

# THE 'EXPERIENCE ECONOMY'

# Riding a rising tide

How Millennial purchasing power is driving the progression of economic value in a digital age.



Produced by the Big Red Group





One of the enemies of happiness is adaptation... We buy things to make us happy, and we succeed. But only for a while. New things are exciting to us at first, but then we adapt to them. Our experiences are a bigger part of ourselves than our material goods. You can really like your material stuff. You can even think that part of your identity is connected to those things, but nonetheless they remain separate from you. In contrast, your experiences really are part of you. We are the sum total of our experiences.



*Thomas Gilovich*

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# Foreword

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More people are doing more experiences than at any other time in history. Experiences as a sector of the economy is talked about in the media and researched extensively, as you will see throughout this paper. Our world is changing, and where people choose to spend their time, money and energy is shifting.

There is a natural progression to everything; economies are no exception. From agrarian to industrial, service to experiential - the global economy is changing. Focus has shifted from delivering goods and services, into the space of creating and staging experiences that elevate the customer experience beyond a mere transaction, and into the realm of true value exchange between consumers and businesses. Similarly, for business, cash bonuses and branded stress balls simply don't create a community or culture. It is connection that creates engagement and engenders trust, with both customers and employees.

This shift to experiences is being driven by a number of macro factors: The continued growth of online retail; an increase in Millennial purchasing power and Baby Boomer expenditure on travel and experiences; consumer expectations of personalisation and engagement; the further proliferation of technology, including a continued shift from desktop to mobile ecommerce; alongside the ever-growing trend to shareable social content. There are also a number of large global players who are educating consumers about the power of experiences, which is creating a halo effect - not only on the 'things to do industry', but as a thread impacting the very nature of how retailers operate and engage with consumers. How does Nike bring its brand to life? 'Just do it'. Not, 'Just buy it'.

So the growth of the 'experience economy' urges me to reflect on the inherent value of *doing* something over *owning* something. The former being far more valuable. I think of the moment an experience creates - the memory, the emotional connection. No one recalls with a thrill the parking, the queue or the soggy burger they ate in the rain at Disneyland. But they do remember the parades, the music, the smells, the sights; that moment on top of the rollercoaster when everyone was wide-eyed and smiling. All five senses firing, and a synapse snaps - like a camera - creating a memory.



Experiences create connections and bonds like nothing else. And that is what the 'experience economy' trades - it's the currency of human connection.



**DAVID ANDERSON**  
CHIEF EXECUTIVE OFFICER  
CO-FOUNDER, BIG RED GROUP

# Executive summary

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This paper was prepared off the back of research commissioned by the Big Red Group in 2018<sup>2</sup>. The research was conducted to establish the depth and opportunity surrounding the rise of the experience economy in the Australian market - the findings backed by numerous third party insights and studies. Between September 2017 and September 2018 there were more than two billion experience-related online searches conducted in Australia. That represents 83 searches for every single Australian<sup>3</sup> - people searching for activities, 'things to do', and travel-related experiences.

The progression of economic value dubbed the 'experience economy', predicted by experts Joseph Pine and James Gilmore in the late 1990s, has well and truly come to fruition. Further to this, a number of key themes emerged when interrogating the data, all of which have significant implications for the way businesses and brands engage with customers. Each of these themes will be explored in detail including demographic trends, the role of social media, the notion of brand loyalty, and even the way fintech developments and AI are shifting the expectations of the modern consumer.

This whitepaper will go into detail exploring specifically the impact of Millennials, the world's largest generation, entering their prime spending years - with a strong and primary desire to 'do' instead of 'own'. Experiences have become the new competitive battleground of retail, and Millennial buying power in this new environment is creating a perfect commercial storm for those businesses savvy enough to take advantage.

# What is the Experience Economy?

'Experience Economy' was a term first coined by Joseph Pine and James Gilmore 20 years ago<sup>4</sup>. This is not a new concept, and their work is even more relevant today than it was two decades ago. In the first iteration of the work, Pine and Gilmore accurately prophesied, "Leading-edge companies will find that the next competitive battleground lies in staging experiences".

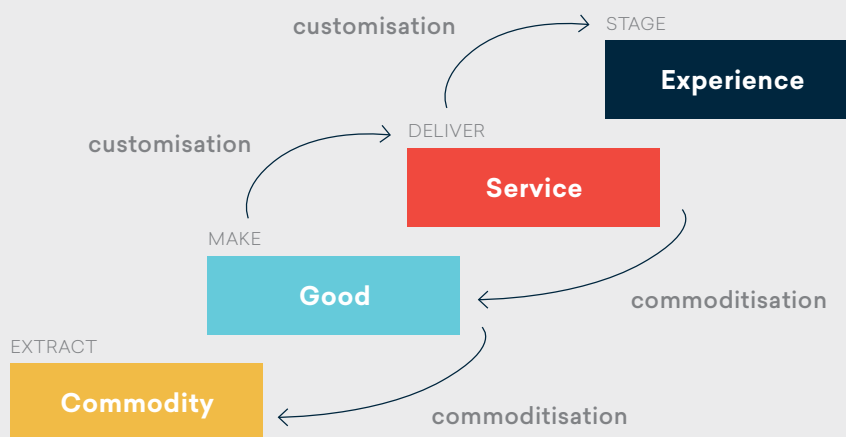


Economists have typically lumped experiences in with services, but experiences are a distinct economic offering, as different from services as services are from goods. Today we can identify and describe this fourth economic offering because consumers unquestionably desire experiences, and more and more businesses are responding by explicitly designing and promoting them. As services, like goods before them, increasingly become commoditized[sic]... experiences have emerged as the next step in what we call the progression of economic value.



*Joseph Pine and James Gilmore*

Pine and Gilmore use the crude example of coffee consumption<sup>5</sup> to illustrate the point powerfully. As a commoditised item, coffee costs around one or two cents a cup. When it's processed, packaged and delivered to a wholesaler or retailer it goes up to the 50 cent mark. Buy it from your local 7/11 or service station and it'll set you back one dollar on average. But purchase that daily cup from your local barista and you're likely to be out of pocket to the tune of around four dollars. That's because you're no longer paying for the commodity or the goods; you're paying for the experience. Taking it a step further than even perhaps Pine and Gilmore could have predicted, we now we have Hollywood superstars like George Clooney and Jack Black serving up a whole new brand of coffee experience<sup>6</sup>, via brand associations like that with Nespresso.



Source: Pine and Gilmore

# Is this relevant in Australia?

According to the Reserve Bank of Australia,<sup>7</sup> “Over the past 50 years, the sectoral composition of the Australian economy has shifted away from goods and towards services. The share of services has risen in consumption, production, employment and exports. This shift towards services is a common feature of economic development; as economies become wealthier and incomes rise, consumers typically spend a greater share of their income on services compared to goods.” The Australian economy is in fact now totally dominated by its service sector, comprising 61.1 percent of GDP and employing 79.2 percent of the labour force (as of 2016).<sup>8</sup> And experiences sit firmly within this category.

This trend is real, and the Australian appetite for experiences actually outranks that in the US. The groundswell for experiences is further amplified by Australia’s economic maturity and status as the second-wealthiest nation globally when it comes to wealth per adult. The Organisation for Economic Co-operation and Development (OECD) places the average disposable income per person in Australia at \$USD33,417 a year.<sup>9</sup> This is more than the OECD average of \$USD30,563. Higher than average disposable incomes and an economy poised for further growth in the services (and experiences) sector creates a perfect commercial storm for those businesses savvy enough to take advantage.

Between September 2017 and September 2018 there were more than two billion experience-related online searches conducted in Australia<sup>10</sup>. That represents 83 searches for every single Australian - people searching for activities, ‘things to do’, and travel-related experiences. Over the same period, the total in the United States was almost 20 billion - representing 61 searches for every American.

## Australia



## USA



Experience-related search volume, Sept 2017 - Sept 2018

Source: Hitwise, 2018





STRAP IN

# Millennials take the driver's seat

Driving this new economy is one of the largest generations ever entering its prime spending years. According to Macquarie strategists, “Millennials are the most powerful consumer cohort in history”.<sup>11</sup> As they continue to age and progress in their careers, they will likely amass wealth and even greater buying power. And yet Millennials - for all their perceived or real shortcomings when it comes to planning, saving and preparing for the future - are the first generation ever to truly value access over ownership. Born between 1980 and 2000, Millennials have lived through a period of rapid technological and economic change, which is informing what they value, and in turn, how they choose to spend.

## BRG says

**DAVID ANDERSON**  
CEO, CO-FOUNDER, BIG RED GROUP



“ When I think about the experience economy I think about the concept of doing something as opposed to owning something. And in those moments of doing something together, what does that mean and how is it changing the world today? It's those collective moments, the experiences, that connects us to our families, friends and peers. When I was in my 20s I bought a new car - it was my pride and joy. But then I wanted a slightly better car and a slightly bigger car and a slightly faster car. And every time you buy those kind of assets, once the immediate dopamine hit wears off, you start looking for the next thing. And that's just not the case with experiences. Take for instance the Baby Boomers - they're the richest generation ever, and now they're looking to experience life. They don't care about the stuff anymore; they want to go and do something. And the Millennials similarly don't care about material stuff, the sharing economy is alive and well. These generational bookends are fundamentally reshaping the economy as we know it.



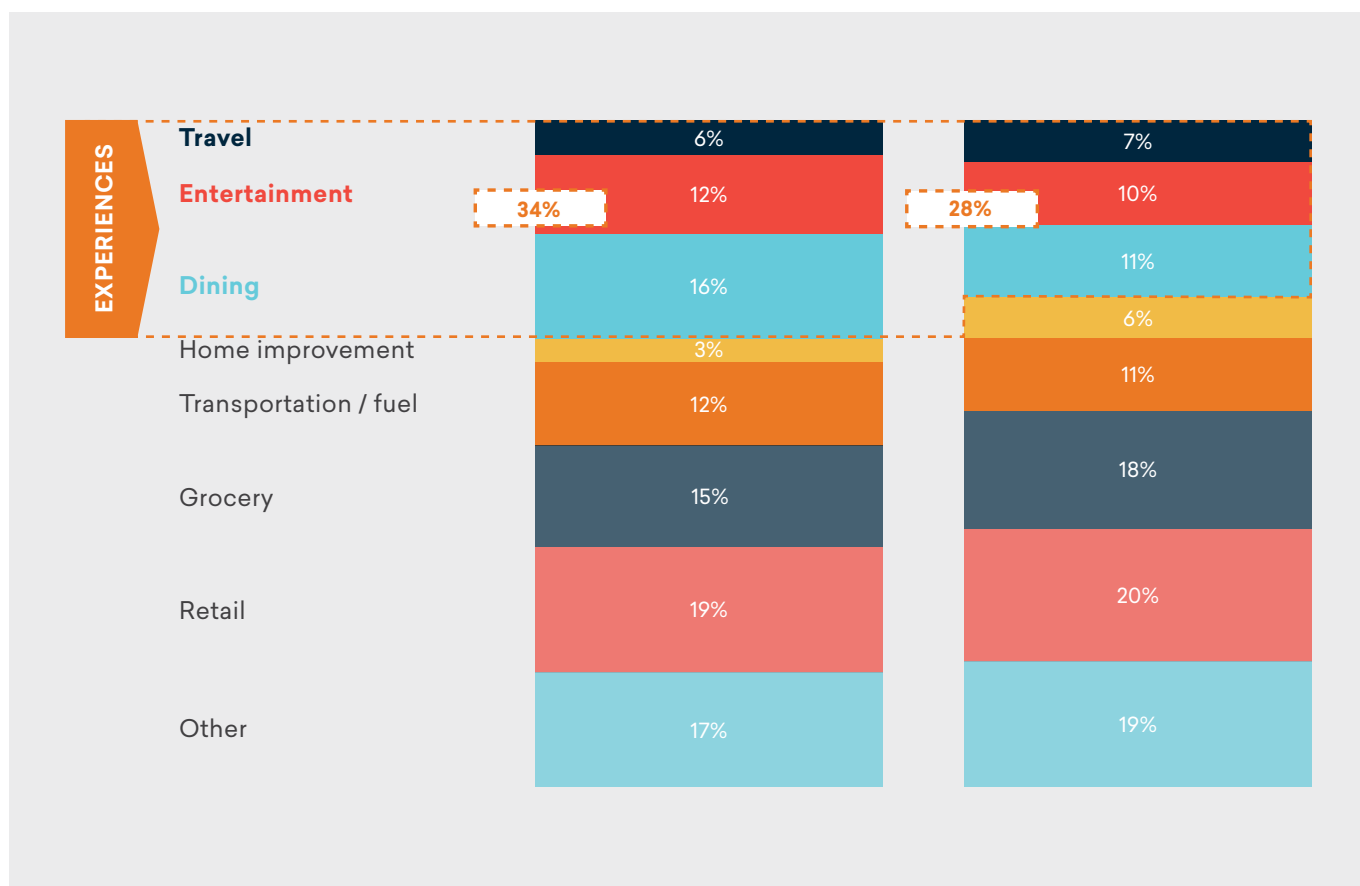


According to the Australian Financial Review, “Millennials are driving the idea of ‘peak stuff’, with 78 percent preferring to spend money on a desirable experience, education or a ‘shared’ good rather than a material possession.<sup>12</sup> Doing something different and searching for unique, often personalised experiences. Buying a car or a television...are some of the lowest priorities for Millennial consumers... [creating] casualties of the sharing economy and declining home ownership. For the physical goods that Millennials do buy [it’s online], as digital shopping swells to 17.5 percent of retail spending by 2030.”<sup>13</sup>

**78%**  
**of Millennials**  
 PREFER TO SPEND MONEY  
 ON A DESIRABLE EXPERIENCE,  
 NOT “STUFF”

As this generation increases its buying power, the economy will continue to see a rising tide when it comes to demand for experiences. Reflecting what’s happening domestically, in the US this generation of digital natives are putting off major purchases - like buying homes and cars - opting instead to share or rent (or live at home with their parents) and delay major commitments like marriage and having children. Choosing instead to travel and build a ‘wealth’ of meaningful experiences.<sup>14</sup>

## Category spending by generation



## AGE IS JUST A NUMBER

# Demand for experience spans the generations

Millennials may be a key driving force behind the experience economy with greater spending longevity than their Generation X and Baby Boomer counterparts - however a recent McKinsey consumer survey<sup>15</sup> confirmed a shift in spending from goods to experiences across all demographics. The survey found 6.3 percent growth in personal expenditure on experience-related services versus a mere 1.7 percent growth in the purchase of goods (2014-2016). And while this macro economic trend is mainly due to the Millennial influence - with the younger generation outspending Generation X and Baby Boomers by 62 percent and 22 percent respectively in the experience-related service category - Baby Boomer expenditure on travel and experiences is also on the up.<sup>16</sup>

Australia is no exception. As the Baby Boomers pass the baton of largest generation to the Millennials, those born between 1946 and 1964 are likely to spend a large portion of money that may well have been earmarked as 'Millennial inheritance', on experiences. According to a study quoted in the Sydney Morning Herald, "Almost one-fifth of baby boomers dip into their kids' inheritance to go on holidays".<sup>17</sup>

These generational bookends are driving the experience economy and represent real opportunity for discerning brands and businesses. In addition, with global online travel agents (OTAs) becoming more and more pervasive, this industry halo effect means consumers of all demographics are more educated than ever when it comes to choosing experiences over 'stuff'.

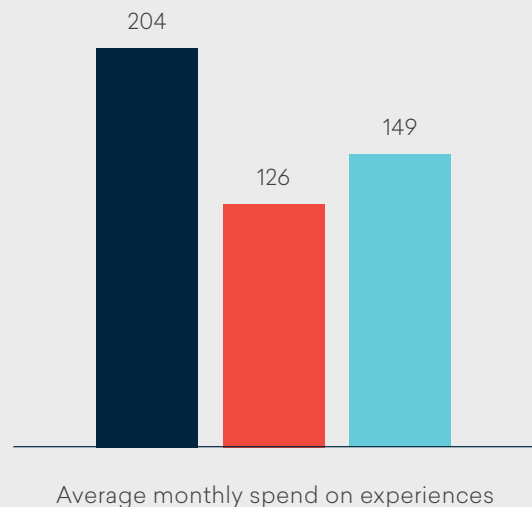
## Millennials spend more than Gen Xers and Boomers on experiences

### Spending on experiences,<sup>1</sup> \$ reported in average month

<sup>1</sup> Respondents were asked "Approximately how much do you spend in an average month on the following types of purchases or expenses? (Enter amount to the nearest dollar)." Results are mean \$, including responses of those who spent nothing.

Source: McKinsey Millennial Survey, May 2017

- Millennials
- Generation X
- Baby Boomers



## 'NO'WNERSHIP

# How the 'sharing economy' supports the 'experience economy'

With Millennials in particular spending less on major items - and instead opting for collaborative consumption - they have greater financial freedom and more disposable income to spend on experiences. And with the simultaneous rise of the 'sharing economy', this delivers discerning consumers viable alternatives to owning and buying. When considering the example of vehicle ownership, there are the likes of Go Get, Car Next Door and 'gig economy' players that are also having an impact on reducing the need to own by providing affordable and on-demand access to services.

According to Blake Morgan, customer experience futurist, author and keynote speaker, in her article *NOwnership, No Problem: Why Millennials Value Experiences Over Owning Things*,<sup>18</sup> being a 'NOwner' looks attractive to many consumers who don't want to suffer like their parents and grandparents did and still do.

And while Australia was sheltered from much of the fallout of the GFC, the repercussions have still had an impact.

To quote Cassidy Holland in her piece *The experience economy and the future of buying*,<sup>19</sup> "The sharing economy... describes the use of underutilised assets as 'idling capacity'. When the functional items in one's life don't need to be purchased, consumers can spend their money elsewhere - like on their next holiday, or eating out at their favorite[sic] restaurant. Collaborative consumption is easing pressure to buy previously essential items and social media enables us to show off experiences, making memories more tangible and valuable than things."

Morgan observes that after the Global Financial Crisis hit the US in 2008:

“ Many people lost their life savings. Many people were kicked out of their houses. Today you still see too many older people working as cashiers because they just can't afford to retire. How devastating. You work your whole life and in a minute the world crashes around you; your savings destroyed. Millennials like me were watching. We haven't forgotten. ”



## BRAGGING RIGHTS AND FOMO

# Experiences as social currency

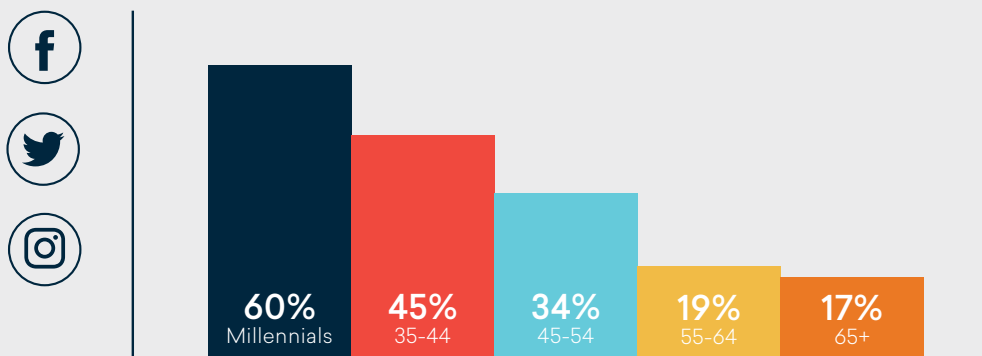
Experiences inspire stories by their very nature, however in many ways it's the 'bragging rights' and ability to share that story where many derive the greatest pleasure. Social currency is amassed according to likes, shares and comments against tweets, grams and snapchats. It's not enough anymore to simply *have* the experience; the experience must be shared to be considered 'real'. And this expectation of sharing is a huge factor driving the experience economy further. According to a recent study by Eventbrite, *Millennials: Fuelling the experience economy*,<sup>17</sup> a staggering 69 percent of this generation suffers from a fear of missing out, known colloquially as FOMO. And this fear is fed by social networks and algorithms that demand more and more content and increased engagement for an individual's profile to stay relevant.

To reference McKinsey,<sup>21</sup> "Social media also appears to have helped accelerate the growing demand for experiences. Facebook and Instagram likes and creative snaps are now the ultimate social currency for millions... and the quest for likes requires a constant stream of new shareable content in the form of stories and pictures. Experiences play into this thirst for content because they are more likely to lead to such stories and pictures than the purchase of a new product would. Even experiences that don't turn out as expected— say, a long flight delay or rainy football game—eventually turn into shareable stories."

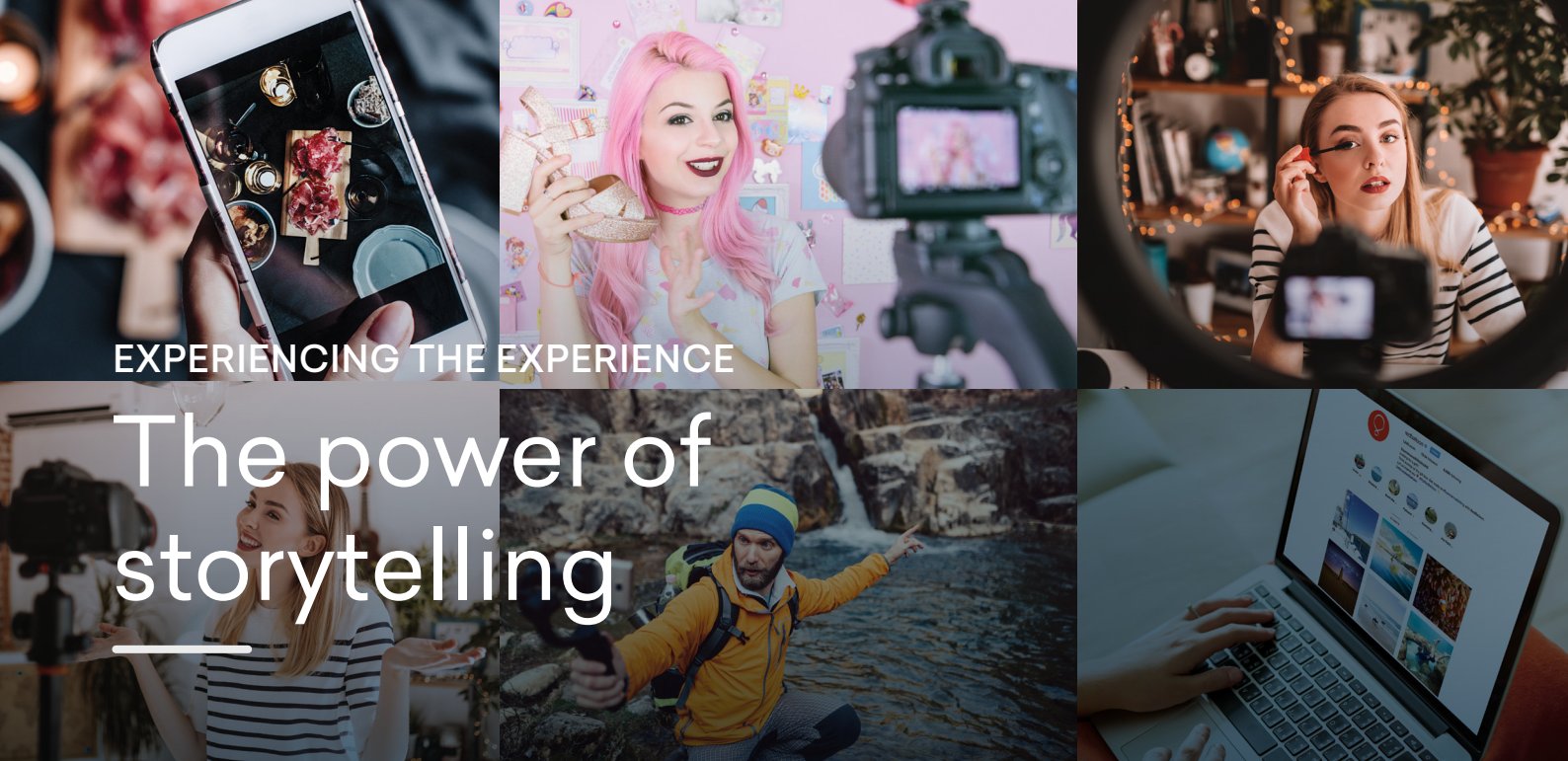
But again, as with demographic spending trends driving the experience economy, social media is not a phenomenon unique to Millennials. In fact, 82.3 percent of Baby Boomers belong to at least one social media site and they are 19 percent more likely to share content compared to any other generation.<sup>22</sup>

## Experiences are better when shared on social media

People who have posted, tweeted or shared about their events and experiences in the past year.



Source: Eventbrite - Harris survey of 2,000+ U.S. consumers. July 2014



EXPERIENCING THE EXPERIENCE

# The power of storytelling

Storytelling is an age-old form of communication and influence. Stories have been used historically to pass down teachings, folklore and cultural norms and traditions - both written and orally. In many tribes and cultures around the world, important events and milestones are centred around the tradition of storytelling. And while the means may have changed - from oral storytelling; characters etched in stone and carved onto cave walls, to digital platforms like Facebook, YouTube and Instagram - the behaviours and principles that make stories so powerful have remained intact for centuries. In fact, the world's oldest story is claimed to be more than 4000 years old.<sup>23</sup>

Stories create connection - in the case of experiences, the story is sometimes even more powerful than the event itself. The event becomes heightened and amplified by the addition of photos, video and commentary - by the involvement of more people (spectators) offering their insights and 'comments' and sharing the narrative even further. It's no coincidence that the best leaders, authors and teachers are all fluent in the art of storytelling.<sup>24</sup> Stories have a way of cementing events in the mind.

Think about the explosion in popularity of TED Talks. This is but one example of the power of effective storytelling; sharing insights and expertise on topics covering everything from vulnerability to the death of creativity. The one thing connecting all of these talks is the art of storytelling. Yet the members of the audience watching the events live pale in comparison to the many thousands - and sometimes millions - who engage with the 'story of the story', after the event. By sharing the content across digital channels the impact and reach snowballs beyond the initial experience, reaching more and more people,

who add more and more commentary and richness to the original experience.

But with the proliferation of social sharing and storytelling reaching fever pitch, is this thirst for experiences feeding our irrational desire to keep up with the Joneses? In a world where 'if you didn't post about it, how do we know it happened?' is the experience economy contributing to feelings of inadequacy and the desire to compete and compare as many do when it comes to the latest phone, car or home? Apparently not. Because experiences are inherently social and individual occurrences, the notion of having to 'keep up' doesn't quite apply in the same way it does to material possessions. According to the research paper *We'll Always Have Paris: The Hedonic Payoff from Experiential and Material Investments*,<sup>25</sup> because experiences are viewed as intrinsically unique to the individual, they are simply impossible to compare. And when it comes to storytelling, a story about a recent holiday will garner a lot more engagement than showing a friend photos of your new kitchen table; and that is down to the subject matter being far more compelling.

“ Stories are a communal currency of humanity. ”  
Tahir Shah



HAVE NOW, PAY LATER

# Fintech developments fuelling the experience economy

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Millennials, more so than any other generation, are often accused of harbouring the desire for constant and instant gratification. They want it now - whatever *it* is. Millennials have grown up in an economy where it is more possible than ever to acquire goods and services instantly. Unlike the generations before them who had to scrimp and save for that new item or holiday, this group has open access to financial resources like Afterpay that allow consumers to purchase on a 'have now, pay later' basis.

Fintech developments such as this allow consumers immediate access to a wealth of experiences that would have previously taken months or years to save for - or been thrown on a credit card, only a few short years ago. According to a recent piece in the Australian Financial Review,<sup>26</sup> "In less than three years, Afterpay has attracted 1.5 million consumers, and 12,000 retailers. Annualised sales are \$2 billion, and growing... A whopping 25 percent of all online retail apparel transaction volumes in Australia - and 8 percent of all online retail - is being paid for using the platform." Consumers can now purchase everything from skydives to overseas holidays in this manner. But what does this mean economically?

Former Australian treasurer Peter Costello recently claimed most Australians will be dead before our national debt is paid off.<sup>27</sup> Add to this the fact that Australia has one of the highest levels of personal debt in the world,<sup>28</sup> and it paints an intriguing picture. Yet despite all of this, the demand for rich experiences, incredible travel stories and social media bragging rights continues. Consumers are showing no sign of slowing in their 'investment' in experiences, and as illustrated earlier on, many are forgoing large traditional purchases like homes and cars - especially in the current environment where banks have tightened up on lending criteria<sup>29</sup> - in order to finance this desire for creating moments.



IN LESS THAN THREE YEARS  
AFTERPAY HAS ATTRACTED

**1.5 million  
consumers**

AND

**12,000  
retailers**

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...the demand for  
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## MONEY-CAN'T-BUY EXPERIENCES


# But it can buy loyalty

Experiences have been considered to be the fourth rung of the economic ladder for some time. But how does this impact business on an operational level? Not every business can be an experience provider, selling activities, tickets and things to do. The point Pine and Gilmore were making two decades ago is that all businesses must leverage this appetite for, rich experiences by creating 'moments' for customers.

Loyalty, for instance, is a fiercely fought battleground, and it rests on the shaky precipice of building emotional connection with customers. In an environment where attention is the new currency, creating an emotional connection to a brand is challenging. Points programs are on the slide when it comes to inspiring loyalty,<sup>30</sup> and instead brands are increasingly turning to 'money-can't-buy' experiences to gain attention and encourage loyalty from their customers.<sup>31</sup> In fact, a 2017 study by Capgemini<sup>32</sup> found that, "Building more meaningful,

deep-rooted loyalty means thinking less about points and rewards and more about driving deep emotional engagement. Leading organizations[sic] seek to create loyalty through propositions that are more holistic and rooted in experiences."

It is again Millennials driving the loyalty stakes higher. Some 80 percent of Millennials participate in loyalty and rewards programs,<sup>33</sup> however they are highly selective. According to Kelli Haemmelmann in her piece *What it really takes to earn Millennial loyalty*,<sup>34</sup> they may be the most "brand-loyal generation... and what they want from brands is clear—they want loyalty programs that transcend the transaction, genuine experiences, customer engagement and convenience".



In the past, loyalty programs centered around money. Almost universally, the more you spent, the more your loyalty stock rose in the eyes of brands. However, when it comes to courting Millennials nowadays, brands must reconsider the tried-and-true discount and rewards program. Millennials approach shopping and spending much differently than their parents and grandparents, in fact, almost two-thirds of consumers aged 18-29 don't even own a credit card. To attract Millennial shoppers, brands must think in terms of experience, not discounts...

By focusing on the experience, brands can help shoppers feel as if they're a part of something bigger than just a loyalty program, thus building an emotional relationship with the consumer, which is key for Millennials...

In turn, the customers feel valued because they know that their opinions and preferences are heard.

*Kelli Haemmelmann*

According to Johannes Mettler, Partner at Munich customer loyalty agency Goldmarie and Friends, money-can't-buy experiences are replacing stock standard rewards and discounts.<sup>35</sup> Harking back to the notion of experiences creating social currency, the power of experiences when it comes to loyalty rests in the moments they create. The 'I was there', 'I saw it', 'Been there, done that, got the t-shirt' bragging rights are key to inspiring customer loyalty. But what do these experiences look like? It might be limited VIP seats at a special event; backstage passes to a concert; a meet and greet with a celebrity or well-known personality. The key, is ensuring relevance - both to the brand and the customer in question.

Put simply, brands must look to elevate the customer, product and brand experience each time a person interacts with them. Think staged brand experiences along the lines of the 'design your own KIT KAT' concept store;<sup>36</sup> true 'money-can't buy' VIP customer experiences that inspire loyalty; or simply providing a seamless and personalised interaction at the point of transaction - be it virtual or face-to-face. Experiences create value in the minds of customers, and those brands that go to market with this mentality will be in a better position to win the hearts, minds and loyalty of customers.

## BRG says

**NAOMI SIMSON**  
CO-FOUNDER, BIG RED GROUP



We are operating in the experience economy, where customers not only expect a great product or service, but a world-class interaction with your brand to boot. But more than that, we're begging, borrowing and stealing time from our customers – away from the thousands of things vying for their attention on a daily basis. So how do we make it worth their while to look and pay attention to us?

In an environment where attention is the new currency, creating an emotional connection to your brand is paramount not only to success, but mere survival.

Emotional connection in a loving relationship is described as follows: 'When you are emotionally connected as a couple, you build a foundation of strength, trust, and respect'. And while we're not expecting customers to vow their loyalty to us until 'death do we part', as brands we must create this experience of trust so that customers feel their exchange of time with us is worthwhile.



## EXPERIENCES AT WORK

# The bottom line of employee connection

The experience economy impacts more than just the way *consumers* interact with brands. The way employees experience a brand - or life at work - also has a direct link to commercial outcomes inside a business: Be that reduced turnover, increased employee engagement, client acquisition and retention, or an enhanced customer experience. This part of the puzzle completes the cycle as company culture has a direct link to the customer experience.

'Employee experience' is a term bandied around frequently. It is the product of the culture, the technology and resources, remuneration, colleagues and the whole environment an employee is exposed to while at work. And it's powerful. According to Accenture, employers who invest in a great employee experience outperform others by 122 percent on key success metrics.<sup>37</sup> And it flows to customers, with a great employee experience credited with directly impacting the bottom line. In fact one study from IBM showed that companies ranked in the top 25 percent on employee engagement reported nearly three times the return on assets and double the return on sales compared to organisations in the bottom quartile.<sup>38</sup>

This creates a real competitive advantage for those businesses investing in employee engagement. They not only save on recruitment costs by retaining their top performers, but the flow on effect of delivering a great customer experience amplifies this advantage.

According to Colleen Reilly in Forbes, "Decades of economic evolution are leading us to realize[sic] that experiences that are personal and memorable can help us acquire and retain clients and customers as well as recruit and retain top talent".<sup>39</sup>



An Agrarian economy is where we started. We harvested, extracted and pulled things out of the earth and sold them solely based on price and they were a commodity.

This went on for nearly a millennia until the industrial revolution. We then took these commodities and manufactured, packaged and processed them into goods to get a higher price. Unfortunately, goods have now been commoditized[sic] and decisions are once again based on price, price, price. Continuing to innovate and adapt, we started to deliver services with the goods and we were then able to differentiate – and command an even higher price. With the internet boom over 20 years ago, even service-based industries have commoditized[sic]... In response, we have now evolved into the Experience Economy.



*Colleen Reilly*



## Millennials in the workplace

As with the rest of this paper, there is a solid theme that emerges when looking at generations in the workplace and how they wish to experience their time in the nine-to-five world. By 2025 Millennials will make up 75 percent of the global workforce,<sup>40</sup> and they are already dictating what makes a successful employee experience. After all, they're the ones filling the lion's share of the jobs. And according to Forbes,<sup>41</sup> "Millennials want experiences. They see opportunities everywhere and they want optionality—the ability to move in a variety of directions and pursue different learning opportunities." A recent US study<sup>42</sup> reaffirms this, finding that Millennials are willing to prioritise a better experience at work over a higher salary bracket. They will, as a whole, prioritise a meaningful career over greater financial security.

However, according to Ashley Goldsmith, Chief People Officer at Workday,<sup>43</sup> "It's not only Millennials who want optionality. We're seeing this across all generations of employees. People are happier and more productive, regardless of age, when they are provided with more engaging work experiences". Big Red Group business Redii.com sees this trend on a daily basis. They provide reward and recognition platforms to clients to help support and deliver employee engagement programs - and experiences form a central part of this offering. Clients recognise the impact that shared experiences have on developing connection, trust and productivity in the workplace, and thereby opt to reward their people with 'things to do' instead of cash bonuses or material goods. And the results speak for themselves with Redii.com claiming companies with recognition programs that improve employee engagement have 31 percent lower voluntary turnover.<sup>44</sup>

BY 2025 MILLENNIALS WILL MAKE UP  
**75% of the global  
workforce**

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## AI AND BEYOND

# Technology will open up new audiences and markets

Staging real-time experiences, enabled by technology, will be key for brands to compete in this new economic environment, dominated by Millennial digital natives. Everything from voice search to blockchain will enable experiences to take centre stage. And AI marketing technology, fuelled by rich customer data, will enable brands to create powerful customer experiences at every stage of the purchase journey.

In the same way online aggregators were able to disrupt the travel industry, technology - and the way customers interact with it - will dictate the new rules of engagement for brands competing for the ever-slippery prize of customer attention.

Take for example the online travel industry. For Australian customers and businesses, all online hotel aggregators are now owned by international players. Even Australian-owned Wotif was acquired by Expedia in 2014.<sup>45</sup> Australian owned businesses are few and far between in the travel and experiences industry, and they therefore struggle to compete with the big global players. Only five years ago the Australian travel market was dominated by individual suppliers, with 82 percent of online bookings made direct.<sup>46</sup> At the time it was predicted online travel agencies (OTAs) would outpace supplier websites by 2015.<sup>47</sup> This has more than come to fruition, with Expedia and Booking Holdings (formerly the Priceline Group) a virtual duopoly, with their stable of brands controlling around 80 percent of the online travel agency market right here in Australia today. These businesses are US-based, meaning money that once stayed in the country is now going offshore. According to the Accommodation Association of Australia, "Based on [OTAs] commanding roughly \$5 billion p.a. in gross spending here, at an average 15 percent commission, that's \$750 million. The vast bulk of which is funnelled overseas so it doesn't register as Australian income."<sup>48</sup> This is one example of how quickly changes in technology and customer demand for a better purchase experience can drive huge industry change.



# 70% of Millennials

HAVE CONSULTED  
SOCIAL MEDIA OR ONLINE REVIEWS  
WHILE SHOPPING IN A STORE



AI marketing technology, as another example, has the ability to facilitate meaningful experiences every time a customer interacts with a brand - regardless of where they are, the device they're on or what job they are hiring the business to do. And again, it is Millennials driving this charge. As digital natives, technology touches every element of the Millennial reality, even when it comes to shopping in bricks and mortar retailers. Millennials like to go out shopping, but they're also the first generation to truly merge the online with the bricks and mortar experience. According to HRCs Retail Advisory Study 2017,<sup>49</sup> 70 percent of Millennials have consulted social media or online reviews while shopping in a store, while 41 percent said they had bought a product online on a smartphone after examining that product in the flesh, in-store: a phenomenon known as "showrooming".<sup>50</sup>

Brett Raven of the Big Red Group, says it won't be long before this (virtual) reality is taken even further. Raven urges retailers to imagine a future where brands will be able to truly and seamlessly blend their online to bricks and mortar experience.

## BRG says

**BRETT RAVEN**  
CHIEF INFORMATION OFFICER,  
BIG RED GROUP



Imagine this reality for a moment. You go online to a shop, add a few things to your cart or wishlist and a few days later you walk into that retailer's store.

The store 'recognises' you when you walk in - this could trigger a few things to happen. The shop assistant greets you by name and offers to find the things you had in your cart to try on. They show you suggested other items - something that matches your chosen outfit, things other people also purchased, something to complete the look. This scenario could come to life via a shop assistant, or imagine having smart hangers that can send out a beacon to your phone, or a prompt in the store like a specific coloured light to show you all of the things that match your outfit. You could see instantaneously a number of hangers glowing with the same coloured light, prompting you to pick it up and try it on.

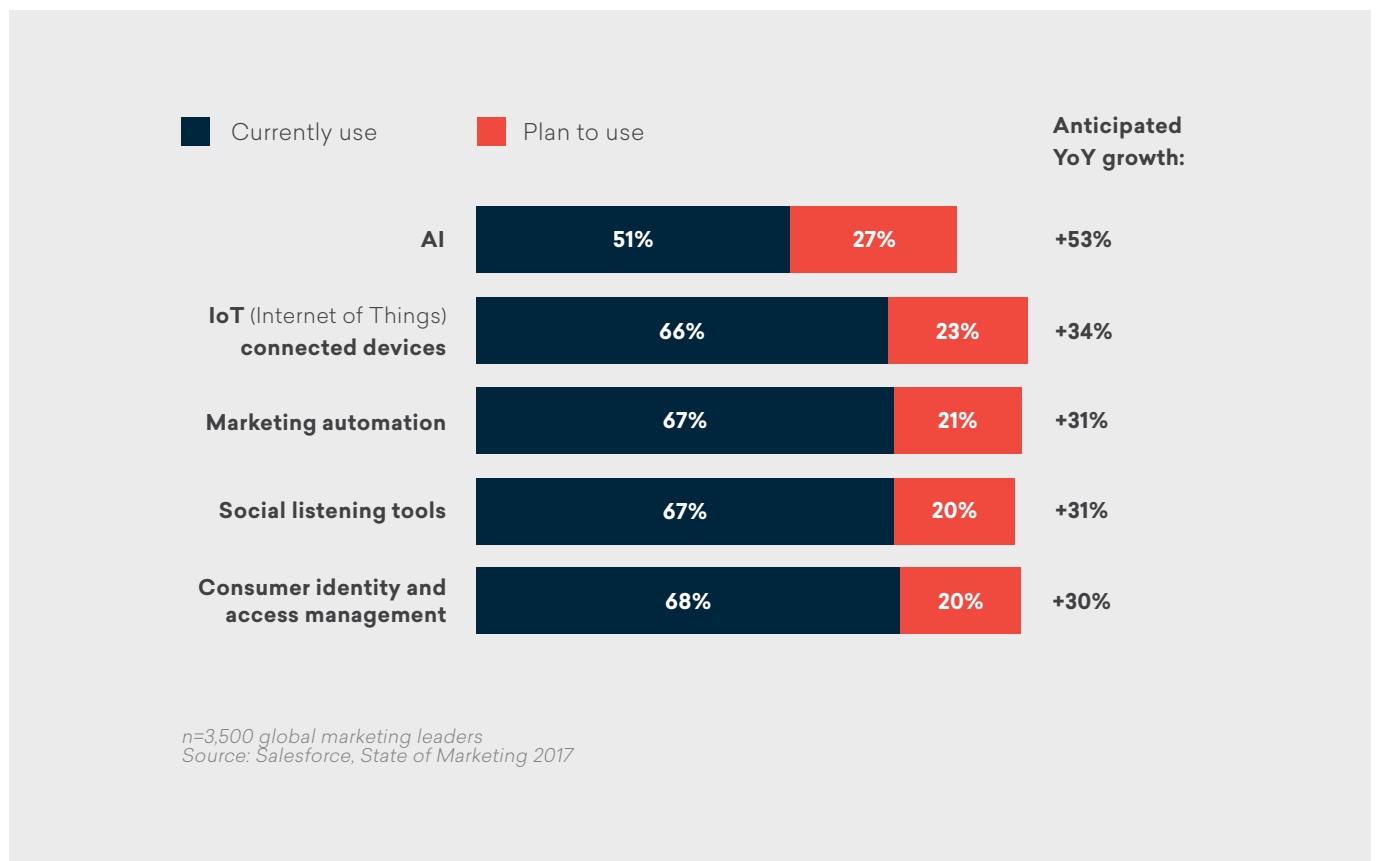
This would then automatically update your online shopping cart by removing the items you purchased in-store. The system would keep your sizes on hand to help with future suggestions, and would aid delivery by reducing the number of returns. You could also enjoy completely personalised promotions running on screens in the store, tailored specifically to you.



And this reality is not too far away. Already the likes of Albert and Einstein are revolutionising digital marketing and user experience in the online space. And the technology is moving ahead in leaps and bounds. According to a recent Albert whitepaper, *AI and the Customer Experience*,<sup>51</sup> “As technology advances, [the customer] journey is coming to span across hundreds of additional destinations, making it far harder to analyze[sic]. Consumers are engaging with brands across more channels, devices, and social media platforms than ever before – and marketing organizations[sic] hoping to gain insights from their behavior[sic] are being left in the dust.

The customer experience exists in stages, and if your company wants to gain consumers’ trust and patronage, then you need to optimize[sic] each stage of their journey. That doesn’t just mean raising awareness about your brand – watching a commercial for your product is a far cry from buying it. Awareness, impressions, purchases, shipping, questions, returns; all of these touchpoints represent key parts of the customer experience. If you neglect even one of these steps, the consumer’s journey is more than likely to end there.”

## Fastest growing marketing technologies





KEY TAKEOUTS

# What does this mean for Australian business?

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Business is all about understanding consumer behaviour, and as Millennials take hold of the economic reins, businesses must seek to understand what it is these customers want when it comes to spending. As retail behaviour shifts to a demand for experiences, business must shift in tandem to stay competitive.

There is obvious and enormous commercial opportunity for those already in the business of experiences - such as the Big Red Group locally, and the likes of Expedia in the US. But what of those selling goods and services? In much the same way business had to shift from commodities to goods; from goods to services - companies must now look at their offering through the lense of creating and staging experiences for customers. In her piece *The experience economy and the future of buying*,<sup>52</sup> Cassidy Holland says:



Companies are trying to grapple with these shifting behaviours. Shopping malls have really taken a hit; sales have gone down...while airline sales have gone up. Some of the brands that sell 'stuff' are creating experiences around their brand - think Niketown and Kellogg's cafe at Times Square. Companies that sell services are beginning to focus their attention on creating lasting experiences - Austrian Airways are hiring 'Sky Chefs'. This trend is influencing the way consumers approach 'luxury' too. Instead of buying designer handbags, people are buying designer holidays. On-demand luxury means accessible luxury experiences - you can host fine-dining dinner parties, ride in supercar taxis and private jet seats booked from you smartphone.



Cassidy Holland

There are a number of battlegrounds where brands will have to fight it out for the ultimate in customer currency; attention.

### Millennials like to share

As the most powerful consumer cohort in history, Millennials are in the driver's seat. As they continue to age and progress in their careers, they will amass wealth and even greater buying power. Where will they choose to spend? They want personalised experiences and education, not stuff - and prefer shared goods and collaborative consumption over material possessions. Putting off major purchases like homes and cars means this generation has greater financial freedom and more disposable income to spend on travel and building a 'wealth' of meaningful experiences.

### But don't forget the Baby Boomers

Millennials may be a key driving force behind the experience economy, with greater spending longevity than their Generation X and Baby Boomer counterparts, however there is a significant shift in spending from goods to experiences across all demographics. Baby Boomer expenditure on travel and experiences is on the up,<sup>53</sup> with those born between 1946 and 1964 likely to spend a large portion of money that may well have been earmarked as 'Millennial inheritance', on experiences. In fact, almost one-fifth of Baby Boomers dip into their kids' inheritance to go on holidays.<sup>54</sup> These generational bookends are driving the experience economy and represent real opportunity for discerning brands and businesses.

### Social media: bragging rights and FOMO

Storytelling and the notion of social currency is driving a desire for shareable experiences. But it's not enough anymore to simply *have* the experience, the experience must be shared to be considered 'real'. A staggering 69 percent of Millennials suffer from a fear of missing out (FOMO);<sup>55</sup> fed by social network algorithms that demand more and more content and increased engagement for an individual's profile to stay relevant. Add to this the fact that the 'story of the story' is sometimes even more powerful than the event itself, and what is created is a constant content stream that elevates and amplifies the experience even further.

### Fintech enabling instant gratification

Open access to financial resources like Afterpay are allowing consumers to purchase on a 'have now, pay later' basis, providing immediate access to a wealth of experiences that would have previously taken months or years to save for. Afterpay in particular is being used by more than 1.5 million consumers in Australia<sup>56</sup> and accounts for eight percent of all online retail. And with open access to these types of fintech solutions, consumers are showing no sign of slowing in their 'investment' around experiences - with many forgoing large traditional purchases like homes and cars in order to finance this desire for creating moments.



## The price of loyalty

The point Pine and Gilmore were making two decades ago is that all businesses must leverage this appetite for rich experiences, by staging. And this is no more critical than in the loyalty stakes. Customer loyalty rests on the shaky precipice of creating and nurturing emotional connection with customers, and in an environment where attention is the new currency, creating a connection to a brand is challenging. Points programs no longer have the impact they once had and brands are increasingly turning to 'money-can't-buy' experiences to gain attention and encourage loyalty from their customers. The power of experiences when it comes to loyalty rests in the moments they create. So brands must look to elevate the customer, product and brand experience each time a person interacts with them.

## Technology holds the key for brands

Staging real-time experiences, enabled by technology, will be key for brands to compete in this new economic environment, dominated by Millennial digital natives. Everything from voice search to blockchain will enable experiences to take centre stage. And AI marketing technology fuelled by rich customer data will enable brands to create powerful customer experiences at every stage of the purchase journey as they compete for customer attention.





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## About the author

Lauren has been working in the communications field for 12 years and heads up Corporate Affairs for the Big Red Group. She is passionate about shifting the way people experience life by creating thought-leading content and compelling stories about the power of experiences and how they help people connect in an increasingly disconnected world.



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Millennials...this generation not only highly values experiences, but they are increasingly spending time and money on them: from concerts and social events to athletic pursuits, to cultural experiences and events of all kinds. For this group... living a meaningful, happy life is about creating, sharing and capturing memories earned through experiences that span the spectrum of life's opportunities.

The combination of this generation's interest in events, and their increasing ability to spend, is driving the growth of the experience economy.



*Millennials: Fuelling the Experience Economy*

# About the Big Red Group

The Big Red Group (BRG) is the parent company of RedBalloon (Australia and New Zealand), Adrenaline, IfOnly, Marketics (Albert AI), and Redii.com. BRG delivers the framework, platforms and services to each of the separate businesses, which allows us to invest capital in our people, technology and growth. Each business benefits directly from the combined resources of the group, and this management structure allows them to focus on delivering great experiences. It is our shared sense of purpose that unites our teams.

At the Big Red Group we shift the way people experience life. We do this by serving an experience every minute in Australia and New Zealand - that's 525,600 experiences this year alone. But we have even bigger plans to take what we do and scale it into other geographies and markets. Our Big Hairy Audacious Goal (BHAG) is to take our purpose global and serve a customer an experience every second somewhere on earth.

## BIG RED GROUP



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