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Experience Economy Strategies: Adding Value to Small Rural Businesses

Abstract

Many Extension programs designed to enhance rural economic development have focused on development of value-added goods, particularly agricultural goods. The Experience Economy perspective suggests that economic development should also include value-added consumer experiences offered by an array of small rural businesses, such as retail, hospitality, tourism, and restaurant establishments. This article introduces Experience Economy strategies and elements of business offerings that create experiential value and provides a tool to help small business operators assess and enhance their experiential offerings that generate value for consumers.

Ann Marie Fiore

Professor

amfiore@iastate.edu

Linda Niehm

Assistant Professor

niehmlin@iastate.edu

Haemoon Oh

Associate Professor

hmoh@iastate.edu**Miyoung Jeong**

Assistant Professor

mjeong@iastate.edu**Cheryl Hausafus**

Associate Professor

haus@iastate.edu

Iowa State University
Ames, Iowa

Introduction

Nationally, the number of small, independently owned businesses is substantial, accounting for over 90% of all U.S. business activity (Scarborough & Zimmerer, 2006). Small firms also comprise a majority of rural business establishments (U.S. Small Business Administration, 2004) and are central to rural economic development (Muske & Stanforth, 2000; Muske, Stanforth, & Woods, 2004). In spite of their prevalence and importance, small rural firms have found the business environment increasingly challenging (Henderson, 2002; McDaniel, 2001; Miller, Besser, Gaskill, & Sapp, 2003; Miller & Kean, 1997). To meet this challenge, rural areas need access to education and training as well as assistance from economic development agencies (Connell & Wall, 2004).

Cooperative Extension has provided educational programs to assist small business operators that ultimately enhance rural economic and community development (Muske & Stanforth, 2000). To succeed and grow, small businesses need to create value through innovation (Drucker, 1985). Consequently, many Extension programs have enhanced rural economic development by facilitating creation of value through innovation of goods, particularly agricultural goods (e.g., Marshall, Bush, & Hayes, 2005; See, 2004) and forestry goods (e.g., Leavengood & Love, 1998).

However, Extension professionals have witnessed an expansion in the value-added approaches of interest to, or employed by, their audiences (Kraenzel, 2000; Eckert & Bell, 2005). Newer value-added approaches have moved beyond a focus on innovative goods to inclusion of innovative consumer experiences. Kraenzel (2000) stated, "A growing Extension segment is interested in agri-entrepreneurial, agri-entertainment, and other value-added

businesses that pose new challenges for program planning, design, and delivery." To help meet this challenge facing Extension professionals, we:

- Summarize competitive strategies from Pine and Gilmore's (1999) "Experience Economy" approach for innovating consumer experiences,
- Identify elements of business offerings that can enhance consumer experiences, and
- Provide a tool to help operators of an array of small businesses, including retail, tourism, hospitality, and food service firms, assess and develop consumer experience offerings.

The Experience Economy Approach and 4E Strategies

Pine and Gilmore (1999) observed that the U.S. has entered an "Experience Economy" where a business' goods and services should be accompanied by consumer experiences, such as educational and entertainment experiences, to help differentiate their offerings from competitors and increase performance and profitability. Eckert and Bell (2005) provided an example: a goat dairy and cheese-making operation added an "educational retreat" Bed & Breakfast (B&B) to stay small and profitable.

Pine and Gilmore (1999), Postrel (2003), and Richards (2001) agreed that there is a pervasive change in consumers; people are no longer singularly concerned with buying goods and services, but are also concerned with engaging experiences. Pine and Gilmore envisioned that future economic growth in the U.S. would come from businesses offering enriched, distinct consumer experiences. In support, Richards (2001) stated that the fastest growing sectors of the global economy are related to consumption of experiences.

Pine and Gilmore (1999) offered four types of consumer experience: educational, esthetic, entertainment, and escapist that they termed the "4Es." The 4Es vary in terms of active-passive involvement and absorption-immersion dimensions that intersect to produce quadrants. Active-passive involvement entails the level of participation by consumers in creation of the experience-generating offering. Those who passively participate do not directly affect or influence the offering, whereas active participants directly affect the offering that yields the experience. Absorption is "occupying a person's attention by bringing the experience into the mind" and immersion is "becoming physically (or virtually) a part of the experience itself" (Pine & Gilmore 1999, p. 31).

According to Pine and Gilmore, including all four types of experiences is optimal. However, we suggest that resource-strapped small rural businesses should initially focus on one or two of the 4Es and then augment their experiential offerings over time. Table 1 provides a summary of Pine and Gilmore's description of the 4Es and an example of a small business application for each strategy.

Table 1.

Pine and Gilmore's (1999) 4E Strategies with Small Business Experience Examples

4E Strategy	Description	Active-Passive Involvement	Absorption-Immersion	Small Business Experience Examples
Educational experience	Consumer increases skills and knowledge through absorbing information presented in an interactive way	Consumer actively participates through interactive engagement of one's mind and/or body	Consumer absorbs the business offerings	Bakery enables a customer to learn about the production of ornately decorated cookies by watching and then trying decoration techniques
Esthetic experience	Consumer enjoys just being in a sensory-rich environment	Consumer passively appreciates and does not measurably alter the nature of the environment	Consumer is immersed in or surrounded by the environment	Victorian garden of a B&B enraptures guests with colors, scents, and textures
Entertainment experience	Consumer's attention is occupied by the business offering	Consumer passively observes activities and/or performances of others	Consumer absorbs, but is not part of, the activities and/or performances	Local farmers draw spectators/tourists through sponsored piglet races at a town festival
Escapist experience	Consumer is an active actor or participant who shapes events	Consumer actively participates in events or activities	Consumer is immersed in an actual or virtual environment	Café enables local residents to be 'guest chefs' for an evening, creating their signature dish for clientele

Elements of Experiential Business Offerings: The 4Ps

The elements of business offerings used to enhance the 4Es are categorized as the 4Ps (Properties, Product Presentation, Promotional Applications, and People).

- Properties are semi-permanent elements of the physical business such as architecture, interior design, landscape design, exterior signage and name, and delivery vehicles.
- Product Presentation consists of easily changeable elements of the setting supporting tangible goods and services, such as in-store signage, packaging, display components for retail and tourism operations (e.g., display cases or tables), presentation materials for hospitality operations (e.g., menus, bedding), and ambient cues (lighting, scents).
- Promotional Applications include any form of advertising (e.g., newspaper ads), sales outlets (e.g., catalog or Website), and support materials that enhance customer awareness and recognition of the firm (e.g., logos, business cards).
- People consists of aspects of customer interaction opportunities (e.g., contests, sponsored events), staff/customer interactions (e.g., instructional ability of staff) and physical appearance of the staff (e.g., neatness).

These 4Ps are loosely based on the experience-oriented categories proposed by Schmitt and Simonson (1997) to build a consistent firm identity. Tables 2 through 5 provide examples of how the 4Ps can contribute to each of the 4Es.

Table 2.
Examples of the 4Ps Contributing to Educational Experience

Educational Experience	Properties	Product Presentation	Promotional Applications	People
Accommodation/B&B	B&B has heritage rose garden with species identified	Wild west theme B&B bed quilts have pictorial images of local legends	Hotel brochure tells story behind interesting fireplace hearth tiles	Hotel owner and champion chess player have daily chess matches with guests
Restaurant	Photo	Menu explains	Restaurant holds	Knowledgeable

	montage encircling dining area tells the story of owner's family migration from eastern Europe	local food customs and their sources	a special apple harvest event to showcase local apple varieties, differences in their taste and uses	staff explain best wine or beer to accompany menu selections
Retail	Windows of candy shop allow people to watch truffle making and decorating	Labels provide phonetic spelling and nationality of pastries from around the world	Advertisement uses models of different body types to show best body/new fashion trend combinations	Antique gun shop owner teaches quick draw techniques
Rural Tourism	Landscaped area of a local winery allows visitors to taste different grape varieties used	Signage points out ecological features hikers see on a trail	Tourism brochure supplies historical information about sites followed by a quiz for children	T-shirt uniform worn by guide is printed with a map of the attractions on the tour

Table 3.

Examples of the 4Ps Contributing to Esthetic Experience

Esthetic Experience	Properties	Product Presentation	Promotional Applications	People
Accommodation/B&B	B&B gardens give guests a place to sit and enjoy	Fluffy down comforter adds to the appeal of a room	Color brochures capture the beauty of a B&B	Massage technique of masseuse helps guests unwind
Restaurant	Soft lighting	Rich	Advertisements	Chef creates

	sets a relaxing mood	descriptions on a menu add to the appeal of a dish	focus on the tempting dishes	unique dish to personal tastes of a customer
Retail	Entire store floor painted to look like a stain glass window adds to elegance	Free coffee helps the customer linger as they shop	Style show allows customers to see opulent products on elegant models	Good color sense of sales staff results in colorful ensemble options for the customer
Rural Tourism	Stone sculptures add to the beauty of an arboretum	Aroma of camp fire enhances pleasure of outdoors	Cards for business hosting fall tours use rich colors of fall leaves	Uniforms coordinated to bright colors of natural setting add appeal

Table 4.

Examples of the 4Ps Contributing to Entertainment Experience

Entertainment Experience	Properties	Product Presentation	Promotional Applications	People
Accommodation/B&B	Balconies allow guests to watch pool activity	Napkins on table are folded to look like animals	B&B newsletters contain guests' stories of travel adventures	Guests of a B&B lend lively conversation
Restaurant	Large fish in wall-sized tanks provide activity to watch	Menu uses tongue-twisting names for entrees	Restaurant hosts charity "cook off" event	Guests watch chef dramatically cook dessert tableside
Retail	Spinning store sign	Wrapping paper for a	Catalog provides funny testimonials	Friendly do-it-yourself

	mesmerizes customers	bookstore contains humorous quotes of famous writers	from product users	project demonstrator engages audience
Rural Tourism	Watching participants in a corn maze from a tower adds to entertainment	Display unit for trail maps looks like giant hiking boot	Advertisements for Mississippi river tours spoof river scenes from famous movies, such as "African Queen" and "Cape Fear"	Fishing guide tells humorous stories of past fishing adventures

Table 5.
Examples of the 4Ps Contributing to Escapist Experience

Escapist Experience	Properties	Product Presentation	Promotional Applications	People
Accommodation/B&B	Castle-like architecture for a gothic themed B&B	Victorian B&B uses antique lace table linens	Hotel advertisement emphasizes the sense of escaping to old world Europe	Staff of hacienda themed B&B greets guest in Spanish and wear Mexican garb
Restaurant	Family restaurant interior design to resemble farm kitchen	Pewter-like goblets used in renaissance-theme restaurant	Coffeehouse newsletter paper includes ground beans and their aroma	Staff of Italian restaurant emphasize proper Italian pronunciation of menu items
Retail	Bridal shop windows resembling	Antique guns are displayed with movie	Apple-scented business cards used by pick-	Antique gun shop owner exhibits quick

	church stained-glass	western film clips including the gun model	your-own apple farm	draw techniques when showing guns
Rural Tourism	Showboat-like ship used for a 'Huck Finn Travels' river cruise	Cajun music is played at bayou festival	State forest brochures emphasize solitude of wilderness campgrounds	19 th century costumes worn and vocabulary used by staff of a historic homestead

Consumer Experience Assessment Tool for Small Business Operators

Pine and Gilmore (1999) emphasized that a successful (4E) consumer experience entails a well-orchestrated whole with:

- Harmonized impressions capturing a theme,
- A theme expressed in all aspects of the business' offerings (e.g., store interior, music, and staff uniforms), and
- Elimination of negative cues that detract from the experience.

To create the well-orchestrated whole, the assessment tool (Appendix A) helps small business operators:

- Understand the 4E strategies,
- Examine the current status of consistency of theme and impressions created across a comprehensive list of business offering elements,
- Identify the presence of negative cues that may detract from the consumer experience, and
- Plan 4P elements of business offerings to implement new 4E strategies appropriate for the small business.

Concluding Remarks

Enriching consumer experiences of small rural businesses may help create distinct competitive advantages for operators and enrich the overall image and vitality of the community. The authors have implemented the assessment tool with a variety of rural retail and restaurant operations, but the tool could be equally helpful with hospitality and tourism operations to further add to the image and vitality of the community. Extension professionals may wish to partner with university faculty and students in service learning activities to facilitate assessment of the business and to provide a wealth of innovative ideas to help small rural businesses design consumer experiences.

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Appendix A.

Assessment Tool: Assessing Contributions to the Customer Experience

Experiences offered by the business add fun, pleasure, excitement, escape, personal fulfillment, and lasting memories for the customer. Successful businesses do not only sell goods and provide services; they also create positive, memorable experiences for their customers. Pine and Gilmore define four strategies (4Es) for creating these positive customer experiences that should be carried through all components of the business' offering: Educational, Esthetic, Entertainment, and Escapist Experiences.

The 4E Strategies

Educational Experience--Identify components of the following 4Ps that contribute to customers' enhanced knowledge, skill, and/or personal development.

Esthetic Experience--Identify components of the following 4Ps that contribute to a well-designed, unique physical setting in which a customer feels immersed.

Entertainment Experience--Identify components of the following 4Ps that contribute to engaging performances for the customer.

Escapist Experience--Identify components of the following 4Ps that contribute not just to a getaway, but to active participation in creating a sense of a different place or time.

Using the Tool to Assess and Enhance 4Es through the 4Ps

This Assessment Tool provides a table (Table 6) for business operators to systematically identify features within the 4Ps (Properties, Product Presentation, Promotional Applications, and People) that contribute to the special experience for the customer. Brief descriptions of the 4Ps are provided in parentheses in Table 6.

Tables 2-6 (include from the body of the article) provide examples of how the 4Es can be expressed through the 4Ps of Accommodation/B&B, Restaurant, Retail, and Rural Tourism operations. After reviewing Tables 2-6, the operator should use Table 6 to:

- Examine if one or more of the 4E strategies is already evident in the 4Ps that contribute to the business' offerings,
- Determine if a unified theme or impression is evident (e.g., gothic-theme getaway, family fun retreat),
- Determine if some features of the 4Ps may be detracting from the customer experience, and
- Plan how to enhance one or more of the 4Es through features of the 4Ps, building a unified theme or impression

Sometimes the operator is too close to the business to accurately assess the experiential nature of these 4P elements. Therefore, operators are encouraged to gather input from staff, customers, or vendors. In the table below, briefly describe how features of the 4Ps positively or negatively contribute to the 4E customer experiences. Place the description in the column under the corresponding type of experience. Enhance the experience by staying with a theme or general impression, building on the positives, and eliminating the negatives.

Table 6.

Experience Economy Strategy Assessment Table (This basic 4Es-4Ps table should be combined with the extensive list of 4P features below. The itemized features correspond to the respective 4P elements in the left-hand column.)

4Ps*	4Es: Experience Economy Strategies			
	Educational Experience	Esthetic Experience	Entertainment Experience	Escapist Experience
<p><u>1. Properties</u> (Semi-permanent elements of the physical business) Architecture Interior design Landscape design Exterior signage and name Delivery vehicles</p>				
<p><u>2. Product Presentation</u> (Easily changeable elements of the setting supporting goods and services) In-store signage Packaging Displays Presentation materials Ambient cues</p>				
<p><u>3. Promotional Applications</u> (Advertising and other tools supporting firm)</p>				

recognition) Advertising Sales outlets Support materials				
4. People (Social and appearance aspects of customer and staff interactions) Customer interaction opportunities Staff/customer interactions Physical appearance of staff				

* These are the itemized 4P features to be placed in the left-hand column in Table 6.			
<u>1. Properties</u>	<u>2. Product Presentation</u>	<u>3. Promotional Applications</u>	<u>4. People</u>
Architecture Windows Pillars Awnings Doors Stairs Floors Fireplaces Exterior walls Porches, balconies Roofing Other	In-store signage Point of Sale signage Windows Displays Shopping Cart or Basket Info Maps, directional signage Product or brand signage Bulletin Boards Posters Packaging Containers	Advertising Direct Mail ads TV/radio ads Newspaper ads Magazine ads Online ads Sales outlets Direct mail sales Catalogs Web sites	Customer interaction opportunities Sponsored community events Casual gatherings Games and contests Charitable community partnerships, events with schools, groups "In character" gatherings (e.g., costume parties, murder mystery role

Interior design

Window treatments
 Wall treatments
 Floor coverings
 Ceiling treatments
 Cabinetry
 Bars
 Furniture (e.g., chairs, tables, headboards)
 Seating arrangements
 Appliances
 Light fixtures
 Art work (e.g., sculpture, wall murals)
 Other

Landscape design

Outdoor areas (e.g., parks, gardens, fields, lakes)
 Walkways
 Fences and gates
 Decks
 Arbors
 Patios
 Outdoor seating
 Outdoor furnishings
 Outdoor sculpture
 Window boxes
 Plantings (flowers, bushes, ground cover, trees)
 Outdoor lighting
 Other

Exterior signage and name

Boxes
 Hang tags
 Labels
 Wrapping paper
 Enclosure cards
 Bag fillers
 Shopping bag
 Other

Displays (for retail and tourism)

Display units (e.g., cases, tables)
 Product assortment arrangement
 Fixtures
 Test products/samples
 Demonstrations; tasting events
 Point-of-purchase displays
 Props
 Mannequins
 Lighting of displays
 Other

Presentation materials (for accommodations and restaurants)

Tableware
 Table linens
 Candles
 Flowers/indoor plants
 Menus
 Bedding
 Towels
 Throw blankets

Support materials

Brochures, bag stuffers
 Business cards & Stationary
 Giveaways (e.g., pens, favors),
 Loyalty programs
 Newsletters
 Banners
 Guest Books
 Other

playing)
 Collectors Clubs
 Volunteer Opportunities
 Other

Staff/customer interactions

Product knowledge of staff
 Instructional ability of staff
 Interpersonal communication skills
 Warmth
 Humor/ story telling
 Motivational qualities
 Other

Physical appearance of staff

Themed appearance
 Neatness, grooming
 Clothing style
 Hairstyle
 Facial hair
 Jewelry and piercings
 Tattoos
 Other

<p>Building Signage and Logo</p> <p>Delivery vehicles Make and model Signage</p>	<p>Pillows</p> <p>Ambient cues Scents Foreground music Background music or sounds Other</p>		
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Note: Starting With Goods and Services: Cues for Building a Theme or Impression

Many times, businesses start out solely selling goods or offering services and want to add value by offering distinct customer experiences. The mix of goods and services offered by small firms can range from very focused to diverse. These goods and services may offer cues for the kind of theme or impression around which to build experiences. For instance, a goat farmer who makes Neufchâtel, a cheese originally from the town of the same name in the region of Normandy, France, may find it appropriate to build a Bed & Breakfast or retail store esthetic experience around a French provincial theme.

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