

# **Experientization of micro and small businesses: adding value by integrating experiences**

Morten Boesen<sup>1</sup>

*Zealand Institute of Business and Technology, Denmark*

## **Abstract**

This paper introduces the concept of experientization as a means for companies to develop competitive advantages by integrating experiences into its core corporate offering. Particularly, it is addressed how micro and small enterprises from the retail industry can add value through experientizing. The experience economy literature is mainly concerned with larger firms primarily from the hospitality industry. Thus, research about how smaller companies with limited resources can join the experience economy has received relative sparse attention. This gap is addressed through an explorative study of co-creative innovation processes in four micro to small retail enterprises. The main findings are empirical evidence indicating that micro and small businesses despite the lack of resources have the potential to obtain the benefits of joining the experience economy.

*Keywords: Experience economy; Experience innovation; Servitization*

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<sup>1</sup> Senior Lecturer, PhD, ZIBAT – Zealand Institute of Business and Technology, Uddannelsesvej 22, 4600 Køge, Denmark. Email: mobo@easj.dk

## 1. Introduction

This paper addresses how micro and small enterprises add value to their core corporate offering by integrating experiences. Turning a product or service-oriented business into an experience business can be termed, experientizing. Considering that the experience literature is mainly developed in the context of larger corporations with big budgets, this paper focuses particularly on experientizing in micro and small enterprises with only limited financial and human resources. As the relative sparse number of empirical studies of experientizing in micro and small enterprises mainly focus on specific industries such as the tourism (Sørensen & Jensen, 2015) and the food industry (Eriksen, 2015), this paper particularly focuses on experientizing in micro and small enterprises from the retail industry. Hence, the paper investigates the research question: “How can micro and small enterprises with limited resources add value through experientizing?”. This is important, as it contributes to the discussion of how companies can obtain the benefits of experientizing without having huge budgets and human resources to make it happen. To investigate the research question, a series of innovation processes have been facilitated. Methods for data collection consist of participant observation, qualitative interviews and documents.

The research question is investigated by reviewing the literature of servitization and experience innovation, presenting the methodological approach, reporting the insights obtained in the explorative investigation of experientization in four businesses, and conclusion and suggesting future research.

## 2. Theoretical Background

This section presents the theoretical background of the servitization and experience economy literature.

### *2.1 From servitizing to experientizing*

As products have been commoditized, a price strategy is only relevant for companies with a cost advantage. Therefore, companies need to look for alternative sources of competitive advantages. According to Vandermerwe & Rada (1988), an increasing number of corporations are adding value by adding services to their core corporate offering. They termed this trend the “servitization of business”. This trend was compounded by Vargo & Lusch (2004, 2008) who saw a service logic where service provision rather than goods drive businesses. Following this, Grönroos (2007) argues that the only option left to deal with these issues by finding new sources of competitive advantages are servitization of business.

Just as with goods, Pine & Gilmore (1998) argue that services increasingly become commoditized which is driving down the profitability for many service companies. This demands new sources of competitive advantages to differentiate on a high competitive market. This trend has been amplified by the digitalization, further driving down the contribution margin to an absolute minimum (Snel, 2011). As both products and many services have been commoditized, Pine & Gilmore (1999) argue that the only option left is to develop strategically and tactically into an experience business. Turning a product or service-oriented business into an experience business by integrating experiences to the core corporate offering, will be termed, experientizing.

### *2.2 Value adding experiences*

Since Pine & Gilmore's (1999) publication, experiences and the experience economy have attracted increased awareness from various theoretical perspectives (Sundbo & Sørensen, 2013). The basic assumption behind the experience economy is that people's needs

for products and services are fulfilled and to some degree taken for granted. Consequently, people are looking for experiences that can help satisfying the more personal life-fulfilling needs. Moreover, people are willing to pay a higher price to get these experiences.

Several aspects have been discussed in the literature about how to characterize those experiences that people demands. Pine & Gilmore (1999) argue that companies should aim for mass customization by staging experiences to customers. In such cases, customers are reduced to passive receivers of the staged experience. However, inspired by the co-creation perspective (Grönroos & Voima, 2013; Prahalad & Ramaswamy, 2004), Boswijk, Thijssen, & Peelen (2007) argue that value creation is increased when companies co-create individualized, personal and meaningful experiences with customers. Gilmore & Pine (2007) agree that customers prefer memorable and authentic experiences to mass customized experiences. But as Sundbo & Sørensen (2013) notice, experiences can be more or less authentic but they must somehow be memorable and extraordinary in the sense that they must be outside daily routine. Furthermore, the memory can take form as something either entertaining or intellectual. Inspired by Eriksen (2015) an experience is in this paper defined as an activity, staged by the company or co-created with customers, which creates a memorable or meaningful experience.

### **3. Methodology**

As the literature on experientizing in micro and small enterprises is not yet rich enough to give a sound understanding of the concept, an explorative study was conducted of experientizing in four companies from the retail industry. The study was undertaken with inspiration from collaborative research methods such as; participatory action research (Whyte, 1991), action learning (Brockbank & McGill, 2003) and engaged scholarship (Van de Ven & Johnson, 2006) and thereby contributing to research with the practical relevance in mind. The main data consist of participant observations and facilitation of innovation processes with company representatives, researchers, students, and existing and/or potential customers. The scope of the innovation processes was to transform the companies into experience business by integrating experiences into their existing offering. The innovation processes were structured as co-creative and iterative processes around the five steps in the service design thinking method (Stickdorn & Schneider, 2011); empathize, ideate, create, prototyping and test. Company visits, qualitative interviews and documentary material were used as supplementary data.

#### *3.1 Sampling*

Four retail companies were selected using a typical case sampling method. They all face the same challenge that most retail companies do today which is a result of the globalization and digitalization. The rise of the internet has led to one global marketplace where an increasing number of online retail stores are competing against each other by offering the lowest possible price to the customer. All the companies are micro and small enterprises in the sense that they have between 1 and 15 employees. The companies are located at Zealand in Denmark. Two of the companies have both a physical and an online store and two are only web based. Below you can find a short description of the four companies and the challenges they are facing. The names of the companies have been anonymized.

#### *3.2 The four cases*

Musica is a physical and online music store selling instruments, equipment and accessories from leading manufactures. The customers are private consumers, companies and

public institutions such as schools. Although the company tries to differentiate from online competitors by providing customers with outstanding service, it is not sufficient to deal with those competitors who offer similar products to a more competitive price.

Buildit is a physical and online builder's merchant selling tool and construction materials for professionals and private consumers. It has 15 employees. Buildit competes on a highly price competitive market where other online competitors particularly offer similar products to a lower price.

Appartners is an online retail store selling home textiles such as decorative pillows and blankets in oriental style. The products are hand-made, unique, quite luxurious, and therefore expensive. The company was established six years ago and is run by the owner on part-time basis alongside her full-time job. Appartners is challenged by competing companies offering similar products for a cheaper price.

Patchworkforyou is an online retail store selling textiles and accessories for patchwork. The company is run by the owner on part-time basis combined with being a consultant. The manager is considering opening a physical store to differentiate from the online competitors. The idea is to get closer to the customers, inspire them and to avoid having price as the main competitive parameter.

#### **4. Results from the Explorative Study**

This section presents the ideas that were developed during the facilitated innovation processes for each of the involved companies, which could potentially lead to an experientization of their businesses.

##### *4.1 Experientizing through events*

As a result of the innovation processes with Buildit the following idea was created. As the company targets both private consumers and professionals the idea was to develop a series of events with different themes related to the season such as summer, Halloween, Christmas and New Year Eve. The event should consist of activities related to the specific theme and the products relevant for the theme should be promoted. The events should be targeted the current customers and their families to engage them in a closer relation and to get them more emotionally involved with the firm hereby increasing the customer loyalty. The events should be organized and implemented by the current employees possibly with assistance from the local scouts who will receive some tools or building material for their endeavors.

##### *4.2 Experientizing through direct marketing*

The innovation processes with Patchworkforyou resulted in the development of a direct marketing plan for the patchwork store. Inspired by the pioneering Tupperware parties the idea was to sell products through experiences staged in people's homes. The idea was to hire some of the loyal customers to act as 'consultants'. Thus, the patchwork parties are run by a consultant for a host who invites friends and other relatives to join in a get-together in his or her home. The consultant facilitates this experience and thereby promotes the patchwork products through the event. This idea can be realized with only few resources for the company, as no resources are required to rent a physical store and the staff is hired and paid on commission.

##### *4.3 Experientizing through partnerships*

For Appartners the innovation processes resulted in an idea about staging the experiences around the products in collaboration with already established cafés. The idea was

to create an experience stimulating all senses. The café should be decorated in oriental style and in an oriental atmosphere. Tea should be sold and brewed in the café so that entering guests would be embraced by a delightful smell. There should be pictures of the crafters on the wall and stories about how the products are made.

#### *4.4 Experientizing through social media*

The innovation processes with Musica resulted in the idea that the customers should be able to take a picture or record a video when buying the products. Thereby the customers can be more physically and emotionally involved when visiting the store. The pictures will become a part of a ‘Future Star Wall’ so that the customers become part of the experience. Furthermore, they can share the pictures and videos on social media.

### **5. Discussion**

Several findings can be extracted from the study. First of all, the study reveals that also micro and small enterprises can obtain the benefits related to experientization. All above mentioned ideas are to some degree both co-creative, memorable and meaningful and can be implemented with only few costs. Thus, the study demonstrates that lack of financial and human resources is not a barrier for experientizing the business although most empirical studies within the experience economy literature have focused on big firms. Secondly, the study shows that experientization is relevant to other industries than the creative industries where it is typically applied. Particularly for online retail stores it seems beneficial to differentiate from competitors by providing the customer with an experience in a physical environment. Also for brick and mortar retail stores, the study indicates, that there are many benefits to obtain through experientizing. As the experience economy literature tends to focus on big firms, largely from the entertainment and hospitality sector, this study supports findings from recent literature (Candi, Beltagui, & Riedel, 2013) that businesses from outside these sectors, particularly micro and small physical or online retail stores, can join the experience economy. Lastly, the study shows that co-creative innovation processes with companies, researchers, students, existing and potential customers can lead to quite innovative ideas about how companies can experientize their businesses.

As the study was an explorative study conducted in the context of only four companies, the findings may have limited transferability. Hence, as the study only represents a small number of micro and small enterprises from the retail sector, it can be problematic to transfer the findings to other industries. However, other companies from the retail sector and other industries can use the study for inspiration for how to experientize their businesses.

### **6. Conclusion**

The aim of the paper was to investigate the research question: “How can micro and small enterprises with limited resources add value through experientizing?”. The explorative study of co-creative innovations processes of experientizing in four retail businesses revealed that micro and small enterprises can certainly experientize and thereby obtain the associated benefits. Four different ways of experientizing were found which could be implemented with only limited financial and human resources. Firstly, companies can experientize by staging the products through one or more events. Secondly, companies can experientize through direct marketing through events in people’s homes. Thirdly, companies can use partnerships with already physical established outlets to stage the experience around the product in an authentic physical environment. Lastly, companies can stage in-store experiences that the customers can document and share on social media.

As this research have particularly focused on developing the concepts for how to experientize businesses, future research could focus on the organizational aspects of adopting an experience logic which is a critical requirement for successful implementation of experientizing. As only a few scholars (Boswijk, 2013; Candi et al., 2013) have focused on the second experience sector, we need more empirical studies focusing on identifying companies from alternative industries outside the hospitality industry, which can benefit from experientizing.

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