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# The Influence of Experience Economy Theory on Frontline Managers – An Exploratory Study

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## **Abstract**

*It is argued that the experience economy has become a new source of competitive advantage in the service sector particularly in tourism, where memorable experiences are key value creating drivers. Although not new, experience economy thinking has been embraced by researchers. Yet how far do the concepts of the experience economy actually penetrate the strategic thinking of tourism organisations? This article, based on an exploratory qualitative study, argues that the experience economy, although a broadly accepted theory with positive implications for competitive advantage, has not trickled down as much perhaps as it should have, in the mind set of frontline managers working in the experience economy. This conclusion is demonstrated in the analysis of fifteen interviews with frontline managers working in the Danish experience economy. The final results reveal that the concepts and theory of the experience economy are not actively at the forefront of front line managers' mind sets.*

**Key Words** *Experience economy, value, value co-creation, customer value*

**Experience Theme** *Management of Experiences*

**Focus of Paper** *Practical/Industry*

**Entrant for PhD student competition** *Yes*

## **Introduction**

The concept of the experience economy is not a new phenomenon. It can be traced back in time to Roman/Greco understanding of selling experiences (Boswijk et al., 2011). Since the rise of commoditised mass tourism in the 1970s, tourism experiences became subsumed within the tourism product due to increased focus on tourism as a money generating product with relatively little focus on the experience (Poon, 1994). Since Pine and Gilmore's (Pine & Gilmore, 1999) widely acclaimed book catalysing a revival of the importance of experiences as a source of customer value and competitive advantage in the service sector, a great deal of research has been done on this subject (Berry et al., 2006; Carreira et al., 2013; Mathwick et al., 2001) (to mention but a few). Growing affluence in western societies and changing trends in consumer consumption away from mass consumption of tourism products towards self-actualization through experiences, is changing tourism (Cordente-Rodríguez et al., 2012). This suggests a need for the tourism industry to shift from modernity driven commoditised mass-tourism thinking towards a post-modern understanding of tourism as a co-created experience rather than a product. Understanding and reacting to this shift can be a source of competitive advantage (Prahalad & Ramaswamy, 2004).

However, given the strategic advantages implied with a shift from product based to experience based management, how much experience economy thinking has permeated the rational of frontline managers who are working in the experience economy? How deeply are the concepts of the experience economy embedded in the mind-sets of the people actively engaged in the process of delivering this experience to demanding tourists? The purpose of this paper is to unveil how actively front line managers working in the Danish experience economy employ experience economy and co-creation concepts through an examination of their descriptions of expected

customer value. In order to answer this question, the paper has been structured as follows: firstly, because the two constructs of experience and value are central and intertwined in the experience economy an abbreviated discussion of these concepts is undertaken. Secondly, the method used to explore the experience economy vocabulary of managers is explained. Thirdly, an analysis of the available data will be presented followed fourthly, by a conclusion including implications and limitations.

## **Experiences and Value**

It could be argued from the customer point of view, that the main purpose of the tourism industry is to expedite experiences. From the organisational perspective, the better the customer experience, the more value perceived the greater the chance of positive word of mouth (free marketing). Positive word of mouth has the dynamic effect of attracting new customers with comparatively less effort than strategically designed marketing strategies. Also, the better the experience the greater the chance of customers returning the higher the probability of retaining the customer and increasing potential for augmented revenue (Mittal et al., 2005; Swanson & Hsu, 2009). Furthermore, Pine and Gilmore argue that customers are willing to pay higher prices for “an experience” describing this phenomenon as the fourth source of value (Pine & Gilmore, 2013). In the experience economy, experiences and value are inextricably linked. Boswijk et al make a distinction between experiences and meaningful experiences (Boswijk et al., 2011). They define experiences as; “*An immediate, relatively isolated event with a complex of emotions that leave an impression and represent a certain value for the individual within the context of a specific experience*” (Boswijk et al., 2011, p. 60). On the other hand, they apply Snel’s definition of meaningful experiences which is “*Experience is a continuous, interactive process of doing and undergoing, of action and reflection – of cause and effect – that is meaningful to the individual in (more than one) different contexts of his life, An experience causes and individual to change his perspective on the world and/or himself (Snel, For the love of experience, 2001)*” (Boswijk et al., 2011, p. 63).

From these two definitions, a compelling argument can be made that the more profound the experience, the more memorable and longer lasting it will be and the greater the value will be attributed to it. In the experience economy, organisations should be aiming to create profound, long lasting (positive) experiences that are remembered and talked about with others. Due to the inherent nature of the tourism product, customer involvement in the production and consumption of the experience is essential (Sørensen & Jensen, 2015). Service Dominant Logic (SDL) emphasises the role of the customer in co-creating value which is also a prerequisite for the creation of memorable experiences (Gronroos, 2006; Vargo & Lusch, 2004; Vargo et al., 2008). Vargo and Lusch argue that experiences related with the purchase of a product are essential for the realisation of its actual value (Vargo & Lusch, 2004). An exploration into how frontline managers describe expected customer value would indicate how deeply the key concepts of the experience economy are embedded in their consciousness, and how assiduously they are being applied. The creation of memorable experiences and the value attributed to the experience is central to experience economy thinking (Pine & Gilmore, 2013). Also central to experience economy thinking is the concept of business as a “theatre” “staging” an experience with employees as “actors” or “performers” creating memories by engaging the customer thus increasing value (Pine & Gilmore, 2013). Finally, given the central role of the customer, co-creation of value can also be considered a central concept (Majdoub, 2014; Vargo et al., 2008). If the concepts of experience economy thinking are at the forefront of a managers’ thinking, one would expect to hear reference made in dialogues about customer value to, for example, “memorable experiences”, “stage”, “performance” and co-creation, or descriptions of customers’ roles in co-creating experiences.

Service encounters have long been recognised as the mechanism by which customers evaluate value (Price et al., 1995; Sørensen & Jensen, 2015). It therefore stands to reason, with the action of the service encounter and interaction with customers, frontline employees and managers can develop an evaluation of expected customer value (Crick & Spencer, 2011). Therefore, in this study, the service encounter was used as the unit of analysis.

## Methodology

In order to uncover what vocabulary associated with the experience economy is embedded in frontline managers' descriptions of customer value, an exploratory approach was taken. To elicit frontline managers' descriptions of, amongst other things, expected customer value in the tourism service encounter, a 15 item semi-structured interview guideline with open questions about two central themes was developed: 1) how the service encounter is understood, and: 2) how value in the service encounter is understood. In this paper, the focus is on how front line managers describe the expected customer value of a service encounter.

Taking an iterative, grounded theory approach, no one particular theory was operationalised in the development of the data collection instrument. Inspiration from already existing theories were used and Charmaz's model on the visual representation of grounded theory was followed (Charmaz, 2014, p. 18). The choice of using open-ended, semi-structured interviews was based on Brinkmann and Kvale's category of conceptual interviews whose purpose is conceptual clarification (Brinkmann & Kvale, 2015, p. 176). Conceptual interviews "explore the meaning and conceptual dimensions of central terms" (Brinkmann & Kvale, 2015, p. 177). According to Brinkman and Kvale, conceptual interviews can "service to uncover respondent's discourse models, that is, their taken-for-granted assumptions about what is typical, normal or appropriate" (Brinkmann & Kvale, 2015, p. 177). Therefore, the purpose of the semi-structured interviews was to attempt to reveal frontline managers' underlying assumptions of the experience economy, to establish how far this theory was embedded in their vocabulary.

The interview guideline was debated in a focus group session consisting of a group of selected interviewees to ensure common understanding of the questions and agreement on recording techniques. This group tested the guideline to judge informant understanding of the questions and the guideline was readjusted according to feedback. The guideline was by teachers in a Danish educational institution, who undertook thirty interviews across a broad range of service sector companies. From this pool, fifteen interviews were selected using two pre-determined criteria: 1) chosen companies had to fit within the Danish Association of Hotels, Restaurants and Tourism's (HORESTA) classification of the experience economy "tourism, hotels and restaurants only" (Road, 2012). 2) Informants' sector experience had to exceed one year. It was considered that the longer the sector tenure the higher informant credibility through more experienced accounts. Interviews not meeting these two criteria were excluded from the analysis. The selection of interviews resulted in a cross-sector group of interviewees who had an average working tenure of approximately 10 years. The majority were women and the highest educational level was at Bachelor's, although the majority of the informants had taken a two year tertiary level education. Most of the participants worked in the hotel sector. The interviews were recorded and transcribed verbatim.

## Analysis

Using customer value as an overarching theme, a coded analysis of the words used by frontline managers' descriptions of expected customer value from the service encounter revealed four emergent themes: information, personal service, feelings of safety and good experiences. The theme of information emerged though common informant descriptions of either customer's interest or disinterest in information.

The quote from interview #13 encapsulates a typical example of customer interest or disinterest in information: "*Corporate guests want to come in and have their coffee and croissants, and they should actually be allowed to sit alone and read the paper or work on their computers. Our guests that come in the summer, they want to tell us what they have experienced. They want to know what possibilities there are to see in Copenhagen, a bit of history about the hotel...*". [Own translation]

From an experience economy point of view, the description of the summer guests' interest in information could be categorised within Pine and Gilmore's educational realm of experiences which requires the active engagement of the mind (Pine & Gilmore, 1999, p. 32). Learning, for example, about the history of the hotel increases knowledge and involves engagement, which in turn creates an experience. The description of the corporate guests' disinterest in this type of information does not encourage the development of an experience, but could still add value through merely being left alone to their own pursuits. The point here is that frontline managers attributed expected value through understanding customer's interest or disinterest in information. Yet

they made no explicit or implicit link between customers' information seeking activities and the creation of memorable experiences.

The theme of personal service was generated by phrases such as, but not limited to, "*they feel recognised*", "*they get extra attention*" and "*they feel understood*". These depictions of expected customer value from the service encounter could fall under Surprenant & Solomon's category of "programmed personalisation" whose research revealed the positive effects this has on customer evaluation of the service encounter (Surprenant & Solomon, 1987). Thus, it could be argued that personal service increases customers' perceived value of the service encounter. In the context of the experience economy, personal service or the personal touch might result in a "good experience", but will probably not result in memorable experiences.

The theme of safety emerged from informants' descriptions of expected customer value. Phrases representing this theme revolve around the customer's sense of "*feeling at home*", "*feeling safe*" or "*feeling comfortable*". The concept of safety evokes thoughts about theories of motivation, in particular the well-known yet contested "Hierarchy of Needs" theory by Maslow who proposed safety as a second level human need. This fundamental need could, in situations of uncertainty which tourism certainly provokes, (Prebensen & Foss, 2011), be considered a prerequisite for an experience, and indeed a memorable one if one's safety is severely threatened. It could be argued that some frontline managers' recognition of the importance of feelings of safety are at least implicitly recognised as a necessary factor to facilitate an experience, but might not create memorable or meaningful experiences in the case of ensured safety.

Finally, the fourth theme of "good experience" was generated from the frequency this phrase was mentioned in the different interviews. There is no doubt that a good experience was explicitly recognised as expected value for customers. However, no explicit or implicit informant descriptions of a good experience came anywhere close to Boswijk et al.'s rendition of a meaningful experience with the exception of one informant, as can be seen in the following extract:

Interview #13: "*It's an experience, it's a journey, it's a one-of-a-kind...so it's creating that perfect moment in time, you know that cozy moment where they can always look back and they can take it back with them and then always re-live that memory with friends and family, and always look back at that time*".

Here is an explicit example of one frontline managers' understanding which falls in line with the experience economy's pursuit of the memorable, unique competitive advantage giving experience. Interestingly, three interviews revealed terms typically associated with the experience economy such as "*we are actors*", "*we play a role*", "*it [the service encounter] is a stage*". However, these references typically related to employees stepping into a role to protect customers from, for example, an employee's bad day. No explicit connection was made between the terms actor, roles and stage in regards to creating specific, memorable experiences for the customer. It would require a large stretch of the imagination to equate not involving a customer in the experience of a bad day with the co-creation of a positive, memorable experience, but would be a precondition to preventing a memorable, negative experience. In this case, it could be argued that experience economy concepts are being employed in connection to minimal service expectations.

Finally, if there is deep understanding amongst frontline managers of the central, active role of the customer in co-creating memorable experiences, which is also fundamental to experience economy theory, one would expect their dialogues to reflect if not the actual words, then some explicit or implicit recognition of the customer role in creating this value and/or experience. However, the word co-creation was never mentioned and "memorable experiences" was only referred to once.

## **Conclusion**

The analysis shows that frontline managers do make reference to good experiences, so there appears to be general awareness of the importance of experiences. Yet only sporadic use of the central terms and concepts of the experience economy is in evidence. An assumption could be made that there is minimal active implementation of experience economy concepts. It could be argued that frontline employees are not actively focussed on creating memorable, unforgettable experiences for customers but are perhaps more focused on other elements of the service provision. Front line managers reflect the strategy of the organisation and they have an impact on the thinking and actions of frontline employees, who are responsible for dealing with customers. If

experience economy thinking is not a top-of-the mind activity for frontline managers, it can be assumed that the same applies to frontline staff. A tentative conclusion could be drawn that experience economy thinking is not at the forefront of front line manager philosophy, and questions can be raised as to the active use of this theory in the Danish tourism industry.

This study has implications for the Danish tourism industry at sector, organisational and hospitality educational levels. At a sector level, it raises questions as to whether the Danish tourism industry is managing to compete successfully for the experience seeking tourist. Organisations could concentrate on raising awareness of experience economy theory and developing strategies encouraging the creation of memorable experiences for customers. Finally, policy makers and educators in the hospitality sector should concentrate on efforts to improving hospitality programmes so that experience economy becomes an applied activity amongst the new generation of experience economy employees. It would be advantageous to investigate whether companies operating within the experience economy strategically apply concepts of the experience economy. It would also be valuable to investigate the effectiveness of experience economy educational programs.

Some limitations should be considered regarding this study. Fifteen informants cannot be considered representative of the entire Danish experience economy sector. Although interviewees represented a broad cross-section of the tourism industry, organisations working exclusively with experiences, such as museums, amusement parks and the like were not represented. Frontline managers working in these companies may present a very different picture than that of these informants. The purpose of this study was to investigate how frontline managers describe value in order to uncover how active the vocabulary of the experience economy was in their depictions so the customer perspective has not been included in the research. This could be seen as a limitation, given the central role of the customer in the experience economy and co-creating theories. However, with the discovery of only one example of an explicit understanding of memorable experiences, a strong case can be made for the above findings.

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