



## The incremental value of the experience-iNG

*This paper describes the incremental value that experiences offer to the customer and the incremental margin opportunities that they offer to the brand.*



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### Commodities to Experiences

There is a hierarchy of value for any product to both the customer and to the brand. The customer places a worth on the product or experience on the basis of their own value equation. This value equation also creates expectations of the product that can either be met, leading to satisfaction, exceeded which can lead to delight or fail to be met which can lead to dissatisfaction.

The brand's hierarchy of value is based on the returns generated by a given product or experience. These returns can be hard financial returns such as retained margin or can be softer benefits such as loyalty, referral or incremental sales.

In the majority of cases there is a positive correlation between a high customer value and a high brand return.



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Taking the example of strength training over a period of a year, there are a number of potential routes that create a perceived hierarchy of value for the customer, the customer could:

- buy a few logs or a bag of sand and lift them regularly Cost £5
- buy some free weights and lift them regularly Cost £50
- buy a weights class twice a week Cost £500
- buy an annual membership to a weights gym Cost £2500



***As a product offering becomes more complex  
and more tailored to the customer requirements  
it gains value.***



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In essence the customer is moving from buying a commodity that is totally untailored, to a product which is designed with a specific purpose in mind, to a service that is tailored to a group of like minded individuals, to an experience with a facility and staff that are tailored to deliver a specific programme to the individual.

The result at the end of the year could be the same in all cases, but the perceived value to the customer increases up the hierarchy because the expectation for success probably increases and additional peripheral advantages are perceived. The opportunity for a brand return also increases as the hierarchy is climbed.

### **incremental value**



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### Maximising your brand -iNG

Some brands consciously or subconsciously have adapted their offerings to capitalise on this hierarchy.

IBM, for example, over time have moved from selling a product (a big mainframe computer) to selling the computer and offering a service for free, to now selling a service and providing the computer for free, focusing more on the value of the solution than the margin in the product.

Starbucks maximise the value of a coffee bean, selling a commodity that is worth pence for pounds, by creating an experience, in which they stop selling coffee and in essence start selling relaxation time.

Disney have moved from selling animated cartoon films to deliver the Disney experience at DisneyWorld. Again moving from selling a product to selling time, on this occasion selling time with the children.



*By understanding a brands inherent strengths and attraction,  
the brand –iNG can open up new markets  
with previously un-thought-of attractiveness and benefits.*