Transforming SMEs into Successful Experience Stagers

StageIt

A Report for Industry

Most people are familiar with Disney and the huge success the company has made of staging compelling and memorable experiences in its theme parks. Starbucks can sell coffee (a cheap commodity) at a premium price by offering a relaxing environment designed to create what Starbucks refers to as the "third place" between work and home, and encourage customers to stay, savour the moment and the coffee and – of course – buy another one and come back tomorrow. Such high profile examples of successful experience staging – although colourful and convincing – tend to be of huge multi-national companies that have already made a success of experience staging. Less is understood about how small to medium sized enterprises (SMEs) can implement experience staging to gain competitive advantage. Indeed, this was the purpose of a research project funded by the Marie Curie Industry-Academia Partnerships and Pathways Programme. The project's title is *Transforming SMEs into Successful Experience Stagers*, or *StageIt* for short.

What is experience staging?

The notion of experience staging was first introduced by Joseph Pine and James Gilmore in their popular 1998 book entitled *The Experience Economy*. This book explains how value and the possibility of higher margins increases as we move from extracting raw materials, to manufacturing products, to delivering services and, finally, to staging memorable experiences. The goal of the StageIt project was to observe and facilitate the transformation of three small companies from service delivery to experience staging.
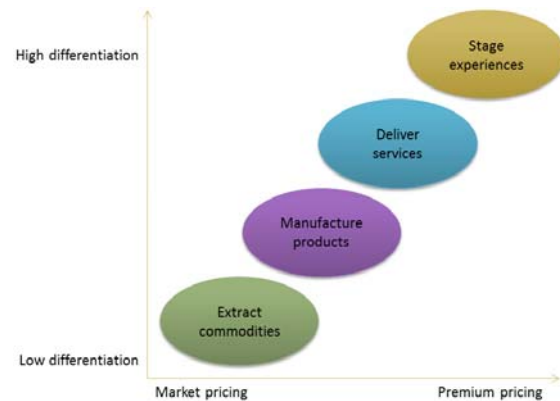

Figure 1: Pine and Gilmore's (1998) model of the evolution of experience staging.

In his 2004 book *Emotional Design*, Donald Norman proposes three elements of emotional design: behavioural design, visceral design and reflective design. These are the three key dimensions that must be considered to effectively stage a memorable experience. *Behavioural design* is intended to make things functional and understandable. It is primarily concerned with delivering intended functionality in an easy-to-use fashion – it insures that a product or service does what it is intended to do on a functional level; for example, getting from A to B in an automobile. *Visceral design* aims to appeal to the human senses impulsively and even subconsciously rather than logically; an example is the tangible and emotional pleasure evoked by the design of an Apple iPad. *Reflective design* aims to create meaning and establish connections between people and between people and things. It is concerned with resonating with people's self-image and their membership in groups; an example is Harley Davidson motorcycles. Although experience staging involves all three of these dimensions, it is through reflective design that companies can expect to become most effective in staging experiences.

To understand the potential benefits of experience staging a two-dimensional model of services was developed (Figure 2). The vertical dimension indicates whether a service

has a functional or experiential core. For example, a dry cleaning service has a functional core, namely that of cleaning clothing. The horizontal dimension indicates the degree to which a service is augmented with experience staging. For example, if the dry cleaning service were to create a relaxing atmosphere using music and lighting or implement attractive reusable environmentally friendly bags to take clean clothes home in and bring back dirty clothes, this would constitute experiential augmentation.
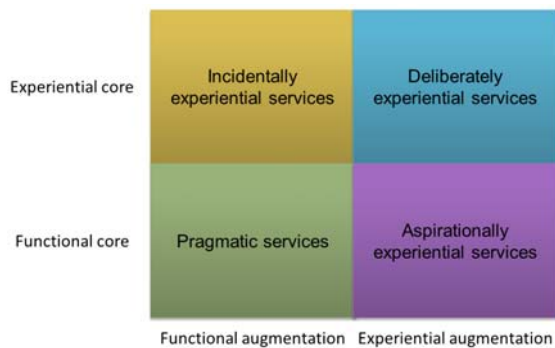

Figure 2: Functional and experiential core and augmentation.

Benefits of experience staging

The StageIt research has demonstrated that companies creating new services with an experiential core are more likely to enjoy a better company image, be more attractive to employees and have a stronger ability to enter new markets than companies offering services with a functional core. Furthermore, that companies that augment their services with experiences are more likely to do better financially, attract new customers and be more attractive to employees than companies that do not include such augmentation.

	Experiential core	Experiential augmentation
Better company image	✓	
More attractive to employees	✓	✓
Better success entering new markets	✓	
Better success attracting new customers		✓
Better financial performance		✓

Figure 3: Benefits of experience staging.

Putting theory into practice

In the StageIt project, three SMEs participated in journey of transforming their services through experience staging. The project involved selecting from a wide range of possible ways and means to stage experiences to come up with the method that seemed the best fit for each SME's business as well as being achievable. Each SME selected a distinct method to this end. For one company, the focus was on customer *Community*, for another it was on creating *Meaning* and the third company focused on *Originality* in its experience staging. The stories of these three SMEs are told in this report.

Creating an Experience of Community

Certus was established in 1997 in Denmark and was initially engaged in web site development. One of the company's first customers was a television broadcaster who asked Certus to develop online casual games to be hosted on the broadcaster's web site providing viewers a means of interacting with the brand. As a result of this assignment, the games side of Certus' business has grown to overshadow their other activities. Certus has been very successful in gaining and retaining customers and several tens of thousands of users have remained loyal for over 10 years and log in as often as daily to play a wide

range of casual games such as Yahtzee and Backgammon.

Opportunity

Online games belong to a high speed market, with six to twelve months seen as a reasonably long time to retain a customer. In relative terms, therefore, Certus users can be viewed as exceptionally loyal. In examining the reasons for this loyalty, there was little doubt that the *community* of users and their relationships with each other, built over many years of game playing, was central. Indeed, community is widely viewed as a key element of experience. Therefore, further developing the Certus community was identified as the experience staging opportunity for Certus to pursue as part of the StageIt project.

The relatively unique way in which Certus's game site is managed primarily by volunteer supervisors helps amplify the connection of users to their community. Having only a small team of developers, Certus remains heavily reliant on these supervisors. These are users who take on responsibilities for moderating other users' game and chat behaviour as well as contributing by organising tournaments and events to make the service more engaging. For their efforts, supervisors enjoy a certain status within the community as well as being given free VIP membership, which is otherwise sold for a monthly fee. Many aspects of the Certus environment, most notably tournaments, are very labour intensive, demanding a high level of dedication from supervisors. This level of user involvement increases the connection that users have with the community and, in turn, their willingness to volunteer their time.

Challenge

Online games can be a tough sector in which to operate a profitable business, particularly since the majority of game players are typically non-paying customers. Certus uses a "freemium" business model in which the vast majority of users make use of free memberships, entitling them to unlimited play, but not to create a profile, enter tournaments or send messages. These premium features are available only to so-called VIP users, who pay a small monthly fee. For these players, the ability to participate in tournaments is one of the biggest attractions.

At the start of the StageIt project, the costs of supporting the community of users had begun to exceed the income from user subscriptions. Thus, Certus had a relatively successful product in terms of the size and loyalty of its user community, but in terms of profitability and willingness to pay, the company was facing problems. Since the community had been identified as a key success factor, the StageIt project at Certus focused on increasing the value of the community in order to increase both the number of paying users and their level of spending. This required investing in the development of new community features and functionality as well as developing a greater understanding of the users and the types of value that would drive their spending.

Implementation

To better understand users, Certus surveyed its users three times over the course of the StageIt project. The first survey revealed that Certus's users were simultaneously very loyal and quite dissatisfied with both other users' behaviour and technical issues. Additionally the survey, and particularly the free text comments from users, revealed a great deal of friction between users. The causes of this friction included the use of bad language by other users, supervisors' perceived abuse of power, or even the lack of supervisors' power to block or ban abusive users.

Following the results of the survey the importance of the Certus community became

very apparent, but at the same time it was evident that there was little understanding of what made this community tick. The loyalty of users and unpaid effort of supervisors were identified as the greatest strengths that Certus possessed, yet a lack of understanding of users, made visible by the survey, was a clear weakness. The survey results led to the notion that users fell into four distinct groups, primarily divided by the two dimensions of achievement and social motivation (see Figure 4). This reflected the idea that some users were more inclined to simply enjoy *hygge* (a Danish word for feeling content and cosy) and sought a polite and friendly environment, without harsh language or overly competitive behaviour. These users were believed to be unlikely to be interested in highly competitive offerings such as money gaming, whereas another group, seen as more motivated by achievement and less by social aspects, would be more likely to embrace such an offering. New users, although potentially starting out with low social and achievement motivation, were seen to migrate to one of the three quadrants of hygge players, social players or competitive players. It became clear that better understanding the categories of users and how to prevent friction between them was key.

Figure 4: Categories of Certus users.

Beyond this understanding, it was recognised that important areas to investigate were the identity of the company in terms of its branding and communication with customers and how to interact most effectively with the community. This interaction was conceptualised in terms of adding both fantasy and reality in the virtual and real world. For example, more creative use of events in the online sphere, including tournaments, or adding to the immersion of users by constructing a more engrossing fantasy world around game play. Whereas the Certus solution had always been focused on simulating reality; the games were represented as being played in a room, with chairs at a table representing spaces for players to join - this metaphor was considered as an area where creative redefinition could enhance the experience. Meanwhile real world events, in which users met to play games and create real world *hygge* were viewed as an opportunity for interaction in which Certus had previously not taken part. Furthermore, newsletters were introduced as a way of giving users an outlet to share their ideas with other users and strengthen their links with the community through real world interactions.

Lessons learned

Certus's participation in StageIt occurred simultaneously with several turbulent events that at times seemed to threaten the company's very existence. Therefore, it is difficult to disentangle the gains made through StageIt with the set-backs caused by outside forces. However, the identification of community as Certus's greatest asset and greatest opportunity for growth is an important insight. Community is an important and often overlooked aspect of the customer experience. Although it is not particularly challenging to accept that community is important for online games such as those offered by Certus, the opportunities of community may be harder to spot in other

types of businesses. As the Certus story shows, it may be well worth it for businesses to consider whether their customers or users do, should or could form a community and what a company's roles could be in such communities. An important first step to this end is to understand users and what motivates them.

Creating an Experience of Meaning

Established in 1999 in the UK, Clevercherry started out as a small company building websites for the music industry. Since then, Clevercherry has enjoyed healthy growth and is currently a high profile industry leader providing a wide range of business-to-business services covering everything from graphic design and print production to social media, film, e-commerce and web development. Clevercherry employs a talented team of designers, software developers, artists and filmmakers.

Opportunity

The theme for Clevercherry's experience staging opportunity emerged from interviews with staff, which were conducted at the beginning of the StageIt project. This theme was communicated by staff members' expressions of a desire for greater *meaning* in their work. They had worked on social projects – that is, projects that the company had undertaken for disadvantaged people or groups, and felt that these projects had greater meaning than more traditional for-profit projects.

Implementation

This notion of imbuing the work done at Clevercherry with meaning was further developed in a series of brainstorming activities and over the course of several months the notion was finally embodied in plans to define and implement a Corporate Social Responsibility (CSR) strategy for Clevercherry.

In many cases, managers do not see the advantages of implementing a formal CSR strategy. The belief that CSR is costly and has little potential for improving the bottom line is prevalent. Furthermore, although managers might be in favour of CSR and implementing aspects of CSR in their operations, they may shy away from making formal commitments that they fear they may not be able to live up to. Fortunately, Clevercherry's managers were prepared to go forward and a group of three employees led by one of the StageIt researchers from academia was assigned the task of developing a complete CSR strategy for Clevercherry. Among the activities undertaken were the development of a strategy document and an implementation plan, administration of an employee questionnaire and in-depth interviews with staff and management. Clevercherry's CSR strategy covers three dimensions: employees, environment/sustainability and clients.

The employee dimension of Clevercherry's CSR strategy was designed with the goal of creating a positive work experience and covers aspects such as having a flat management structure, creating opportunities for and supporting creativity and innovation, insuring work-life balance, health and well-being. Since Clevercherry already had a flat management structure and mechanisms to support work-life balance in place, the emphasis was on developing ideas for supporting creativity and innovation. One of the more popular suggestions was creating regular "innovation days" during which employees could pursue novel ideas of their own choosing.

The environment/sustainability dimension of Clevercherry's CSR strategy had as its goal to minimize the company's detrimental influence

on the environment. To reach this goal, several initiatives were planned such as a comprehensive recycling scheme, using renewable energy transportation options, and minimizing waste.

The client facing dimension of Clevercherry's CSR strategy consists of three main emphases. In the first place, communicating the CSR strategy through the company's web site and adopting a policy of transparency about Clevercherry's CSR strategy and performance. In the second place, continuing to engage in social projects as an important way for the company to "give back". In the third place, Clevercherry recognized an opportunity of offering services to those clients who might be interested in implementing their own CSR strategies. Thus, Clevercherry's implementation of a CSR strategy has not only had a positive influence on Clevercherry's internal and external reputation, but has also created the seed of a new service offering.

Lessons learned

Having a CSR strategy is increasingly becoming a threshold requirement for businesses that want to compete for a wide range of opportunities, particularly with high profile or public organisations. Although CSR has traditionally mostly been a concern of large multi-national organizations, recognition of the importance and relevance of CSR for small-to-medium enterprises (SMEs) has been increasing. Thus, by positioning itself as a leader in CSR among SMEs in its market, Clevercherry is likely to reap benefits in terms of improved employee morale, an improved reputation on the market, and ultimately, a healthier bottom line, brought about by competitive advantage and new service opportunities.

Creating an experience of meaning is not a simple undertaking that can be approached in a "paint-by-numbers" way. The key to Clevercherry's success in creating its experience of meaning was to take what is by its nature elusive and embody it in something that is better defined and understood, namely a CSR strategy. Management buy-in and employee engagement are critical pre-requisites for the successful implementation of a CSR strategy. Following the implementation with effective communication to clients can serve to further crystallize the strategy and lay the foundation for improved business performance.

Creating an Experience of Originality

Sarah Davenport was founded in 2009 in the UK. Prior to starting her own business, the founder worked for a family owned furniture making company, which was renowned for its high quality bespoke kitchens. She started creating her own designs whilst still working for the family company and some of these were featured in the media and in the Museum of Modern Art in Milan, Italy. After attending the Milan Design Week and being inspired by the variety of companies, people, and high quality design, she decided to bring a taste of Milan to her home city. The business started its life as a basement retail space in an exclusive shopping area in the town centre alongside established brand shops and art galleries.

Selling Art and Artisan Services

Innovation and creativity have always been at the core of Sarah Davenport and the company endeavoured to differentiate itself from conventional art galleries and furniture shops. This strong individualism makes it difficult to pigeon-hole Sarah Davenport's activities into one sector or industry. The scope of the company's activities could be described as a retail and meeting space for artists and designers, displaying an eclectic mix of one-off products from paintings and sculptures to

furniture and clothing. Requests for bespoke products were actively encouraged, and bids were prepared for local projects such as small shopping mall refurbishments and the regeneration of disused buildings.

Sarah Davenport's shop looked like an Aladdin's cave full of unique works of art and design, set to a background of contemporary music. Externally, there was a colourful, ever-changing window display, where products were displayed, meetings were held, and anagrams of the shop sign were shown as a welcoming message for customers.

From the beginning of the StageIt project, Sarah Davenport experimented actively with experience staging using elements of live art and theatre. This was mainly done using the company's shop window as a stage on which to present a wide variety of music, theatre and fashion events. At times artists could be seen producing their work in the shop window. This experience staging attracted attention from people passing by and increased footfall in the shop. These experience staging events also attracted the attention of the local media and were featured in local newspapers and television. It became clear that staging **original** experiences of could be the way for Sarah Davenport to differentiate itself and create competitive advantage.

Becoming an Artisan Agency
Although the company's experience staging experiments were certainly successful, the retail business was not thriving and the retail space had to be given up. Never one to leave an opportunity for staging an experience unexploited, Sarah Davenport staged a local "funeral of independent shops" to raise awareness that independent businesses and shops were disappearing from town centres leaving empty spaces and a lack of diversity on the high street. A funeral procession was

staged, complete with coffin and artworks, across the main square of the city. The event was covered by local photographers and the news media.

The company decided to redefine itself as an agency promoting artisans' work and collaborating on a variety of projects with a range of designers. Sarah Davenport transitioned from selling products to selling services and picked the best of its existing artist base of around 60 creatives to represent and promote. A new web site was developed to increase the company's online presence and provide a venue for selling artisans' products to a wider audience.

The company secured a small retail space in a creative collective building. All the building residents joined in an ambitious creative experience staging event to promote their businesses. This event included live musicians, life-sized sculptures, models wearing creations from Sarah Davenport's designers and coverage by professional photographers and film makers. The highlight of the night was a flash-mob of musical performers. The performers pretended to blend into the crowd looking at the artwork around the gallery and then burst into song, making visitors feel as if they were walking through a stage-musical.

As part of the company's offering for creatives, Sarah Davenport continued to look for innovative opportunities for staging experiences of *originality*. As the company sought to become more profitable, experience staging activities were being designed specifically for the effective promotion of creatives' work. The goal was for the experience staging to lead to sales and commissions while still maintaining the magic and creativity of the early experience staging experiments.

For example, a project with a shoemaker involved a diverse mixture of design innovation and strategy to create theatre. This was directly geared to making sales and building a strong viable business around shoe design and shoemaking. Sarah Davenport organised innovative branding communication, procured association with high profile brands, organised and launched a website and designed and installed a shop offering shoemaking and shoe repair along with the client's own shoes designs. Sarah Davenport transformed the challenge of having a low budget into a strength. For instance, by using "found" furniture and creating a feature wall from magazines the shop possessed, a unique and creative atmosphere was created - far different from the commercial and "off the shelf" interiors of the client's competitors

Furthermore, an innovative promotional event was staged. Sarah Davenport procured space in a prime location at an international furniture and interiors show and created theatre in live shoemaking. Whilst interiors and shoemaking would traditionally be seen as completely different markets, Sarah Davenport recognised a common association with hand-made quality, and anticipated that designers and others within the industry would be enthusiastic about the offering. As a result a prominent "buzz" was created leading not only to local, national and international press coverage but also to a high volume of quality sales and future enquiries.

Lessons learned
At the start of the StageIt project, Sarah Davenport had already taken steps in experience staging, particularly since it had the ideal space in which to stage experiences, namely its shop window. Sarah Davenport was certainly at the leading edge of retail experience staging. When looking at other high street retail spaces, the type of event that might be described as experience staging is the occasional book signing at a local book shop. The live art and theatre at Sarah Davenport, and the willingness to experiment, differentiated the company from its competitors and provided a unique, memorable experience for its customers.

One of the main challenges faced by Sarah Davenport was how to sell unique and creative work in a profitable way. By transitioning from selling what are typically high-priced products in a local retail setting to providing creative agency services in a more international setting, profitability has been increased. Continuing to develop its attention to staging experiences of originality has been a key factor in Sarah Davenport's success in this transition.

An Experience Staging Experience - Milan Design Week

Three of the StageIt project participants had the opportunity to attend the Milan Design Week in April of 2012. This was an ideal setting in which to learn about experience staging and the researchers saw and partook of a large number of examples of successful experience staging, some of which are described here to provide further examples of experience staging in practice. There were ten main areas where companies exhibited their work at Milan Design Week. Locations ranged from central Milan to an hour's train journey outside the city. Due to time constraints, only five of the main areas were visited but within those locations, a wealth of experience creation activities was discovered.

One key location was the Museum of Science and Technology, where exhibitors including Tom Dixon and Designers Block displayed their work. Access was gained through a museum gift shop where guests' attention

was directed to a Cartier display leading to a tunnel that opened out into a television studio. The studio was occupied by Dezeen Magazine and was the setting for interviewing designers, artists and celebrities. London-based designer, Tom Dixon's exhibition followed from this point winding through corridors with a variety of new designs and artwork from chairs to lighting, finishing in a room where Gelato master classes were taking place. A Sodastream occupied the neighbouring hall, which also had a press area and cocktail bar. Outside, amongst jet planes and a submarine was a furniture company with exhibitors carrying out live upholstery. Another hall that usually housed trains and carriages was temporarily home to a huge metal-cutting machine, producing rapid designs for Tom Dixon light fittings and other objects.

A second key location was a temporary art museum constructed in via Tortona with several experiential rooms. One of these rooms featured a display of many chairs hung from the ceiling, another held around 10 cinema screens with a space scene projected onto them and another room consisted of a textured green floor complete with small hills and sculptures of trees with projections of sheets of silk being shaken on the walls to give the impression of water. The result was quite a relaxing experience with visitors reclining on the hills to rest after a long day walking the streets. In another interactive exhibition, Canon (the electronics company) had sponsored several rooms, one with a 3D grid of wire with light projections running through it, and another room with a huge jelly fish-like sculpture in the centre with coloured lights running through the body. A multitude of French designers were represented in a huge warehouse space, and big name companies such as Amsterdam-based Moooi and London-based Established and Sons lined the streets. Moooi was particularly notable for an orange box where guests could have their photos professionally taken. The resulting pictures were displayed artfully on a wall of the Moooi exhibition space.

Lighting Exhibitor Seguso was particularly noticeable for the experience created in a dark, industrial space. Chandeliers hung from the ceiling above glass-forming equipment on beds of sand encircled by rope whilst calm, ambient music was played and the manufacturing process was projected onto the walls of the space. Interactivity was achieved by encouraging visitors to draw new light designs with white pencil on black paper. These designs were displayed on a wall and were very interesting to look at, as well as being potentially useful for the company.

Via Tortona is also home to the famous NHow hotel, where there were displays of art, live theatre and a designer restaurant.

The Brera design district is situated slightly to the north of central Milan. A treasure trove of artwork was waiting to be discovered amongst the outdoor restaurants and cafes that lined the picturesque cobbled back streets (Figure 8). The highlight of the Brera district was a cathedral that had been transformed into a secret garden. The inside flooring had been covered with turf and decking. Trees stood on the grass inside the cathedral, and plants climbed the walls to the domed roof (Figure 9). There was a variety of art on display but the central spaces were occupied by outdoor furniture.

Northeast of central Milan, in the middle of the financial district and amongst towering ornately decorated apartments was Villa Necchi. Previously home to the upper middle class Lombard Industrial Families, the villa is now maintained by the Italian version of the British National Trust. The main house is situated amongst manicured gardens, a swimming pool and tennis courts. As part of Milan Design Week, guests could have a tour of the villa and see the specially commissioned artwork in each room. A variety of artists and designers created different pieces to fit in each space.

Teatro alla Scala is one of the leading opera houses in the world and is situated in central Milan. The building consists of a foyer, bar area and adjacent museum. The main hall has 3000 seats spread over the pit-stall area and six tiers of boxes. Visitors arrive smartly dressed (the website advises patrons to wear black tie or evening dresses for opening night performances) which creates a sense of occasion, and coupled with the ornate interior, a very memorable experience. The most interesting innovation was the provision of small screens set into the rear of the seating and in the front of the boxes. These screens displayed subtitles in Italian or English, so guests could understand the story of what was happening on stage.

Summary
Visiting the different areas of Milan Design Week showed a range of different ways to stage experiences. From live theatre, film and music, to interactive shows stimulating the senses and encouraging guests to be creative and co-produce designs and artworks. The StageIt participants also visited a large department store in Milan, where they saw items on sale that were also on display at the design show. It was interesting to see the objects in a retail context but they somehow seemed less impressive with the lack of theatre and excitement that experience staging provided. Thus to be successful, experience staging it needs to go beyond the normal, to surprise, inspire and interact. It is the making of the extraordinary to distinguish it from the ordinary.

The Marie Curie Industry-Academia Partnerships and Pathways Programme

The StageIt project is funded by the Marie Curie Industry-Academia Partnerships and Pathways Programme (IAPP). According to the 2009 People Work Programme *"This action seeks to open and foster dynamic pathways between public research organisations and private commercial enterprises, in particular SMEs, including traditional manufacturing industries, based on longer term cooperation programmes with a high potential for increasing knowledge-sharing and mutual understanding of the different cultural settings and skill requirements of both the industrial and academic sectors."*

Suggestions for Further Reading

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