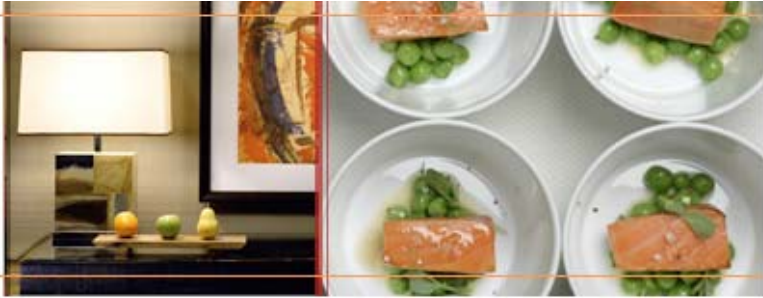


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HOSPITALITY AND RESTAURANT CONSULTANTS



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## The Future of Design How to Meet Rising Guest Expectations

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## Experience Marketing New Name For An Old Game - Experiential Marketing

**Folio: The Magazine for Magazine Management, Oct, 2000 by Jane E. Zarem**

"If you want to see the future of marketing, go to Las Vegas --where you'll always see what's about to happen elsewhere." Although Tim Sanders, director of Yahoo! ValueLab, a think tank in San Jose, California, admits that's not an original observation, he certainly subscribes to the premise. "Vegas used to be a service economy," he says. "The slots had a high return, the buffets were free. Now, all the billboards are touting an experience."

"Experience" is the basis of a new economy, Sanders continues. "And it's true across every industry. Airlines, for example, used to compete over price and safety; now they're competing over legroom in coach and beds in first class. They're creating a 'flying experience'--so that's the battlefield."

Sanders is a staunch crusader, committed to the battle. He's a believer in "The Experience Economy" and an enthusiastic disciple of authors B. Joseph Pine and James Gilmore, whose book by that title was published in 1999 by Harvard Business School Press. In that treatise, the U.S. economy is defined as having seen four stages of progression so far.

The "commodity" stage of old was based on the idea that you could extract things, whether this was related to agriculture, precious metals or energy, explains Sanders. That's what companies did to create value for the consumer. After the Great Depression, the United States entered into a "goods" economy, where companies organized the commodities, packaged them and added value to create a "good" for which people would pay more. Companies at this stage focused on features.

In the 1970s we entered the "service" economy, which focused on delivering benefits. Service companies were able to charge demonstrably more than companies that merely made goods, Sanders says. And now we've entered the "experience economy. Whether you make a product or sell a service, what you really need to do is stage an experience that's memorable and compelling. That's what the consumer values most, Sanders insists.

**Coffee as an Experience** Sanders uses coffee to simplify the economics of what he terms the "experiential marketing phenomenon" and to illustrate the four stages. The "commodity" version would be the ordinary ground coffee in a can that costs about 10 cents a cup. "It ruled in the old days," he says, "but people my age don't drink it." Whole coffee beans, ground yourself at the grocery store, are fresher, taste better and smell great. For that added value, the "goods" cost more than twice as much.

Research on coffee says that two out of three cups of coffee currently consumed are not home-brewed. They're bought at a "service" establishment. So 7-11 will buy the fresh beans at 25 cents a cup, sell the steaming hot coffee for 75 cents a cup, and you're happy to pay for the convenience.

Now comes the coffee "experience." People are almost religious about Starbucks, and they don't think twice about paying \$3 for a cup of coffee. Why? It's the look of the shop, the feel of the cups, the jazz music, and the barristas who know their beans. The coffee is just a prop, and the service the stage on which to create the coffee-drinking experience.

The core competency for commodities companies is extracting; for goods companies, it's creating features; and for service companies, it's delivering benefits. "Starbucks has entire divisions of people who do nothing but manage the experience," Sanders emphasizes. "That's a core competency of the company. It's the thing the company does well."

Sanders carries the "experiential marketing" message to all kinds of companies, but he feels publishers are particularly well positioned to provide memorable reader experiences. "Magazines," he says, "have two key things that most dot-com's don't have: editorial contacts and influence, and distribution (million of people), because the magazine serves as the way to promote the experience.

"In the experience economy," Sanders adds, "publishers have a great opportunity to use the magazine as a prop. It can be done at a live event. But online, using streaming media-audio, video, live events, seminars, interviews, etc.--the experience can be presented much less expensively and on a global scale."

"Everyone wants to be the Starbuck's of their own industry," says Sanders. "Unfortunately, that real-world example doesn't scale for large companies--unless you use the Internet's capabilities. If you're going to go to the expense and trouble of presenting a conference for a couple of hundred people, why not videotape it, Webcast it, make it interactive, feature it in the magazine--that's how a conference can be extended to scale. Then the experience that took place in the real world becomes an experience to all the readers of the magazine and beyond."

**Enriching Forbes.com** Forbes.com ([www.forbes.com](http://www.forbes.com)) is a star pupil in the lessons of experiential marketing. They leverage what they have, which is their editorial influence, to create live events or to stage interviews online, according to Sanders. In turn, they leverage their audience by promoting those events in their magazines. "Yahoo!'s Broadcast.com division has worked with Forbes.com a lot," Sanders says, "with everything from live events to interview excerpts presented on the Web site." Broadcast.com is a service company that provides the on-location service (encoding, digitizing, etc.) that makes streaming work on the Web site.

"A typical scenario is that Forbes.com would get itself squared away on the editorial part of a project, line up the promotion, and tie it all together," explains Sanders. "We--or any of several companies like us--would be hired to make it work on the Web site. To drive traffic to the site, Forbes.com would integrate the project throughout their publications, promoting it in remnant advertising space or writing a story about the event." People who "attend" online events generally are asked to register. That information is used to build a database, which is a tangible benefit to the publisher.

Providing a compelling customer experience may be easier for Forbes Inc. than for other publishers, observes Steve Johnson, managing editor of Forbes.com, because it is still a private, family-owned company. And the spirit of founder Malcolm Forbes, personified by his sons, continues. "It's an 83-year-old company and a strong brand. People know it and are loyal to it," says Johnson. Whether it's wrapped around the longtime slogan, "The Capitalist Tool," or the company's new tagline, "Never Settle," there's a point of view that's consistent throughout the personal lives of the Forbes brothers, as well as in the different products the company produces, Johnson claims. And that point of view extends to customers, who are made to feel they are part of the extended Forbes family.

Live Webcasts of the dozen or more events the Forbes conference unit produces each year represent just one example of the "experiences" Forbes.com stages for its online audience. Typically two- to three-day events, with big-name speakers and the Forbes brothers usually in attendance, each entire conference is available, as it occurs, on the Web site at no charge. People can visit and observe all day long. And it's archived, so they can come back and view it later. Using Internet tools, people can even participate in votes.

"As streaming media improves," says Johnson, "and as more people in America become interested in using it, we'll be doing more things like that. For example, we'll be doing weekly or monthly events with technology writers, where they'll either answer reader questions or comment on market topics."

Treatment of the Forbes 400 list of the wealthiest individuals, published in print each year, is a good example of how that popular and heavily promoted magazine feature is enriched online. "We have a site database attached to the list area, where visitors can plug in search parameters for, say, a person in New Jersey with a net worth of \$5 billion who made his money in the textile industry and is 60 years old," says Johnson. "So people spend more time at the site and get a richer experience from it. Just by adding a search engine, we have enhanced the experience we offer the visitor." Forbes.com expects to do even more with the list next year, adding tools that enable visitors to link back and forth between various lists, access company information and biographies, and such.

CueCAT, a product of Digital Convergence, is another new Forbes.com "experience" (as it is for several other publishers). CueCAT is a handheld scanner that was distributed free to readers with their September issues. (One can also be picked up free at any Radio Shack store.) Bar codes that appear at the end of articles in Forbes can be scanned with the device, which plugs into a PC. You're instantly transported via the Internet to a particular page on the Forbes.com Website to find additional information on the topic. It's rich content, it's interactive--it's an experience.

Monthly traffic on Forbes.com continues to increase, according to Johnson. He attributes the Web site's growth to the continuing enrichment of the experiences offered to the online audience. "There's a commitment to the site, business is growing, and we're hiring," Johnson says. The site has its own staff, currently about 120 people, which includes programmers, editorial, advertising sales and administrative people.

**"A Marketer's Dream"** American Express Publishing is another proponent of experiential marketing. "We've been doing it here for a long time," says Ellen Asmodeo, vice president and publisher of Travel & Leisure. "In the print magazine, we do it with words. We try to stir up the passions of our readers in the way we present the destinations." The driving force behind all the magazine's marketing materials, events and merchandising is something Asmodeo calls "The E-Factor," which involves emotion, engagement and entertainment.

"I think the need drove the demand for experience marketing," she says, "because consumers have changed the way they respond. No one has time anymore. Everything has to be done quickly. If it's not entertaining them or engaging them or evoking emotion, they're not paying attention. So if you want to sell a product or move the needle in any way, you need to focus on how you're going to attract that consumer. And if you're not creating an experience, you're not attracting the consumer of today."

If you are doing it, she maintains, those customers become loyal. "It's like almost anything else that's addictive," she says. "They become attached. They don't remember the event; they remember the experience. It's not the page they just touched, it's how they feel after they touched it or looked at it or read it. It's all about experience."

Travel & Leisure's Web site ([www.travelandleisure.com](http://www.travelandleisure.com)) is in the process of bumping up its audience experiences to match those generated by the print magazine. The magazine's signature "World's Best" issue, which appears each October, is the focus of a major online investment. "We're adding a video component to the online listings," explains

Chris Murray, online travel editor at [Travelandleisure.com](http://Travelandleisure.com). Mark Orwell, managing editor of Travel & Leisure, is narrating 14 short videos on various destinations--"sort of a quick tour," says Murray.

It promises to be a lively, interesting, interactive experience for the site's visitors. "The interactive areas of the site traditionally get much more activity than others," Murray says. One metric he wants to track is which of the "World's Best" destination areas online attract the most visitors. "Wouldn't it be interesting," he wonders, "if we find that the most popular places online are different from what the magazine survey concluded." The online listings will also feature links to archived articles on the destinations, so viewers can read more without having to search. "I'm really excited about this new 'World's Best' feature," Murray says. "It's going to be the best-looking area on the site, and it

will be a great entry point to deeper areas of information." It looks as if the E-factor--emotion, engagement and entertainment--was definitely considered.

Travel & Leisure, approaching age 30, is doing something right. Amodeo reports that the October issue was the biggest issue in the magazine's history in terms of both advertising dollars and total pages. And so far this year, six issues out often have been the largest recorded for their respective months. Circulation has not grown but is steady, hovering around 1 million. "We charge a premium price," says Amodeo, "and we drive that price consciously, knowing we might have to suffer a little on the numbers."

But that's part of the theory of experiential marketing: You command a higher price because of the experience you're creating "for both the reader and the advertiser," affirms Amodeo. "The readers pay, and we have the highest advertising paging and revenue of any travel magazine in the world. We're a marketer's dream, we like to say.

**More Ways To Market** Stacey Lippman, president of corporate sales and marketing at Emap USA, adds a dose of nonchalance. "I really don't see experiential marketing as anything new," he says. "Companies have been doing these kinds of things from the beginning of time." What's different, he suggests, are the ways to market. For instance, marketers are using the Web and cable TV, which weren't available years ago. "Perhaps I'm jaded, but I spent 25 years in the ad agency business. And I've seen a lot of old lines for new models," says the man whose company publishes Motor Trend:

That said, Lippman has no argument with the effectiveness of experiential marketing per se, and its viability as a concept. He simply thinks it's a new label for an old idea. "The Web is so new that there's a tendency to think that everything it touches is new," he says. "That's not the case." The Web is "perfect" for bringing information to--and, yes, creating experiences for--millions of people, while simultaneously reaching them as individuals.

"Motor Trend readers, for example, can be very emotional about cars, and there are ways to extend that emotion into other areas," says Lippman. "We're looking at doing that kind of thing on the dozens of Web sites throughout our company. We have affinity clubs and other bonding programs with our audiences, live forums and chat--and a lot of stuff under development," which he prefers not to talk about yet. He did hint that live-casting events may be a possibility--but not until everyone has broadband available in their homes. "If you've only got a 56K modem, you'll sit there until the cows come home waiting for the video," he quips.

Lippman considers the new "experiences" that will be deployed on the Web as simply part of developing another medium. "If Motor Trend itself loses relevance, then the Web site isn't going to help it," he believes. "So our primary task is to keep Motor Trend fresh after 50 years. The trim package you put on your Mercedes is very nice, but the fact that it's a Mercedes is what's most important."

Leave 'em Wowed

Meanwhile, creating experiences is the new battleground, Sanders reiterates, and the Internet is your best weapon. And if you can differentiate your magazine brand in the minds of your readers by creating compelling, memorable experiences, he says, they'll be more loyal, you can charge more, you'll earn more, and you'll keep your audience longer. Because people these days are very motivated by experiences.