The context
The concept of the experience economy has developed into one of the most exciting and visible areas for research today. This includes several areas of design research, and it includes research in the social sciences, management studies, and marketing. My goal in this presentation is to offer a few ideas that will help designers understand a few central issues about the experience economy. To do that, I want to shed light on the topic, offer a few useful resources, and provide clues to a deeper understanding of what the experience economy is.

William Gibson once said, “The future is already here. It’s just not very evenly distributed.” [1] Gibson, science fiction writer and author of the cult novel Neuromancer, noticed a phenomenon that goes back as far as human history: the overlap of what is new and what’s old and a rough, uneven distribution. What I would add to this has been less visible, the fact that many aspects of the future have been with us for thousands of years.

What redefines these enduring aspects of human life as new themes for the evolving future is the transformation in attention. This shift occurs when we organize social, cultural, and economic patterns around themes that we once overlooked. We saw them when we focused on them, but other issues generally formed the focus of our attention.

One future issue that has always been with us is the experience economy. The difference between our previous use of this theme and our new interest is the fact that we have come to focus on experience economies and we have now given them a name. To place this in context, I want to detour through a few key ideas in the development of human economies.

Over six decades ago, the Australian economist Colin Clark [2] identified three classes of economic sector: primary, secondary, and tertiary. The primary sector extracts wealth from nature. This includes agriculture, livestock, farming, hunting and trapping, fishing, forestry and some mineral exploitation. The secondary sector transforms extracted material through human activity. This includes manufacturing, building, construction, mining, gas, oil, and power production. The tertiary sector is organized
around services. These include commerce and distribution, transport, public administration, domestic services, personal services, and professional services.

In 1976, Daniel Bell [1] rebuilt Clark’s model to describe what became known as the postindustrial society, refining Clark’s concept of service industries into three distinct sectors, a tertiary sector including transportation and utilities, a quaternary sector including trading and finance, and a quinary sector including health, education, research, and recreation.

Bell’s model describes contrasts and parallels among the several economies, contrasting the preindustrial with the industrial and the postindustrial societies.

In pre-industrial societies, the main mode of production involved extraction. Industrial societies are organized around fabrication, that is to say, industry. The postindustrial society represents a shift to processing and information.

These modes of production correspond to Clark’s first two economic sectors in a clear way: Pre-industrial society involves the primary sector, extraction in agriculture, mining, fishing, timber, oil, and gas. Industrial society emphasizes the secondary sector for goods production, manufactured durables, manufactured non-durables, and heavy construction.

Bell’s model of the postindustrial society introduces a differentiation of Clark’s large tertiary sector for services. Where services formed one sector in Clark’s model, Bell’s divided services into three sectors: postindustrial tertiary economy of transportation and utilities, a postindustrial quaternary sector of trade, finance, insurance, and real estate, and a post-industrial quinary sector of health, education, research, government, recreation, and entertainment.

The key transforming resources of the pre-industrial era involved natural power: wind, water, draft animals, and human muscle. In the industrial era, these changed to manufactured energy: steam, electricity, coal, oil, gas, and nuclear power. The central transforming resource of the postindustrial economy is no longer energy. It is information and knowledge: programming and algorithms, computers and data transmission, human interaction.

Key strategic resources are the foundations of these transforming resources. In the pre-industrial society, these involve raw materials. The central strategic resource of the industrial era has been financial capital. The key strategic resource of the postindustrial society is human capital.

The great technologies of each era are linked to these patterns. In pre-industrial societies, the major technological forms are based on craft. Industrial societies use machine technology. Postindustrial societies use intellectual technology.

The skilled labor base of each society reflects these technologies. The skilled labor base of preindustrial societies comprises artisans, manual laborers, and farmers. The skilled labor base of industrial societies in made of engineers and semi-skilled workers. The skilled labor base of postindustrial societies is based on scientists, technologists, and professionals.

Each of these classes of skills labor performs typical modes of work. The characteristic work mode of pre-industrial societies is physical labor. The characteristic work mode of industrial societies is based on the division of labor. In postindustrial societies, this shifts to networking.

So, too, each era is typified by specific methods of thought and typical methodological approaches to creating, gathering, and organizing knowledge. For pre-industrial societies, these are common sense, trial and error, and experience. For industrial societies, this shifts to empiricism, and experimentation. In postindustrial societies, this transforms once again to models, simulations, decision theory, and systems thinking.

The time perspective of each society is closely linked to the methods and methodological approaches in typical use. Pre-industrial societies are oriented to past. Industrial societies are oriented toward ad hoc adaptation, and experimentation. Postindustrial societies are oriented toward the future with an emphasis on forecasting, and planning.

To explain these, Bell typified the large axial principle of each era as a specific zeitgeist or paradigmatic worldview. Pre-industrial society was oriented toward and organized around traditionalism. Industrial society was organized around productivity. Postindustrial society is organized around codified knowledge.

The nature of economies
What is an economy? The word economy comes into English from the Middle French word “yconomie.” This goes back via Medieval Latin “oconomia” to the Greek word “oikonomia.” This word evolved from the noun “oikonomos,” a household manager, the words “oikos” meaning house and “nemein” meaning to manage. The word entered English in the 15th century.
The archaic meaning sheds useful light on experience economies today: “the management of household or private affairs and especially expenses.” That is, an economy is intimately linked to the generation of human life embedded in daily experience and culture. Other meanings have been more visible: “thrifty and efficient use of material resources, frugality in expenditures, also an instance or a means of economizing,” or the concept of saving reflected in “efficient and concise use of nonmaterial resources (as effort, language, or motion),” and finally “the arrangement or mode of operation of something: organization,” as well as systems of interaction and exchange. In a larger and more general sense, an economy is “the structure or conditions of economic life in a country, area, or period; also: an economic system.” [4]

What is an economy?

Economies are ways of understanding human behavior. We describe economies in metaphoric terms. We speak of a “knowledge economy,” an “information economy,” or an “experience economy.”

The most visible aspect of today’s global knowledge economy is the fact that human activity adds the greatest value to products and services. Effective competitive strategy involves finding ways to add value through human action. Designing experience is one way to do this.

Here, we come to a problem. To design experience successfully, designers must know something about the tools of experience design, and this includes an understanding of basic concepts. Just as we master basic concepts and tools to work with product design, software design, or graphic design, we require some concepts as background knowledge before we begin to design experiences. This is in one sense less than obvious, because we design experiences every day. In fact, nearly anything a designer creates engenders an experience, so we might say that most designers are already active in experience design. However, this is not quite so. We recognize the problems that arise when people undertake design tasks without understanding the key concepts. This, in fact, is the major complaint that graphic designers make about the desktop publishing programs that enable so many individuals to do workday graphic design projects. In much the same way, then, designers should recognize that they need background knowledge and skills to undertake successful experience design. This presentation will point to the background knowledge and leave the direct “how-to-do-it” skills for another time.

So, what background knowledge do we require to design experience?

First, we require a basic sense of the fundamental forum of experience economies. While we may already know more than we realize, we require a new frame of understanding to organize our knowledge and make it useful. While experience economies have always been with us, we have not always seen them. Experience economies and old and new; much like the unevenly distributed future.

Old economies and new economies are interwoven and always have been. The proportions change over time.

A century ago, over 90% of the world’s people worked in the primary economy. This was true even though the secondary economy of manufacturing and industry was centuries old, and service was increasingly important in manufacturing economies.

Today, developed economies require only a few a few farmers and fishers to feed the rest of us. Despite the changing ratio of primary sector workers to workers in other sectors, however, we all must eat. Because of this, the primary sector remains important and necessary today. No nation survives without food. A nation with advanced industrial facilities and a cutting-edge knowledge industry will collapse as readily as a developing nation economy if something interrupts its food supplies. This, in fact is one reason for the emphasis on agriculture policy for some of the world’s most advanced economies. In wealthy, advanced nations such as Norway, this leads to an unusual distribution of workers the pre-industrial primary sectors and the postindustrial tertiary, quinary, and quinary sectors with few industries in between. On a large-scale basis across all industrial nations, there are very few primary sector works compared to the distribution a century ago. Most people now work in other sectors.

The shifting ratios of activity and employment across different sectors become visible in the kinds of challenges that all designers face. Because of these new gearing ratios, all designers in almost all fields face a series of challenges that arise specifically from the transformation to postindustrial society.

Designers face ten major challenges today. Three are performance challenges, four involve substantive challenges, and three are contextual challenges. These challenges affect all organizations that provide products or services through business and industry, government or public service, non-profit and education, the military, churches and more. [5] Designers must reflect on these challenges and the opportunities they represent.
The performance challenges are to:
1. Act on the physical world.
2. Address human needs.
3. Generate the built and social environment.

The four substantive challenges involve:
4. Increasingly ambiguous boundaries between artifacts, structures, and processes.
5. Increasingly large-scale social, economic, and industrial frames.
6. An increasingly complex environment of needs, requirements, and constraints.
7. Information content that often exceeds the value of physical substance.

In an integrated knowledge economy, firms also face three contextual challenges. These are:
8. A complex environment in which many projects or products cross the boundaries of several organizations, stakeholder, producer, and user groups.
9. Projects or products that must meet the expectations of many organizations, stakeholders, producers, and users.
10. Demands at every level of production, distribution, reception, and control.

These challenges create a new context for the design process and they require a new professional approach to design practice.

What does this mean in the studio and in the world?

The design maturity scale
In studying the development of design activity in developing and newly industrialized nations, Per Mollerup developed what he labels a useful model known as the design maturity scale. [6]

On this scale, Mollerup identified a series of design maturity transitions. I organize the design maturity scale in a two-phase model. The first five of Mollerup's criteria apply to industrial economies.

This includes a shift
1. From subcontract production -- often for foreign firms -- to original production.
2. From domestic sales to export sales.
3. From manufacturing parts to manufacturing whole products.
4. From anonymous products to branded products.
5. From production oriented business to market oriented business

The next phase involves what knowledge economy transitions. This involves shifting from
6. From material to immaterial products.
7. From products to services.
8. From services to experiences. [14]

These new times require a new approach to design.

What does this really mean?

Experience economies old and new
Let's start by asking what experience economies really are. We can start with some old stories that show the experience economy at work.

Here in Copenhagen, Søren Kierkegaard's work offers us a perfect starting point. In 1843, Kierkegaard wrote a book titled *Fear and Trembling*. [6]

This book tells a story that dates back roughly to 2200 BC. In Genesis 22, the Bible tells the story of a time that God tested Abraham:

He said to him, “Abraham!”
“Here I am,” he replied.
Then God said,
“Take your son, your only son, Isaac, whom you love, and go to the region of Moriah.
Sacrifice him there as a burnt offering on one of the mountains I will tell you about.”
-- Genesis 22: 1-2

This chapter in Genesis forms the story of Kierkegaard's theological narrative of faith. The details of Kierkegaard's narrative need not concern us here: they form the core of existential Christianity and lead to the existentialist vision of modern times, but the issue for us is that Kierkegaard and millions of others experience this story in a deep and meaningful way.

In Geneses, three key narrative events take place.
In the first event, Abraham obeys God. His heart is heavy, yet he obeys (Gen. 22: 3-10).
In the second event, God sends an angel to stop Abraham from carrying out his terrible act of faith (Gen. 22: 11-14).
In the third event, God swears a covenant with Abraham and his decedents (Gen. 22: 15-18).

At one point in the narrative, Isaac asks Abraham a question:

Isaac spoke up and said to his father Abraham,
“Father?”
“Yes, my son?” Abraham replied.
“The fire and wood are here,” Isaac said,
“but where is the lamb for the burnt offering?”
Abraham answered, “God himself will provide the lamb for the burnt offering, my son.”
-- Genesis 22: 7-8
This shift leads to two crucial events, each a powerful moment in the stories of two great religions. Whether or not you believe in the Bible story, in religion, or in God, you can see how this story and the narrative of the experience it traces form a crucial link through time and history for those who do believe.

The first time that the story recurs is in 1500 BC, in Exodus 11:4 – 12:40. This event takes place in the liberation narrative. Through Moses, God commanded Pharaoh to release the people of Israel from slavery. Pharaoh refused, despite the evidence of God’s anger in nine succeeding more powerful plagues. Finally, God proclaims his power in a sacrifice:

So Moses said, “This is what the LORD says: ‘About midnight I will go throughout Egypt. Every firstborn son in Egypt will die, from the firstborn son of Pharaoh, who sits on the throne, to the firstborn son of the slave girl, who is at her hand mill, and all the firstborn of the cattle as well. There will be loud wailing throughout Egypt—worse than there has ever been or ever will be again. -- Exodus 11:4–6

However, this is a dialectical sacrifice, and God renews the covenant of faith when he requires the slaves to sacrifice and eat a lamb, and then “they are to take some of the blood and put it on the sides and tops of the doorframes of the houses where they eat the lambs” (Ex. 12:7). This becomes the sign of the covenant, a reminder that God provides the lamb. This story has been told each year for the past thirty-five centuries, celebrated in the Passover feast that commemorates the time that God sacrificed the sons of those who enslaved his people while the angel of death passed over their houses, leaving them in peace and leading them to freedom. But this story is not done.

It returns in 30 AD. The scene opens with the Passover feasts and ends with the crucifixion (Matthew 26:17 – Matthew 29:50. Mark 14:12 – Mark 15:37). In this story, God provides the lamb but God does not save him, not before the sacrifice.

From here, the narrative leads us to the crucial scene in Christian theology, the resurrection (Matthew 28, Mark 16). This, too, leads to a ceremony that is memorialized in annual celebration for a large group of the world’s religious people.

Everyone who saw the mass celebrated at John Paul’s funeral saw the ritual realization of this story. It occurs in every mass, and the enactment of the mass brings it to life again. Whether or not we go to church, most of us in Europe and many around the world take the day off when people celebrate the story each year at Easter. Each time believers gather to celebrate communion, they share the first story, and they share the Passover table with Jesus and his Jewish friends.

Muslims share this story, too, in the annual Feast of Sacrifice.

Back where the story began, the Jews renew their covenant each year at Passover.

What gives this story its power? What can we learn from it when we think about designing culture for the experience economy?

**Significant Symbols**

The philosopher and social psychologist George Herbert Mead [10] developed an important concept he labeled the significant symbol. Significant symbols are those symbols that function comprehensively in both cognitive and emotional terms. Human beings use significant symbols to create their world. Significant symbols summon and evoke a world, creating worlds that people experience and understand in emotional and cognitive terms. The felt and experienced cultures that give rise to significant symbols form the ground within which significant symbols are embedded. By definition, significant symbols and cultures require each other.

Peter Berger and Thomas Luckmann describe the process through which we use significant symbols in their well known book on *The Social Construction of Reality* [11]. The title, of course, misses a key term – they do not argue that we construct physical reality through this process, but social reality. The notion that reality is a social construct is not what they intended, but the bold assertion helped them to sell many books. Those who read inside discovered a deeper and far more interesting idea than the surface gloss of those who quote the book without reading it. They discovered an idea about how we shape cultures and worldviews. Berger and Luckmann describe some of the fundamental mechanisms by which we create experience economies, and Berger went further in developing this concept in his work on the sociology of religion. [12]

For many centuries, artists and designers of different kinds have created different forms of experience design. History and art history record many well-known examples. Among the more memora-
ble are the great pageants of the renaissance, such as Leonardo’s Paradise of 1490. Another historical ex-
ample occurred in the grand ceremonies when Hen-
y VIII and Francis I met on the Field of the Cloth
of Gold in 1520. Buontalenti’s Battle of 1589 was a
perfect case, with its flooded arena representing the
seas, and Napoleon’s imperial coronation of 1804
was a perfect case.

In modern times, we have seen a memorable
series of experience designers. One of my favorite
quartets begins with the circus impresario and show-
man P.T. Barnum. For a while, Barnum had a muse-
um in New York City, located at the corner of Broad-
way and Spring streets. In the 1960s, Fluxus artist
and design George Maciunas acquired the building,
and it was here that he built his last New York loft
space. After Maciunas, the artist Jean Dupuy took
over the space. It became the Grommet Gallery until
Emily Harvey acquired it for her gallery. After Emi-
ly’s death, it became the home of the Emily Harvey
Foundation, and it still exists today as a focal point
for experience design.

Another great example of experience design is
visible in the projects of Christo and Jeanne-Claude.
These projects take physical form for a few weeks.
Then, they exist as memory: pure experience.

What can designers learn from this?
The first thing is the importance of focusing on a
range of issues that enable us to understand how
cultures work and how human beings create and live
within cultures. Social, intellectual, emotional, and
psychological values operate in comprehensive sys-
tems that capture and articulate values and knowl-
edge. These systems shape and evoke cultures. This
is the domain of experience design.

To work successfully with experience design
requires profound knowledge. W. Edwards Deming
developed the same range of issues for improving
industry. Because it affects services as well as manu-
facturing, it works as well for experience design as
for industrial design: appreciation for system, knowl-
edge about variation, theory of knowledge, and psy-
chology. [13, 14]

The implementing mechanisms require an un-
derstanding of human psychology. Here, we find a
useful in Abraham Maslow’s hierarchy of needs. The
hierarchy climbs a scale from physiological needs to
safety and security needs, through social needs for
affiliation and belonging to esteem needs, and finally
self-actualization. [15]

These are the basic concepts. To understand
more requires time and more reading than we can
manage in a short presentation. This is the first step.
The term “experience economy” is relatively new.
The concepts are not. Nevertheless, there is a good
source for understanding this latest incarnation of
the concept in Joseph Pine and James H. Gilmore’s
1999 book on the subject. [16] Here, those who under-
stand the fundamentals will find the resources to
begin the how-to-do-it work of experience design.

I want to issue a couple of key points here, at least
for those who want to avoid the problem of the ama-
teur design work that horrifies professional design-
ers when they meet a would-be client who hires his
cousin to design something because “he went to art
school.”

Start with the basics. To work effectively in the
experience economy requires a deep understanding
of the interrelation between desired outcomes, re-
search, and effective results. Vision, strategy, and
purpose are as closely linked in experience design as
in any other form of professional design.

A few closing words
It is not enough simply to say that any kind of expe-
rience will do. The experiences we create and the pur-
poses they serve are intimately connected.

Since I chose religious examples to show the
power of experience economies through history, I
will close with a few thoughts from a distinguished
theologian, Rowan Williams, the Archbishop of
Canterbury. Here, Williams talks about what is wrong
with seeking experiences simply for the sake of
experience.

“You may have sat through - as I have, many
times - school choirs performing Joseph and the
Amazing Technicolor Dreamcoat. I have a very soft
spot for it - but as I listen to ‘Any dream will do’ my
conscience bothers me: it’s as though although the
ideal personal goal recommended were simply acti-
vating your potential in any direction you happen
to set your heart on.

“And it is in any case a vision that has nothing
to say about shared humanity and the hard labor of
creating and keeping going a shared world of values.
Being provocative again, I’d want to say that a proper
use of tradition makes us more not less critical and
independent in society.” [17]

This leaves us with a few thoughts to carry home:
Experience design requires profound knowledge.
The means appreciation for system, knowledge
about variation, theory of knowledge, and psychology.

Human beings are not instruments. When we design experiences, we move into the most intimate and central area of human life. This requires a level of understanding and expertise as great as that required for designing automobiles, software programs, a suit of clothes, or a book. We cannot and must not look on other human beings as the instruments of our economic success, but rather as independent beings with whom we work when we design experiences.

Design is service. When we design experiences, we serve others.

The experience economy is our home. Experience design returns us to the original meanings of an economy: “the management of household or private affairs.” Here, we speak of the most private of affairs, the internal life of emotion and culture. Successful experience design requires us to work with significant symbols, and nothing is closer to home or more intimate than the world we enter when we work here. [16]

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  Date accessed: 2006 January 15.
[18] “We are such stuff As dreams are made on, and our little life is rounded with a sleep.” Shakespeare, William. The Tempest. Act IV, Scene 1, lines 156-157.

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