UNIVERSITY OF AMSTERDAM

UvA-DARE (Digital Academic Repository)

For the love of experience: changing the experience economy discourse

Snel, J.M.C.

Publication date
2011

Link to publication

Citation for published version (APA):
Snel, J. M. C. (2011). *For the love of experience: changing the experience economy discourse*. [Thesis, externally prepared, Universiteit van Amsterdam].

General rights
It is not permitted to download or to forward/distribute the text or part of it without the consent of the author(s) and/or copyright holder(s), other than for strictly personal, individual use, unless the work is under an open content license (like Creative Commons).

Disclaimer/Complaints regulations
If you believe that digital publication of certain material infringes any of your rights or (privacy) interests, please let the Library know, stating your reasons. In case of a legitimate complaint, the Library will make the material inaccessible and/or remove it from the website. Please Ask the Library: https://uba.uva.nl/en/contact, or a letter to: Library of the University of Amsterdam, Secretariat, P.O. Box 19185, 1000 GD Amsterdam, The Netherlands. You will be contacted as soon as possible.

UvA-DARE is a service provided by the library of the University of Amsterdam (https://dare.uva.nl)

Download date:13 Nov 2026

CHAPTER 5

Not everything that counts
can be counted,
and not everything that
can be counted counts.

QUOTE HANGING IN EINSTEIN'S OFFICE AT PRINCETON

Values of experience in an integrative theory

5.1 Introduction

In this chapter I will discuss the one-sidedness of literature on the experience economy pertaining to the encounter-centred approach. First of all I will explain what I see as the problem of this approach: the biased discourse of business and marketing scholars who focus primarily on the role of organizations in determining which values should be invested during the experience-encounter, hereby neglecting values that individuals invest in the encounter beyond financial values. The question I will therefore answer in this chapter is: "Which types of values do individuals invest in the experience?" First I will explain that specific characteristics of experiences cause traditional ways of determining value from the organization's perspective to be inappropriate. The traditional view on value determination is not appropriate for experiences because it is focused on 1) a negative relation between value invested and value perceived by individuals, 2) rival and excludable values only, and 3) a perception of value as dependent on expectations. In paragraph 5.2 I will discuss this traditional view on value determination and address these three problems. In paragraph 5.3 I will introduce a value theory that has been central in value philosophy, namely the value theory of Ralph Barton Perry (1876-1956), which gives a different insight into what actually happens during the experience encounter and how one should deal with the values that individuals invest. Perry's (1954) conceptualizations of values as objects of interest, practical and non-practical interests and internally practical and non-practical resources, help in understanding what exactly takes place during the encounter between an individual and his or her environment. These concepts are useful for counterbalancing the current bias in the encounter-centred approach of the experience economy discourse and give an indication for three possible roles that organizations can play in the creation of value in the experience economy. I will discuss these roles in paragraph 5.4.

5.2 Appropriateness of traditional theories on value determination in an experience context

As I explained in chapter 2, the encounter-centred approach is focused on the exchanges between the individual and his environment. Often in literature within this approach the interaction that is dealt with is the exchange of value between the customer and the 'experience-provider'. In fact, the exchanges of value and the changes that these have undergone over time, are often used as the reason why there is now so much attention for the experience economy. Pine and Gilmore (1999) for example, explain how the commoditization within the service-economy results in a lower perception of value by the customer, and a need for companies to customize their offerings, in the way that is described by Heskett et al's (1997) Customer Value Equation (see figure 5.1).

$$\text{Value} = \frac{\text{(Results produced for the customer + Process quality)}}{\text{(Price to the customer + Costs of acquiring the service)}}$$

Figure 5.1 – Customer Value Equation (Heskett et al, 1997, p.40)

According to the Customer Value Equation of Heskett et al. (1997), the value perceived by the customer is a relation between the results produced for the customer, the quality of the process with which these results were delivered, the price the customer has to pay and the other costs he has to endure to be able to acquire the service. As can be seen in the equation, the value for the customer increases when he receives more or better results, the quality of the process is better, the price he has to pay is lower, and/or he has to make less effort to acquire the service. If the results and/or the process in the numerator of the equation are positively influenced by customizing the offering, then the perceived value will increase according to the model, providing an opportunity for increasing the price or costs in the denominator.

I see three problems concerning the use of the customer value equation in an experience economy (see table 5.1).

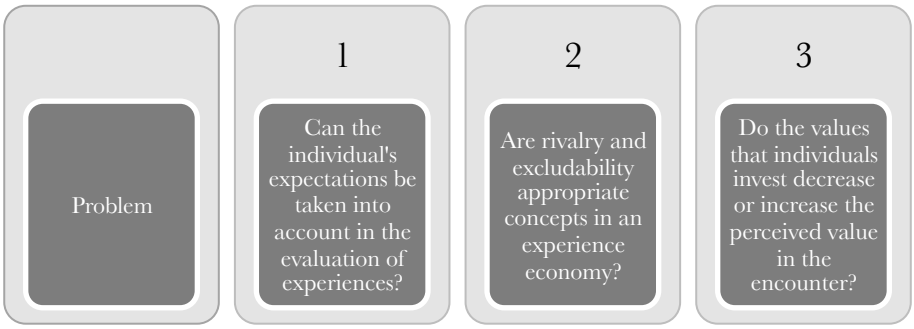

Table 5.1 – Problems related to the organizational perspective in the encounter-centred approach

First of all, according to many theories the perceived value, represented in the customer value equation, is only one part of how individuals determine whether they are satisfied with what they have received. Whether an individual is satisfied with what he receives also depends on what he was expecting to receive. However, determining what these expectations are is difficult because of the specific characteristics of experiences as I will discuss, so in a new theory on the value of experiences this lack of clear expectations should be taken into account.

The second problem with the traditional way of viewing the experience-encounter is that the current focus on rivalry and excludability in the experience economy is not appropriate. The specific characteristics of experiences indicate that more attention has to be paid to non-rivalry and non-excludability, if one wishes to understand what happens during the encounter between an individual and his or her environment.

The third problem is that current business and marketing literature on experiences is primarily focused on what the organization can do to increase the perceived value for individuals. The elements in the equation are primarily under control of the provider according to Heskett et al (1997) so from this perspective the organization has to options to increase perceived value: either by improving the elements of the numerator by enhancing and /or customizing their offerings, or by decreasing the elements in the denominator by lowering the required investment by individuals. However, certain investments made by the individual do not decrease his perception

of value, but may even increase it. The value equation that is useful for understanding how individuals perceive service value therefore appears to be much less appropriate for understanding how they perceive the value of their experiences. Especially in experience-encounters, it is not the organization or provider that determines how much and what kind of value is invested and created, but the individual him- or herself. In the following subparagraphs I will address these three problems.

5.2.1 Value as perception minus expectation

Much research has been published on what the quality or value of service from the perspective of customers consists of. A well-known and often-used model for measuring the quality of services is SERVQUAL, which breaks down the service process in five dimensions and takes into account the fact that the customer's evaluation depends on the comparison of his perception of what was received with what was expected by the customer (Zeithaml, Parasuraman & Berry, 1990). Zeithaml et al's (1990) SERVQUAL theory states that not just the perception of value should be taken into consideration, but also the expected value. The expectations of individuals of what they wish to receive from the organization are an important factor in the determination of the value that the individual has received. If perception and expectation can be measured on a scale of 1 to 10, one can imagine that the value of an offering with a score 7 for perceived value results in a different experience of value if a score of 9 was expected than if a score of 6 was expected.

In fact, Fournier and Mick call this line of thought "the dominant paradigm of satisfaction and its competing models (i.e., those based on the confirmation/ disconfirmation of pre-consumption standards" (1999, p. 5). However, for experiences these 'pre-consumption standards' or expectations are often not as clear as they are for services. According to many authors the elements of spontaneity, novelty and surprise are important in experiences (e.g. Fournier & Mick, 1999; Poulsson & Kale, 2004; Privette & Landsman, 1983; Arnould & Price, 1993) and in their discussion of extraordinary experiences, Arnould and Price (1993) reflect on why the expectations of customers are likely to be vague. Consumers don't know which choice they have between consumption alternatives, and the effects of experiences are personal and

subjective which makes it hard for consumers to predict them. The product classification theory, also called the Search-Experience-Credence (SEC) framework (Animesh, Ramachandran & Viswanathan, 2005), may help in explaining why expectations for experiences are usually vague and why it is therefore difficult to use traditional expectation-based models for determining perceived value for the evaluation of experiences.

The SEC framework

Search, experience, and credence goods are characterized by different levels of quality uncertainty (Animesh, Ramachandran & Viswanathan, 2005). The terms characterize the moment in the purchase process when consumers can accurately assess whether the good actually possesses the expected level of attributes, for example because expectations have been influenced by promises that have been made in advertising (Ford, Smith & Swasy, 1990). In fact the origins of this theory lie in the advertising context.

Nelson (1970), deriving from Stigler's (1961) explanation of the "search" phenomena and the theory of economics of information, was the first to distinguish between search goods and experience goods. Search and experience, according to Nelson (1970) are two ways in which a consumer gains knowledge about the veridicality of claims made by advertisers. For some goods searching for information will not provide certainty about the level of attributes of the good, which makes the search procedure inappropriate. These are "goods it will pay the customer to evaluate by purchase rather than by search. (…) We call this information process "experience."" (Nelson, 1970, p. 312). When searching for more information becomes too expensive, consumers will prefer information by way of experience (Nelson, 1970).

The categories represent regions on a continuum (Animesh, Ramachandran & Viswanathan, 2005) and goods possess many characteristics. It is therefore possible that a specific good possesses characteristics based on which it could be placed anywhere on the continuum. Like Aldrich explains, "a food is valued for taste, convenience, nutrition, status, etc., rather than for being a food. The consumer

transforms the food into the characteristics" (1999, p. 1). On the other hand, Andersen and Philipsen indicate that "consumers do not buy characteristics, they buy products" (1998, p. 2). However, they also indicate that they see good reasons for focusing on characteristics rather than goods. First of all the overall quality of a good is determined by a combination of different characteristics, which makes it difficult, or even impossible, to construct a clear-cut classification. A second issue they discuss is the fact that the classification of the characteristics of products may change. They give the example of the BSE crisis in the 1990's, when suddenly the importance of the characteristic 'country of origin' of ox meat increased enormously. These and other issues have caused me to choose the use of the terms search, experience and credence characteristics instead of search, experience and credence goods.

Search characteristics

Search characteristics are qualities a consumer can determine by inspection prior to purchase (Animesh, Ramachandran & Viswanathan, 2005; Nelson, 1974; Aldrich, 1999) or use (Girard, Silverblatt & Korgaonkar, 2002). The information needed to be confident about one's purchase decision, in other words the information needed to form clear expectations and to be able to assess whether the product will satisfy the expectations, can be easily obtained prior to buying or using it. This is not to say that all information about all characteristics of the product should be available, but the information about the dominant product characteristics, the ones that are most important for the consumer to make his or her decision, should be available. Examples of such search characteristics are price, size of package, colour (Aldrich, 1999), and products that are claimed to be characterized predominantly by search characteristics are books, CDs, cell phones and personal computers (Animesh, Ramachandran & Viswanathan, 2005; Girard, Silverblatt & Korgaonkar, 2002). Search characteristics are usually very straightforward, which makes it easier for the individual to form expectations on these and to determine whether the product will satisfy the expectations.

Experience characteristics

Experience characteristics were originally described by Nelson (1974) as qualities a consumer cannot determine prior to purchase. Wright and Lynch (1995) have extended this description by including the fact that this category of characteristics can only be determined "after using" rather than "after purchasing", followed by various authors who also include this aspect of use in their descriptions: "can be determined only by experience" (Aldrich, 1999, p. 2), "are revealed only through consumption" (Animesh, Ramachandran & Viswanathan, 2005, p. 1), "cannot be known without direct experience" (Klein, 1998, p. 199). When free samples of the product are given away, the purchase of the product would not be required anymore, but the product still would have to be used to be able to assess its experience characteristics. Examples of these characteristics are taste, durability or maintenance needs (Aldrich, 1999), and products that are claimed to be predominantly characterized by experience characteristics are cruises, moving and storage, auto insurance, clothing and perfume (Animesh, Ramachandran & Viswanathan, 2005; Klein, 1998).

The expectations that individuals can form for this category of characteristics are not as straightforward as those for the search characteristics discussed above. When for example a new drink is introduced in the market it is very difficult for consumers to form clear expectations on its taste prior to actually trying it. Scepticism on advertising often is related to claims about these experience characteristics and people more and more seek for testimonials from third parties, other people or formal institutions to vicariously verify the claims, but expectations for this category of characteristics remain vague. Objective information on how someone will like the taste or smell or comfort of something does not exist and only the experience of the experience characteristics will help in determining whether a repeat use or purchase will be made (Aldrich, 1999; Andersen & Philipsen, 1998).

Credence characteristics

Where search characteristics can be determined prior to consumption and experience characteristics are revealed during or after consumption, credence characteristics are characteristics of which the quality cannot be inferred before, during or sometimes

even after the purchase or use of a product (Aldrich, 1999). Credence goods were conceived by Darby and Karni (1973) as a third product category, next to the search and experience goods conceived earlier by Nelson (1970). Not only can consumers never know, verify or be certain of the level of credence characteristics they receive, they not even know what level or extent of the characteristics supplied they actually need (Darby & Karni, 1973; Emons, 1997; Dulleck & Kerschbamer, 2006). Consumers therefore have to rely on outside experts (Ford, Smith & Swasy, 1988), a role often taken on by the sellers themselves (Emons, 1997). Obviously the information asymmetry may create strong incentives for fraudulent behaviour, which in fact was the focus of Darby and Karni's original 1973 article. The seller has to determine what and how much the customer needs, "since the customer is unfamiliar with the intricacies and peculiarities of the good in question" (Emons, 1997, p. 107), but the customer can never determine with certainty whether the good he received was the good that was required. "Brake shoes changed prematurely work just as if the shoes replaced had really been faulty; so does the patient with his appendix removed unnecessarily. In contrast, a wisdom tooth may hurt even though it was in perfect condition at the time of the last dental checkup; a toothache needn't prove that necessary treatment was not carried out" (Emons, 1997, p. 107). Examples of credence characteristics are the nutritional value of a food, the expertise of a doctor, or the honesty of a car repair shop (Aldrich, 1999). Examples of products and services that are claimed to be predominantly characterized by credence characteristics are (cosmetic) surgery, therapy, vitamins, medicine, anti-wrinkle creams, pension plans and insurance (Animesh, Ramachandran & Viswanathan, 2005; Girard, Silverblatt & Korgaonkar, 2002; Asch, 2001). It is therefore clear that individuals have great difficulty in determining their need for credence characteristics, and because of this also in forming clear expectations. For example Hakman (1993) has done research into the psychological consequences of cosmetic surgery. His research shows that although people already have vague and incomplete expectations of the physical results after surgery, great difficulties can also arise because they had no idea how the surgery would change their life psychologically. Andersen and Philipsen in this context speak of latent credence characteristics, which do "not influence the buying behavior but might later (re)emerge as an important element of decision making" (1998, p. 4).

The SEC framework and expectations

The terms search, experience and credence in the product classification theory or SEC framework thus characterize the moment in the purchase process when consumers can accurately assess whether the good actually possesses the expected level of attributes. However, the theory originates from research in the context of advertising, and most attention has been paid to the information that consumers need to be able to make this accurate assessment. The classification can also be used to characterize the moment in the purchase or use process that consumers can form clear expectations based on which, according to the dominant paradigm of satisfaction, they make their assessment of what they received. From the descriptions of the three categories of characteristics it is clear that expectations for search characteristics, like price, size or colour, will be much easier to form than expectations for experience (e.g. durability, taste) or credence (e.g. expertise, honesty) characteristics. Individuals do not know what to expect concerning experience characteristics, until the product has been tried and for credence characteristics the expectations will remain vague even after the product has been used, since the level of need for credence characteristics is unknown to the individuals. In figure 5.2 I have indicated which expectations are clear in which phase of the consumption process. Of course these categories of characteristics can be used to characterize the result as well as the process.

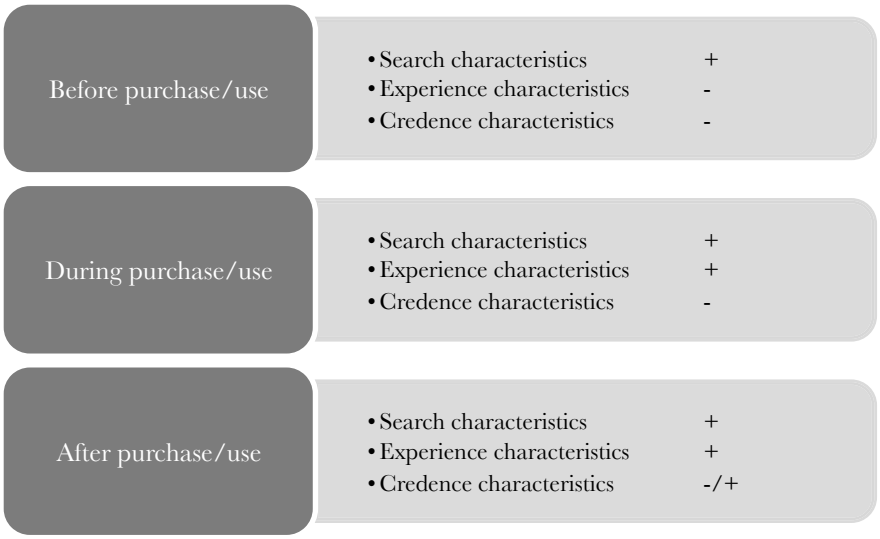

Figure 5.2 – Expectations of SEC- characteristics in different phases of the consumption process

When reviewing the descriptions of the different conceptualizations of experience that were distinguished in chapter 3, i.e. secondary, primary, emotional, meaningful, and integrative experiences, we see that for the latter four experience and credence characteristics are dominant. The sense data that are important in primary experiences will often have experience characteristics since one will not know what something looks, sounds, feels, tastes or smells like before one actually experiences it. The subjective responses that play an important role in emotional experiences will also have experience characteristics because objective information will not help in predicting with certainty how someone is going to feel about something. Because of the way in which knowledge is constructed, as was discussed in chapter 4, the learning process in meaningful experiences and the change of the interpretive framework in integrative experiences will often be characterized by credence characteristics. After all, the impact of these types of experiences may not emerge for a very long time and one will never know for sure what someone will learn from the experience or in what ways he or she will change.

Overall, we have seen that because of the specific characteristics of experiences, the elements in the numerator of the traditional value equation, i.e. results produced for

the customer and process quality, are not completely appropriate for dealing with experiences. Especially the presence of experience and credence characteristics makes it difficult or even impossible to form expectations of the experience and therefore to evaluate it.

5.2.2 Value as rivalrous and excludable

In economics, the concepts 'rivalry' and 'excludability' are often used to distinguish between private and public goods. These concepts are however also useful for gaining insight into what happens in terms of values during experiences. Rivalry means that the consumption of a good comes at the expense of someone else's consumption of that good. Examples of rivalrous goods are apples, cars, clothing, fish in the sea, etc. If someone consumes or uses these goods, their value decreases for someone else or there is less of them available for someone else to use. One could also say that if more than one person at a time wants to use a rival good, additional units of the good will have to be produced. Non-rivalrous goods on the other hand, are for example information, cable TV, concerts, movies, etc. If one person is watching TV and another person joins him, there is not 'less TV per person' and we do not have to produce 'additional units of TV'. The distinction between rivalrous and non-rivalrous goods is said to be dependent on the physical characteristics of the good, whether it can be shared without loss of quantity or quality, or whether it can't. The qualities of the object make it rivalrous or non-rivalrous.

Excludability is the ability of producers or sellers to detect and prevent uncompensated consumption of their goods. If someone wants to watch a movie in a cinema, he has to buy a ticket and show it before entering. When someone downloads certain software, he has to enter a registration code before he can use it. In these cases the goods are excludable, because it is possible for the producer to check who is using the product and to prevent use by those who have not been given permission. Examples of non-excludable goods are the light of a lighthouse, national defence and clean air and water. Either it is not clear who is the owner of provider of the goods in question (who owns or provides clean air and water?) and therefore who should give

permission to use these goods, or it is impossible or at least very difficult and costly for providers of these goods to manage access to the goods provided.

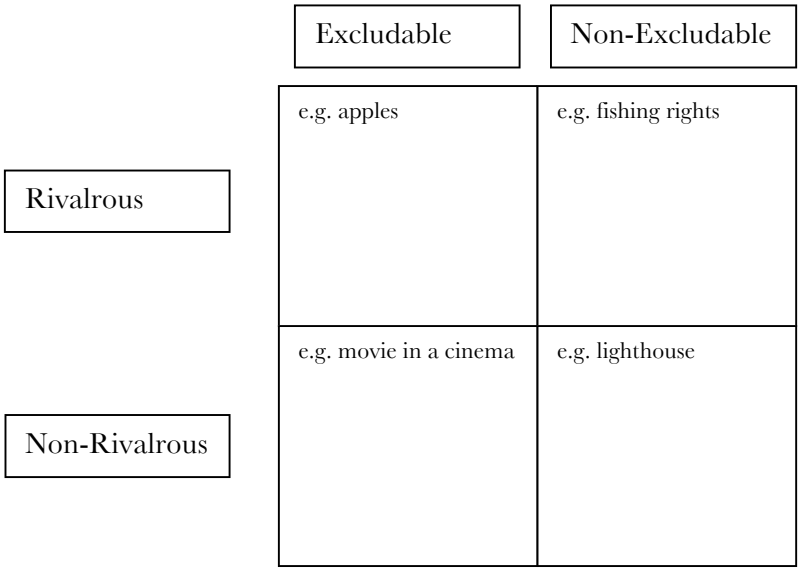

Figure 5.3 – Rivalry/ Excludability matrix

Excludability does not depend on the physical characteristics of the good, as does rivalry, but it is a legal concept. If a good is excludable, it can become private property. Excludability is obviously not an end in itself, but the issue is that if a good is non-excludable, in other words if it is very costly or difficult or even impossible to detect and prevent uncompensated consumption of the good, then it is not possible to charge people money for their consumption of the good.

Looking at how values are seen in the current literature on the experience economy, one notices a strong focus on rivalry and excludability. However, the values that are invested by individuals are not necessarily rivalrous, nor excludable.

NON-RIVALROUS VALUES

A problem concerning rivalry has to do with the fact that business and marketing scholars, when discussing the experience-encounter, usually restrict the role of the customer to his or her investment of money. This focus on financial value is not merely restrictive in the sense that the other values that individuals invest during the encounter are neglected, but one also has to be aware of the fact that money is in itself rival when it is paid. If for example the entrance fee to a themepark is paid, this money can't be paid for some other activity. This same issue counts for the time that individuals invest in the encounter. An hour spent in doing something, cannot be spent in doing something else. There thus seems to be a bias towards rival resources in the business and marketing view on investments that individuals make in the encounter. However, as was explained in chapter 2, dematerialization means that more and more attention is paid to intangible aspects of the economy, the value of which is stressed more and more.

There are many best-selling books that describe the focus on intangible aspects in the economy, like the Attention Economy (Davenport & Beck, 2001), Experience Economy (Pine & Gilmore, 1999), Information Economy (Porat, 1977), the Age of Access (Rifkin, 2000) and The Support Economy (Zuboff & Maxmin, 2002), describing the new economic offerings that are needed in a dematerialized economy. These intangible offerings are all non-rivalrous by nature. For example if one person pays attention, a highly valuable intangible economic offering according to Davenport and Beck (2001), to a billboard advertisement on the street and another person also starts to pay attention to it, this does not have to come at the expense of the amount of attention the first person is paying to it. Also emotions, which according to Jensen (1999) are the backbone of the Dream Society in which we live, are non-rivalrous. If someone enjoys something, this enjoyment does not diminish when someone else finds joy in the same thing. One could thus argue that the focus in a dematerialized economy is on non-rivalrous goods as is shown in figure 5.4.

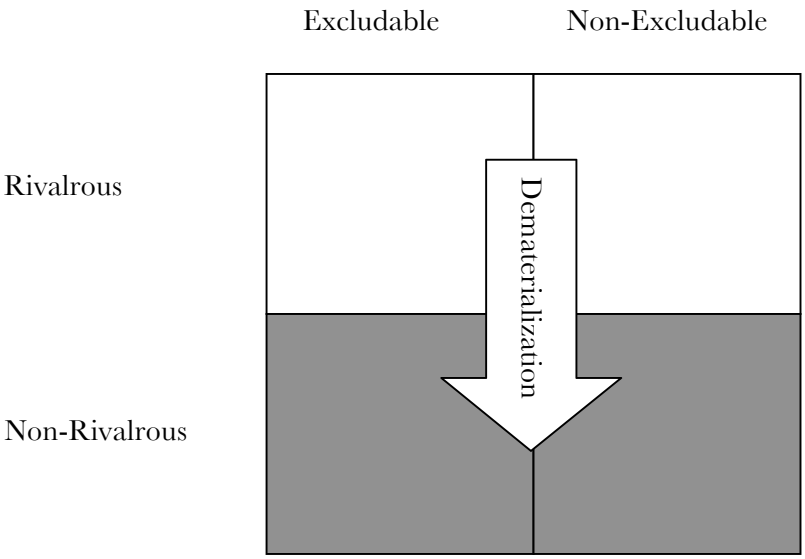

Figure 5.4 – Dematerialization causes a shift towards non-rivalry

NON-EXCLUDABLE VALUES

Besides the growing importance of non-rivalrous values as a consequence of the dematerialization of the economy, it also becomes more difficult to make goods excludable. For instance, many of the quarrels regarding intellectual property, especially online, are in fact quarrels about the excludability of information. On the one hand there are parties who try to make information excludable, for example by using digital rights management etc, and on the other hand there are parties who try to defeat these efforts by sharing information via peer-to-peer networks etc.

The issue is that dematerialized objects cannot be transferred but merely replicated, which causes a situation in which an agent in a transaction cannot physically gain ownership of the object. For these objects, trade is not exchange, but reproduction. Questions about these issues are the focal point of debates in industries where dematerialized objects are inherent to the business. Especially the development of peer-to-peer software and the Internet has caused the need to rethink many

traditional trade models. Peer-to-peer applications become more valuable when more people use them. This is why the software is usually given away for free, like the various applications for music exchange. The complete reversal of the trade model has already caused great problems for the music industry, and dematerialization will continue to cause problems for every industry that offers objects that lend themselves to the reversed trade model while trying to hang on to the rules of the traditional model which was invented for tangible, rival, objects.

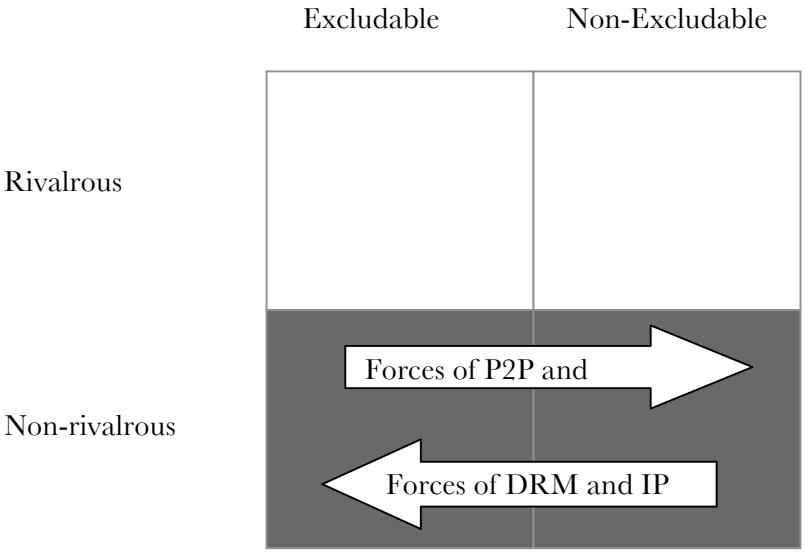

Figure 5.5 – Forces working for and against excludability

As can be seen in figure 5.5, by making excludable non-rivalrous goods that were once free, organizations place themselves in the lower-left quadrant, which is the quadrant of artificial scarcity. The economic offerings that are nowadays sold under the name 'experience' are often offerings that used to be given away for free. They were positive externalities that customers received, but did not pay for when they bought products or services, but that nowadays are considered and charged for as unique economic offerings. In fact, Pine and Gilmore explain how "the history of economic progression consists of charging a fee for what once was free" (1999, p. 67).

Artificial scarcity means that the non-rival goods are not really scarce, but organizations behave themselves as if they were in fact scarce. Many quarrels on the commercialization of immaterial goods can be led back to this issue of artificial scarcity, where organizations try to exclude non-rival goods that have zero marginal cost.

The difficulties of these efforts can clearly be recognized in current developments in the information economy, in which some organizations become more sceptic or even let go of the excludability of their information or informational services. Examples abound of so-called copyleft initiatives like Creative Commons and GNU General Public Licences, or making products available in the cloud. Organizations that try to hold on the excludability-paradigm and individuals and organizations that work to make or keep products non-excludable make for a "cat-and-mouse game" (Jobs, 2007).

Rivalry and excludability in an experience context

As I have shown, in the current view on the experience economy, experiences are often still treated as rivalrous and excludable offerings. However, one should realize that experiences are non-rivalrous and that it is not the experience itself that can be excluded, but only the access to the venue or product, the part of the individual's environment involved in the encounter. There are examples of organizations that realize that the venue or product can be made freely available, without detracting from, or even increasing the value of the experience. For example MIT OpenCourseWare is an initiative of the Massachusetts Institute of Technology, in which all of its course contents are made freely available via the internet. Also many museums like those on the list of virtual museums of the International Council of Museums (ICOM) have placed their collection online (VLMP, 2006). These organizations realize the actual experience they wish to provide involves more than the course contents and the works of art. In the case of MIT, individuals may enrol because of the contact with other MIT-students, MIT professors and the facilities this university provides. In the case of museums, individuals may choose to visit the museum because they want actual contact with the original works of art. By providing the contents and pictures of and information about the works of art over the internet,

these organizations do not decrease the value of the actual experience of being an MIT student or an actual museum visitor and may even increase the value by providing future students or visitors with the opportunity to prepare themselves for the experience.

5.2.3 Value invested as cost or as benefit

The customer value equation in figure 5.1 clearly shows that Heskett et al (1997) see services as extrinsically motivated, in the sense that the process has to be endured to arrive at the desired result. "(C)ustomers buy results, not products or services. Anyone who disputes this should ask how much people enjoy going to their local service station to fill up the gas tank on their automobile. If there were any way to avoid it, most people would. They regard it as a necessary evil. But the result, convenient transportation, is worth the annoyance. The desired result for the casualty insurance policyholder is restoration of an auto or other possession to its original condition with as little effort and cost as possible" (Heskett, Sasser & Schlesinger, 1997, p. 40). Contrary to extrinsically motivated services, experiences are intrinsically motivated, in the sense that they are the result, and not some product for which the individual would have to go through a process that he would prefer to avoid, that he sees as a necessary evil or annoyance, that he wants to spend as little time and effort as possible on.

Experiences are not something that is produced by a company, for a customer. The customer himself has an important role in the experience. When looking at the value equation in figure 5.1, one could say that the numerator consists of what the organization invests in the encounter, a result and a process, while the denominator depicts what the customer invests in exchange for what he receives. Because of the role that the individual plays in the experience, the values that are invested by the individual, which are depicted below the line in the value equation, become part of the elements above the line. There is no separable result produced for the customer anymore. The customer co-creates the result in an interactive process. This also changes the way in which commerce should be practiced. Zuboff and Maxmin argue that the standard enterprise logic, or the practices, attitudes and assumptions of

business which they call managerial capitalism "has outlived the society it was once designed to serve" (2002, p.4). Managerial capitalism was once designed to meet the demands of mass consumers, and relies on the assumption that value is created internally by organizations and is lodged in the products that they sell. Figure 5.6 is a graphical representation of the changes from the old logic towards a new logic in which the role of the individual is more prominent.

In mass production, the initiative lies entirely with the organization and the only input the individual has is whether to buy or not, a take it or leave it situation. With the advent of mass customization and the service economy, more initiative from customers is allowed, and sometimes even required, to which organizations can then respond. However, the degree to which initiative is allowed and the degree to which organizations respond to it is mainly determined by the organization. In the experience economy, the individual has a much larger role in the interaction and therefore also in the process of creating value as can be seen in figure 5.6.

Externalities are effects that one party suffers or enjoys, depending on the nature of the externalities, because of actions taken by the other party. When individuals suffer or enjoy the effects of actions of organizations even if they don't want to, externalities are placed at the left side of the point where individuals take no initiative at all. Examples are situations in which organizations engage in fraudulent behaviour or pollute the environment. The opposite situation happens when all the initiative lies with individuals, and organizations suffer or enjoy the consequences, whether they want to or not. Examples of this situation abound on the Internet where, with relative ease, individuals can build websites and post messages and movies that may have enormous positive or damaging effects for organizations. Since experiences are interactive processes between individuals and their environment and therefore always require activity on the part of the individual, the experience economy is located in the right half of figure 5.6.

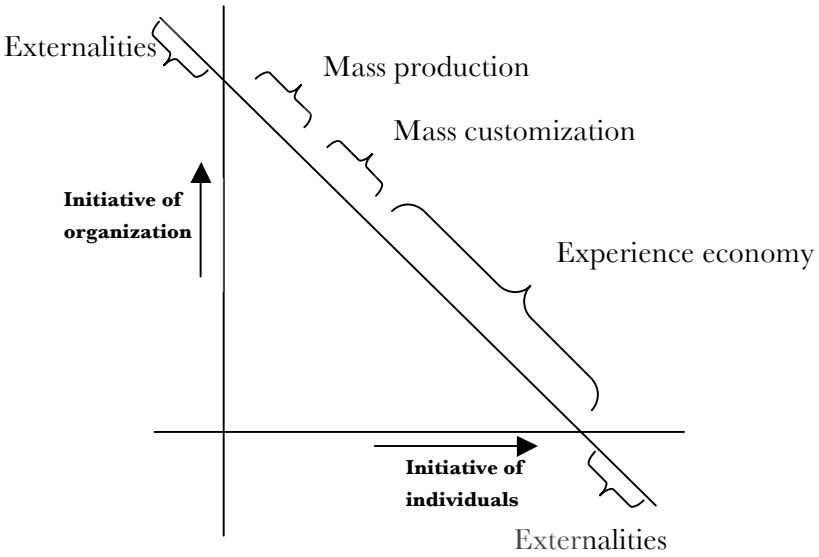

Figure 5.6 – Change in commerce because of growing role of individuals

According to the customer value equation of Heskett, Sasser and Schlesinger (1997) the role of individuals in the encounter consists of them investing money and dealing with costs to acquire or get access to the service. These costs may sometimes even outweigh the money price customers have to pay. Heskett et al (1997) define these costs in terms of convenience, an element that according to other theorists would belong to process quality, e.g. the service quality dimension 'Access' of Zeithaml, Parasuraman & Berry (1990). The fact that the costs of acquiring the service are part of the denominator of the customer value equation makes it more logical to speak about them in terms of effort than in terms of convenience since effort denotes a cost to the individual and convenience is a benefit. Effort is indeed often taken into account as a cost that individuals incur besides the financial price they have to pay (Zeithaml, Parasuraman & Berry, 1990; Batra & Ahtola, 1991; Bolton & Drew, 1991; Babin, Darden & Griffin, 1994; LaSalle & Britton, 2003). However, there appear to exist three different types of effort that have to be distinguished to be able to make sense of what happens in the context of values during the encounter.

Effort type 1: Access, organization-based

The access costs in the value equation, or the effort a person has to make to get access to a service, refers more to decisions made by the service provider. Does the service provider have convenient opening hours? Is the store located conveniently? Are convenient options available for the consumer to contact the provider? This type of effort is organization-based since the choices involved are choices that the organization makes. Of course individuals may perceive the required effort in different ways but it is the organization that determines this type of effort.

Effort type 2: Adaequatio, experience-based

The second type of effort has to do with getting access to the experience but not necessarily in the ways that are intended under the first type of effort. The effort that is often discussed in an experience context has more to do with the individual himself. Because of the fact that the individual plays an active role in the experience, he first and foremost has to be able to experience. For example, products that are emotionally involving like movies, concerts, plays and novels, require "substantial mental activity on the part of the consumer (…) because of the multisensory imagery inspired by (say) a ballet and the expenditure of emotional resources used to experience and interpret the product" (Hirschman & Holbrook, 1982, p. 96). The consumer thus has to be able to participate in this "substantial mental activity". To be able to participate in certain experiences, it is necessary to comply with certain 'criteria of entry'. Schumacher speaks of "adaequatio" in this context, defining "knowledge as *adaequatio rei et intellectus*: the understanding of the knower must be adequate to the thing to be known" (1978, p. 50). Referring to Tyrell's (1947) Grades of significance, he states that human beings are unequally endowed to confront reality. Just as a blind man misses the endowments for having visual experiences, all humans are adequate to one level or the other. In Schumacher's (1978) view, when the level of knowing is not adequate to the object of knowledge, this results in an inadequate and impoverished view of reality. Being adequate means that a certain endowment has to be present and a certain effort has to be made to grasp the experience in full. "Some people are incapable of grasping and appreciating a given piece of music, not because they are deaf, but because of a lack of *adaequatio* in the mind. The sense of hearing

receives nothing more than a succession of notes; the music is grasped by intellectual powers" (Schumacher, 1978, p. 51). In a way, one could say that all tests and exams are designed to test for adaequatio. This also shows that adaequatio is not a static state; one can enhance one's adaequatio by learning new things and by developing one's self. However, this also takes effort. Ter Borg (2003) for example discusses the fact that people who have invested much effort in expensive and difficult educational trajectories, expect jobs that will deliver a high return on investment. If the individual already knows in advance how much effort the experience will cost, he can decide based on this expectation whether to pursue it or not. Hirschman and Holbrook (1982) believe that consumers go through a process of resource allocation, and that "consumers desiring a minimal expenditure of their imaginal-emotional energy would likely choose (a noninvolving sitcom), while those desiring a more cathartic experience would probably opt for (an intense saga of love, hate, violence and sexuality)" (p. 97). Of course effort is not some objective characteristic of the experience but it depends on the individual. Everyone can imagine that more effort is usually needed for climbing a mountain than for reading a book, but for a very experienced climber who does not know how to read, the situation might be different. The amount of effort needed depends on the knowledge and experience, or "human capital" as Ratchford (2001) calls it, the individual has, and even on his emotional state (Cosmides & Tooby, 2000). For example, for a person who is afraid of heights it will take a lot of effort to get into a rollercoaster and a very sad person will find it costs much more effort to enjoy himself at a party. This has to do with the intrinsic nature of experiences as defined by Addis and Holbrook (2001), in that the relative weight of the individual's subjective response is greater than that of the objective features of the rollercoaster and party. This type of effort is more or less 'experience-based', in the sense that the nature of the experience determines what the required effort should be and the individual can only react to this by trying to comply with the requirement or by choosing a different experience.

Effort type 3: Human capital, individual-based

Individuals who have made the effort that is required for access to the experience, have the choice to invest even more effort in it. From an efficiency perspective this

behaviour would seem irrational: why would someone invest more than is required? In fact, this perhaps is one of the main differences between services and experiences. Of course there are people who even deal with experiences in their leisure time in an efficient way, for example by trying to maximize their return on investment by going to amusement parks where all attractions are condensed in one place, by preferring to play a short game on the computer instead of a game of chess, or by watching the movie made from a book rather than reading the book itself (Aldrich, 1999; Mommaas, 2000). However, in an experience context, some investments actually cause an increase in value to the customer. In general people gladly invest time in activities they enjoy (Holbrook & Gardner, 1998) and the lack of temporal awareness is often named as one of the characteristics of a highly involving experience (e.g.Csikszentmihalyi, 1990; Jacobs, 1999).

Time is a peculiar resource. Some types of resources, for example money, usually have a linear relationship with the objective for which they are invested. If someone invests ten dollars in a book, he can buy two books if he pays twenty dollars. Sometimes also time behaves in this way. If someone has to travel 100 kilometres by car to deliver a package, it takes a certain amount of time. If he has to deliver the package by car to a place 200 kilometres away, it will take approximately the double amount of time. However, this says little about the experience of the individual. If someone goes to a museum to learn about dinosaurs, it is not said that he learns twice as much in two hours than in one hour. A two-week holiday is not per definition twice as fun or relaxing as a one-week holiday. This is because the time that is needed to have certain experiences also has to do with the role that the individual plays. Time behaves in a linear way in situations where the activity could be shared with another person or delegated to another person. Time behaves differently when primary experience is involved, in other words when the individual can only have the experience himself. No one can learn for someone else and no one can take over the tasks of having fun or relaxing at holiday for someone else. In his discussion of cultural capital in the embodied state, Bourdieu in fact says: "The accumulation of cultural capital in the embodied state (…) presupposes a process of embodiment, incorporation, which (…) costs time, time which must be invested personally by the investor. Like the acquisition of a muscular physique or a suntan, it cannot be done at second hand (so that all effects of delegation are ruled out)" (1986, p. 244). The experience does not just cost a certain quantity of time, but also a certain quality of

personal investment. Ratchford (2001) for example speaks of the investment of time and human capital. In his theory, Ratchford (2001) describes how the investment of time and human capital may lead to getting more, rather than less, value out of the experience. Each activity, he says, has a quantitative and a qualitative side. People invest time and money, which can both be measured, and knowledge, expertise and experience, or what he calls 'human capital', which is of a qualitative nature. For example, if two persons spend a given amount of time listening to classical music, an individual with a deep understanding of the music will have a richer and higher quality experience than a person who knows little about classical music.

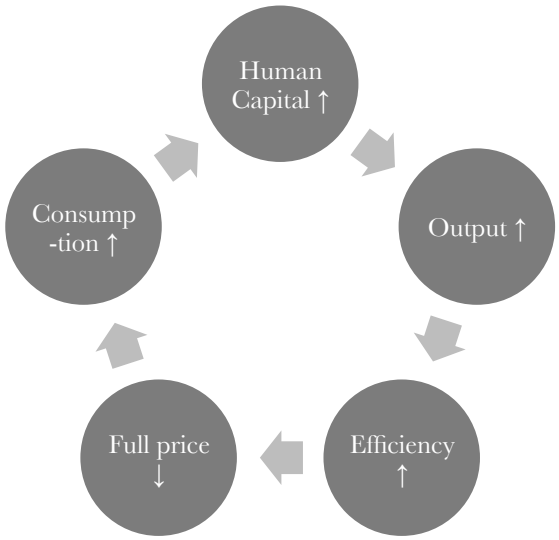

Figure 5.7 – Virtuous cycle of human capital (after Ratchford's (2001) theory of Human Capital)

Ratchford's (2001) line of reasoning is as follows: if an individual possesses more knowledge about certain activities and he invests more of this human capital in the activity, he will have a better experience and thus will get more output per unit of time. This leads to a more efficient experience and therefore a lower 'full price' of the experience. This will cause an increased demand for the experience and consumption will go up in the sense that he will start investing even more time in the activity. Since partaking in the activity causes him to gain more experience in it, the increased

consumption will cause increased human capital, which makes for a full circle. In figure 5.7 I have depicted this process graphically.

To explain his theory Ratchford (2001) uses the study on baseball games by Holt (1995). Holt's (1995) research shows that there are four consumption activities that make baseball enjoyable to a consumer. Knowledge is said to play a key role in producing each of these four activities. For example, the activity that Holt (1995) calls 'experience' is improved because knowledge enhances one's ability to make sense of the game, which is Holt's interpretation of experience (Ratchford, 2001). The knowledgeable individual therefore is able to get more out of the game and may enjoy it more. The activities are claimed to be more efficient for the knowledgeable individual because of this higher output resulting from an equal investment of time. This creates a lower full price of each of the four activities, which may lead to more consumption of the activities. The knowledge of baseball for the greater part comes about through learning by doing, so the increased consumption of the activities will also cause a growth of knowledge because people invest in their human capital, for example by attending baseball games and reading the sports pages.

Although one could criticize the reasoning underlying Ratchford's (2001) cycle because it motivates individuals to do more of what they already know and advices them to stay away from new activities for which they have not enough human capital which would in that sense prevent learning new things, what this virtuous cycle does clearly show is that the investments of individuals do not have to lead to a lower value perception, as was indicated by the customer value equation of Heskett et al (1997). On the contrary, in some cases the individual receives more, by investing more in the experience. This clearly goes against the logic of the service economy, in which the investments, the effort or costs, to the customer should be minimized.

5.2.4 The use of traditional ways of evaluating economic offerings for experiences

As has been argued in the last paragraphs, there are quite some problems when the traditional interpretation of value like Heskett et al's (1997) customer value equation, is implemented in an experience context. How can an individual evaluate the

experience if there are credence characteristics involved? The credence characteristics make it difficult or even impossible for him to find out what the result is or will be. And how can one estimate 'the' value of the experience if 'the' result changes in time, because the individual learns in time what he has gotten from the experience? How can an individual evaluate the experience if his perception of the process quality depends on expectations that he either didn't have or that became evident not until he actually had the experience? How can one evaluate an experience based on this traditional interpretation of value, when not all investments done by the individual can be considered as a cost to him? How can one decide which investment leads to a decreased perception of value by the individual and which investment actually leads to an increase in value for the individual? And if both types of investment also contain qualitative aspects that we cannot measure in a quantitative way, how can organizations deal with these?

What is needed for a discussion on the value exchange in experiences, which is what the encounter-centred approach of experience is focused on, is a clear explication of the perspective that is taken in defining what value is. In theories like the Customer Value Equation, the encounter is seen in terms of what the organization invests (numerator) and what the individual invests (denominator). However, because of the greater role of the individual in the encounter, the lack of clear expectations and the fact that some values that the individuals invest should not be considered as pure costs to them but also as potential benefits, this traditional way of determining value is not appropriate. I will address this problem by presenting a different conceptualization of value. A distinction between different types of value has received attention by many authors (e.g. Woodall, 2003), however these theories have unfortunately not been based on more general theories of value, which makes it hard to find out what exactly is meant with the term value, since this term can be interpreted in many ways. I therefore want to use a value theory that has been central in value philosophy (Mitcham, 2005) to gain insight in what happens during the encounter between individuals and their environment in terms of values.

5.3 The value theory of Ralph Barton Perry

Theories on value can be found within a plethora of disciplines. There are use and exchange values within the economic discipline, motivational and motor-affective aspects of human values within the psychological discipline, differences between values of populations within the sociological discipline and cultural anthropology, conceptualizations of the triad 'Truth, Good, Beauty' within philosophy, different types of customer or consumer values have been defined by consumer behaviourists and so on. Values are even the core of a specific discipline called axiology. Not only has this variety of perspectives on values led to many different views on what value may be, but one can also notice a tendency towards the integration of values. Literature on new economic offerings like experiences, like the literature discussed in chapter 2, often combines insights on economic value with personal values, but economic values are also often linked with cultural (e.g. Klamer, 1996; Throsby, 2001), environmental (e.g. Hastrup, 1995), and social values (e.g. Vermaak, 2006). Besides these different perspectives on values, the word value itself can also be used as a noun ('a' value) or a verb ('to' value), and it can mean either that which has value (e.g. gold, peace, etc) or a kind of value (e.g. moral value, aesthetic value, economic value, etc).

When so many different interpretations of the term value are available, it is important to clarify from what perspective one is talking and what conceptualization one has of value. Various authors have in fact distinguished multiple conceptualizations of values (e.g. Hutcheon, 1972; Morris, 1964) but in this research I want to focus on the interest-theory of value of Harvard Professor Emeritus in Philosophy Ralph Barton Perry (1876-1956). Perry's (1954) theory contains three concepts that can help in solving the problems presented in the former paragraph (see table 5.2).

Perry's (1954) definition of value shows that expectations are already a part of the definition of value itself, his distinction between practical and non-practical interests offers insight into the problems related to rivalry and excludability, and his distinction between internally practical and internally non-practical resources offers insight into the values invested by individuals. Based on the discussion of these concepts in Perry's value theory I will explore what kind of role(s) organizations can play in the experience-encounter.

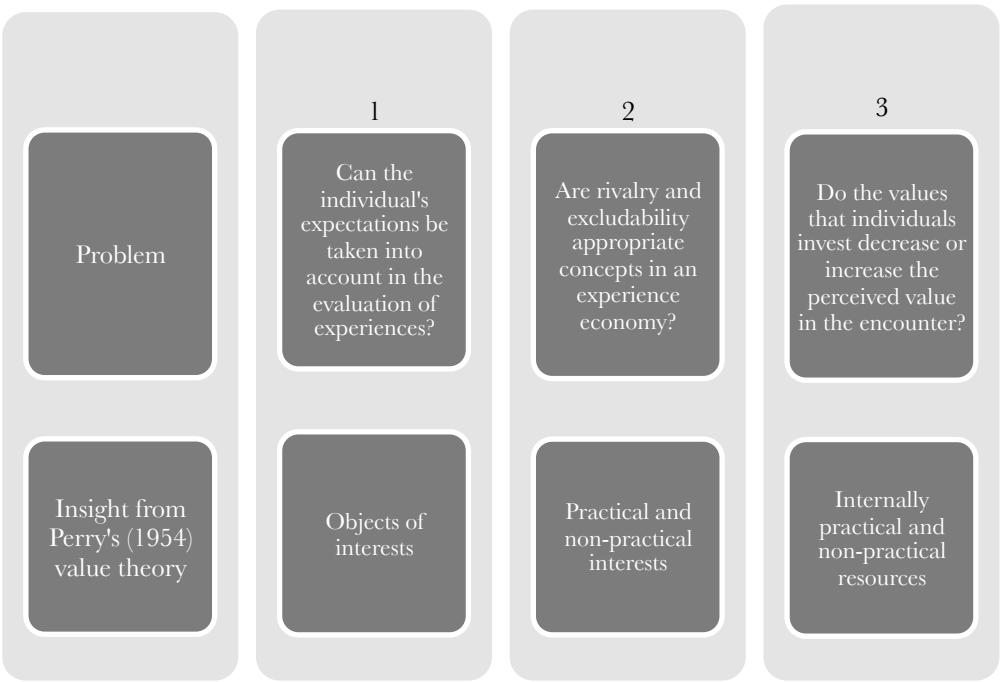

Table 5.2 – Insights from Perry's (1954) value theory related to the problems of the experience-encounter

5.3.1 Objects of interest: expectations included

In his theory on value, Perry (1954) states that a thing has value, when it is the object of an interest. Interest is defined as "a train of events determined by expectation of its outcome," and something is an object of interest, and therefore has value "when its being expected induces actions looking forward to its realization or non-realization" (Perry, 1954, p. 3). For a value to exist there should thus be an expectation of some outcome that is conceived and anticipated, and this conceived outcome should cause one to take action to attain the outcome. In fact, Perry (1954) states that every interest

has some consummatory activity, or class of consummatory activities in it. These activities he calls dealings.

For example, hunger is an interest in food and disposes to the eating of food. Eating is the consummatory activity or dealing, and food in this example is what Perry defines as the occasion. Every interest disposes to a dealing with some occasion and it is this occasion that is the object of interest in Perry's (1954) theory and thus the object that has value. Thirst for example is an interest that induces actions to drinking (dealing) water (occasion). Water then has value for the thirsty person, because he can drink it. The object does not always have to be a physical object though. Curiosity, for example, is an interest that induces actions to discovering (dealing) an answer (occasion). Of course there may exist more than one satisfactory answer and there obviously are also other things one can drink besides water to quench the thirst, so there may be more than one occasion or object of interest for a specific interest. In the same way a specific occasion can also be used for more than one interest, by dealing with it in another way. An apple can be eaten, but one can also paint it, sell it, store it, cook it, or watch it for example. Based on the interest one has, dealings are chosen. A hungry person values an apple because it is edible, and perhaps cares less about the aesthetic value of the apple. For a painter it can be the other way around. In this theory it is the dealing that gives value to the occasion. This, according to Perry (1954), may explain why there are so many different values, because value depends on the interest that one has in an object and there is an unlimited amount of possible interests.

The expectation of the realization of the interest is already included in the concept of value. As I have explained, according to the SEC-framework it is very difficult for individuals to determine whether their expectations have been met, and even impossible in case the individual is dealing with a credence good. But expectations as such are not what interests people when we speak about the measurement of value like in the customer value equation. It is the comparison or ranking of things that have value, "to choose among goods, and define principles by which such choice is justified" according to Perry (1954, p.50). One can simply count the amount of money that the individual has had to pay and one can measure how much time it has taken the individual in total but how the individual perceives these investments is however a much more complex construct. Time can seem to 'fly by' or 'stand still'

irrespective of the clock-time that has objectively passed (Csikszentmihalyi, 1996; Hornik, 1984). Money retains profane and sacred meanings, depending on its source and use (Belk & Wallendorf, 1990). A comparison of perceptions and expectations to arrive at an evaluation of something may therefore seem objective but it does not involve those elements that can't be made explicit. Some part of the investment can be objectively counted or measured but still, "(s)tatistics, however objective and accurate, are never value-free but draw attention to what various societies deem important goals and values. We measure what we treasure and vice versa" (Henderson, 1996, p. 220). As far as the valuation methods are concerned: how can one accurately determine an objective monetary price for things that reside outside of the market? And what happens to other values if only monetary values are focused on (Ackerman & Heinzerling, 2004)? These are questions and issues that are so complex and intricate, that their answers and solutions fall outside of the scope of this study. I would however like to offer an explanation of the way in which Perry deals with comparative values, since although it is difficult to compare expectations and perceptions, according to Perry (1954) one can compare different interests.

Comparing interests

Perry (1954, pp. 53-60) discusses the different ways in which interests, and thus values, can be compared, for example on the basis of preference, strength, intensity, duration, frequency of manifestation or enlightenment. However, for an accurate assessment and comparison of values one cannot just combine these different scales, but one could argue according to Perry that a "totality of interests is greater than any of its parts in all respects; that is *whatever* the magnitudes of preference, intensity, strength, or duration, number, or enlightenment" (1954, p. 60). This is what he calls the 'standard of inclusiveness'. The interests of an individual mediate each other so when one thinks of acting based on some interest, the standard of inclusiveness requires that one also thinks of what the action would mean to the other interests one has, or even the interests that others have. It may be appealing for a student to go out at night, but if he has an exam the next morning, he also has to take that interest into consideration. It may be appealing to eat a third piece of cake, but if there is an interest in not becoming obese, one has to take this interest into consideration too. In

the same way, we can take into consideration other people's interests in our actions by not jumping queues in the supermarket or by not laying our feet on the opposing seat in the train. However, for this standard of inclusiveness reflection is needed. The various interests have to be prioritized and coordinated. The more interests an object appeals to, the more one could say that it appeals to the person as a "human integer" (Perry, 1954, p. 63). The organization can play a role in the experience-encounter by helping individuals with the reflection on their interests. I will discuss this role in paragraph 5.4.

5.3.2 Practical and non-practical interests as an alternative for rivalry and excludability

An important distinction that Perry (1954) makes between interests is the distinction between practical interests and non-practical interests. A practical interest means that its dealing requires the exclusive use of the occasion and excludes other interests from its occasion. It usurps it, or it alters it so it can no longer be shared with others. Hunger is an example of a practical interest, since an apple (occasion) that is eaten (dealing) no longer exists for someone else to eat. Examples of non-practical interests are aesthetic and cognitive interests, since these "take and leave external objects as they are, and do not interfere with other interests in the same objects" (Perry, 1954, p. 102). Hundreds of persons at the same time can enjoy the same concert, opera or movie. Thousands of students worldwide can study the same subject at the same time. The descriptions of experiences that are focused on the encounter, which were taken from various dictionaries and encyclopaedias and that were presented in table 2.3, show that the focus in experiences lies mainly on non-practical interests. The verbs that were used to describe the encounter were doing, seeing, feeling, encountering, undergoing, participating, observing, living through, making contact with, being involved, perceiving, apprehending, being physically aware and partaking. All of these verbs refer to non-practical interests.

RIVALRY DEPENDS ON THE INTEREST TAKEN

In Perry's (1954) terms, the distinction between rivalrous and non-rivalrous goods has more to do with the type of occasion than with the type of dealing or consummatory activity. What is neglected, when focusing solely on the rivalry of economic offerings, is that rivalrous offerings become rivalrous only when someone takes a practical interest in them. For example, an apple is not rivalrous per se. If rivalry means that if someone consumes a good there is less of it available for someone else, then an apple may just as well be non-rivalrous if the interest in the apple for example is aesthetic or cognitive. Various people can easily paint an apple at the same time. An apple becomes a rivalrous good if, and only if, a practical interest is taken in it. The distinction between practical and non-practical interests has more to do with the dealing than with the occasion. It is the activity that the person engages in, that causes him to realize his interest in a practical or non-practical way, and thus whether we can consider the object to be rival or non-rival. The activities like doing, seeing, feeling, encountering, etc. referred to in table 2.3 cause the individual to realize his or her interest in a non-practical way, and therefore the objects that are being dealt with can be considered as non-rivalrous..

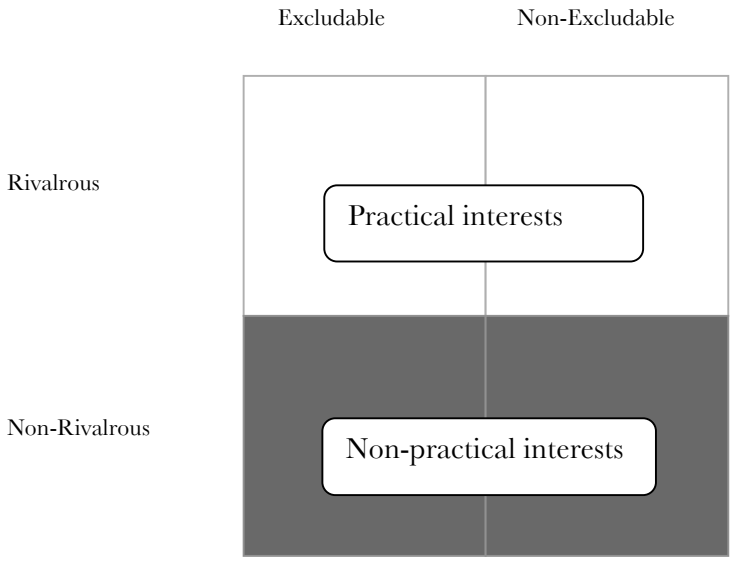

Figure 5.8 – Focus on non-rivalry because of non-practical nature of experience-interests

Excludability depends on the interest taken

A practical interest according to Perry (1954) means that its dealing requires the exclusive use of the occasion and excludes other interests from its occasion. Excludability is thus an explicit element of this definition. By excluding experiences, for example by selling tickets to entry or by working based on invitation, organizations take a practical interest in experiences. The organization decides when the experience begins and when it ends and they decide who can enter at what moment and who has to leave at what moment. In this manner, organizations thus require people to invest in something with a beginning and an end. This situation makes sense in a service economy in which the individual invests certain values after which the organization should provide him with a result, which is the end of the encounter. However, the practical interest of the organization may clash with the non-practical interest of the individual. The individual does not alter or usurp the occasion so the fact that he is sent away from the experience and closed off from it at a moment chosen by the organization, means that his investments are cut off at that specific moment. Especially when the individual does not experience his investment as costs but as benefits, this means a lost opportunity for value creation for individuals and organizations alike. I therefore see an important role for organizations in the experience-economy in providing individuals with opportunities for investing value in non-practical interests. In paragraph 5.4 I will discuss this role.

5.3.3 Internally practical and non-practical investments

As was discussed in 5.3.2, individuals interact with occasions, based on the interest they have in them. When the interest is practical, the occasion will not be available for anyone else, at least not in its original state. When the interest is non-practical, the occasion remains available for others, and for the person himself, to use for their own interests. However, there is another distinction that Perry (1954) has made regarding interests, which helps to understand what happens during experiences. Although non-practical interests do not cause a conflict with the interests of other people, they may very well cause a conflict internally, between the interests of one and the same person. The consummatory activities, or dealings, that the individual engages in to satisfy his interests for example require time and effort from the individual. These are limited resources that an individual has at his disposal so it is inevitable that he will have to

choose in which dealings he will invest his resources and in which he will not. "Although the cognitive and aesthetic interests are comparatively free from the possibility of conflict in the common external world they enjoy no such immunity within the personal life. All of a person's interests draw upon the same common fund of time and energy, and what is expended for one is preempted from the rest" (Perry, 1954, p. 103). I define resources of which the investment comes at the expense of other investments as "internally practical resources". Investing more time in an activity A, means that there is less time to invest in activity B, since there is a limited and fixed amount of time available for the individual. Also attention is an internally practical resource, because attention is preemptive; attention that is paid to B disturbs the attention that can be paid to A. "Internally non-practical resources" are resources of which the investment does not come at the expense of other investments. So learning to like A more, does not necessarily mean that B has to be liked less. Becoming more interested in a certain subject does not mean that the interest for other subjects has to diminish.

The investment of values, be they internally practical or internally non-practical resources, may lead to increased value as was shown in paragraph 5.2.3. However, when given the choice, under the same conditions individuals can be expected to prefer investments of internally non-practical resources since these do not involve the opportunity costs that are related to investments of internally practical resources. Especially when the investment of internally non-practical resources leads to an increase in perceived value, the behaviour of organizations that deliberately end the experience at some moment seems irrational, since by ending it they stop individuals from continuing to invest in it, or send them away to another place where they will continue to invest their resources. By viewing value primarily in terms of internally practical resources that lead to decreased value, scholars neglect an important part of the investments that individuals make in the experience-encounter. There may be an important role to play for organizations in this area that should be given attention. In the next paragraph I will explore this role together with the two roles that were indicated earlier in this paragraph.

5.4 Roles for organizations in an experience context

The combination of the three problems that I described in 5.2 with the insights of Perry's value theory, have led to three roles that organizations can play in the experience encounter, which are neglected in the marketing and business literature on the experience economy. In table 5.3 the three problems of the traditional ways of determining value and the insights from Perry's value theory are presented again, together with the roles I see for organizations in the experience economy, which I will now discuss.

	1	2	3
Problem	Can the individual's expectations be taken into account in the evaluation of experiences?	Are rivalry and excludability appropriate concepts in an experience economy?	Do the values that individuals invest decrease or increase the perceived value in the encounter?
Insight from Perry's (1954) value theory	Objects of interests	Practical and non-practical interests	Internally practical and non-practical resources
Role for organization in experience economy	Support the individual in his reflection on the standard of inclusiveness	Facilitate investments of value in non-practical interests	Facilitate investment of internally non-practical resources

Table 5.3 — Roles for organizations in the experience-economy

Role 1: Support the individual in his reflection on the standard of inclusiveness

The first role for organizations in an experience economy that is currently being ignored in business and marketing literature on experiences is the role of supporting a process of reflection on the 'standard of inclusiveness'. The organization in this case would have a facilitating or supporting role in the experience, which according to Zuboff and Maxmin (2002) is indeed the role that organizations should take upon themselves. The organization could for example take upon itself the task of connecting various contexts and experiences that the individual is or has been engaged in, or the task of contextualizing the different experiences that individuals have and by doing so would add value to these. Many examples of experiences that are discussed in current marketing and business literature are examples of separate happenings and events in the life of an individual. By supporting the individual in discovering what his experiences mean for his life in general, the value of the experiences may be greatly enhanced. The experiences are not separate events and happenings anymore, but they become meaningful on a broader scale. An example may help in understanding this abstract distinction: if on holiday one visits a former colony with a tour guide who mainly explains the historical facts of the location, then the visit to the colony may remain a separate event. However, if the tour guide succeeds in connecting the raw material, the meaning that life in the colony had for the people that lived there, to the present life of the visitors, then the location becomes more than a separate historical venue but it may become symbolic for how people live, think and behave in general. By supporting people to step out of their role as oblivious or observing tourists, this guide supports visitors in reflecting on the meaning and value of their visit to the colony in their own life. Seamon (1979), in his book on the encounters that individuals have with the world surrounding them, described this phenomenon in terms of 'tendency towards mergence' and its counterpart 'tendency towards separateness'.

When there is a tendency towards mergence, the individual is highly aware of the environment and there may even be a perceptual union between the self and the non-self. A tendency towards separateness indicates the exact opposite: the individual is separate, in terms of awareness, from the world at hand, is oblivious to it and gives it

no or little attention. These two tendencies are the poles of Seamon's awareness continuum, in which he distinguishes four modes of encounter (see figure 5.9).

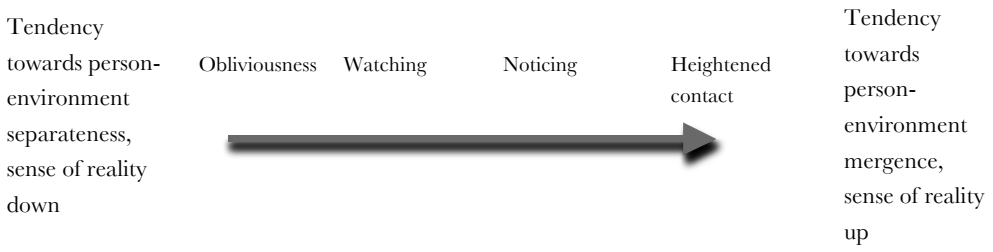

Figure 5.9 – Modes of Encounter (based on Seamon, 1979)

At the extreme left of the spectrum Seamon has placed obliviousness. "Obliviousness refers to *any situation in which the experiencer's conscious attention is not in touch with the world outside but directed inwardly* – to thoughts, feelings, imaginings, fantasies, worries or bodily states which have nothing or little to do with the world at hand" (Seamon, 1979, p.104, italics in original). Obliviousness thus does not mean that the person has ceased to pay attention in general; Seamon merely refers to a lack of attention for the world exterior to the individual. The next mode of encounter is watching. "*Watching is a situation in which the person looks out attentively upon some aspect of the world for an extended period of time*" (Seamon, 1979, p.105, italics in original). Watching can be more or less intense but usually involves a clear separation of the individual from the environment according to Seamon (1979). The next mode of encounter, noticing, brings the individual and the environment closer together in the moment. Noticing can be self-grounded or world-grounded. Personal knowledge and past experience trigger the former. World-grounded noticing is a more passive form of noticing than self-grounded noticing and takes place when "some striking characteristic of the world" (Seamon, 1979, p.108) grabs one's awareness. In self-grounded or person-grounded noticing the interest, knowledge and/or past experience of the individual causes him to pay attention to some specific aspect of the environment. Examples of these two variations are noticing that a car hits a fence with a bang (world-grounded noticing) and noticing that the house keys one has been looking for for a long time are lying

under a magazine on the table (self- or person-grounded noticing). The essential characteristics of all noticing are that it is always sudden, unmediated and unexpected.

At the extreme right of the continuum Seamon (1979) has placed heightened contact, which, as his group observations have shown, is also sudden, unmediated and unexpected. "In heightened contact, the person feels a serenity of mood and vividness of presence; his awareness of himself is heightened, and at the same time, the external world seems more real" (Seamon, 1979, p.111). In 'heightened contact' a connection is somehow made between whatever is taking place in the individual's environment and the individual himself. Organizations can support this reflective process by showing which of his interests may be involved, and hereby augment the value of the experience for the individual. Perry (1954) stated that the standard of inclusiveness requires that one also thinks of what his actions would mean to the other interests one has, or even the interests that others have, and the more interests an object appeals to, the more one could say that it appeals to the person as a "human integer" (Perry, 1954, p. 63). Organizations can take upon themselves the role of connecting various contexts and experiences that the individual is or has been engaged in, and by doing so add value to these, but they can also try to help individuals in making the connections between the different experiences and contexts themselves. Both roles would help in supporting the individual in reflecting on his standard of inclusiveness. These connections are very important, because "the measure of the value of an experience lies in the perception of relationships or continuities to which it leads up. It includes cognition in the degree in which it is cumulative or amounts to something, or has meaning" (Dewey, 2004, p. 114). This cumulative effect of relationships, continuities and/or meanings is what may become apparent because of the reflection.

Role 2: Facilitate investments of value in non-practical interests

The second role I see for organizations in the experience economy is the role of facilitator or provider of opportunities for individuals to invest resources in non-practical interests. Non-practical interests, as defined by Perry, "take and leave external objects as they are, and do not interfere with other interests in the same objects" (Perry, 1954, p. 102), hence the object is still available for others but also for

the individual himself. The experiences that are described in the encounter-centred marketing and business literature on experiences, usually involve a peculiar combination of aspects of practical and non-practical interests. Since many authors in the field of the experience economy use examples from theatre and show business (e.g. Pine and Gilmore's (1999) 'The experience economy: Work is theatre and every business a stage', Schmitt, Rogers and Vrotsos' (2004) 'There's no business that's not show business', McKain's (2002) 'All business is show business: Strategies for earning standing ovations from your customers and employees'), I will explain this phenomenon based on an example of someone going to the theatre. When an individual buys a ticket and goes to see a theatrical performance, he invests both internally practical (e.g. time, money) and internally non-practical (e.g. emotions, human capital) resources. On the one hand, his interest can be called non-practical, since his experience of the show and his possible enjoyment (the dealing) do not detract from the value that others can derive from it. In many cases the fact that more people are present is even tantamount to the enjoyment of the experience. However, as I already discussed, the theatre company has a practical interest in the experience, since the ticket it sells represents temporary access to the show, which in this example is the occasion. Although the occasion is not altered or usurped because of the experience, it is neither available for the individual after the show ends and he leaves the theatre. In this sense, the occasion remains 'in possession' of the experience provider. This has to do with the fact that the provider has made the experience excludable. The provider exerts 'property rights' of the show and carefully monitors the compensation received for its consumption. However, Csikszentmihalyi and Rochberg-Halton (1981) claim that people invest psychic energy in objects – a thing, an idea, an activity, a person, etc – and that these objects then become "charged" with the agent's energy. "For example, if a person works at a task, a certain amount of his or her attention is invested in that task, thus that invested energy is "lost" because the agent was unable to use that attention for other purposes" (Csikszentmihalyi & Rochberg-Halton, 1981, p. 8). The fact that objects can be charged with psychic energy, also opens up the possibility of expropriating this psychic energy by taking away the object. When the performance ends, it becomes excluded from the individual again, until he would buy another ticket. This situation closely resembles the situation of 'artificial scarcity' that was discussed earlier in this paragraph, meaning that organizations behave themselves as if non-rival goods are scarce, by excluding them. Although one of the characteristics of a non-rival good is

that it has zero marginal costs and theatre performances clearly do not, for actors have to be paid, the theatre and technical equipment have to be rented, etc., this is not what the individual intentionally invests in. He invests in his non-practical interest of having the experience. He has to pay money for a ticket which will give him access, but he invests time, energy etc. in the experience. This is a main difference between organizations in an experience economy and organizations that provide goods or services: the latter provide utility in exchange for money, or in Heskett et al's (1997) terms they provide a result and a process in exchange for money and access costs; the former have to take into account the investment of other values. To prevent this loss of 'psychic energy' to the individual, it would thus make sense for organizations to provide opportunities for individuals to invest their resources in a way that they may take the object with them. Object in this sense can be taken literally, for example in a situation where the organization provides the individual with everything he might need to create something artistic, after which he can take his work home, or object can be interpreted in terms of an activity by which the individual's human capital grows because of the investment. This way, the invested energy can turn into a gain for the individual in line with Ratchford's (2001) argument that the investment of resources by an individual can lead to a gain instead of a loss of value.

Role 3: Facilitate the investment of internally non-practical resources

The third role I see for organizations in an experience economy based on the insights derived from Perry's value theory is the role of facilitator or provider of opportunities for individuals to invest internally non-practical resources. The fact that the investment of internally practical resources in economic terms involves an opportunity cost for the individual, in the sense that the invested resources are forever gone and cannot be invested again, while the investment of internally non-practical resources does not involve these opportunity costs, leads to the hypothesis that individuals, when given the choice, will be more inclined to invest internally non-practical resources rather than internally practical resources. However, as was shown at the beginning of this chapter, most encounter-centred literature on the experience economy is still focused on just the internally practical part of the investments that

individuals make in their experiences, like money, time and attention. Since experience always takes place in time, individuals' investments always involve both internally practical and internally non-practical resources. If the latter do not involve opportunity costs and individuals are more inclined to invest internally non-practical resources, it would make sense for organizations to provide opportunities for individuals to invest their internally non-practical resources, especially since some of these investments may even cause an increase in the value of the experience, as was shown in paragraph 5.2.3.

The importance of internally non-practical resources however makes for a particular situation for those dealing with experiences. The investment of this type of resources cannot be forced. You cannot force someone to rake a cognitive or an aesthetic interest in something. In fact, there is growing attention in research and in marketing and business literature for concepts involving this lack of control, like for example reputation (e.g. Fombrun, 1996; Shore, 2003b; 2003c) and authenticity (e.g. Lewis & Bridger, 2001; Gilmore & Pine, 2007; Corbus & Guertin, 2007). It is the individual who decides whether he finds that someone has a good or bad reputation or is authentic or not and one cannot force someone else to believe that one has a good reputation or that one is authentic. Trying to convince someone of this may even lead to the opposite (Gilmore & Pine, 2007).

In the same manner one cannot prevent individuals from having a cognitive or aesthetic interest in things and investing their internally non-practical resources. The following anecdote makes clear that even incarceration cannot prevent people from investing their internally non-practical resources: "My friend, a French painter and Resistance fighter, was put in a concentration camp by the Nazis. Every evening during his long incarceration, he and two or three of his fellow prisoners. . . entirely by means of conversation and gestures . . . dressed for dinner in immaculate white shirts that did not exist, and placed, at times with some difficulty because of the starched material that wasn't there, pearl or ruby studs and cuff links in those shirts. . . . They drank Châteauneuf-du-Pape throughout the meal and Château d'Yquem with the dessert pastry. . . . There were certain restaurants they did not patronize a second time because the lobster had been overcooked. . . . On the evenings that they saw themselves as men of letters, they quoted from the great poets while they dined" (Boyle, 1985, p. 88). The pleasures derived from this imaginary dinner have also been

called ‘pleasures of the mind’ (Kubovy, 1999). Some categories of these so-called ‘pleasures of the mind’ show again that they cannot be forced upon individuals or held from individuals. One example is the pleasure from learning something that you did not know before. People are constantly learning and making sense but every teacher knows that you cannot transfer knowledge directly to students and it depends on the student himself whether he will learn and understand or not. Another example is virtuosity, or the pleasure someone has when feeling that he is doing something well. Even if according to rules and judges someone is not performing well, one can never prevent someone else from feeling that he is doing well. There are plenty more examples of investments of internally non-practical resources that cannot be forced and cannot be prevented from happening. Organizations can only choose to facilitate these investments and provide opportunities for them, or not.

Individuals always invest internally non-practical resources but there is a lack of attention for these investments in marketing and business literature. A reason for this may be that they are hard to measure and cannot be made excludable, so they cannot be charged for explicitly. However, if more and more organizations make their offerings non-excludable, like the museums and educational institutions that were discussed above, it would be wise for organizations to think about their role as facilitators for the investments of these internally non-practical resources, before individuals make their investments with some other organization.

5.5 Conclusion

I have argued in chapter 2 that the encounter-centred approach of experience in current literature in the fields of marketing and business is biased in the sense that scholars in these fields focus primarily on the role of organizations in determining which values should be invested during the experience-encounter, hereby neglecting values that individuals invest in the encounter beyond financial values. The research question I therefore intended to answer in this chapter was “Which types of values do individuals invest in the experience?”

To explore the exchange of values in the encounter the Customer Value Equation of Heskett et al (1997) was presented, since this is an accepted theoretical model for exploring the value of services. The services economy is seen as a precursor of the experience economy therefore it could well be that this value equation can be adapted to fit the specific characteristics of the experience economy. However, as I explained in paragraph 5.2, the specific characteristics of experiences make the Customer Value Equation of Heskett et al (1997) inappropriate for the experience economy. First of all, there are theories in the services' literature that claim that the perceived value is not enough for determining what happens in services, and that one also needs to take into account the expectations. However, because of the experience and credence characteristics of experiences it is difficult if not impossible to state one's expectations upfront.

Second of all, the concepts described in the Customer Value Equation are rivalrous and/or excludable. These concepts are not suitable for describing what happens in the experience economy though, because of the immaterial nature of experiences and the specific characteristics of the encounter.

Thirdly, and finally, in the service equation the investments that individuals make are placed below the line because a higher price and/or higher costs, in other words an increase in invested value, means that the perceived value decreases. I showed that values invested by customers do not always lead to decreased perceived value in an experience economy. On the contrary, the investment of values may even lead to an increase in perceived value.

These three issues have led me to explore a different theory of value, namely the value theory constructed by Ralph Barton Perry (1954). By using concepts of Perry's value theory, like interests, practicality and internal practicality, I have given insight into what happens during the experience-encounter, which has led to the conclusion that there are three important roles for organizations in the experience-encounter.

1) Support the individual in his reflection on the standard of inclusiveness
2) Facilitate investments of value in non-practical interests
3) Facilitate investments of internally non-practical resources

To start with the latter, the role of facilitator for the investments of internally non-practical resources is related to the fact that in current business and marketing literature on the experience economy there is a lack of attention for values that involve no opportunity costs for the individual. Current literature mainly discusses internally practical resources like money, time, attention and effort but internally non-practical resources like taking a cognitive or aesthetic interest in something are often neglected. This is surprising since these interests are exactly the interests that are often alluded to in the literature, but they are rarely analyzed.

YOU CAN SELL (ACCESS TO) AN OCCASION BUT NOT AN EXPERIENCE

In terms of Perry's (1954) theory the main aspect of the encounter that marketing and business scholars seem to focus on is the occasion. Individuals have to pay money for acquiring access to an occasion, they spend time in contact with the occasion, and they are stimulated to pay attention to the occasion. However, the focus on the investment of internally practical resources in the encounter with an occasion poses a risk for organizations. The occasion can often be excluded, for example by closing it off and having people pay an entrance fee, but this does not mean that the experience itself can be made excludable. As I discussed, there are many occasions that can be dealt with in Perry's (1954) terms when one has a certain interest, and excluding one does not mean that the interest cannot be fulfilled. This is also a reason for why the investment of internally non-practical resources cannot be forced or prevented. If one has an aesthetic interest in Van Gogh paintings, one does not have to go the Van Gogh museum to fulfil this interest by watching (dealing) the paintings (occasions) there. One can perhaps also watch (dealing) pictures of these paintings (occasions) in a book or on a website. This aspect becomes even more important to take into account since according to the SEC-framework individuals do not know what to expect exactly from experiences so they do not necessarily always have a clear idea about which occasion will help them satisfy their interest best. For organizations focused on excluding an occasion and trusting that individuals will have to come to them to fulfil their interest, this means that there is a risk that other parties will offer occasions for less or even for free, and that individuals will choose to invest their internally practical and non-practical resources with those parties.

A focus on the provision of occasions also means that organizations are not selling experiences but they are selling access to occasions. Experiences, because of the fact that there is always some investment of internally non-practical resources involved, cannot be excluded, only the occasion can be excluded, and what can't be excluded, can't be charged for. This means that selling an experience is impossible, which is why it might seem logical that scholars focus on selling access to the occasion instead. However, occasions are not valuable in themselves, they only become valuable for an individual because of his dealing with the occasion based on some interest. The problem is that these interests are often unknown to the organization, which makes it very difficult to understand what the value is of what is sold and how much resources the organization can expect the individual to invest.

Experiential concepts/ Role	Secondary experience	Primary experience	Emotional experience	Meaningful experience	Integrative experience
Facilitate investments of internally non-practical resources					

Figure 5.10 – Connection between first role for organizations and conceptualizations of experience

If I connect these insights with the conceptualizations of experience (as I have done in figure 5.10), the focus on access to occasions would represent a focus on secondary experience. Primary experiences always involve some investment by the individual of internally non-practical resources. There is always direct contact via the senses with the 'raw material' as I stated in chapter 3. This sensory contact is an investment of internally non-practical resources. Individuals see, hear, touch, smell and taste more than one thing at a time, perhaps not always consciously but we do not, if we are talking to someone and someone else arrives, suddenly become blind to the first person. Processing all the sensory impressions is obviously limited; we cannot consciously pay attention to everything at once, which makes attention an internally practical resource. But experience begins with contact with the raw material and

individuals are capable of taking in many sensory impressions at once, which implies that indeed in every experience there is an investment of internally non-practical resources. Of course, the investment of internally non-practical resources does not only have to do with sensory impressions, but it can also take place when there is an aesthetic or cognitive interest. Following the experience-economy adagio "you are what you charge for" (Pine & Gilmore, 1999, p.61), we see that organizations still primarily charge for occasions, or access to or use of occasions, not for experiences. Charging for experience would not lead to a situation in which the organization determines what they want to charge for their offering, but would have to lead to a situation of 'ex post facto' evaluation or retrospective value-determination, in which the individual determines what the experience has been worth to him or her retrospectively and would invest resources accordingly. The problem with this scenario is that for many experiences effects may take a long time to emerge and may change in time. This would then have to be taken into account in the method for value determination.

EXPERIENCES DO NOT BEGIN OR END WHEN YOU WANT THEM TO

The second role, the organization as facilitator for the investments of values in non-practical interests, seems pleonastic in the context of experiences, since I explained that experiences represent non-practical interests. However, I also discussed why this role is important to take into account. Often organizations exclude their offerings since this is seen as the only way to charge for them. By excluding the occasion from the individuals, organizations cut off the experience and send people away. Individuals then pay for spending a certain amount of time in contact with the occasion, the duration of which is usually determined by the organization. Individuals are thus excluded or closed off from the occasion after this amount of time, although the organization cannot be sure of the fact that individuals have reached consummation and are done investing. If individuals are not done investing and have not yet reached consummation, they have a choice. Either they can pay the organization again and gain access a second time, or they can find some other party with whom to invest their resources. Not only do organizations in this case run the risk of losing the individual if he decides to choose another party, but in terms of the

conceptualizations in chapter 3, by closing off the individual from the occasion, the organization also closes itself off from the possibility of being involved in the individual's potential Erfahrung (see figure 5.11).

By ending the 'experience' one-sidedly, investments after the ending are not taken into account and valuable investments may be lost to the organization. In the eyes of the organization, that has a practical interest in the experience as I argued in paragraph5.3.2, the experience has a beginning and an ending, and the individual pays for what happens in between. But for the individual, the experience can start before the 'official' beginning and continue long after the 'official' ending, and if the organization does not facilitate the investments that happen before or afterwards, the individual may find another place where to invest. By paying explicit attention to the facilitation of investments in these non-practical interests, organizations enable themselves to have a role not just in the individuals' Erlebnissen, but also in their Erfahrungen.

Experiential concepts/ Role	Secondary experience	Primary experience	Emotional experience	Meaningful experience	Integrative experience
Facilitate investments of value in non-practical interests					

Figure 5.11 – Connection between second role for organizations and conceptualizations of experience

The third role, as the individuals' supporter of the reflection on the standard of inclusiveness, would mean helping individuals and providing them with opportunities for connecting their experience with other experiences and connecting the meaning of the experience with other contexts in their life.

Experiential concepts/ Role	Secondary experience	Primary experience	Emotional experience	Meaningful experience	Integrative experience
Support the individual in his reflection on the standard of inclusiveness					

Figure 5.12 – Connection between third role for organizations and conceptualizations of experience

In terms of the conceptualizations in chapter 3, the organization would via this role help the individual get from a meaningful to an integrative experience (see figure 5.12). By helping the individual to reflect on his interests and the role of the experience for these interests, the organization can at the same time help the individual discover what the meaning of the experience is for his everyday experience beyond the original context. This way the experience makes a difference in the individual's life, by transforming and enriching it (Pugh, 2004). The individual not only enjoys using whatever meaning he has gained from the experience in his everyday life ("experiential value"), but he does this out of his own free will ("motivated use") and because of this he learns to see the world in a different way or attaches new meaning to it ("expansion of perception") (Pugh, 2005b, p.19). This type of experience opens up new possibilities for experiencing for the individual.

As can be seen in these three roles, in increasing amounts, the focus on control by organizations has to decrease. Providing opportunities and support to individuals are tasks that leave a great deal of initiative for those whom are offered the opportunities and/or who are supported. This might just be the most difficult and daunting task for managers in a society so focused on the idea of control, something that is exemplified by some names that have been given to our society, like the social ruling system ('sociaal regelsysteem') (Cornelis, 1995), the disciplinary society (Covaleskie, 1993), or the 'intensive people-breeding farm' (intensieve menshouderij, (Peters & Pouw, 2005)). The focus on control becomes problematic in a world in which individuals need space to make use of the opportunities they are offered and in which uncontrollable aspects

(e.g. reputation, trust, authenticity, etc) become more and more important for competitive advantage.