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Growing the *Experience* Economy

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CORNHUSKER ECONOMICS

University of Nebraska–Lincoln Extension

Nebraska Lincoln

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Institute of Agriculture & Natural Resources
Department of Agricultural Economics
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Growing the *Experience* Economy

Market Report	Yr Ago	4 Wks Ago	12/2/11
Livestock and Products, Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	$102.62	$122.87	$125.13
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	144.00	157.29	160.53
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	124.50	145.12	146.66
Choice Boxed Beef, 600-750 lb. Carcass	163.01	187.53	193.92
Western Corn Belt Base Hog Price Carcass, Negotiated	66.34	85.92	84.35
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean	77.50	94.45	89.38
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct	159.12	167.00	163.50
National Carcass Lamb Cutout, FOB	354.50	407.52	399.52
Crops, Daily Spot Prices			
Wheat, No. 1, H.W. Imperial, bu.	6.55	6.36	6.13
Corn, No. 2, Yellow Omaha, bu.	5.52	6.53	6.03
Soybeans, No. 1, Yellow Omaha, bu.	12.67	12.01	11.32
Grain Sorghum, No. 2, Yellow Dorchester, cwt.	8.93	11.14	10.04
Oats, No. 2, Heavy Minneapolis, MN , bu.	3.75	3.47	3.37
Feed			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	140.00	190.00	155.00
Alfalfa, Large Rounds, Good Platte Valley, ton.	72.50	132.50	132.50
Grass Hay, Large Rounds, Good Nebraska, ton.	*	90.00	95.00
Dried Distillers Grains, 10% Moisture, Nebraska Average.	173.75	231.50	220.00
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.	54.00	75.75	74.00

*No Market

Some of us, and I confess I am in this group, can remember when our mother would make us a birthday cake. She used basic ingredients or **commodities** like flour, sugar, eggs and cocoa to create it from scratch. It was always a wonderful creation and quite affordable – probably under 50 cents for the entire cake. Then a few years later it seemed fashionable to use cake mixes and canned frostings. Betty Crocker, Duncan Hines and others figured out that they could take the commodities and package them in such a way as to make a consumer **good**. It saved time and energy and people were willing to pay for the convenience.

Fast forward a few years and buying a cake mix was not quite good enough. We are now willing to go to a bakery or grocery store and purchase a birthday cake. We buy not only the cake, but the **service** of having the cake already completed and ready to use. Correspondingly the price goes up, but this is not a huge issue, because we were again saving personal time and energy.

Now let's jump forward one more time. Having a birthday cake is really only a part of the birthday **experience** of many young children today. Birthdays are often outings or theme based parties in places like restaurants, parks or tourism related venues. There are family entertainment centers that have sprung up, such as Chuck E. Cheese, that cater to these kinds of events, at of course, a price. Depending upon how elaborate the event is and the size of the group, it could cost $100 - $200 or more. Today we are not only purchasing the components of the birthday celebration, the food, decorated surroundings and activities, we are purchasing the complete fun-filled and effortless birthday celebration.

The birthday cake example is a simple illustration of how the progression of economic value has evolved over

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time in our society. We started out with pure ingredients (commodities), then moved to mixes (goods), and finished cakes (services), to finally, thrown parties (experiences). Each level greatly increases in value because the buyer finds each progressive stage more relevant to what he/she really wants, which is an effortless birthday celebration (Figure 1 on next page).

In economic terms this example moves from a competitive position that was undifferentiated or rather generic, and in the view of the consumer less relevant to their needs, to a much more customized, differentiated and relevant item. And of course, there are consequences in this move up the scale – from a lower, market reactive price to one that is held at a premium.

In the book *The Experience Economy*, Pine and Gilmore (2011), share several examples of how entities in both the private and the public sector are incorporating the experience phenomena into their organizational culture. Often times this happens when an established business takes their basic good or service and wraps an exceptional experience around it:

- *Westin Hotels* started the movement to reinvent beds with their "Heavenly Bed," to address the long-standing issue of getting to sleep in a strange place. Plush mattresses and a mound of different pillow types to suit individual needs is one way to give a great experience to guests.
- In retail, Nebraska's own *Cabela's* was lifted up as an example in retail. Stuffed taxidermic animals displayed in North American ecosystem areas, aquariums with monster game fish and diorama's depicting African scenes are all a part of the shopping experience. "We're selling an experience," Dick Cabela said to a local reporter when they opened a new store in Minnesota (pg 54).
- Tourism businesses are jumping on the bandwagon by offering whole new genres: culinary, eco-nature based, medical, climate change - the list is endless. The Disney organization is most often noted as the master of tourism-based experiences.
- Hospitals (yes,even hospitals!) are reworking their processes and environments to become more patient friendly. Music and comfortable furniture in the waiting rooms, suite like décor in the patient rooms, more flexibility in meal choices and increased personalized service are just a few of the new trends.
- British Airways and Southwest Airlines go beyond the commodity mind set of transporting people from point A to point B on time and at the lowest price. According to former British Airways Chairman, Sir Collin Marshall, "The company uses its base service (the travel itself) as a stage for a distinctive en route experience, one that gives the traveler a respite from the inevitable stress and strain of a long trip" (pg. 5).
- Higher education is seeing changes in how they interact with students. Old institutional dorm rooms just don't make the grade any more. Suites and family-like room arrangements are being built, access to cutting-edge technology and instructor access is expected and student services are being fine-tuned. Even how one teaches is not sacred. "Edutainment" takes active learning to an entirely new level.

Pine and Gilmore make the case that the experience economy is growing, and it must continue to grow in the future. "Goods and services are no longer enough to foster economic growth, create new jobs and maintain economic prosperity. To realize revenue growth and increased employment, the staging of experiences must be pursued as a distinct form of economic output. Indeed, in a world saturated with largely undifferentiated goods and services the greatest opportunity for value creation resides in staging experiences" (pg. ix).

Pine, B. J. and J. H. Gilmore, (2011). *The Experience Economy*. Boston, MA: Harvard Business School Publishing.

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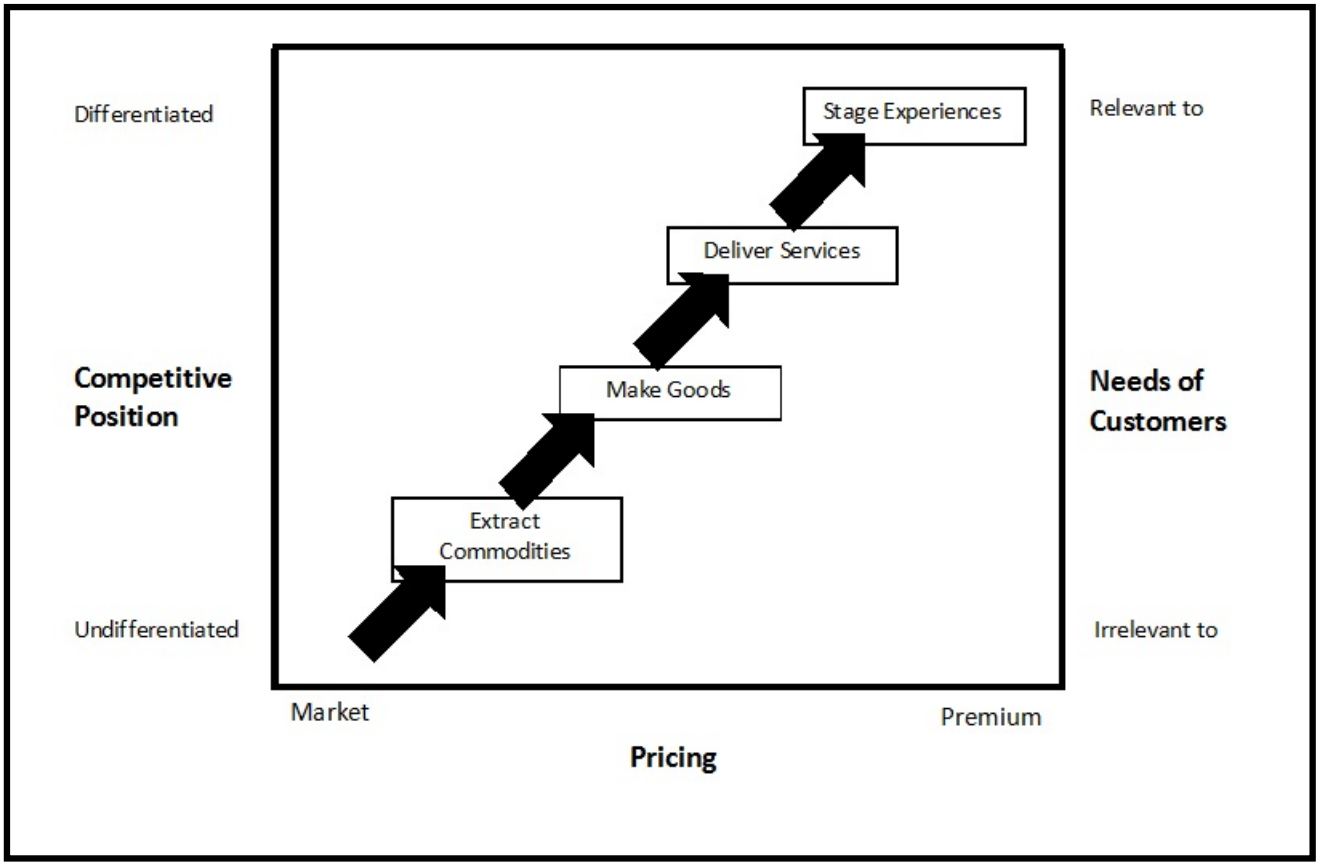

Figure 1. Progression of Economic Value