailing? (Disney even finds the going so difficult it now looks to double its trouble.) We believe the problem stems from the very concept of retail "store." Instead of *stores*, AOL Time Warner and the Walt Disney Company should have leveraged their vast knowledge of their theme park, movie, music, and online businesses to create retail *experiences*.

Consider a competitor in the toy business, The Pleasant Company, maker of the American Girl collection of dolls. When founder and ex-schoolteacher Pleasant Rowland decided to go beyond selling her wares directly to consumers, rather than open a store she produced an experience: The American Girl Place, just off Michigan Avenue in Chicago. Here, mothers and daughters (with not a few grandmothers) spend time together at The American Girl Theater, where for $25 apiece they can take in a 70-minute staged production, *The American Girls Revue*. They go to The Cafe for a "grown-up dining experience," paying an admission fee of $16 for lunch or tea and $18 for dinner. Girls pose for a $21.95 photo shoot to take home a copy of *American Girl Magazine* with their pictures on the cover. They

even have their dolls' hair styled in The Hair Salon for $10 (a simple ponytail) to $20 (restoring the look of its original styling).

Think about it: A family can walk into the American Girl Place and spend hundreds of dollars – without buying a *thing*! Of course, each one arrives home with more dolls, more furniture, more clothing, and more accessories as *memorabilia* of their experiences. This Place so engages guests that visits average over four hours – and you know the more time they spend, the more money they spend. The American Girl Place achieves this level of retail success precisely because it has so thoroughly abandoned the "store" paradigm. (Proof? The question visitors already inside the Place most frequently ask of the concierge in the foyer is, "Where's the store?").

Marketing Experiences

The Pleasant Company, since bought by Mattel, understands a fundamental dictum for creating demand today: *The experience IS the marketing*. The best way to market any offering (good, service, or experience) is with an experience so engaging that potential customers can't help but pay attention – and pay up.

We see many companies today floundering in how to market their offerings thanks to the demise of mass markets, the ineffectiveness (and un-measurability) of advertising, and the seeming failure of using the World Wide Web as an effective marketing vehicle. That's why we also see a plethora of "adjective-based" marketing ideas; to name just a few, think of guerilla marketing, permission marketing, viral marketing, even emotion marketing and emotion*al* marketing. Each type may have something valuable to say, but never really addresses the heart of the problem: People have become relatively immune to messages targeted *at* them. The way to reach your customers is to create an experience *within* them.

To be clear, we're not talking about "experiential marketing" – making your marketing promotions more experiential. That's all well and good, but as yet another adjective-based idea it only affects marketing materials around the edges. We are talking about a fundamentally new way of attracting and retaining your customers through creating new experience offerings. It's not about experience marketing, but rather *marketing experiences*. As Peter Drucker rightly articulated in *The Practice of Management*, "The aim of marketing is to make selling superfluous." To that we add: The aim of experiences is to make marketing superfluous.

People have become relatively immune to messages targeted *at* them. The way to reach your customers is to create an experience *within* them.

Making Marketing Superfluous

For this to work, it's crucial that the experiences you create be treated as distinct economic offerings – *not* as a marketing exercise alone – that engage your customers and create memories within them. A great place to start, especially for manufacturers, is to follow The Pleasant Company's lead: **Establish a flagship venue.** Implementing this principle, automaker Volkswagen created a destination attraction called Autostadt from unused land outside its factory in Wolfsburg, Germany. Guests experience each of its eight brands in ways the company, for the first time, can fully control. Brewer Heineken fashioned the Heineken Experience inside its old factory in downtown Amsterdam, where guests get to *be* a beer bottle traveling along an assembly line (complete with being filled to the brim with a cold one!). And last year General Mills opened up Cereal Adventure at the Mall of America in

Minnesota, where kids go on tours and play games to learn all about how cereal is made (and can even leave with their own picture on a box of Wheaties).

Even B2B, or business-to-business, companies are getting into the act. Case Construction Equipment created the Case Tomahawk Experience Center in the northwoods of its home state of Wisconsin to provide an outdoor arena for potential customers to try out its large earth-moving gear in a low-key, relaxed atmosphere before they buy. (Folks often have so much fun playing with the equipment that they stay for several nights.) Not surprisingly, Case found that due to the relationships created there, a trip to Tomahawk dramatically increases its close rates.

Indeed, Executive Briefing Centers really are flagship venues that businesses place inside of their offices to turn mundane customer visits into engaging experiences. At the Johnson Controls Showcase in Milwaukee, the company plunges customers into an inky, cold darkness to simulate a winter outage – or bakes them in an arid heat wave – to demonstrate viscerally how its technology helps potential customers avoid the trauma of such occurrences. At Nortel Network's Executive Briefing Center in Research Triangle Park, North Carolina, guests receive smart cards that activate and guide their experience with Nortel technology. Potential customers find themselves immersed in personalized presentations that use the latest in experience technologies (including virtual reality) to demonstrate how the latest in Nortel technologies would apply directly to them.

Tellingly, the money for such corporate experiences – as well as the consumer-oriented Autostadt and Heineken Experience – comes out of each company's marketing and/or communications budgets. Indeed, let's cement this principle: **Steal from traditional marketing.** As a start, carve out 20% of your traditional PR and advertising budgets and put it into the realm of physical experiences. Such experiences engender emotional connections with which no marketing messages can hope to compete. Indeed, while many still do, a number of experience stagers manage to forego completely or do very little traditional advertising. The Pleasant Company, Starbucks, the World Famous Pike Place Fish Market, Vans, Recreational Equipment, Inc., and a host of others choose to let their experiences alone serve the purpose of acquiring new customers and energizing old ones.

As a corollary, realize too: **Use your creative resources as your R&D**. Don't view your internal marketing talent or your external agencies as resources solely to be wasted on mere marketing campaigns, but as the very designers of your best economic offerings: the experiences that drive demand for your company. When it comes to experiences, it's not your father's R&D. The same folks back in the lab designing your physical goods or in the field developing your new service offerings are unlikely to have the necessary background or skills to design and script, much less construct and cast, an experience.

Don't view your internal marketing talent or your external agencies as resources solely to be wasted on mere marketing campaigns.

Think of some of the highly imaginative advertisements of the past few years. What if we unleashed all that creativity on conceiving, designing, and bringing to market revenue-generating – and profit-enhancing – experiences? Instead of just creating those wonderful youth-dancing commercials for the Gap, what if its ad agency were contracted to conceive, design, and rollout – in other words, innovate! – a compelling dance club where kids pay to gyrate in their jeans? (And perhaps others pay to watch on the Web?) What if Nike's incredibly creative talent were used not just to put those basketball-passing, sneaker-

squeaking, breath-exhaling commercials on the air, but to design real basketball courts that customers actually *used* in their Niketown stores? In other words, don't *just* show it, *do it*! Do this to establish ongoing businesses, not temporary campaigns.

Don't stop at just one experience — you should create a series of related experiences that flow one from another….

Expanding Your Portfolio

And don't stop at just one experience – you should create a series of related experiences that flow one from another, creating demand up and down at every level, both generating new forms of revenue and driving sales of whatever you currently offer. In other words: **Create a rich portfolio of experiences.**

Outdoor retailer Recreational Equipment, Inc. (REI), for example, created a flagship experience in its hometown of Seattle, complete with a climbing mountain (for which non-members pay a $5 fee) as well as a bicycle track, walking trails, and other such experiences. This flagship realized such success that it became the number one tourist attraction in all of Seattle, with more than two million visitors per year. So REI added a second layer of similar experience venues at other locales, including one in Minnesota that fashioned a cross-country ski trail around the place, and one next to a river in Denver with a kayaking experience. REI expands its portfolio through its 50-plus retail environments that, while recognized as "stores" by the buying public, still yield a heightened experience via their architecture and ambience, as well as through the various educational classes and clinics held there. A further member of REI's experience portfolio is its website, REI.com, that is effectively integrated into its retail channel. PCs in the stores feed people directly to the website while online presentations feed people to the company's stores. (It leaves you wondering why Amazon.com doesn't do the reverse, creating a physical flagship in the hometown it shares with REI.)

Vans Inc., the forty-year-old manufacturer of athletic shoes particularly popular with skateboarders, grinders, and other extreme sports enthusiasts, developed a different kind of experience portfolio. While athletic retailers always carried its shoes, Vans early on created its own retail environments – the strength of its brand voiding potential channel conflict for its now 140-plus locales – providing a distinctive shopping experience that it could stage. But it finally hits its experience stride in 1998 when the company opened up its first Vans Skatepark in The Block at Orange, a mall in Southern California. There, kids pay $7 to $14 for two-hour skateboarding sessions in, around, and above ramps, jumps, and combi-pools. Vans now has ten Skateparks around the country, with the latest adding indoor/outdoor BMX biking tracks.

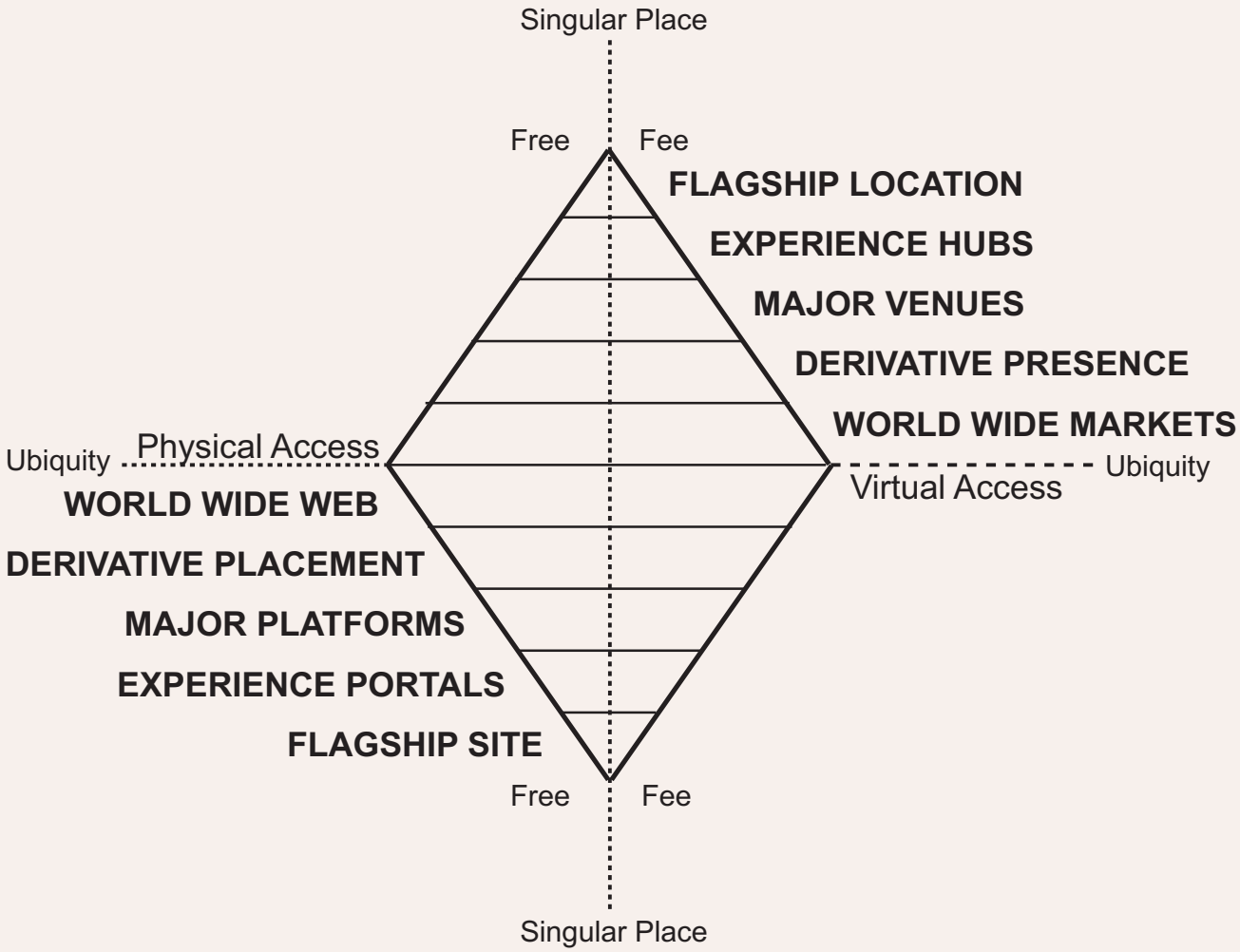
None, however, qualify as a flagship. Appropriately for a company whose customers zip around on skateboards, Vans produced a *mobile* flagship: the Vans Warped Tour, which goes to some twenty-plus cities every year. More than an alternative rock concert for alternative athletes, this new genre of experience combines a music festival with skateboarding spectacle. Filling out its portfolio even further, the company created Vans Triple Crown sporting events to give its customers a nationally televised experience as their own show (not a nationally televised commercial interrupting somebody else's show). It also stages Skateboard and Snowboard Camps for aspiring enthusiasts at its Skateparks and other venues, and like REI, effectively integrates its website into its experience portfolio.

Through the practice of companies such as these, we've been able to divine a full *Location*

Hierarchy Model for where and how companies should create experiences. For just as manufacturers have a location theory about where to place plants, warehouses, distribution centers, and sales outlets, experience stagers need a theory for where to place the marketing experiences they stage. You can't do everything everywhere, but as shown in the exhibit on the next page, you should consider how best to take advantage of the five physical echelons we discern:

- ***Flagship Location:*** Create the singular place, generally in a locale indelibly associated with the company, where a company stages the very best, most dynamic experience. In addition to those we've already discussed, you can also visit the Sony Metreon in San Francisco; the Bass Pro Shops' Big Cedar Lodge outside of Branson, Missouri; the Guinness Storehouse in Dublin; Swarovski's Kristallwelten ("Crystal Worlds") experience outside its factory in Wattens, Austria; and the brand-new Toys 'R' Us mega-store in Times Square. In each case, the company produced a unique experience that both built upon its heritage and expanded the audience for its offerings – while also providing a source of new revenue.
- ***Experience Hubs:*** Set a few places in locations where your customers naturally congregate. In its most basic form, locate where retail tourism is already rampant, including (but not limited to) the U.S. hubs of Las Vegas, Orlando, Times Square in Manhattan, Chicago's Magnificent Mile, and Minnesota's Mall of America in the U.S., as well as Amsterdam, London, Tokyo, Sydney, Hong Kong, and others around the world. Depending on your business, though, a different hub network may make sense. If you're in the cooking field, you'll want to be in San Francisco or Napa Valley, New Orleans, New York, Paris (skip London), Tuscany, and so forth. If you're in the automobile industry, of course go to Detroit, Indianapolis, Daytona Beach, Stuttgart, perhaps, and maybe even the Bonneville Salt Flats. (And how about that mountain up which every carmaker's SUV climbs in their commercials?) These hub locations are generally more focused (and less comprehensive) than flagship locations, though without its heritage; some companies, however, make them every bit as experiential – from REI's outdoorsy experiences in its Minnesota and Denver hubs, to Ian Schrager Hotels' hip hotels in the hip hubs of New York, Los Angeles, South Beach, London, and San Francisco.
- ***Major Venues:*** Here's the "meat" of most companies' hierarchies, where they put their primary outlets that reach the most people where they live. These are situated wherever a large enough population can create demand – whether (a) across major "urbanite" cities as with REI, (b) out in hunting and fishing territory as with REI competitors Bass Pro Shops and Cabela's, (c) in stylish malls drawing an artsy clientele as with Apple's new chain of outlets (each complete with theatre and cafe), or, (d) virtually everywhere when it comes to the coffee experience at Starbucks (which, while it has still has the original location in Seattle, has no flagship). These major venues should "echo" the higher-echelon experiences and confirm their significance, yet without competing with them. In this way, such locations will whet the appetite for customers to experience the entire portfolio. Case Construction Equipment does this when it conducts "rodeos" at its dealerships to let customers operate the equipment in a fun environment (complete with prizes for the best at each event), giving customers a day-long taste of what its flagship Tomahawk experience is like.
- ***Derivative Presence:*** The fourth level involves having a presence inside of some other venue or event, "a place within the place," deriving value both from the surrounding environment as well as distilling the essence of the flagship, hubs, and major venues in a more accessible way. Vans, for example, sells its shoes inside other retailers – often going beyond simply having shoes on the shelves to an area entirely

Location Hierarchy Model



Exemplar: The LEGO Company

Toymaker LEGO placed its original, flagship LEGOLAND theme park outside its own factory in Billund, Denmark, and is now putting similar theme parks in major experience hubs acoss the world, including outside London, Los Angeles, and (opening May, 2002) Munich. These introduce youngsters to its brand, create an emotional attachment to that brand, and drive demand for its unique building block toy system. (When it opened LEGOLAND in Carlsbad, California, sales of its toys went up over 15% throughout all of Southern California.) It also has a few LEGO Imagination Centers at other experience hubs, including the Mall of America and Downtown Disney, that echo the LEGOLAND experience by exposing kids to its toys in an interactive, playful atmosphere. In addition, it has placed Mindstorm experiences in better Science & Industry museums, major venues that attract youngsters and their parents (not to mention their teachers). LEGO's directly owned and operated experiences increase demand for its toys bought at all retail outlets, some of which (such as at F.A.O. Schwartz) have a dedicated presence themed by LEGO to be derivative of its own experiences, while others are boxes on the shelf of virtually every toy store in the developed world.

LEGO mirrors this physical structure with a virtual one. It uses the Internet to reach consumers at children's sites, toy retailers, and search engines all over the World Wide Web, produces derivative placements on sites like StarWars.com and HarryPotter.com, presents its own major platforms for distinct product lines (such as the ongoing storyline at www.bionicle.com), employs the drawing power of experience portals MSN (where LEGO supplies content for its kids' pages) and AOL (keyword: bionicle), and then stages its own unique, immersive experienes at its flagship site, LEGO.com. Just a few of the online experiences it stages at this virtual place are story contests, consumer-created movie events, imaginary worlds to be explored (that grow monthly), and a mass customized product section. The overall goal of LEGO's experience hierarchy: enhancing children's creativity and imagination by stimulating them to make their own designs from LEGO elements.

devoted to Vans' shoes, with its own environmental fixtures. It further uses NBC Sports to broadcast its Triple Crown events. Starbucks is branching out from its own coffee experiences to creating a presence inside of grocery stores, banks, and – egad! – even an airline. (Let's do be careful out there – no one should place their experience in the incapable hands of such a poor experience stager.) And rather than create a flagship or even a major venue experience, Lutron Electronics Corp. of Coopersburg, Pennsylvania, went inside of EPCOT at Walt Disney World to put together, with a host of other suppliers, The Ultimate Home Theater Experience.

- ***World Wide Markets:*** Rounding out the physical echelons, of course, lies every feasible place where customers might encounter a company's offerings. For a manufacturer, this may involve not only experiences *per se* but also the pure availability of its physical goods around the world, as well as the experience of *using* those goods by its customers, wherever they reside. For a service provider, this may mean turning every customer interaction – even unfortunate ones – into an experience. For example, The Geek Squad, based in Minneapolis, installs and repairs computers with panache. Its Special Agents costume themselves in white shirts, thin black ties, and black pants with devices hanging off the belt. They drive around in new black-and-white VW Beetles dubbed Geekmobiles and engage their customers in a unique blend of street theatre. When a geek goes to a customer's premises, he pulls out his identification badge and might say something like, "I'm Special Agent Smith from The Geek Squad. Please step away from your computer, ma'am. . . ." Chief Geek Robert Stephens tells us his goal is to make each performance so engaging that customers can't wait until their computers break down!

Or consider Cleveland-based insurer Progressive Corp. It sends its claims adjusters out on the road in "Immediate Response Vehicles" (IRVs) where they respond directly to the very site of an accident. When an adjuster arrives on the scene, if need be he first handles any emergency situation (like putting out the occasional fire). He then responds to the claimant's emotional needs – such as offering a cup of coffee (another derivative presence opportunity for Starbucks?) and a seat inside the IRV to calm one's nerves, and, when needed, arranging for a tow truck and replacement vehicle to come to the accident site. And finally, he adjusts the claim using a laptop computer with wireless uplink to the company's mainframe computers. In a great many cases, the customer receives a check *on the spot*!

Companies need not limit themselves to the physical realm, but can use *virtual* experiences as well.

Interestingly, one of the company's policyholders told us, "I didn't used to be a customer of Progressive's – until I got hit by someone who was!" The Progressive experience went so far beyond the mundane service her old insurance company provided, that she said, in essence, "If I ever have another accident, that's how I want to be treated." Now here's the kicker: this reaction occurs often enough that the company's claims adjusters now carry around application forms to sign up the *other* person in the accident upon request. The experience is the marketing indeed.

Mirror Worlds

The five echelons discussed above represent the hierarchy of *physical* experiences a business can create in the real world. As seen earlier, companies need not limit themselves to the physical realm, but can use *virtual* experiences as well. Thus

another principle: **Integrate physical and virtual experiences.** The Pleasant Company leverages its face-to-face interactions at the American Girl Place to create demand for its remote relationships via catalog and website. Nortel uses its in-person sales meetings to create personalized websites based on the technological interactions the person has at its flagship venue (neatly recorded on the individual smart cards). And shoemaker Vans streams video from its Skateparks so that online buddies (and parents) can view the physical action electronically.

In fact, Vans exemplifies what our friend Peter Chernack, president of MetaVision Corporation in Burbank, California, advocates as one way of integrating the virtual with the real: using the Web as a "pre-show" for the live experience. This is a term borrowed from Disney's use of its queuing areas to set up the "back story" of its rides, thereby creating anticipation for the experience ahead.

Perhaps the movie studios have figured out how to do this best, with online trailers, games, behind-the-scenes videos, and other digital experiences that, when done well, greatly enhance the chances of having a hit on their hands. *The Blair Witch Project* is probably the most famous for having its producers leverage an online pre-show to create an audience before ever showing the film in theatres. However, the most successful pre-show may be that of New Line Cinema, the makers of *The Lord of the Rings: The Fellowship of the Ring* (and a unit of AOL Time Warner) and its two upcoming sequels. It brought the fanatical followers of J.R.R. Tolkien's fictional trilogy – who not only provide the core audience for filmed versions, but who could have easily derailed its potential through word-of-badmouth – all but into the filming and production process.

Via a carefully managed official Internet website (www.lordoftherings.net) launched two-and-a-half years before the movie premiere, as well as coordinated information sharing with the myriad fan sites, New Line produced an unprecedented success, with over 1 billion hits *prior* to the opening of the film.

You can further use the World Wide Web for a dramatic "post-show" experience. Vans, for example, documents every one of its Warped Tour stops online, complete with artist list and a gallery of photos ("Hey, dude, is that *me* in that picture?"). The Experience Music Project (EMP) in Seattle provides one of the best post-shows we've encountered. EMP, Microsoft co-founder Paul Allen's celebration of the Seattle music scene (and in particular all things Jimi Hendrix), provides each of its guests with a customized Palm, Inc. handheld computer called a MEG, for Music Experience Guide. It serves the normal museum function of playing audio clips about the contents of each display found at EMP, while also allowing its users to "bookmark" whichever artifacts they find most interesting. At the conclusion of their tour, they give the device back to a host, who uploads the bookmarked information onto EMP's servers. When any guest goes to the company's website, www.emplive.com, and inputs his personal ticket number, EMP then dynamically produces a mass-customized webpage filled with information specifically about the items that guest bookmarked. It's a terrific way of extending the dramatic structure of the experience online, moving from the real to the virtual and – upon the next visit when the guest can request his past bookmarks be downloaded for him right then and there – back to the real.

From these and other examples, we've gleaned a hierarchy of five virtual echelons that precisely mirror the five physical echelons, as again given in the exhibit:

- ***Flagship site:*** This is the singular place (you know: www.yourcompanyname.com) on the Web people will expect to look for you and your online experience. Unfortunately, most companies treat their websites as pure brochure-ware rather than experience-fare. Perhaps the best examples of flagship online experiences are gamesites like www.MaMaMedia.com. But many companies are beginning to make at least part of their flagship site an experience, including custom houseboat maker Sumerset, from Somerset,

Kentucky (yes, Sumerset from Somerset). It provides daily pictures on its website directly from the manufacturing line so customers can check on the progress of their very own boat. Retailer Gallery Furniture of Houston, Texas, has a slew of mobile cameras set up in its warehouse-like store that website visitors control. (Many in-store wives use the capability while talking to their at-work husbands to save a second trip for him to see what she's considering buying.) And at its flagship site, wgsn.com, B2B company Worth Global Style Network effectively uses webcams (so its paying visitors from the fashion industry can see, live, exactly what is happening in store fronts in Milan, Paris, London, New York, and so forth) as well as streaming video (for live and archived fashion show footage).

- ***Experience Portals:*** The online world consists of a number of experience portals where people spend large amounts of time. The premier platform, of course, is America Online with its 33 million paying customers, while others include Yahoo! and MSN (the Microsoft Network). Because of the mass congregation of web surfers on these portals – equivalent to the vast amount of tourists visiting the experience hubs in the real world – it pays to have relationships with them to feature a company's own goods, services, and experiences. General Motors, for instance, produced a NASCAR-themed game, the Dodge Speedway, for MSN's Gaming Zone. On AOL's welcome screen one can immediately link to a greeting card page from American Greetings with a simple click on the Keyword button, to name just one of the literally thousands of hotlink buttons produced by other companies to fit AOL's format. Similar to the experience hubs in the physical half of the hierarchy, there are also subject-specific experience platforms, such as business portals *The Wall Street Journal*'s WSJ.com or *The Financial Times*' FT.com, and woman's lifestyle portal iVillage.com.

- ***Major Platforms:*** These are distinct websites, though of course they may link to the others, where a company can create a unique web experience outside of the normal parameters expected of a corporate website. Sony supplies a terrific immersive gamesite at Everquest.com, and movie studios create a distinct Web platform for every new movie they produce. Automaker BMW maintains bmwfilms.com to showcase short films by edgy filmmakers that, not coincidentally, feature its own cars. At www.motorola.experience.com, Motorola created a futuristic environment – where as a visitor you can "explore the many worlds of your personal network" to "experience the future" – in order to expose its consumer and business customers to its new technologies.

- ***Derivative Placement:*** Outside of portals, companies can create "sites within the site," placing their own digital experiences within others' websites. Perhaps the best at this is Amazon.com, which provides the bookselling portion of hundreds, if not thousands, of distinct websites. Sometimes this merely points to specific Amazon web pages – a rudimentary placement at best – but at other times Amazon.com's book covers, listings, reviews, and ordering and shipping information are placed on other sites, with only the actual ordering process clicking over to Amazon.com itself. Obviously, experience portals provide a great place for companies to place a derivative presence. At iVillage.com, five of its 14 or so "channels" are provided by other websites – some with straight links and some framed by the iVillage look and feel. (A sixth channel on books is, naturally, a front for Amazon.com.) But companies should also seek to identify sites less prominent than the portals, but more relevant to the specific interests of the customers they hope to attract.

- ***World Wide Web:*** Finally, matching the physical ubiquity of being available in world wide markets is the virtual ubiquity of being available on every website having anything to do with the company's offerings. A recent search at Google.com for "vans shoes," for instance, yielded a grand total of 59,300 web pages with those words on them. Even better, consider again how director Peter Jackson and

Gordon Paddison, head of interactive marketing at New Line Cinema, masterfully engineered the selective release of early information about the casting, plotlines, film locations, and production of its first *The Lord of the Rings* movie – not to mention interviews, stills, and trailers, as well as screensavers, wallpaper, and customized cursors. They created a virtual frenzy among all the fan sites for the original Tolkien book trilogy, as well as new sites that cropped up in anticipation of the movie. Indeed, searching for the specific string of words "lord of the rings" at Google.com resulted in a mind-boggling 1.3 million web pages!

Interestingly, a few of those websites gain preferential treatment with discussions and links back to them at the official movie site. So while they provide World Wide Web ubiquity to the movie, the movie's website provides derivative placement to the chosen few. New Line Cinema also took advantage of the experience portal produced by sister company AOL, running a two-week sweepstakes online just before the movie's premier that yielded 800,000 entries – AOL's most successful ever over that length period.

Moreover, Helen Clark, the prime minister of New Zealand where all three *The Lord of the Rings* movies were filmed, decided to capitalize on New Line's tremendous success ($300 million worth of tickets sold in the U.S. alone and climbing, with two more movies to come). She named Pete Hodgson to the cabinet-level position of Minister for *Lord of the Rings*. His mission: to turn the physical production sites into major tourist venues, with the country itself becoming a flagship location for the movies' fans.

It's only when you charge admission that you will be forced to design an experience that's *worth* an admission fee.

Snapping All the Pieces Together

While many companies choose to work only in a few levels of the full Location Hierarchy Model, every company should examine its own situation and determine which echelons – amongst the five physical and five virtual – make sense and to what extent each echelon should be filled out. Indeed, thus far we've only found one company that has chosen to occupy each and every one of the ten levels: the LEGO Company of Billund, Denmark. As indicated in the sidebar to the exhibit, LEGO integrates all of the echelons of experience to drive demand for the ubiquitous LEGO boxes in the hearts (as well as on the floors) of most every kid in the world (or so it seems), and many adults as well.

Note how LEGO, a manufacturer, not only created fascinating experiences, but when it comes to its LEGOLAND theme parks, experiences so engaging that guests find it worthwhile to pay for them. Thus an additional principle of creating marketing experiences: **Charge admission for your experiences**. Charging admission opens the way to new revenue and profit possibilities through innovating new offerings.

Without a doubt the most controversy we've encountered because of our book, *The Experience Economy*, centers on our insistence that experience stagers – including retailers, restaurateurs, hoteliers, and even B2B suppliers – should explicitly charge admission. But we mean it. Such a step is the logical consequence of recognizing experiences as distinct economic offerings. Just as the producers of plays, concerts, sporting events, amusement parks, and movies always charged admission, the producers of today's new experiences should charge for the time customers spend in their places (whether real or virtual). While we had listed only a few examples of such new experiences in the book, now we could cite literally dozens of companies charging admission where one would never have thought possible,

beginning with most (though still not all) of the companies discussed above, including REI, Vans Skateparks, American Girl Place, Autostadt, the Heineken Experience, WGSN, and Everquest.com.

The Chief Xperience Officer (CXO) should be responsible for managing the rich portfolio of paid-for experiences.

Remember, the experience is the marketing. If you want an experience to market your offerings, it needs to be a great experience: engaging, robust, compelling, and memorable.

How to make it so? It's only when you charge admission that you will be forced to design an experience that's *worth* an admission fee. And if it's worth an admission fee, guests have no problem *paying* that fee.

Think of LEGO again, which worked with an affiliate, Executive Discovery, to create a B2B concept called LEGO SERIOUS PLAY where managers play with LEGO bricks – seriously – in order to imaginatively enhance their business performance. Executive Discovery markets its offerings through a half-day introductory workshop – for which it charges $150 a head. Because of this admission fee, the sales and marketing team had to design a workshop at which the participants gain much more than that amount of value *regardless* of whether they go on to purchase full LEGO SERIOUS PLAY offerings. Of course, the chances they *do* purchase those offerings go up dramatically when they attend the workshop.

Still, this is not yet possible for all companies in all situations. Most companies are easing into it, charging for particular activities or at specific times in an otherwise admission-free place. But as indicated by the vertical line in the Location Hierarchy Model, you should at the very least consciously choose which experiences should be for free, and which are for a fee. Never just assume you can't charge for it.

Making It Happen

Too bad AOL Time Warner or Disney didn't do such rich thinking in advance of creating their retail stores over the past decade. They could have imaginatively combined the physical and the virtual (remember Pathfinder and Go.com?) into a productive portfolio of experiences that would in turn market the merchandise they attempted to sell in their ill-conceived stores. They do, however, have another chance. AOL Time Warner, in particular, plans to build a new flagship experience at its Columbus Circle headquarters in New York, and now the Time Warner side of the business has access to arguably the best (and highest admission-feed) virtual experience for the masses: America Online. If it can gain the same synergy across its varied units that it achieved with *The Lord of the Rings*, the company should become the premier experience stager in the world.

As for the current holder of that title, the Walt Disney Company, perhaps its management was worried that its studio stores would cannibalize visits to the company's theme parks. Instead, they should have figured out how to stage studio experiences – fit within a harmonized hierarchy – that not only would be the most engaging, robust, compelling, and memorable on the planet, but also the most profitable. Can there be any doubt that if Disney *intended* to do that, it could? If that forced it to more frequently refresh its theme parks and other experiences to spur continued demand, well, all the better for us experience junkies known as consumers. After all, the greatest marketing machine ever created is Walt Disney World. For guests not only pay an admission fee at the gate, but pay to stay in Disney hotels, park in its parking lots, eat at its restaurants, and take home its Mickey Mouse ears, T-shirts, watches, mugs – and so forth – as memorabilia for the wonderful time they have there as a family.

You might now worry; after all, if the premier experience stager, Disney, couldn't get it right,

then what hope is there for my company? To ensure you get it right, embrace and implement our final principle (something even Disney has yet to do): **Hire a Chief Experience Officer**. (To eliminate any confusion, make that Chief Xperience Officer, or CXO.) When done properly, experiences have an incredibly powerful impact on customers, so moving to a business model based on such economic offerings is necessarily strategic in scope.

The CXO should be responsible for developing, launching, and managing the rich portfolio of paid-for experiences you should create in order to generate new sources of both revenue and profits in an increasingly commoditized world. Wherever appropriate, make the CXO a line executive with accountability for developing a profitable line of business driven by economic experiences. Alternatively, you can charge the CXO with creating experience offerings that the line executives then integrate into their existing lines of business and the overall mix of marketing activities.

In creating a CXO position, don't just name your senior marketing executive to the role. As we noted earlier, the skills to design, script, construct, and cast experiences differ greatly from those found in marketing organizations. Traditional marketing activities to build brands and create demand must continue apace and even themselves become more experiential over time. Let your marketing organization continue to do what it does best, while you find the right talent to lead your team of experience creators.

For the opportunity for new revenue growth within any company lies not only in driving sales of existing goods and services, but in creating experiences that customers prove willing to pay for. That is *precisely* the role of the Chief Xperience Officer. ❖

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