

Wided Batat



Experiential Marketing

Case Studies in Customer Experience



Experiential Marketing

Experiential marketing has become an indispensable tool for all types of businesses across multiple sectors. This book provides an all-encompassing, practical, and conceptual map of contemporary experiential case studies, which together offer insights into this exciting approach to customer experience.

Experiential Marketing incorporates 36 international case studies from 12 key sectors, from technology, consumer goods, and B2B to luxury, events, and tourism sectors. With a selection of case studies from leading brands, such as Coca-Cola, Nutella, Chanel, NASA, *The New York Times*, Pfizer, and Amtrak, the reader will learn and practice the experiential marketing tools and strategies through these examples. Expert testimonials, practical applied exercises, and the author's online videos provide both theoretical foundations and concrete application.

This is a must-read for advanced undergraduate and postgraduate Marketing and Customer Experience students and is an excellent teaching resource. It should also be of great use to practitioners – particularly those studying for professional qualifications – who are interested in learning experiential marketing strategies and developing knowledge about the way big brands in different sectors are designing the customer experience online and offline.

Online material includes lecture slides, a test bank of questions, an instructor's manual, and explanatory videos.

Wided Batat is Professor of Experiential Marketing and an internationally renowned expert on customer experience and digital transformation. She is the author of *Experiential Marketing: Consumer Behavior, Customer Experience and The 7Es* (Routledge, 2019) and editor of *Food and Experiential Marketing: Pleasure, Wellbeing and Consumption* (Routledge, 2019).

"This volume is set to be an essential resource for any professor teaching customer experience. The book draws on the knowledge of some of the best in field and provides insights that students will return to year after year. The vast array of cases from across multiple sectors means this book will likely have a regular place on my desk, rather than my bookshelf."

Ekant Veer, *Professor of Marketing at the University of Canterbury, New Zealand*

"Professor Bataat's expertise in experiential marketing is applied once more successfully to business. The focus is on specific cases but moreover on making sure that the reader is challenged with questions and the adoption of new perspectives. This book is a must-read for anyone interested in customer experience and exemplary cases in different business domains."

Paula C. Peter, *Professor of Marketing, San Diego State University, USA*

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About the author



Wided Batat is Professor of Experiential Marketing and an expert in digital marketing, customer experience, and digital transformation. As the founder of B&C Consulting Group, Wided directs and carries out research in experiential marketing in France, Europe, the United States, Asia, and the Middle East. With over 15 years' experience in the field, and combining scientific research and field experience, Wided transforms organizations by providing innovative market research and consumer insights. Her expertise can help businesses have a long-term perspective of innovation, profitability, progress, and performance. She has published multiple books in the field, and her well-known book *Experiential Marketing: Consumer*

Behavior, Customer Experience and The 7Es (Routledge, 2019) is invaluable for consumer behavior, marketing experts, and executive teams.

To innovate is to understand today the world of tomorrow by adopting ethnography as a new tool of study and the 7Es of the experiential marketing mix to create innovative, adapted, attractive and effective customer and employee experiences.

(Wided Batat)

Preface

Experiential marketing has become a vital tool for all types of businesses and industries worldwide. This book is the follow-up to my previously published book *Experiential Marketing: Consumer Behavior, Customer Experience, and the 7Es* (Routledge, 2019). It is the result of several years of research on the topic as well as my consultancy practice with companies in different sectors. It explores one of the fundamental ideas related to the definition of the strategic framework of the new “experiential marketing mix,” a tool that integrates the 7Es: Experience, Exchange, Extension, Emphasis, Empathy capital, Emotional touchpoints, and the Emic/Etic process. It also explains how to implement an experiential marketing strategy in a “phygital” context as a third environment, where digital space and physical place are connected to offer the ultimate customer experience.

This book on case studies in customer experience is the first book to offer a concrete application of experiential marketing and its tools within a variety of sectors. It is devoted to deciphering experiential marketing elements by using different examples, experts’ opinions, customer relationship practices, and explaining the role suppliers play. Also examined are the design of the customer experience, “phygital” experiences (physical and digital experiences combined), online experiences, the empathy experience, tools for measuring the customer experience, and so forth. These newer applied approaches combine both concepts and examples with providing a more practical and applied vision of experiential marketing.

The aim is for marketers to answer the following questions: How should experience be designed? How should the experience be structured offline and online? What tools should brands use? The reader will learn about experiential marketing tools and strategies through various examples, testimonials, practical and applied exercises, and online videos. Multiple company cases underpin the tools of the experiential marketing mix I have developed. The book has 12 chapters and 36 cases that look at the following business sectors:

- Digital and technology
- Consumer goods
- Retail
- Food, tourism, and leisure
- Luxury and fashion
- B2B and consultancy
- Banking and insurance
- Media and communication

- Transportation
- Healthcare
- Arts and culture
- Sports, events, and entertainment.

Each chapter analyzes three companies and their shift to experiential marketing. Testimonials and practical exercises with links to online videos by the author are used to introduce the reader to the experiential marketing mix concepts and tools. The book provides readers with both the foundations and concrete application of the tools I developed in my first book. Care has been taken to select relevant global examples that contribute to a holistic and profound understanding of how companies can design and implement the customer's online and offline experience. The exercises and the challenges at the end of each chapter will test the learning process.

The book will also serve managers, marketing directors, students, and teachers looking for concrete global cases related to experiential marketing. This book is a "must-read" for business people, academics, and students interested in mastering experiential marketing and developing knowledge about how big brands in different sectors are designing the customer experience. I hope this book will help readers, researchers, students, marketing professionals, and scholars appreciate how experiential marketing can be applied in different sectors and from different perspectives.

Customer experience in the technology sector

Among many other features, digital firms such as Google, Amazon, Uber, or Netflix have transformed the customer experience in less than ten years. By using data and smartphones with user-friendly and highly personalized interfaces, digital firms are becoming the top leading pure players when it comes to consumer-centricity to advance the customer experience. Furthermore, these digital companies are becoming the legitimate role models followed by various market actors in different sectors (e.g., hotels, airlines, restaurants, and higher education) to implement an effective and profitable customer experience centered on the consumer. The companies are doing so by building their platforms and developing the tools that allow them to stay ahead of their competitors and become digital experience providers themselves. In this chapter, three company cases are introduced. These examine the major digital firms that effectively and creatively implement an experiential strategy, namely, GAFA, Netflix, and Uber. I first explore the story and the marketing strategy of each company. I then focus on the customer experience implementation process and the use of digital tools in each company. Finally, I summarize the future challenges for these firms to reinvent and elevate the digital experience by leveraging data and privacy.

Learning outcomes

After exploring and solving the questions for practice and the challenges presented at the end of this chapter, you will be able to develop a way to think critically about how firms in the technology sector are adopting and implementing customer experience strategies and the main challenges they are facing. Also, in the online video provided, “Introducing concepts & tools,” you will learn more about the experiential marketing mix tools and how digital companies can use them to design the ultimate customer experience, both online and offline, in a way that fits with the functional, social, and emotional needs of their customers and thus elevates the digital experience.

Company case 1: The GAFA – how the Big Four digital firms are leveraging digital and data to enhance the customer experience

Google, Apple, Facebook, and Amazon (GAFA) have become the undeniable powers of e-commerce in less than 20 years. In 2014, their cumulative turnover was \$350 billion, equivalent to the gross domestic product of Denmark. In this context, the temptation

is great for online merchants to seize the “Big Four” economic model and to bet their digital strategies on the reputation of the tools developed by these four giants. The GAFA have imposed new standards by establishing a correlation between the quality that customers experience and their loyalty. Each of these Big Four companies has a specific story and a relevant marketing strategy centered on the customer/user experience that explains the success behind the rise of the GAFA.

Google

How did it all start? The story behind Google’s successful marketing strategy

Google first began when Sergey Brin and Larry Page, roommates and PhD students at Stanford University, came up with a search engine called BackRub. BackRub used an innovative algorithm to display search results called PageRank. It ranked web pages according to how many other relevant pages were linked to them.

Hence, the search results were more consistent and accurate than any other search engine at the time. At some point, the two founders realized that they needed a friendlier name for their website. They used the word googol, which indicated the number one with a hundred zeros after it and tweaked it around to become Google. They also used their dorm room as Google’s offices until Stanford’s IT department kicked them out because they were using too much bandwidth. Then, the two founders moved the company to a garage and secured a \$100,000 investment. The timeline of their success is as follows:

- In 1999, Brin and Page moved to their first real office, which was next to PayPal and then raised \$25 million in venture capital funding. This stage marked the actual start of Google as we know it today. Google today targets all Internet users. It has over 8 billion customers worldwide; 60 percent of all Internet searches are done with Google. This picture brings us to the money-making aspect of the company: advertisements. The company offered its most popular product for free (the search engine) and created a business model that generates money from ads that pop up while people are using it. The strategy has been a massive success because the ads are targeted at specific demographics. Each user receives advertisements that fit his/her age, nationality, gender, and interests, among other, more complicated parameters. What’s noteworthy about Google’s customers is that most of them are under the age of 35, and 55 percent are male. Most are upper-middle-class, have a high degree of technological knowledge, and are business professionals. In the first quarter of 2018, \$26.6 billion of the company’s \$31.1 billion in revenue came from advertising.
- In 2006, Google bought YouTube for \$1.65 billion. They have similar platforms in terms of their searches and ad targeting. In 2008, Google released its first Android-based phone. This purchase was a significant step in the company’s product offerings. The phone eventually turned out to be very successful and became Apple OS’s main competitor. Google is also one of the key players in the cloud market next to Amazon and Microsoft. Besides, Google has a diverse portfolio of other

products like News, Analytics, Translate, Suit, Chrome, driverless cars, Wallet, and Chromebook, among other things. The company evolved from being a search engine with a unique algorithm to becoming one of the world leaders in artificial intelligence (AI) and machine learning. Google spends 15 percent of its total sales on research and development (R&D). Since 2012, the company has been acquiring smaller firms that specialize in AI and is focusing primarily on neural networks, a type of machine learning modeled after the human brain.

- In 2015, Alphabet Inc. was created as part of the restructuring and became Google's parent company. Today, Alphabet is the world's fourth-largest technology company. Its rapid and constant growth is primarily due to continuous innovation. The founders are continuously expanding and investing in a broad spectrum of technological advancements.

Google's advertising strategy differs from other online platforms because it is by itself an advertising and marketing tool. It does not need to advertise its products. It gathers data about users and uses it to sell targeted ads for a hefty price.

Google Marketing Platform is what businesses use to let people know about their products and services. The companies gather information from our search histories and the websites we visit and use these insights to select the ads that show up on our screen. Let's say you are looking to buy a new car and search for used car dealerships using Google. Then you visit car-related websites. After you do that, you immediately notice that many ads that show up while you are browsing online are car-related and of particular interest to you.

How much does Google know about us? This is clearly stated in its privacy policy, I will list a few of them here:

- Name
- Gender
- Birthday
- Cellphone numbers
- Google searches
- Visited websites
- Exact location
- Favorite type of music
- Audio equipment we use
- Favorite restaurants
- Where we work
- Where we live
- What we watch on YouTube

After a careful reading of Alphabet's 10K report, we can extract some advertisement-related strategies and goals. The report states that the business's primary goal is to deliver the right advertisement at the right time for maximum user engagement. Google calls this performance advertising. It provides ads on all available interfaces and in different formats.

The success of a campaign using Google products is measurable. It is based on the number of clicks that lead consumers to engage with advertisers directly. This performance-based method ensures that the business's advertising done with Google results in fees based on the engagement numbers.

Another essential concept mentioned in the report is brand advertising. Google uses all the available resources to enhance a user's affinity to an advertiser's products. It deploys tools such as videos, images, and interactive ads. The aim is to create deep partnerships between advertisers, users, and themselves using a world-class technology platform, allowing measurable results. Google's main competitors are now reproducing this adaptive advertisement model, but their traffic will enable them to have the most massive data amounts, allowing for more targeted and efficient campaigns.

Google's quest for a relevant digital experience to drive revenue

The Internet has come a long way since the creation of the World Wide Web in 1991, with Google becoming the leader in this field. Its primary goal is to serve the needs of Internet users, and it has been doing a great job. The company positioned itself to beat its competitors by creating the best user-friendly search engine available. It then augmented its product offering to complement its search engine and reach the widest audience possible. Today, few of us can go for a day without using one of Google's products. We have become so dependent on them that we cannot even imagine our lives without them – thanks to Google's user-centricity and the relevant digital experience it creates by incorporating multiple touchpoints.

Google's consumer-centricity and Internet user experience touchpoints

The way data is transferred from one application to another to create the ultimate user experience is extraordinary. For example, location data gathered from maps analyzes what kind of restaurants we frequently visit and uses this data to suggest similar culinary experiences nearby using ads or the search results in one's browser. The average human cannot use a mobile phone that doesn't support Google products. Our contacts, GPS, emails, calendars, searches, cloud storage, phone's operating system, and apps are all linked to Google directly or indirectly.

Google set up a guide based on five fundamental principles shaping the digital transformation, which are called the five As:

1. *Audience*: Based on compiling online data, centralizing, and evaluating it to form a strategy to identify and engage the right people.
2. *Assets*: The production of relevant, context-sensitive ads using acquired insights from user data gathered in a fast and straightforward way to create a rich user experience.
3. *Access*: With reach as a primary target, the use of cost-effective tools to manage contact frequency without jeopardizing transparency and brand safety standards.
4. *Attribution*: Models that account for the dynamics between channels and devices to eliminate errors attributed to the last-click model, which considers that the last-click is the interaction that made the user commit to the purchase. Attribution is about measuring the value of each point of contact.
5. *Automation*: Simplifying and improving performance using machine learning to reduce costs and create a consistent user experience that is fast and efficient.

Google's current primary focus is gathering information from all the free products to present relevant and useful ads, which eventually generate profits and improve the user's

experience. This model is now being adapted and used by many online providers, which use free products to gather data to enhance the online experience.

Over time, the Internet's use has become all about efficiency and the intelligent use of data. A process that used to take 30 minutes online is now doable in 30 seconds, and the flow of data has been adapted using machine learning to make things as simple as possible. Today, Internet users rarely receive irrelevant information or random ads that pop up unexpectedly and trivially.

For Google, the experience touchpoint is the user's interaction with a specific product, whether through an ad, a blog post, a click on an ad, a website visit, or the purchase itself. Google can record up to 5,000 interactions per conversion path.

There are three essential types of communications: the first are related to interactions based on position. Interactions based on a location can be subcategorized into three parts: first interaction, middle interaction, and last interaction (or first touch, middle touch, and final touch). The second are related to the type, such as click interactions, impression interactions, and direct visit interactions. And, lastly, interactions based on campaign or traffic-source type, such as a keyword interaction, campaign interaction, Facebook interaction, and many more. An assist interaction is any interaction other than the last interaction.

Google Analytics consists of two types of analysis:

1. assisting interaction analysis, which handles the interactions other than the last one;
2. the first interaction analysis, which analyzes the first interaction.

Not all touchpoints are equal, so a credit model is created to quantify each touchpoint. According to the "time decay model," the touchpoints closest to the purchase are given the highest credit. We should also point out that searches and website visits are more important than other interactions because the engagement is much higher. Seeing an ad is not as important as visiting a website and reading a product review. Clicks are also more critical than impressions because not only did we see the ad but we also interacted with it.

Now, let's talk about the devices that deliver the Google experience, which are mainly your personal computer and your phone. Users permit applications to use the phone's camera, microphone, and location. Because Google and Apple are the developers of the leading operating systems, they also get permission to use the data gathered by these functions. Although both companies tend to deny this fact, a careful reading of the privacy terms states otherwise. Google claims that it does not share user information or data with other tech companies, but this has been subject to many rumors and controversies.

Leveraging technology and data to offer the perfect online search experience

Companies like Google and Apple have managed to leverage the data and information they get from their users to produce revenue. The two companies gather data on millions of users, their search habits, their social media posts, the music they listen to, or the products they buy, and effectively use it to build a more accurate understanding of the market. They use technologies like machine learning and AI to organize and analyze this data in a fast, cost-effective method. The most important factor required to build this

competitive advantage is the actual presence of a Big Data traffic load. No other company can adopt this model or use it as efficiently and accurately as Google. If the number of users is small, it would be easier to interpret and analyze the data without creating advanced deep learning systems and complicated automated processes.

Today many companies, regardless of their size, use advanced technologies to develop better data strategies and widen their customer bases. According to Jeremy Fain, a pioneer in neural network technology, the key to beating the competition is better data. Better does not mean more data, but relevant data that competitors cannot obtain. Data is becoming one of a company's most critical intangible assets. It is also important to note that it is better if each company gathers its own data set relevant to its customer base. Each company has a unique perspective and clientele, even if they are in the same line of business. After setting its goal, Google inspects the data it has collected and comes up with a deep learning design that best interprets this information. Google needs a complex system to gather similar information or different information that serves the same purpose or product. For example, Google not only needs to know the number of users who viewed a particular product but also when exactly each user visited the page. Besides, Google has to identify the leads that brought the user closer to the last click or the purchase. This requires Google to identify all the ads the user saw before finally interacting and buying the product.

All of this comes at a significant expense: storage. The more data Google needs, the more storage it has to buy. Fortunately, storage is cheap, and its cost can easily be justified, given the enormous profits Google makes from its ad system. Google's main advantage in the field of Big Data, data analytics, and artificial intelligence is the head start it has over its competitors. Whether in terms of technological advances or the amount of data it is gathering, most of the other companies have a long way to go to compete with Google. Some might say it is becoming practically impossible to catch up with Google and might be currently considered a monopoly.

Finally, Google's work in AI focuses on four primary areas:

1. Google's AI infrastructure, which is one of the best in the world.
2. Google's AI building blocks used to analyze images, voice, text, language, and video.
3. Google's AI platform used by developers and data scientists.
4. Google's continual AI investments designed to create unique industry solutions.

Google even announced a partnership with the Mayo Clinic that will improve disease diagnostics, elaborate on clinical research, and create new ways of patient care delivery.

Google's challenges in the future: what's next?

Google is undoubtedly one of the most successful companies in the world. Starting with a simple search engine with a great algorithm, it continued to diversify by creating a broad spectrum of products and technologies. A large chunk of the profits it made over the years went to R&D, which allowed Google to expand in a very sustainable and rapid manner. Google also modernized its workplace culture, adopting an open and free environment that focuses on its employees' well-being for better productivity and imagination. All this success does not come easy. And Google faces many challenges in the upcoming years. I have identified five significant challenges that can clearly be defined and discussed.

One of the essential points Google should focus on is its social aspect. Although Google has many great products and services, it still lacks a popular social platform. Facebook, Twitter, and LinkedIn are far ahead of Google in that area. Google has been trying hard to break this entry barrier. In 2004, the company launched Orkut, followed by Buzz, Friends Connect, and Google Plus. Facebook controls 68 percent of the \$16 billion in U.S. ad revenues generated on social platforms. In contrast, Google's revenues from this source are practically nonexistent. Even Google Plus has been received with considerable skepticism.

Another substantial risk is vertical search. People use Google on their personal computers to look for practically anything, but this is not the case on mobile phones. As traffic is migrating from the PC to mobile, people are using particular apps to find what they need.

In the mobile world, Google is competing with Airbnb, Amazon, eBay, Walmart, Groupon, and Netflix. It is no longer the go-to place for anything online. One might say that Google controls the mobile experience with Android, YouTube, Google Maps, and Gmail, but those are not enough to dominate the mobile world. Google relies heavily on dominance, not just leadership. Google needs to expand its already existing mobile presence to cover a broader area.

Besides, Google developed a costly technology called near-field communication to break into the e-commerce and online payment markets. It was a colossal failure. PayPal, Amazon, and Apple have had better luck in this area. The e-commerce market constitutes \$1.5 trillion, which makes it very attractive to big companies. Also, the large amount of data present in these types of transactions is precious because it defines the last touch: the point where the user made the transaction. Alibaba has gone public, which will allow it to grow its market share and exercise severe pressure on companies like Google. Making e-commerce and mobile payments its top priority and increasing its R&D budgets and efforts are the essential requirements now and in the future. This situation brings us to the company's growth, which has been slowing down over the years. It is generally true that the larger the company is, the slower the growth it experiences. Google could solve this issue by finding new, small innovative companies to invest in. That way, it would be able to maintain a specific growth rate no matter how large it becomes. Not paying dividends keeps a large amount of cash flow, enabling the company to innovate constantly. Google needs young talent to keep coming in and its investors to be patient.

Finally, we cannot talk about Google's challenges without mentioning antitrust. Regulators are on its case. Due to the extensive control it has, the government is always skeptical about every move Google makes. Regulators are trying to limit Google's market share because, at 33 percent, it controls a significant portion of the global digital market. Google is trying to bypass this issue by acquiring new businesses such as Nest Labs (a thermostat maker) and Waze (a mapping software provider), which do not overlap with Google's existing products.

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Apple

How did it all start? The story behind Apple and its successful marketing strategy

While in high school, Steve Jobs was working on a school project and decided to call the president and co-founder of Hewlett-Packard (HP), William Hewlett, to ask him for parts. Impressed by his straightforwardness, Hewlett offered him a summer internship at HP. There, Jobs met Steve Wozniak, an engineer five years his senior. After just one

semester at Reed College, Jobs dropped out and took a part-time job designing games for Atari to finance a trip to India to study Eastern culture and religion.

When he returned to the United States, Jobs reconnected with Wozniak, who was working on building a small computer as a hobby. Seeing the potential, Jobs convinced him to go into business with him. In 1975, the two set up shop in Jobs' parents' garage and began working on Apple I. Their capital amounted to \$1,350. It was generated by selling Jobs' Volkswagen minibus and Wozniak's programmable HP calculator. The sales of Apple I made enough cash to improve the computer's design. Apple II was launched in 1977. It was the first user-friendly personal computer with a keyboard and colored graphics. It was a massive success with sales reaching around \$3 million during the first year and \$200 million the year after.

Things started to go downhill after that: Apple III and LISA, another computer launched by Apple, did not do as well due to greater competition. Apple ultimately lost half of its market share to IBM. To compensate for decreasing sales, in 1984, Apple launched the Macintosh. Initially designed as a home computer, it was the first PC to be controlled by a mouse. However, it was too expensive for consumers because it cost \$2,495. The company tried to market the Macintosh to businesses, but that failed because the computer had none of the features the corporate world required, such as a hard drive and vast memory. Wozniak lost interest in Apple and left in 1983. Then, the rough times caused a clash between Jobs and Apple's board. He was expelled from the board by the CEO in 1983.

With no power, Jobs sold his shares and resigned from Apple in 1985. Using the money generated from the sale of his shares, Jobs started his own company: NeXT Computer Co. He launched the first model in 1988, including many favorable options such as fast processing, a disk drive, and advanced graphics. It faced the same problem as the Mac since it was priced at \$9,950. Hence, Jobs switched from hardware to software and focused on his new business, Pixar Animation Studios. In 1996, Apple was not doing well. Its market share had fallen. Apple, therefore, decided to buy NeXT Computer Co. for \$400 million and to hire Jobs as an advisor to the CEO on the board to help turn it around. In 1997, Apple's loss approached \$708 million. The CEO resigned, and Jobs took over. To keep the company afloat, he made a deal with Microsoft, introduced a microprocessing chip in all Apple computers, and focused on developing the iMac (an affordable home computer).

By the end of 1998, Apple was profitable again. In the following decade, revolutionary products were introduced by Apple: the iPod digital audio player (2001), the iTunes store (2003), the iPhone (2007), the iPad (2010). In 2011, after struggling with health issues, Steve Jobs resigned from his position as CEO and was replaced by Tim Cook (Chief Operating Officer at the time). His vision and philosophy still guide Apple to this day. It is no secret that when someone talks about laptops, tablets, and smartphones, the first brand that comes to mind is Apple. It is ranked as the number one premium brand in the tech industry. Apple mainly differentiates its customers based on lifestyle segmentation. As the name indicates, customers are targeted based on the lifestyle they adopt:

- iPod and iTunes primarily target music enthusiasts.
- iPhone, iPad, and MacBook are directed toward teenagers and professionals. These products are mainly for anyone, regardless of age.
- iWatch and Apple TV are directed toward anyone who enjoys watching programs on a smart TV.
- The same segment uses Apple books and iPay.

<p>Product</p> <p>Macintosh laptops</p> <p>iPod</p> <p>iPhone</p> <p>iPad</p> <p>iWatch</p> <p>Software: macOS, iTunes, iBooks, iCloud, Apple music, etc.</p>	<p>Price</p> <p>Premium pricing</p>
<p>Place</p> <p>Apple Stores</p> <p>Trade partners (Ingram micro)</p> <p>Retail (premium retailers handpicked by trade partners)</p> <p>Online (Ecommerce)</p> <p>Store layout (store place for customers to look around)</p> <p>Helpful staff (they are “advisors” more than “sellers”)</p>	<p>Promotion</p> <p>Elegant promotions</p> <p>Straight to the point</p> <p>Premium media</p> <p>No price-based offers</p>

Figure 1.1 The marketing mix of Apple

According to Apple, the company only participates in the markets in which it can “make a difference.” The marketing mix of Apple is presented in Figure 1.1.

There is a noticeable difference when it comes to Apple’s ads. They are elegant and are highly focused on the product and how it is different from other brands. Apple’s marketing has paved the way for other companies that want to be as successful as them. The most important key points for companies following Apple’s example to keep in mind are:

- Make the product as simple as possible.
- Place your product.
- Learn from customer reviews.
- Focus on the value offering instead of the price.
- Stand for your values.
- Create experience, not only products.
- Speak to the audience using their language.
- Appeal to customers’ emotions.
- Use visuals instead of words.

The differentiation strategy of Apple is clearly shown in its tagline, “Think different.” It is considered to be one of the best mottos in the industry and is thought to be a come-back to the slogan of IBM: “Think.” The tagline is frequently shown on its website and is always on the mind of its loyal customers. Apple has won several awards for its marketing strategies (among them, for more than ten years in a row, the CMO Survey Award for Marketing Excellence). Apple’s competitive advantage is mainly due to the following:

- *Brand equity*: Sometimes described as a “cult”, Apple brand equity’s value is estimated to be close to \$214 billion.
- *Superior technological product*: Products, services, and software are leaders in their markets.
- *Revenue generation*: Consistently high profits generated due to high-profit margins.
- *Investments in R&D*: Apple’s R&D spending amounts to almost 7.9 percent of its total revenues (nearly \$16 billion).

Apple’s customer experience guidelines

Apple continuously exceeds its customers’ expectations. What is different from other brands is that Apple is willing to decline a thousand projects to focus on the few that will revolutionize the industry entirely.

Apple’s consumer-centricity and customer experience touchpoints

When you buy an Apple product, you are not only buying a tech product; you are buying an experience. Many factors make Apple’s marketing campaigns successful and appealing to customers:

- *Keep it simple*: It is recognized globally that Apple’s brand is simplistic. This is not only reflected in Apple’s ads but also in its products. They are designed to be simple and easy to use. Over the years, Apple has maintained this strategy from its product design to its ads, packaging, and website. A simple product with simple graphics conveys the message.
- *Use the language of the consumers*: Instead of overwhelming consumers with tech talks that they barely understand, store “advisors” focus on the benefits the product provides. The advisors get customers excited about the new features instead of bombarding them with tech words. They focus on the smooth and user-friendly features in their marketing. Also, iPhone or iPad ads show happy people having a good time with their Apple products, not memory sizes, and improved cameras.
- *Become the name of the product*: In other words, people no longer buy smartphones, but iPhones. It is a way of stressing how significant Apple’s market share is. In each new reveal, Apple compares its products to others in the market and highlights how they fail in comparison.
- *Keep the mystery alive*: All new products or updates are kept secret until their official Apple release. This increases the excitement and hype surrounding the products and drives sales through the roof when the products are launched. For its loyal consumers, Apple’s annual keynote speech by its CEO is one of the most anticipated events of the year.
- *Exceptional customer experience*: Anyone can create a product, but not many can create an entire experience with each product. The purchasing process is included in the customer experience. This is evidenced by the millions of YouTube videos that just show customers unboxing new Apple products. The simple packaging, the way the phone sits in the box, and the aesthetics of the product all point to Apple’s unique product.
- *Leverage reviews*: The fact that some customers are given a free trial of new products just to get their reviews makes the customers feel like their input is essential to

Apple's development. The company also learns what kind of problems its customers might face and can, therefore, work to remedy them.

- *Focus on the benefits, not the price:* As with all Apple ads and product launches, the focus is only on the products and on the benefits and new features it offers. Even though Apple products' prices are usually priced higher than the average in the market, the company sticks to the strategy to focus on Apple's value proposition.

Apple was ranked the number one most valuable brand in the world by Forbes in 2019, surpassing Google, Microsoft, Amazon, Facebook, and Samsung. The brand value alone is worth \$205.5 billion, an increase of 12 percent compared to 2018. The main products and touchpoints used in the Apple experience are the following:

- *Apple I* (1976), *Apple II* (1977), and *LISA* (1983).
- *Macintosh*, the first product launched by Apple in 1984. This product revolutionized the computer and laptop industries and made the competition harder on rivals.
- *Macintosh personal computer* in 1984.
- *Macintosh portable* in 1989.
- *Powerbook 100* in 1991.
- *Power Macintosh* in 1994.
- New Macintosh line called G3 in 1997.
- *iMac* in 1998.
- *MacBook Pro* and new *iMac* (use intel chips) in 2006.
- *iPod*: the product that revolutionized the way we listen to music. This product was an instant hit and made Apple a worldwide company upon being launched in 2001. The *iTunes store* opened in 2003 and offered users downloadable music, movies, and audiobooks. *iPod nano* was launched in 2005, and *iPod Touch* in 2007.
- *iPhone*: the first multitouch smartphone. With its iOS operating system and unmatched speed, the iPhone remains the most desired smartphone in the market since its launch in 2007.
- *iPad* launched in 2010. The iPad had a new superior design and can be synced to the iPhone and the laptop. This product was an instant hit. In the year it launched, it captured almost 84 percent of the total market share. *iPad 2* was launched in 2011.
- *iWatch* and *Apple TV*, launched in early 2007, these products face fierce competition (from Amazon Fire TV, for instance).
- *Apple Watch*, the first product launched after Jobs' death in 2015. It outsold its competitors (Samsung, LG, Sony, and Pebble).

Leveraging technology and data to offer a relevant customer experience

Apple is continuously focused on innovation to improve the user's experience. The company believes in simplicity and fully controls the primary technologies that go into all of its products. Over the course of its history, Apple has introduced technologies that quickly became very common across all industries.

Most of the time, Apple does not invent the products, but it refines and reinvents them in the exact way customers want. Competitors usually follow. Apple is also not afraid to abandon commonly used technological products (like the iPhone's headphone jack), no matter how crazy they may seem at the time. The company sticks to the vision that defines the brand. The most innovative products that make the Apple experience great

are the multitouch screen, the mouse, the laptop trackpad, the sensor for fingerprints, the graphical user interface, USB, 3D touch, and so forth.

Another way Apple makes big decisions is by using data analytics. Apple might have been late to adopt data analytics, but it has worked tirelessly to catch up with its competitors. Like everything the company does, Apple is highly secretive about the way it employs data analytics when making technological decisions. However, we know that most of the products are designed in a way that gives Apple access to all the data from customers. So, gathering the data is a relatively easy step. It is then up to the company to derive insights from the data and apply it to its strategies to create products needed by its customers.

One of the areas that benefit highly from this approach is application design. Apple has access to how people use apps in their daily lives and modifies its designs accordingly. Similarly, Apple has an extensive view of how people use its products every day; this gives the company unprecedented insights on how to improve the design of its products to enhance the customer experience (for example, from earphones to air pods). Data gathering has also been made easier for Apple with its wearable technological products, like the Apple Watch. The watch can measure the health and lifestyles of entire populations. The information gathered can then be used to prevent the spread of illnesses, raise awareness about new viruses, and treat sick people. Apple and IBM have entered a deal to facilitate the development of health applications. This is only the beginning of what Apple can do with the data.

Also, the users' voices that interact with Siri are captured and uploaded on a cloud analytics platform and are compared to the other audios from different users. Machine learning is used to become better at identifying speech patterns and matching users with their requests. These audios are assigned an indicator that is separate from the ID of each user to ensure privacy. Also, Apple purchased Beats Music, a company that developed an algorithm that pairs users with songs that match their tastes.

After tracking your activity and data, the system generates "predictions" of your behavior and customized ads, or suggestions pop up on the screen. Apple might have been slower than its competitors to apply data analytics, but the company quickly realized its importance and the role it will continue to play in the future to help stay ahead of its rivals.

Apple's challenges in the future: what's next?

Apple is changing its focus from hardware to software improvements. Apple has the lead when it comes to innovative product designs, but its hardware innovation is expected to slow down due to the shifting focus of the company. This situation poses a significant challenge when it comes to meeting the sales predictions in the future. The stock of Apple has been volatile for the past few years, and potential revenues constitute a significant factor in stabilizing it.

Besides, Apple announced that it would no longer include the number of iPhones sold in its investors' earnings reports since it is no longer relevant. However, it could take a while to convince shareholders that services are the future of Apple, not the sales of phones. Some analysts believe Apple should not be valued based on the number of units sold, but instead on the average lifetime value per user. Since the company's data indicates that an average Apple user lifecycle is approximately ten years, this would make Apple's service revenues exceed its actual sales. Some investors might need time to adjust to this idea. The arrival of 5G can make the competition even harder for the iPhone.

Samsung and Huawei might be ahead of Apple in this area, but Apple will eventually catch up before the majority of the population gets access to 5G. Also, the importance of smartphones cannot be denied. They are involved in almost every aspect of individuals' daily lives and remain the primary way for users to connect to the Internet. However, with the introduction of a new range of connected devices, the smartphone could be traded off with another product (i.e., Amazon's "Alexa" or Google's "Google Home" or "Google Assistant").

Furthermore, new tariffs could hit Apple's supply chain in China. With competitors already offering smartphones at lower prices than iPhones, this could profoundly impact Apple's business. And while some people consider Apple to be "too big to fail," others believe that can change.

Last but not least, the most potentially challenging field is data analytics, which is rapidly growing and evolving. The technology behind machine learning is continuously changing, and innovations like chatbots are highly likely to be part of our daily lives. The advance in neural networks should be integrated into Apple products that have a digital companion to its users. Missing this wave would put the company's ability to continue operating in jeopardy.

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Facebook

How did it all start? Facebook's story and successful marketing strategy

The story of Facebook started with the idea of creating a platform to connect Harvard University students online. The platform quickly becomes an unusual sensation that connects more than 2 billion users around the globe today. The story of Facebook started in a Harvard college dorm room. In 2003, Facebook founder Mark Zuckerberg created "Facemash," an online program that allowed students to compare photos of their faces and decide who is more attractive and rank them accordingly. Facemash was an instant hit.

To create a database of student pictures, Zuckerberg hacked into Harvard's system and gathered student ID images. The disciplinary board of the university accused Zuckerberg of "breaching security, violating copyrights, and violating individual privacy" and almost expelled him. While some people are confident that Facemash is the framework on which Facebook was developed, this statement was denied by Zuckerberg in April 2019.

In the fall of 2003, three Harvard seniors, Cameron Winklevoss, Tyler Winklevoss, and Divya Narendra, were looking for a web developer who could execute the idea they had: a social network called HarvardConnections.com that connects all Harvard students and alumni. They were initially working with Victor Gao, who decided to opt out of the project but recommended Zuckerberg as his replacement. He was a sophomore at the time. Around the end of November, the four students met in the dining hall of Harvard. They explained their idea to Zuckerberg and their plans to build their user base by registration through Harvard emails and expand it to other schools later on. Zuckerberg was enthusiastic about the idea and immediately started working on the project.

A few days later, Zuckerberg's tone changed. He was postponing meetings and was hardly making progress with the project due to schoolwork. He had the idea for Facebook before his meeting and thought that the launch of both Harvard Connections and Facebook would jeopardize Facebook's popularity.

At the time, Harvard already had individual "face books," a picture for each student, and some information about them. Zuckerberg came up with the idea of combining them into one: "I think the Facebook thing by itself would draw many people unless it was released at the same time as the dating thing" (IM sent by Zuckerberg to his school friend Adam D'Angelo).

On January 14, 2004, Zuckerberg met with the Winklevoss brothers and Narendra and informed them that he would be too busy to work on the website. On February 4, Facebook was exclusively opened to Harvard students by Zuckerberg and his co-founders Eduardo Saverin, Andrew McCollum (graphics), Dustin Moskovitz (programmer), and Chris Hughes (spokesperson).

Within 24 hours after the launch, between 1,200 and 1,500 users had already signed up. Six days later, Cameron Winklevoss sent Zuckerberg a letter accusing him of stealing their idea; but the trio launched ConnectU in May 2004. Facebook was so popular with the students of Harvard that it was shortly launched at Stanford, Yale, and Columbia. The platform then expanded to various other colleges.

In September 2004, ConnectU sued Mark Zuckerberg. The lawsuit was settled in June 2008. Facebook paid \$65 million to solve it. By the end of 2004, the site had over

1 million users, and Peter Thiel had invested over \$500,000 in Facebook. Zuckerberg dropped out of Harvard to focus on developing Facebook from his headquarters in Palo Alto full-time. By September 2006, the platform was available to the public: anyone who had an email address and was over the age of 13 could be on the platform. The most used products on Facebook are:

- Facebook: Profile, newsfeed, Messenger, groups, events, videos, pages, search, photos, and so forth
- Facebook for business
- Facebook Lite
- Facebook Marketplace
- Facebook Instant Articles
- Facebook Live
- Facebook Watch
- Instagram
- Boomerang
- WhatsApp Messenger
- Facebook Ads to advertise
- Facebook Gaming
- Facebook Business Manager
- Facebook Audience Insights
- Facebook Blueprint for eLearning courses

Table 1.1 shows Facebook's main competitors and Figure 1.2 shows Facebook's timeline.

Facebook uses segmentation to tailor the Facebook experience for different people around the globe. A mix of segmentation using different variables is applied. The three significant variables used are:

- *demographic segmentation*: age, gender, life cycle stage, income, race, religion, nationality;
- *geographic segmentation*: location, languages, region;
- *psychographic segmentation*: lifestyle, interests, beliefs, activities.

Users' preferences are analyzed to meet their expectations better and keep them more engaged. The goal is to provide a unique Facebook experience for each user by adapting and adjusting Facebook's algorithm to personalize users' accounts and the advertising

Table 1.1 Facebook's competitors

Instagram	Owned by Facebook. More popular among teens
Snapchat	Allows users to reach out to selected people; provides a sense of privacy because pictures expire
LinkedIn	Remains the primary platform for professionals and businesses
Google	Attempted to acquire Facebook and competes with it for market share and advertising
Twitter	Indirect competitor and competes with Facebook about the engagement of the users

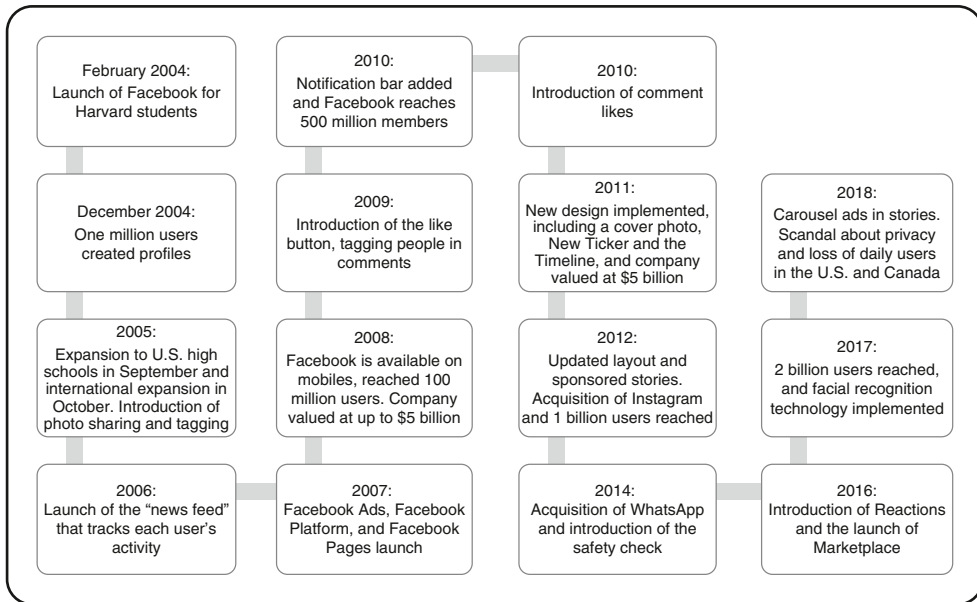


Figure 1.2 The story of the evolution of Facebook

<p>Product</p> <p>Online social media Ads/marketing Games Apps Photo sharing Chatting</p>	<p>Price</p> <p>Two strategies:</p> <ul style="list-style-type: none"> • Advertisers decide on how much to pay • Market-oriented pricing (click per view)
<p>Place</p> <p>Available via online technology Mobile apps Website</p>	<p>Promotion</p> <p>Word-of-mouth for new users Direct marketing for business owners Public relations Advertising (on Google, or by having a CSR program)</p>

Figure 1.3 Facebook's marketing mix

they receive; each user's preferences dictate the targeting strategy. The positioning strategy is value-based: creating value for customers so that they are more engaged and connect with more and more people. Facebook's marketing mix (product, price, place, and promotion) is detailed in Figure 1.3.

Facebook's competitive advantage can be identified as follows:

- *Unlimited reach:* Facebook manages to connect people from all around the world who have different backgrounds, cultures, and beliefs. More than 2 billion users have Facebook profiles.

- *A variety of products and services offered:* Facebook can be for personal use (posting pictures, updates, ideas, and activities) and for business use (ads and app platforms). Besides, Facebook has acquired apps that proved to be accessible and beneficial for a broad range of clients. Instagram and WhatsApp are examples.
- *Brand identity:* Facebook is distinguishable from any new social network. The brand is built, and its reputation within the social media industry makes it a leader in its field and, therefore, harder to compete with.
- *Continuous R&D investments and the development of new products and services via acquisitions:* Constant exploration of new ways to monetize and generate more revenue.
- *A heavy focus on providing customized user experience:* Even though it was not a first mover in social media, Facebook was the only platform that entirely focused on delivering a unique experience for each user.

Facebook's distribution strategy to make its services available to the public is its online channel. As of January 2020, most people access their Facebook profiles through mobile apps. Previously, more people used to log in from the Facebook website's portal. Therefore, all services and products offered by Facebook are distributed using an online channel.

The social media experience according to Facebook

The main point to be highlighted is that we are now living in the fourth industrial revolution, which is evolving at high speed and is disrupting the way industries and businesses work. Facebook is one of the social media platforms that fuels this revolution. The transformation that Facebook wants to trigger is shown clearly in its 10-year plan. It includes three main aspects:

- serving the existing community;
- building the next generation of services by enhancing the use of searches, groups, videos, Messenger, and WhatsApp;
- driving fundamental world changes through connectivity, artificial intelligence (AI), and extended realities, such as virtual reality and augmented reality.

Clients are now well-informed tech-savvy individuals who use their mobile phones to access unlimited amounts of knowledge. Facebook is committed to staying ahead of its customers' needs and adapts to meet them. At its headquarters, there are many different places where employees can relax, catch up, work out, or just have a chat in one of the many candy stations.

The idea behind the campus is to provide an open workspace where collaboration, creativity, and new ideas are encouraged. Facebook also focuses on hiring young talents that bring new ideas and perspectives to the business. "Facebookers" are encouraged to prioritize the tasks that will have the best impact on the company; the number of hours they spend at work is irrelevant. When it comes to dealing with users on the platform, Facebook made it easier for marketers and brands to connect directly with customers. Any inquiries or problems can easily be solved by sending a message to Facebook or tagging it in a post. Customer service will then assist.

Facebook makes marketing much easier for marketers. Customers are already divided into segments based on their interests and potential needs, allowing marketers to customize ads for each section and, therefore, avoid unnecessary effort and costs. This method has had a significant impact on whether a user will purchase the product or not. Also, several new strategies were implemented whereby marketers are charged on a cost-per-click basis. If a client clicks on an ad, the marketer is charged a certain fee because it might lead to a sale. One of the most relevant examples was Pepsi's 2010 ad during the Super Bowl. Instead of a TV ad, Pepsi decided to launch a social media campaign on its website, Facebook, and Twitter.

Back in 2010, the idea that advertising on Facebook would be more valuable to Pepsi than a traditional ad was strange and unusual. But Facebook forced brands to re-evaluate and rethink their marketing strategies and how they reach out to their customers. Most of the brands also know that on Facebook, news travels fast. That is why companies now devote entire departments to answer reviews and comments on social media. For example, to prevent a negative experience from being "overshared," brands now take angry customers' reviews very seriously. As a result, Facebook has had an impact on various industries other than marketing. From politics to revolutions, such as the Arab Spring, to sports events, Facebook has changed the way customers behave and the way marketers do business.

Facebook's consumer-centricity and user experience touchpoints

The devices that average people use throughout the day can be summarized as follows: laptops, mobile phones, games console, tablets, and TVs. Each device's usage varies during the day. The mobile phone is the most-used device throughout the day. The TV only surpasses it during primetime. Laptops and desktop PCs peak from 10 a.m. to 6 p.m. (during working hours). The vast majority of people (98 percent) use their mobile phones to access their Facebook user profiles. Only 1.9 percent of Facebook users access the platform through their laptops or desktop computers.

Leveraging technology and data to offer a relevant social media experience

Facebook has been around for more than a decade. According to a report by McKinsey & Company, all companies with more than 1,000 employees have accumulated close to 200 terabytes of client data, combined with the rapid growth of data collected from social media platforms like Facebook, close to 500 terabytes of data are being collected each day. In the United States alone, Facebook accumulates data from more than 183 million users.

The conversion of social media and Big Data creates a new level of technology. With each like, post, reaction, or photo, we feed Facebook's data collection. It is estimated that each minute, there are 700,000 logins on Facebook, 136,000 photos are posted, 510,000 comments are made, and 293,000 status updates are published. With data like this, Facebook has highly detailed information about each user's likes, dislikes, beliefs, favorite music, location, friends, and so forth. Facebook then analyzes this data to refine its knowledge of users and their behaviors.

Another way Facebook can track data is using cookies. If Facebook is opened in the same browser, the sites visited can be tracked, and data for this user is accumulated.

Facebook scans, every half hour, around 105 terabytes of data. Among the technologies used by Facebook to store data is Hadoop. Hadoop uses clusters of low-cost servers and hardware custom-made for Facebook to store data. A technology called Deep Learning Methodology helps Facebook structure its data and enables the company to do the following:

- *Textual analysis*: DeepText analyzes the context of the text data and focuses on how words are used. The meaning is then extracted from the text.
- *Facial recognition*: DeepFace can be applied to each photo downloaded; that way when a user uploads a photo, Facebook uses image processing to suggest the person be tagged (tag suggestion).
- *Target advertisements*: This AI tool uses deep neural networks to learn as much about its audience with the purpose of better ad targeting. Examples of how Facebook uses the knowledge gained from its data to improve its customers' experience include:
 - Flashbacks: The collection of photos and posts that received the most likes and comments from the date of the user's registration. It also includes the "Friendversary," which shows the interaction between two users since they became friends on Facebook. An exclusive video was shown on each user's birthday.
 - I Voted: A sticker added to users to combine their engagement on Facebook with their political activity. Users who noticed the stickers on their friends' profiles were more likely to vote. The sticker motivated a total of 340,000 users to vote in the midterm elections. This expanded in 2016 to include countdowns to voting day and directions to polling places.
- *Topic data*: Technology that displays the response of the audience to marketers while keeping their identities private. Marketers generate business insights from this information and adapt their strategies accordingly.

Yet, these augmentations have their challenges. Training Facebook's staff and IT personnel to articulate the issue to data scientists so they can provide meaningful results is crucial. That is why Facebook hires IT people and staff who are well versed in AI (artificial intelligence) and data science. Facebook has a huge advantage relative to other companies due to the large amount of data generated daily; after analyzing the data, each user's profile can be tailored. Having a newsfeed that is entirely unrelated to a user's interests would not capture his or her attention, which would decrease time spent on Facebook and, in turn, decrease the revenues Facebook generates.

Facebook's challenges in the future: what's next?

For Facebook, 2018 was a critical year. The company had to deal with several scandals related to users' data misuse, interference in elections worldwide, and attacks on users' privacy. Facebook allegedly allowed politicians to exploit their demographic targeting techniques to spread biased political messages. Besides, many articles criticized Facebook for the existence of fake accounts that escaped their scrutiny. Due to the slow response to the scandals, the company's stock decreased by about 20 percent from the start of the year. Therefore, one of the main challenges that Facebook will face is improving its reputation and addressing the issues brought up by the public.

Also, the main feed user engagement and the growth in new users have seen a declining trend for the past few years. Facebook needs to provide new ways for users to interest these people again and increase their participation on the platform. This situation would increase the pressure on Facebook to innovate and create more ways to generate revenue. This would most likely require Facebook to monetize more products while introducing more ads, including ads on the company's other platforms, such as Instagram. Another way would be to invest in Facebook Watch, which consists of longer-form videos, and use new ad tools.

Another challenge would be dealing with all the adverse reports about Facebook's leadership team. Articles have come out every week, criticizing Facebook's corporate governance. With that comes demotivation and low employee morale. This is pressuring Facebook's management to implement some changes. Some people have proposed replacing COO Sheryl Sandberg; others are suggesting less authority be given to Mark Zuckerberg (who owns most of the voting shares); others offer a complete change of management, believing it would improve the value of Facebook's stock. The idea of splitting the roles of CEO and chairman, both currently held by Mark Zuckerberg, is on the table as an attempt to decrease his stronghold in terms of decision-making.

Moreover, global efforts are being made to convince people to spend less time online and combat tech addiction. Consequently, Facebook needs to deal with the fact that even if the companies regain their users' trust, users will gradually spend less time online. The declining confidence in tech by users could potentially create problems for Facebook since it mainly relies on locking in its users' attention to increase their time spent on the platform.

Furthermore, during the first decade or so after launching Facebook, the social network was built by teens, for teens. Young users were the lifeblood of Facebook for many years. However, in recent years, teens claim that due to the growing number of adult users, the platform has become "uncool." Younger users have switched to competitors as a result, such as Tik Tok. "We did see a decrease in daily users, especially younger teens," admits Facebook's former CFO, David Ebersman. The challenge facing Facebook is gaining back its young users and integrating them with Facebook again.

A challenge that is always present is out-innovating its competitors. Facebook has launched features its competitors came up with (Camera to challenge Instagram and Poke to challenge Snapchat, for example). But most of the time, these new apps fail. Facebook usually ends up acquiring a competitor (such as Instagram) or attempting to do so. Snapchat rejected two purchase offers from Facebook, with the highest being around \$3 billion. Facebook may need to stop using this "pirate-or-purchase" strategy with its competitors and start working on out-innovating them in the future. This situation would require higher R&D costs.

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Amazon

How did it all start? The story behind Amazon's successful marketing strategy

Amazon is an online retailer selling a variety of products. It is number one in e-commerce, constituting 45 percent of its industry. The platform serves mainly as a middleman by connecting retailers with customers. However, the company also offers other types of services, such as cloud computing, data storage, and ebook publishing. Amazon initially started in 1995 by shipping books through its online store and collaborating with distributors to offer a wide selection of them not found in another brick-and-mortar store.

It all started in a garage, where Jeff Bezos and a few employees would pack books and deliver them by hand to the post office. The business later expanded into several warehouses, but critics still thought that it would fail to face significant booksellers such as Borders and Barnes & Noble. Since then, Amazon has come a long way. Borders filed for bankruptcy in 2011, and Barnes & Noble is facing financial difficulties.

Today Amazon is considered to be the largest U.S. book retailer. In 2007, the company disrupted the book publishing industry with the introduction of its Kindle tablet, its first hardware product designed especially for ebook readers. The tablet was a success, mainly because it helped Amazon build its customer base of book readers. The company was also offering e-versions of new books priced lower than their printed versions, which raised the concern of major publishers. This situation created a rivalry between

book publishers and Amazon – especially in 2009 after the company introduced its publishing division, AmazonEncore, which specialized in popular self-published as well as out-of-print books.

Then, in 2011, Amazon Publishing was launched with the intent of publishing original titles. This move officially turned Amazon from a bookseller into a direct competitor to publishers. In the late 1990s, the company started to sell other products, such as music, movies, electronics, and even kitchenware by stocking them in massive warehouses. Amazon grew by positioning itself as a low-cost provider and by offering a more extensive selection of products to attract new shoppers. By obtaining a broader customer base, Amazon gained leverage over manufacturers with which it negotiated even lower prices. This also pleased consumers. Another essential strategy the company took was the 2000 launch of Marketplace, which offered merchants the possibility of paying for listing their products on Amazon's online platform without stocking them in Amazon's warehouses. It also allowed Amazon to dramatically increase its product offerings without suffering from a lack of liquidity by having cash tied up in inventory.

A vital implementation in 2005 was the introduction of a membership program called Prime. For an annual fee, Prime offers free and faster shipping for selected items. In 2018, Prime was reported to have more than 100 million paying subscribers, making it the world's most extensive paid membership program after Netflix. Amazon maintains a lead over the industry by continually updating its software and its IT department. This led Amazon to enter the computing market, starting with Simple Storage Service, which offered online hard drive storage to companies in 2006.

In 2015, Amazon began offering more advanced software services. It has become the company's most profitable business, generating billions of dollars a year since its launch.

However, with significant successes came some failures; Amazon was unable to match eBay's online auctions. Amazon's other failed attempts included launching multiple online storefronts and a booking site. Nonetheless, Amazon's CEO, Jeff Bezos, is patient when new projects don't lead to immediate returns. One of the company's strategies was to keep selling products at a loss to make customers happy and return for other goods and services. For instance, Amazon's entry into digital hardware thrived because the company was selling the devices at lower manufacturing costs.

According to Euromonitor, Amazon's gadget business is the third-largest in the United States, after Apple and Samsung. Additionally, the company exercised patience about fashion retailing, which constituted a challenge because shoppers usually prefer to physically try on the clothes. Amazon succeeded by partnering with major clothing brands and building dozens of online stores to broaden its inventory range, including footwear and accessories. After Walmart, Amazon is now the second-largest clothing retailer in the United States.

Amazon entered the grocery industry by acquiring Whole Foods in 2017. In less than a year, the company became the fifth-largest U.S. grocery seller by incorporating groceries with the rest of Amazon's operations. Indeed, the company's diversification strategy made it a major competitor in multiple industries. For example, aside from its acquisition of Whole Foods Market, Amazon introduced the concept of cashier-less convenience stores, which constitutes a significant threat to traditional grocery stores. Besides, Amazon is considered to be among Facebook's and Google's rivals, as it is also used to sell advertisements. This is not to mention Amazon's hardware manufacturing business, which offers products such as smart speakers and other video gadgets. Amazon has even

launched its own studios to produce original entertainment shows and movies that compete head-to-head against online streaming services such as Netflix and HBO. Amazon seems to do it all. However, its increasing concentration of power has raised the concerns of many people and politicians. Some of them believe the government should break up Amazon into small independent companies to prevent it from monopolizing different industries.

According to U.S. antitrust law, which protects consumers from unfair pricing, Amazon's diversification is illegal. Nevertheless, despite operating in distant sectors, most of the company's revenues come from online retailing. Amazon has invested heavily in this business and has acquired several online retailers over the years, including the shoe-seller Zappos, purchased in 2009 for \$847 million. Mainly, Amazon targets customers from the middle and upper class who have a basic knowledge of technology and who either dislike physical shopping or do not have the time to do so.

When it comes to Amazon's competitors, it depends on which industry is being considered. For instance, if the market is for books, movies, and audiobooks, Apple and its iTunes store are the biggest threat, especially with devices like the iPhone, iPad, and MacBook. If the market is for Web services, Google is Amazon's fiercest competitor. As for online retailing, Walmart is Amazon's biggest threat. Walmart.com is using new technologies developed to lock customers in. Other competitors vary depending on the country; thus, Amazon has to face substantial local players for website traffic.

The company's marketing strategy has helped it increase its brand equity to the point where Amazon is now worth an estimated \$200 billion and is listed among *Forbes'* "world's most valuable brands." The strategy developed also differentiated Amazon from competitors like eBay and Walmart. Amazon not only relies on the demographic segmentation of customers but also on psychographic segmentation as the company observes its online visitors and gathers data on what they are interested in and what they are buying. This customer-centricity was described by Jeff Bezos as "the most important thing to focus obsessively on" and is emphasized in the company's mission to be: "Earth's most customer-centric company, where customers can find and discover anything they might want to buy online, and endeavors to offer its customers the lowest possible prices."

Therefore, all the company's efforts are directed toward a seamless and satisfying customer journey where no time is wasted, and customers are provided what they are looking for. Indeed, Amazon's segmentation is so specific that it reached a micro-level whereby each customer is targeted individually, turning a first-time visitor into a loyal customer. The company not only gathers data about customers but also upsells and cross-sells similar products by sending them, "You might also like" suggestions. This involves creating individual personas for customers who buy certain products in a certain way.

Ever since its establishment in 1995, Amazon has always made sure to create a holistic experience for its customers. Anything a shopper desires, even food delivery, is found on the website. Providing high value at a low cost was achievable by partnering with several IT and e-commerce start-ups such as Pets.com, Zappos.com, Audible.com, and many others. Moreover, Amazon has set up a robust distribution strategy that results in very few delivery errors. Faster shipping service is provided upon subscribing to the company's loyalty program, Amazon Prime. This enhanced service has become so popular that it now caters to 100 million subscribers worldwide and is now considered Amazon's most profitable asset. Later, the company announced that it was going to begin delivering packages seven days a week, which constituted a vital marketing tool nationwide to attract website visitors in the United States.

Overall, Amazon adopts different marketing methods both on and off the website. Search engine optimization (SEO) is developed using advanced IT skills to optimize keywords and the performance of a product's page on Amazon's platform.

Moreover, the company offers advertising packages and promotions for brands at a fee to endorse their products on the website. This service is referred to as AMS (Amazon Marketing Services). It charges brands on the cost-per-click (CPC) of links to product pages and targets audiences in a particular manner for maximum effectiveness. Once a vendor creates an AMS account, the vendor can choose between three different advertising formats: (1) sponsored products; (2) product display; and (3) headline search. Another advertising tool offered by Amazon is the Amazon Advertising Platform (AAP), which displays banners and other ad formats on Amazon and external websites. The cost charged by Amazon is based on impressions, and the service is offered to all sellers.

Furthermore, Amazon has its own advertising department, the Amazon Media Group (AMG). It is responsible for planning and implementing all marketing campaigns across different channels, including Amazon's newsletter and via Amazon devices (such as Kindle and Fire TV) and their featured campaigns. The retail giant is among the most influential marketers, using all social media platforms to reach the most significant population directed back to Amazon's brand stores. For example, the company collaborated with Snapchat to develop a visual search tool that allows users to scan an object's barcode and receive additional details about the product. With only one click, a user will be redirected to Amazon's website to buy the item scanned.

On Twitter, Amazon has over 3 million followers on its main account and communicates with users using about a dozen other official accounts for a specific purpose: @AmazonHelp for customer service; @AmazonNews to inform customers about new updates; and so on. More accounts are used for specific geographical markets. For example, @amazonmusicjp caters to the Japanese market, while @AmazonMusicIn caters to the Indian market. The retailer's main account is used to humorously engage with users with more replies to comments than actual tweets.

As for Facebook, Amazon has over 28 million followers and is mainly used to inform customers about new updates and promotions in video campaigns. Amazon's official account page is considered a crucial customer touchpoint. Thousands of posts and comments are shared on the platform every day.

When it comes to Instagram, the strategy used is very similar to the one Amazon uses for Facebook. However, Amazon uses Instagram stories for creative content, including interviews with authors, artists, and influencers. Instagram's built-in option to swipe up and purchase products on Amazon provides essential traffic to the platform. It is also worth mentioning that the company is currently partnering with social media influencers who have created their own "storefronts" on the website with their favorite items that they recommend to other people. Influencers are then given a commission on the products sold on their pages.

Recently, Amazon introduced its first fashion line, including tops, dresses, and other items in collaboration with the influencer Paola Alberdi, a stylist who has one million followers on Instagram. The use of influencers for marketing is a powerful technique. It creates immediate traffic for Amazon because customers feel like they are buying exclusive and one-of-a-kind products. Amazon is also following the tactics of the fashion brand Supreme. It involves using a "drop" sales strategy whereby a limited edition of a new fashion is released periodically so that the items are perceived as scarce.

Besides social media, Amazon has also used other features on its website to attract new visitors. For example, the platform chooses certain days to offer massive discounts to customers as well as promotions, coupons, competitions with giveaways, and social media promo codes. The website is a pioneer in being the first online retailer to implement a review system of its products in 1995. Amazon's reviews are now a social network of their own. Customized ratings and comments helped the platform build a level of trust with users who are willing to spend more on the website. Even more importantly, the addition of a simple feature on the review section, "Was this review helpful?" increased Amazon's revenues to reach \$2.7 billion each year. Also, the Prime program locks customers into buying more products and services because buyers benefit from additional discounts in the online and physical Whole Foods stores, free and fast shipping, and access to endless content, including videos, movies, ebooks, TV series and music. Amazon even designated a specific "day" – Amazon Prime Day – for Prime members, during which they can benefit from exclusive discounts.

The 2018 event lasted 36 hours and ended with a total of \$4.18 billion in sales. The Prime program is a marketing strategy to increase reach and a diversification strategy that provides a new source of income for the company. The return on investment of Amazon Prime shows that Prime members spend an average of \$1,300 a year, almost double of what a regular customer pays. And with 100 million people subscribed to the program in 2018, Amazon earned a total of \$3.96 billion in the last quarter of that year alone.

What can companies learn from Amazon's customer experience strategy?

The fact that Amazon is the number one online retailer in the world is not a coincidence. The platform was a pioneer in including all the right elements needed for a seamless online retail experience that also excludes the pain points of physical shopping.

With its searchable product reviews, recommendations based on shopping activity and ratings, the company reshaped the way people shop and made it much more comfortable and fun! Today shoppers can easily find what they are looking for with Amazon's keyword optimization and find suggestions for similar products. This is achieved using a company-developed algorithm that tracks shopping trends which immediately recognizes what a user is most interested in and offers recommendations.

Consumers no longer have to go through the stress of driving to a store or mall and physically searching for an item they need in vast aisles without being able to find it finally. Now with the click of a button, the products are purchased and delivered to their doors. Sometimes a consumer is not sure of the name of the product or cannot find it quickly, which is very common for clothing items. So, Amazon recently introduced a new feature called "StyleSnap," which uses image recognition to identify fashion products from a simple photo uploaded by the customer. Amazon then offers similar recommendations based on the picture. Therefore, Amazon provides a truly holistic shopping experience to its visitors where they can find everything they are looking for, including food delivery, on the company's website.

By offering a wide range of products (electronics, kitchenware, toys and games, and many more), Amazon benefits from economies of scale that allow it to price items lower. The retailer offers a wide selection of every type of product, more than what any physical store can have and makes it easy to navigate through all of them. For instance,

shopping for music was made simpler by allowing shoppers to listen to song clips and view suggestions based on their moods.

The company even extended the ease and simplicity of the shopping experience to consumers' living spaces with technologies like Alexa, Amazon's smart assistant, and the Dash refill button. The company even offered this simplicity offline by introducing the cashier-less Amazon Go stores, where shoppers don't have to go through the pain of waiting in line and can directly exit the store with their items, and the bill is automatically charged to their accounts. Furthermore, Amazon showed that it cares for its buyers by recognizing the power of customer reviews that allow visitors to view live images of products along with ratings and answers to their questions.

The company also adopts a personalized approach to each client. It quickly identifies shoppers when they enter the website using their login IDs. With a traditional shopping experience, the customer feels like a stranger entering a store. In contrast, Amazon makes sure that the guest is welcomed by offering recommendations and personalized suggestions. The website gives the visitor the same initial feeling he or she might get when visiting a high-end boutique where assistance is instantly there.

Visitors are also able to spend as much time as they might like to browse for different options and be provided a personal recommendation in the comfort of their pajamas. This experience is impossible to achieve in physical stores, mainly because such personalized assistance requires not only an exceptional staff but also the ability of a store to have enough staff to cover every person who enters the store!

Yet, Amazon understands the need for customers to obtain their items as fast as possible, so it adopted a robust distribution system with more than 55 fulfillment centers that exceed 40 million square feet of space. Additionally, the company improved its inventory management system by acquiring in 2012, for \$775 million, Kia Systems, a robotics company with devices that provide automated inventory fulfillment.

Amazon became so good in delivery services that it offered its expertise to other smaller companies through their Amazon service, Fulfillment. Moreover, the Prime program guarantees fast shipping in two days or less. Although the program requires a paid membership, more and more customers are subscribing to it because they perceive that the program's convenience is worth the money. Also, joining Prime could mean that, psychologically, consumers feel part of a prestigious group that provides extra worth.

Amazon's consumer-centricity and user experience touchpoints

Jeff Bezos pointed out from the start that his company is not only a seller of consumer products. It is mainly a technology company to simplify online transactions for customers. Indeed, the company's vision is "to leverage technology and the expertise of our invaluable employees to provide our customers with the best shopping experience on the Internet." One of the advantages of using AI technology to enhance Amazon's consumer-centricity is the feeds on account data generated from Amazon's entire range of services, from the consumer's Whole Foods purchase experiences to the requests one may ask the vocal assistant Alexa.

Amazon has successfully fragmented and organized the data storage it provides its customers and users with an interconnected and fluid experience that integrates the several touchpoints they use to connect with the company. It is also present during the customer journey at different touchpoints to provide advice and suggestions to guide customers. Potential customers not only can experience a tailor-made Amazon website

with a variety of goods they might be keen on purchasing, but will likewise discover specific recommendations on the product websites they visit via search engine suggestions. Although consumer-centricity is central to Amazon's experiential marketing, it can at some points create negative experiences, for example, customers may feel overwhelmed by ads and emails they receive and by the presence of Amazon everywhere and all the time, even if they have already purchased a product and have no interest in another purchase.

The next step in the journey after the in-store experience is back online to review and share their feedback. Amazon integrates this process very well. To improve the customer's journey, Amazon advanced a longitudinal logic, which can challenge brick-and-mortar retailers that are not integrating this logic to better track their customers. Amazon knows what its customers bought in the past, both online and offline. It also knows what their friends and networks have purchased and utilizes this knowledge to push product recommendations back to its users. Retailers have to integrate this tracking logic to create a unique online and in-store approach to better understand consumer purchase behaviors and attitudes.

Nonetheless, tracking consumers in their online and offline experiences supposes that the consumer is indeed purchasing in both the company's stores and websites and is linking the two experiences by assuming that the online search will lead to in-store purchases and vice versa. Yet, most shopping journeys start by typing a word in a search engine, generally Google. Consequently, to be located while the consumer is seeking or shopping, retailers must develop a robust search engine optimization (SEO), which Amazon considers to be the most critical touchpoint in the customer's journey. Another significant touchpoint for Amazon is social media, which is used to create a strong community that has two-way interactions between Facebook and Amazon through pulls and likes. This information enables Amazon to recommend a suitable product based on likes on Facebook.

Diving into entertainment and the tech ecosphere is another touchpoint that Amazon is integrating to elevate the customer experience. In recent years, Amazon has extended its offerings to include entertainment and the tech sphere into the customer journey. With the launch of Amazon Prime, online film streaming services, and ebooks, Amazon is now becoming an inclusive service provider. It has acquired several promoting firms such as Twitch Interactive, a video game streaming company.

Leveraging technology and data to offer a perfect digital retail experience

Customer-centricity at Amazon is smartly adopted by using customer data to design the entire shopping experience. Amazon employs a search engine called A9, which involves a specific algorithm that optimizes keyword searches and helps customers find what they are looking for. Moreover, internally developed algorithms offer online shoppers' suggestions and recommendations for products they might be interested in without even looking for them.

Over the years, Amazon has offered a requisite amount of technological advances specifically tailored to enhance the shopping experience. For instance, its "one-click" technology gives the shopper the ability to purchase an item with only the click of a mouse. One-click was first introduced by Amazon and patented in 2017, giving the company a first-mover advantage. Nevertheless, while some technologies became instant successes, others quickly became obsolete, such as the Dash button devices used to buy Amazon

products. Many new smart home appliances already had Dash buttons. Alexa can now better help customers quickly purchase items on Amazon.

This technology and increased website popularity gave Amazon an incredible amount of data to tell customers which products are most desired. Thus, after becoming an expert in selling other vendors' products, Amazon can now focus on its own line of private label products. The company created its first private label brand in 2007 that sold bath products. Since then, the company has added 125 other brands in different categories, from paper towels and diapers to T-shirts and shorts. Amazon's private labeling was a success, with sales reaching \$7.5 billion.

Offline, the company was also able to smartly use technology to offer a better physical shopping experience with its Amazon Go store. These stores are expected to be the future of brick-and-mortar stores. They use sophisticated image recognition software and artificial intelligence; customers will never have to wait in line or take out their wallets.

Another offline shopping experience offered by the company is, ironically, a bookstore. While one might wonder why the company that had disrupted the brick-and-mortar bookstores is now going back to that same business model, it is because Amazon understood the importance of the sensory aspect of buying a new book. Buyers often want to touch and open books before deciding whether or not they wish to purchase them. Nevertheless, Amazon's bookstore introduces new features to the traditional model by adding the books' reviews on the stand below them. Yet, the limited hangout space within the store suggests that it is not made for people to spend hours in it. Amazon bookstores are considered as an excellent marketing tool for its Prime program. Visitors can scan books and discover what discounts they might get as Prime members.

Amazon's challenges in the future: what's next?

The first challenge could be that of responsibility toward the community, given Amazon's vast size and its increasing intrusion into people's privacy. The second is that of rising competition. This could come from China, where Alibaba is considered a credible and robust rival. But it could also emerge from elsewhere, for example, another emerging market actor may one day have a better idea to meet consumers' expectations.

Another challenge for Amazon in the future is related to its involvement in the healthcare sector with the launch of Amazon Care, an actual digital hospital. In 2019, Amazon filed a patent that allows Alexa to determine if someone is sick by analyzing the person's voice. The voice assistant which, in its latest versions, incorporates a video screen, automatically launches a remote medical consultation via Amazon Care.

For now, this is a program limited to the Seattle area, where Amazon's headquarters are located. It consists of a virtual clinic for Seattle employees of Amazon only. Employees have options such as: (1) videoconference consultations; (2) dedicated and private messaging with medical personnel who can be dispatched to their homes; and (3) prescription drug delivery by a pharmacy.

In January 2019, taking advantage of the American healthcare system's weakness, Amazon, Berkshire Hathaway, and JP Morgan Chase joined forces to launch a health insurance company called Haven. These companies' activities in the insurance and healthcare sectors represent both opportunities for growth and challenges for Amazon. Among other things, the company will have to deal with institutions and government organizations trying to impose control and enforce strict privacy regulations.

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Questions for discussion

1. How do the companies discussed in this chapter implement customer experience strategies, and what are the outcomes? Which of these Big Four digital companies is developing the deepest understanding of customers' needs and goals? Explain why.
2. Identify the companies' customer experience touchpoints. What are the advantages and disadvantages of each touchpoint?
3. How has each digital company evolved its experiential strategy? Are the changes in line with today's consumer expectations? How are the four companies leveraging data to understand their customers?

4. Explain how the four companies can empower users to allow them to regain control over their data and digital use.
5. Should GAFA focus more on physical customer experiences instead of digital ones? How should the physical experience be organized and defined? What are the sectors that might be interesting to focus on (e.g., food, hospitality, retail)? What is the role of the employee experience when it comes to delivering a satisfying and enjoyable customer experience?

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) at Google. You have been asked to create a physical concept store to extend Google's digital experience into the physical environment. How would you create Google's ultimate physical experience? What are the drivers and expected outcomes? What kind of sector would you select: Google food store, Google book store, etc.? What would your target market be? What would the expectations of consumers be?

Company case 2: How did Netflix create the new TV experience?

Online streaming services have been developing at an incredible pace in recent years. Although founded more than two decades ago, and despite a slow start, Netflix has radically changed individuals' habits and the whole online streaming and entertainment market. The number of paid streaming subscribers in the fourth quarter of 2019 reached 61.04 million in the United States. Netflix is the most significant worldwide media streaming service. At the end of 2019, its subscriber base was 167 million. Its annual revenue grew from \$1.36 billion in 2007 to around \$15.8 billion ten years later. Video streaming has also changed our relationship with television and our way of watching it. Faced with entirely timeless television offerings and poor quality programs, some would say, users have found in video streaming a way to breathe new life into their TVs. Although Netflix has definitively democratized video streaming, it is not the only player in the online video streaming services market. Others, including Amazon Prime, Disney+, and Apple TV+, have launched new offerings with different catalogs, features, and prices to attract users. Therefore, it is necessary to understand the story behind Netflix's success and the way it is adapting to users' needs by creating a new TV experience to better serve consumers across the world.

How did it all start? The story behind Netflix's successful marketing strategy

Netflix, Inc. is known to be a provider of movie and TV series streaming worldwide. What many people don't know is that the company started as a website that offered DVD rental services delivered via snail mail. The company, founded in 1997 by Marc

Randolph and Reed Hastings, was based in California and allowed U.S. residents to rent DVDs online. The story of Netflix's inception is a famous legend: Hastings decided to start the company out of frustration when he was charged a \$40 late fee for renting *Apollo 13* from the Blockbuster video rental company.

Netflix's business model was pay-per-rental, whereby users would search for the movie they want on the website, order it, and receive it by mail. They would later return it using the same delivery method. This was a new idea as consumers were used to physically visit a store to rent a DVD. In the beginning, prices were about \$4 per rental plus a postage charge, but as the company grew, the business model transitioned into a subscription model. This allowed customers to benefit from unlimited rentals while keeping the rented movie for as long as they liked with no return deadlines or late fees. This service attracted many viewers as no other competitor was offering it (competitors like Blockbuster relied on customers visiting their stores to rent movies). Still, the company was faced with the challenge that many Americans did not own DVD players. However, Netflix took the risk and kept offering its services at a loss. It wasn't until 2001 that the price of DVD players came down and they became part of every American's home, and with people taking refuge in their homes following the events of 9/11, Netflix subscriptions increased.

The company later went public. At that time, its main competitors were Blockbuster and Walmart, which also decided to release their own online DVD mail services to compete with Netflix. The three companies went into a battle to undercut each other. However, Blockbuster and Walmart were late to the party. Netflix was the strongest competitor with the most significant number of subscribers.

In 2007, Netflix made the wise decision to introduce its online streaming platform, allowing viewers to watch shows and movies on their computers for free instantly. The company realized that this was the future of television and that it would fulfill the audiences' digital consumption desires, mainly including people in the age group 15–40 years, whereas its competitors kept on renting traditional DVDs. This ended the battle with a victory for Netflix. Walmart decided to quit the DVD rental industry in 2005, and Blockbuster filed for bankruptcy in 2010. At first, movie rights were hard to obtain, but in 2008 Netflix signed deals with Disney and Sony at relatively reasonable prices, which allowed it to offer popular content to its viewers. The company also collaborated with consumer electronics companies, making it possible to stream content on Xbox, Apple iPad, iPhone, iPod Touch, the Nintendo Wii, and other Internet-connected devices. From there, Netflix grew exponentially, launching in Canada in 2010 and expanding its streaming services to the international market worldwide in 2016.

However, with the entrance of new online streaming competitors like Hulu, the cost of content streaming licenses became expensive. This pushed Netflix to produce its original content. The company has produced award-winning TV shows like *House of Cards* and *Orange Is the New Black* along with movies and documentaries. Netflix has always been one step ahead when it comes to innovation; the company became a trendsetter by always taking risks and trying new things with its business model continually changing.

Four main reasons have been attributed to Netflix's success: (1) affordable prices; (2) accessibility (users can watch whenever and wherever they want); (3) variety of genres/languages; and (4) original content. However, the company is currently an extremely competitive market actor with other players like Apple, Hulu, Amazon, and Disney, which knock on its door with their video-on-demand services and original content.

Although other competitors are entering the market, Netflix remains the top leader of online streaming services. Aside from offering a one-month free trial to attract potential customers, Netflix is known for its remarkable customer-oriented marketing strategy targeted toward millennials and those who are younger while using a minimal promotional budget.

The company understood that when people are not streaming, they spend the rest of their digital time on social media. This is why the company uses social media platforms heavily to engage viewers with polls, discussions, and memes. Memes and funny tweets are Netflix's way of interacting with viewers in a fun and playful way. The company does this by not taking itself seriously and by approaching followers as one of its friends. For instance, the curators of Netflix's social media accounts will joke about the company's content, post gifs of funny scenes, and even comment on trending world issues.

Unlike other companies that use a formal approach to communicate with followers, Netflix uses humor to grab attention. This approach of being relevant, original, and funny at the same time has worked so well that Netflix's tweets go viral without any additional sponsorship costs, hashtags, or desperate calls to action. The company understands its viewers well, even creating memes about certain behaviors almost all their customers engage in. For example:

- Netflix joked about users creating a new account every time to benefit from the one-month trial as well as users sharing each other's passwords.
- What is also unique about Netflix's social media content is that it does not sound like it is coming from a professional company, making Netflix very approachable vis-à-vis its followers.
- This approachability is also emphasized every time the company retweets one of its followers' posts.
- Additionally, Netflix was able to successfully anchor itself in pop culture as the term "Netflix and Chill" appeared in numerous tweets, memes, and vines from 2010 to 2011. The term's hidden meaning, which refers to couples' intimate activities, became so popular that it was added to the Urban Dictionary. Instead of ignoring it, Netflix embraced it and included it in a meme on its official Twitter.

By gaining so much momentum on social media platforms, the term became free publicity for the company just due to word-of-mouth, Netflix is now cool and trendy for both millennials (people born between 1981 and 1996) and Generation X (people born between 1965 and 1980). Netflix has not only become part of every couple's date nights, sharing it has become a symbol of commitment: after partnering with the market research company, Ipsos, Netflix found out that among 1,008 millennial-aged American subscribers surveyed, more than 50 percent thought that sharing their Netflix account was a sign of success in a relationship.

Regarding its communication strategy, in the past, Netflix used high-ranked celebrities to boost sales, but now that it has become a globally known brand, it doesn't need to create intense advertising campaigns that bombard people with viewing recommendations. Promotional work is now only limited to a single teaser or trailer that lets people know about new upcoming original content.

Moreover, Netflix does not bore its customers with unwanted newsletters that usually end up in their junk pile. Instead, the company makes sure to personalize everything in a simplistic and friendly way to emotionally connect with the audience. For instance,

Netflix's email designs are straight to the point, addressing users by their first names and mentioning a call to action very clearly without getting the receiver lost among different suggestions. Also, Netflix observes its customers' browsing behaviors and sends specific emails based on that data. Netflix offers and recommends content viewers will be interested in, based on their browsing histories. That way, the target audience will never feel bored or frustrated.

That being said, this does not mean that Netflix doesn't make mistakes when it comes to communicating with its audience. One incident in Netflix's Canada account involved a comment about the singer Carly Rae Jepsen's music being for "gays," which offended the LGBT community. Netflix later apologized for this, revealing that the comment was made by interns who are members of the LGBT community and included their personal accounts as a reference. This increased the company's popularity because Netflix was able to build a reputation for caring for its audience's feelings and needs, making followers even more loyal to Netflix.

All in all, the marketing and communication strategy of Netflix can be summarized as one that tries to be friends with its viewers rather than just attracting them. The company engages with its audience's ideas and interacts with them using strategic content marketing.

Netflix's pursuit of the ultimate customer experience: a transformation of the online streaming landscape

Whether we like it or not, Netflix has redefined the way we watch television. Traditionally, people used to gather around one device (the television) at home to watch a movie or a TV show. If they are lucky enough to have it on DVD, then they can avoid interruption caused by commercials; if not, they have to watch what the channel has to offer. With the introduction of Netflix, people can watch from any Internet-connected device (e.g., computer, tablet, mobile phone, gaming device), any time, anywhere without being limited to their home TVs. Additionally, Netflix offers the concept of video on demand, meaning viewers can watch, pause, and repeat at their convenience and without having to follow TV channels' showtimes. This offers the added value of comfort and flexibility to viewers that they were not getting from the traditional way of watching TV.

This transformation ended the brick-and-mortar video rental industry and forced cable companies and TV networks to offer their online streaming services. Netflix competed with them by attracting series producers and showrunners, offering them generous contract terms, including the upfront featuring full seasons, whereas networks only approved shows after their pilots have hit specific metrics. Netflix's model of uploading full seasons at once made binge-watching became inevitable.

This is entirely different from the traditional model whereby viewers had to wait a whole week to watch a new episode of their favorite TV series. Binge-watching is now the latest trend, a behavior that nonetheless creates mixed feelings among subscribers: on the one hand, they love it because they can immediately find out what happens next without being left hanging; but on the other hand, it consumes so much of their time that in 2017, Netflix's co-founder stated that the company's biggest competitor is "sleep."

People are spending so much time glued to their Netflix screens that they are sleeping less and procrastinating more. Studies have found that on average, 99 percent of UK adults watch four hours and 41 minutes of TV and online video every day, with 20 percent

more adults watching Netflix every week as compared to 2017. Moreover, Netflix's innovation of using its viewers' browsing data to predict the content they will be interested in, has increased the pressure on the entertainment industry to offer better products.

Basically, every new piece of content Netflix produces is replacing a network's TV show in viewers' homes. Netflix now knows what their customers want before they even know they want it. The company can offer them a better viewing experience by creating original content based on what they want to watch. This way, consumers won't be paying for content they are not interested in, which is often the case with cable TV. Netflix also competes with movie theaters that restrict visitors to specific times, uncomfortable seating, and expensive ticket prices.

Netflix subscribers can now benefit from unlimited options at their convenience for only \$8.99 a month, which is equivalent to only one movie theater ticket. Netflix's success has proven to be a significant threat to the TV industry, as many consumers have already canceled the cable TVs in their homes. Personalization is the new trend with Netflix dividing its content into particular subcategories that match a user's preference. The company changed the way we consume media in the digital age and disrupted the entertainment industry by shifting its focus to a digital platform.

Netflix's consumer-centricity and customer experience touchpoints

For Netflix, being an online video platform means that all interactions with the customer will be digital and will, most of the time, happen without any sensory contact with him or her. This can be especially challenging since a user can quickly become frustrated due to a technical issue and does not have the patience to deal with a machine.

Moreover, by relying on a subscription model, Netflix runs the risk of customers becoming dissatisfied with the service and quitting. To prevent this from happening, Netflix follows a rigid customer-centric strategy that ensures the delivery of exceptional experience in every interaction a user might have with the company, whether it is online or offline. As put by Todd Yellin, Netflix's VP of product innovation: "We own the Netflix customer experience from the moment people sign up, for the whole time they are with us, across TV, phone, and laptop." A user's first touchpoint with Netflix is when he or she learns about the service before deciding to subscribe.

This discovery phase is usually initiated after successful search engine optimization, social media advertising, and other marketing techniques (TV, radio, newspapers). Netflix spent about \$1.8 billion on advertising in 2019, most of it going to television ads. Innovations in advertising and social media marketing content make the brand seem approachable and relevant, thus attracting potential customers.

When a targeted individual decides to discover the service, he or she will enter the company's home page. The home page is designed to be very user-friendly with very little writing, big letter sizes, and primary colors used to highlight important words (for example, "Start 30 Days Free" is in red). The discovery experience is improved by allowing potential future subscribers to try Netflix for free for one month. This provides a sort of relief for first-time users that they will not be spending money on a service they are not sure of, which will guarantee their trial subscription.

Next comes signing up and creating a profile, Netflix made this step short and smooth with little information required as users will opt out if they face a lengthy and tiresome process of account creation. Knowing that streaming can be done on any Internet-connected device (e.g., mobile, tablet, computer), Netflix made sure its platform is fully

optimized on all these devices with their app, mobile, and web versions all user-friendly and free of any bugs. Additionally, navigation is made easy as movies and TV shows are divided by types and directly displayed on the home screen, and all a user has to do is to scroll until he or she finds the perfect match. Information such as the duration, a short description, and the cast's names are shown the moment the user chooses to watch a particular video.

A straightforward play click separates the viewer from enjoying the content. Options such as subtitles (with adjustable size, style, and color), video quality, and volume are readily available. Users can forward, rewind, pause, and play with simple buttons on the screen; if they pause and exit, they can pick up exactly where they left off when they sign in again. An essential feature of the platform is that once a change is made on one device, it is seen automatically on other devices signed in to the same account.

For example, you can pause a movie on your computer and continue where you left off on your mobile app. Not to mention that binge-watching is made hassle-free as the next episode is automatically played unless directed otherwise, with the option of skipping the intro. All in all, the platform is designed to be simple, secure, and friendly, making usage and navigation effortless to all users, especially for the older generation (usually not as tech-savvy as millennials). Furthermore, users are still in touch with Netflix offline, with the download feature available on Android, iOS, and Windows 10, allowing customers to watch their favorite shows both in standard and high definition without any Internet connection.

Besides the company's streaming platform, social media platforms can also be considered as touchpoints as followers interact heavily with content posted on Twitter, Instagram, Tumblr, and Facebook. These are considered one of the primary means of communication with customers since followers comment and reveal their opinions, excitement, and disappointment, on social media whenever Netflix posts about a new release. Emails and newsletter are other means of communication, yet, the company always make sure emails are short and to the point.

Other touchpoints not directly associated with Netflix that participate in delivering this unique experience include web browsers like Google Chrome, Mozilla Firefox, and Apple's Safari, each offering different quality and resolution for streaming, as well as additions like Netflix Party and Rabbit that allow users to stream with distant friends and chat with them at the same time. What is more is that Netflix ensures optimization across all touchpoints during the entire customer journey, including complaints, support requests, transactions, and customer feedback, by focusing on employee training for ways to prevent friction for the user.

For example, Netflix offers its clients easy communication by phone and even live chat so they can receive help regarding all kinds of problems and also gives them the option of requesting the streaming of a new title not available on Netflix. This has helped the company build a reputation for caring for its clients, responding to their needs, and keeping them happy and satisfied. With the data collected from customer feedback, the company has developed an extensive FAQ list to find a solution quickly. On top of that, Netflix considers users to be equal partners by allowing them to volunteer to test new features before they become publicly available by choosing "Test Participation" in the settings menu. This not only allows the company to collect data and predict success but also creates among users a sense of appreciation toward the company for considering their opinions.

Leveraging digital technology to offer the perfect Netflix experience

Having loyal subscribers that continue to seek the Netflix experience does not happen by coincidence. The company spends a good portion of its budget on analyzing and tagging all kinds of movies and TV shows to understand their viewers better. With the data collected, Netflix knows what its viewers want to watch, and this allows it to tailor the content shown and produced to match its viewers' preferences.

According to Ted Sarandos, Netflix's CCO, the strategy is clear: providing great content to consumers on their terms. Ever since its start, Netflix has been able to adapt to changing technologies and consumer demands by continually evolving its business model. The company's founders were among the first to implement a smart suggestion algorithm, which they started as early as 1997 when such a technology was not even heard of.

The idea behind it is to offer suggestions based on the viewing pattern of users. So, for example, if you are interested in action movies, Netflix will show you action movies on your profile; if you are interested in comedies, the suggestions will involve comedy-type videos. This is done by collecting data via a robust tracking system that measures users' activities, including pausing, rewinding, and resuming, streaming time, ratings, devices used to watch a particular show, preference to watching a single episode or an entire series at a time as well as browsing and scrolling habits.

Based on this analysis of customer data, Netflix knows what its audience wants to watch and how users would like to view it. This gives the company an incredible advantage over other online streaming platforms because it can tailor its service and content to offer a better customer experience. Collecting this broad range of data has resulted in better market segmentation since the company knows exactly the audience it is catering to, its preferences, and its behaviors. Netflix can segment viewers by type of favorites in a way that is so specific that the result is around 1,300 categories called "taste communities" of strange and unique viewers sharing similar movies and TV show tastes.

This data-driven targeting strategy offers viewers what they want to see, not only from purchased shows and movies but also from Netflix's original content that it tailors to its audiences' viewing needs. For instance, the company can predict that *House of Cards* will be a success because Netflix knows that many subscribers who were fans of the original UK *House of Cards* series also watched David Fincher and Kevin Spacey's movies several times.

Netflix focuses on high-quality content. In 2018, the company spent as much as 85 percent of its budget on producing original content. The statistical technique used is so precise that when *House of Cards* season 5 was soon to be premiered, Netflix produced ten different teasers, each targeted to a segment of subscribers. Furthermore, the user experience is not only improved with the entertainment material offered but also with the way it is presented.

Netflix understands that consumers are avid lovers of binge-watching and, therefore, provides them with full seasons dropped at once. Not to mention that the personalized recommendations offered to each viewer, thanks to Netflix's algorithm (based on streaming history, preferences, and ratings), are surprisingly accurate. Suggestions (usually communicated via email updates, personalized landing pages, and recommended shows) drive as much as 80 percent of watched content and keep viewers stuck to their computer screens watching series after series with full seasons entirely available upon demand.

Netflix also invests in new ideas; the latest is wearable digital smart socks that read the body and know when a viewer falls asleep, automatically pausing the streaming. This idea was introduced after listening to subscribers' feedback and ideas. Netflix socks are only part of a series of DIY projects created to improve its audiences' watching habits and, therefore, deliver the ultimate user experience. Many people might think that achieving Netflix's success is nearly impossible as the company was able to go from a small DVD rental venture to the leading online video streaming provider in the world. However, the company's secret to success is simple: it made an effort to ask people what they want and gave it to them.

Netflix's challenges in the future: what's next?

Starting as a small DVD rental business, Netflix is currently worth more than \$100 billion. Yet, with the upcoming competition from Disney, Hulu, and Amazon, all with the aim of aggressive expansion, Netflix is at risk of not being able to stay on top as licensing costs are continuously on the rise.

The company's strategy of spending money on content acquisition to crush the competition is no longer enough. To stay in the game, it has to focus on a growth strategy targeted toward the production of original content. Netflix plans to keep viewers glued to their screens by spending \$8 billion on production projects that are fully personalized to the audience's preferences. It also plans on increasing its market share globally by partnering with international broadcasters and creating foreign-language shows to attract audiences worldwide. Targeting different age groups is another objective as the company is offering content such as *The Crown*, which appeals explicitly to the older generation. This constitutes a challenge for Netflix as most individuals in this age range are used to the traditional TV and are not at ease when it comes to using technology.

Channels such as HBO, NBC, and CBS have gained the loyalty of older viewers who have been watching for decades, with many not ready to switch to digital platforms. Netflix currently plans on making its ads more inclusive by promoting content that is predicted to appeal to the older generation. Besides, it is expected to launch reality TV and unscripted content as well as live TV, covering everything from concerts to sports events.

However, with increased financial pressure facing new competition, Netflix was forced to raise prices in 2017 by 20 percent for many customers around the world, including the UK and the U.S. So far, price increases have not affected the number of subscriptions. However, with the arrival of Disney+, which will start at half Netflix's price and include content such as Marvel's superheroes, Pixar productions, and the Star Wars saga, Netflix might need to rethink its price increase plans, especially since specific international markets, such as India, have lower average incomes. If the company is unable to lower its prices to stay competitive, a challenge would be to decide whether or not introducing advertising into the platform would be a good idea.

According to Hastings, introducing commercials is against the company's objective of providing the best possible experience. Yet, it could constitute an alternative revenue-generating possibility as advertisers are eager to join such a popular platform. This model has worked for competitors such as Hulu. Most of its revenues (almost 75 percent) come from its \$5.99 per month plan (which includes ads) and not from the \$11.99 ad-free plan. So far, Hulu has added double the number of Netflix subscribers in the United

States. Still, this strategy needs to be carefully analyzed as it is predicted that if the introduction of ads results in 5 percent additional subscription cancellations, the company will be losing money.

Netflix has not yet reached the point of turning to ad revenues to survive. It has 148 million paid memberships and \$16.6 billion in annual revenue and is the current world leader of online streaming. But how long can it stay there? Netflix has come a long way, constantly changing its business model to cater to its audiences' changing needs. It has always been one step ahead of the competition. As long as Netflix stays consistent with its innovative customer-centric strategy, it can remain a leader in the entertainment industry.

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Questions for discussion

1. Define the components of the Netflix customer experience and its touchpoints. How has Netflix changed our way of watching TV? What do you think about Netflix's empathy as a shared consumer value? How is "empathy capital" integrated into the experiential marketing mix of Netflix?
2. How does Netflix manage its customer experience strategy? What kind of data is used to create the perfect TV experience?
3. Describe how Netflix can use smartphones and other digital devices as well as extended reality technologies, such as virtual reality (VR) and augmented reality (AR), to elevate viewers' TV experiences. What are the advantages and disadvantages of each technology? Could you think of another form of technology that Netflix should use to create a durable competitive advantage?
4. Could Netflix adapt its content to become an online streaming service targeting students by offering them a perfect learning experience? Should Netflix develop a partnership with schools, universities, and the entire education sector?
5. Examine and compare Netflix experience offerings in two contexts: technology-advanced versus technology-novice countries. What are the key points of difference? How would you define the technology divide? What obstacles prevent Netflix from providing a satisfying online streaming experience in technology-novice countries?

Challenge yourself

Imagine you are the Chief Experience Officer (CXO) at Netflix. You need to help the company shift from an online streaming experience to a phygital streaming experience combining both online and physical services. How would you proceed? What would be the positioning? What kind of market research tools can you use to collect insights about what consumers really value?

Company case 3: An inside look at Uber's customer experience

The transportation sector has been disrupted by platforms, which, through a sharing economy business model, have reinvented the way people commute. It has been done by advancing ride-sharing practices via connecting passengers with occasional drivers. Uber is one of the best-known digital platforms available in many cities around the world. Thus, it is essential to understand the story behind Uber's success and the way it is adapting to users' needs by rethinking the shared-driving experience to serve consumers across the world better and differentiate itself from competitors such as Lyft and the traditional sector of cab drivers who are now proposing their digital platforms.

How did it all start? The story behind Uber's successful marketing strategy

Starting as a simple startup in 2009, Uber soon became a ride-sharing giant with 67 million customers and 3 million drivers in more than 80 countries. What is the story behind Uber, and how did it achieve such phenomenal success? It all began when two friends, Travis Kalanick and Garrett Camp, were attending a conference in Paris. It is said that they came up with the idea when they couldn't find a cab on a stormy winter night. But what if they could order a car using their mobile phones? The pair returned to the United States and tested a prototype for UberCab in New York; the company was then officially launched in San Francisco.

The company's mobile app quickly became popular due to its simplicity and ease of use. With just a click of a button, a car is at your door. This is made possible with a GPS that quickly identifies the customer's location and an online payment system charged to the user's account. This connectivity made the client-facing role very dynamic and allowed better reach and interaction. After a few months, the term "cab" was dropped from the company's name to avoid people identifying it with regular taxi businesses. Initially, the company's services were tailored to users of black luxury cars (mostly well-paid metropolitans), and prices were almost 1.5 times the cost of a regular taxi. With significant funding and the support of investors like First Round Capital and Jeff Bezos, in 2011, Uber expanded and launched internationally, starting with the idea in Paris.

In 2012, the company added a new service to its business model, UberX, targeting consumers seeking lower prices and non-luxury cars. This service allowed people to become Uber drivers, using their private vehicles under the Uber name, after passing background checks and registration requirements. Ride prices were significantly reduced, causing massive resistance from the taxicab industry, with drivers seeing their earnings decreased as a result of heavy competition from Uber. However, the company's business model relies on a dynamic pricing system whereby prices change according to the demand and supply of rides when they are requested. This makes pricing variable: fares are expensive during rush hours and holidays and very cheap during light traffic.

Therefore, the pricing method received criticism from both taxi drivers (when fares were low) and customers (when tariffs were high). Opposition from the cab industry turned into protests against Uber in cities like Paris, Berlin, Madrid, and London, with some government officials banning the company from receiving licenses to operate. Yet, this didn't stop Uber from growing. In 2014, in an attempt to reduce congestion and pollution, another new service was launched, UberPOOL, a carpooling service that provides even lower-cost rides because several users split the fare.

Additionally, in the same year, Uber Eats, a food delivery service, was introduced, which allowed people too busy to cook to order food using the app. Soon, Uber was offering every method of transportation and logistics services anyone could think of, from motorcycles and bike-sharing systems to functions like ASSIST, which provides assistance to senior and physically disabled citizens. Some plans even include the introduction of driverless cars. UberAIR provides helicopter taxi and aircraft for short-period flights. Nonetheless, even with its diversification strategy, Uber still faces fierce competition from the big players in every country it operates in, like Lyft (mainly in the U.S. and

Canada), Ola Cab (India), DidiChuxing (China) and Careem (the Middle East). Other competitors include public transportation and local taxis. In most countries, the war was settled with acquisitions: DidiChuxing bought Uber in China, and in the Middle East, Uber acquired Careem.

Still, in the U.S., Uber continues the race to the finish line against Lyft as both companies offer the same types of services with similar pricing. The competition has been so intense that in 2014, both companies admitted having drivers and employees belonging to each organization engaging in disrupting the other's operations by purposely ordering and canceling rides on each other's apps. Nonetheless, Uber currently enjoys the upper hand with a more significant market share and a \$120 billion valuation, compared to \$15 billion for Lyft, according to Wall Street banks.

But how long can Uber keep it? In recent years several allegations and scandals have hit Uber, including accusations of a sexist culture in the workplace, sexual harassment of employees, inadequate background checks of drivers (which resulted in Uber being banned in India after allegations of rape by drivers), and many others. This has affected the company's reputation and revenues. However, its market capitalization remains strong (it went public in 2019), although its share price is still a disappointment. Currently, there are no signs of increased profits for the company as it continues to refrain from paying dividends. Consequently, while Uber's growth is something to look up to, its share price isn't receiving enthusiasm from investors.

Uber's pursuit of the ultimate customer experience: a disruption of the transportation sector

Uber is one of the fastest-growing companies in the world, disrupting the taxicab industry in more than 80 countries, how did its marketing and communication strategy help it achieve such success? First of all, market segmentation, both demographic and geographic, is crucial for Uber, as it is based on its pricing strategy. The company needs to know which areas are most heavily populated with consumers ready to replace public transportation with a private transportation service. Mainly these people are found in urban areas where Uber replaces taxis. As such, you will not find Uber in rural areas. The company was also smart about which cities it chose to operate in.

Knowing that taxis were Uber's biggest competitors, market research was conducted to determine which cities had the highest gap between the supply and demand for cabs. It then chose to launch and create promotions at times where demand was the highest: holidays, big concerts, and sporting events. This helped the company reach a large pool of customers very quickly. Moreover, with UberX and UberPOOL, the company uses cost-based differentiation to position itself as a cost-saver for customers looking to reduce the budget spent on daily transportation.

Uber has been engrained in customers' minds whenever they require a low-priced ride. Nonetheless, the company still targets upper-class audiences with UberBLACK and other services offering luxury cars. But this doesn't mean that by choosing UberX, the customer will get a bad ride. The person will still get a good-looking car as Uber's regulations only allow vehicles with specific standards to operate under its name. It is worth mentioning that Uber's marketing strategy relies on providing an instant luxury feel, whereby passengers think of themselves as superior and essential when they tell

their peers they are ordering an Uber, even if it's an UberX. This tactic of inflating our egos has helped Uber achieve rapid growth through psychological mindset domination.

When we come to categorize Uber's offerings in the BCG matrix, we find the following:

- UberPOOL is considered in the stars category as it represents a high market share with a high growth rate.
- UberX is classified as a question market since it has been suffering from lower demand due to high competition from industry players. If this service becomes unprofitable, it could be downgraded to DOG, resulting in losses to the company.

It is worth mentioning that Uber's brand value is tremendous as it is known and marketed in more than 450 cities around the world. This gives it a substantial competitive advantage when it comes to its marketing strategy. It primarily benefits from the first-mover advantage. Initially, the name Uber became famous through word-of-mouth as Silicon Valley residents advocated it. Then, it was through digital marketing via social media and its online platform (mainly the app) that the service became within every person's reach.

Additionally, Uber attracted new customers by offering free and discounted rides as well as additional credits via its referral and loyalty programs. Moreover, partnerships with banks and hotels have enticed specific credit cardholders to try the Uber experience at a discounted price. Uber's fundamental marketing techniques include a rating system for passengers and drivers, which instills a sense of trust in potential customers. Not to mention stunts such as delivering kittens to offices and surprising passengers with famous musicians sharing their rides. This is done by Uber to increase its social media "hype" and give the brand a friendlier and more fun image.

Yet, in Uber's case, attracting customers on the demand side is not enough as the service also relies on attracting drivers from the supply side. It is important because the platform is double-sided: it needs people who seek rides and people who are willing to offer them. The company first started out using professional drivers in its black cars' services to ensure a great trip for new customers. This was then translated into heavy marketing to lure drivers to join Uber by following the company's standards.

Still, Uber's extensive marketing strategy and its drive to deliver the best user experience have not been scandal-free. This is not to mention lawsuits filed against Uber by drivers of the company, usually working on a contract basis, and requesting employee benefits. Other lawsuits were filed by cab drivers who saw their earnings decrease due to Uber's extremely low fares, and in many cases, trials ended with the banning of Uber from certain cities.

To save the company's brand image, a new CEO, Dara Khosrowshahi, was appointed. Marketing efforts are now targeted to improve the company's public affairs by trying to convey a friendly image of the business through sponsoring sports events as an example.

Uber's consumer-centricity and ride-sharing experience touchpoints

Uber redefined the driving and the cab experience by transforming our way of commuting: while the app is famous for improving the customer's journey, it is crucial to recognize that Uber also helped drivers in their journey.

Each touchpoint in the journey is usually followed by a moment of truth, whereby the user validates whether or not the service has met his or her standards. If it has, the user

will then move to the next stage of the journey. If it hasn't, the user will opt out and exit the platform (the app). When it comes to the user's experience, it starts when the person uses the app to request a ride. A nearby driver will automatically accept the request, and the user will receive the estimated arrival time for pick-up. Then the user will receive a notification informing him or her when the driver is about to arrive. Information will be provided about the driver, including his or her first name, plate number, and vehicle type, which will help the user recognize the car at the pick-up location.

The user can opt to enter his or her destination either before or during the ride. Once he or she arrives at that destination, the trip ends, and the fare will be automatically calculated and charged to the payment methods selected by the user (either online or cash). Immediately after that, the app will ask the user to rate the driver on a scale from 1 to 5.

It is interesting to note how Uber tackles every consumer's pain throughout its touchpoints. For instance, requesting a ride solves a customer's problem of not being able to find a ride or waiting in line for one. Moreover, the easy-to-navigate mobile app allows for high precision when it comes to choosing the destination. Users will no longer have to suffer from rude or chatty drivers, as the ratings will help them decide who to choose. Similarly, users avoid the struggle of the driver's credit card machine being broken or not having enough change to pay cash because they can pay automatically through the app.

The driver's journey contains frequent touchpoints with that of the user, including receiving the customer's request and letting the user know when he or she has arrived at the pick-up location. Moreover, the driver is notified when customers pay, and he or she is also given the same rating system to review the passenger. This has fostered mutual respect between the driver and the rider; both are held accountable.

Throughout the driver's journey, touchpoints also help improve his or her experience, first, by allowing the driver to operate without a taxi medallion, which usually costs a lot of money. Second, drivers can now benefit from auto insurance by partnering with Uber, and they are given the freedom to operate according to their schedules instead of having to abide by specified work hours. Lastly, drivers don't have to worry about carrying a lot of cash and risking getting robbed. They can now receive their payments from the customer through the app. The primary device used in both journeys is the mobile app, as customers usually do when they are using Uber. Yet, the platform is also available on any Internet-connected device. It is also worth mentioning that the company's collaboration with Facebook has allowed users to request a ride using the Messenger app.

Overall, the Uber app is user-friendly as it offers easy navigation, quick data entry, and different accessibility options, making the digital experience, critically linked to the user's journey as seamless as possible.

Leveraging digital technology to offer the perfect ride-sharing experience

The comfortable, hassle-free experience combined with cost savings has made people addicted to Uber. Uber has revolutionized the way citizens move around the city, organizing supply and demand for transportation and adding value as a middleman to create a better relationship between riders and drivers.

Through its omnichannel approach, Uber didn't just offer a new method of paying for a taxi, it reinvented the whole hailing experience, from the moment a person orders a cab to the moment that person reaches his or her destination. Whereas the old

method involved the time-consuming and error-prone process of dialing a cab company, informing the operator of the details of the trip (pronouncing the exact address and giving specific instructions), customers can now quickly, and without having to engage in a long, boring conversation order a car to the correct location with the click of a button.

GPS systems and maps embedded within Uber's app can pinpoint the exact pick-up and drop-off point requested by the customer. The software can even save preferred locations and label them as work, home, etc. for quick requests in the future. Traditionally, customers didn't have the choice of the type of car or the kind of driver they wanted during a trip, but with Uber's wide range of offerings from SUVs to limos and with its drivers' rating system, passengers have freedom of choice. They can view their driver's rating and decide whether or not they want to ride with that person.

Additionally, the original cab pricing system is built around the taximeter, which calculates the fair price according to the distance traveled and the waiting time. With Uber, the price also depends on the demand and supply of riders and cabs during the specific time in which a car is requested. This dynamic pricing has helped people find available taxis during rush hours, as more drivers will be attracted to operate in that area during times of increased fare rates. People seeking riders will, therefore, no longer have to suffer from the lack of available cabs on the streets. Furthermore, the availability and flexibility of the service (you can be driven anywhere anytime) are revolutionary compared to the traditional taxi with variable working hours. It is also worth mentioning that having the option to pay for the fare online offers great convenience to passengers who often find themselves out of cash with drivers who do not accept card payments. Initially, people had to search for ATMs in the middle of the night to be able to pay for their fares, but now with the Uber app, fare amounts are automatically charged to the user's account. Consequently, Uber did not just improve the cab experience, but reinvented the entire experience and made it impeccable.

A customer can now order a better car, pay a lower price, and rate the driver all through one app. This omnipresence is also combined with Uber's attempt to fulfill other customer needs with its offerings. For instance, Uber Eats, which offers a food delivery service, has its own app. Similarly, UberRUSH is a B2B delivery service in partnership with Shopify. Other new facilities include UberHEALTH, which delivers flu shots, and UberEVENTS, specializing in the transportation of guests to events.

By offering this wide range of services, Uber is creating a customer-centric experience in which users are viewed as individuals with different needs and desires. Uber is trying to fulfill all of them by providing convenience, flexibility, reasonable prices, and recognition to its users. Yet, this strategy could not have been implemented without the right technology. To both locate a device position and give the driver directions, geolocation and a GPS were the first thing that Uber had to implement to ensure a smooth user experience. The second thing was gathering data from users to become more familiar with their whereabouts and adequately cater to their needs. However, this approach has been heavily criticized as being a breach of individual privacy. Concerns were raised about Uber's ability to track its customers' movements, which has been referred to as the "God View." This feature has been used by the company's employees recreationally and to track journalists and politicians.

Also, the company was the target of several data breaches by hackers seeking its data. Although Uber revolutionized the hailing experience through the use of technology, it must make sure this innovation does not lead it to stray from its primary purpose of

improving the customer experience. Furthermore, it is essential to understand that Uber created not only a transportation revolution but also a social one. Uber allowed drivers to work across borders without having to worry about finding a job or working for a terrible boss. It gave them the freedom to visit new places, discover new cultures with only a car, a mobile phone, and the Uber app. They can just arrive in a new city they have never been to and immediately start work. The app recreated the way taxi drivers used to work and gave them a feeling of independence and freedom. It is a real social revolution that reflects the power Uber can have on people's lives.

Uber's challenges in the future: what's next?

Uber is not only famous for disrupting the ride-sharing industry but also for its legal allegations. Bad reputations are a common problem for companies like Uber because these businesses are placing their fates in the hands of people who are considered external to the company.

Even with background checks and strict regulations, Uber cannot fully control its drivers. Bad apples might still slip through. Moreover, the company's bad reputation as an employer and the scandals associated with this issue might devalue the brand's image and lead to lower stock prices. In 2017, the campaign #DeleteUber went international in response to the company's scandalous behavior, disruptions of taxi strikes, and some accusations of it being a contributor to increased pollution and traffic congestion in cities.

Evidence of the company's devaluation has started to appear as Uber recently laid off hundreds of employees due to financial losses. As explained by the company's new CEO, Dara Khosrowshahi, Uber was so focused on competition and growth over the past years that it neglected its culture. An issue of trust has been created between the company and both its drivers and users. This issue caused significant losses to the company along with its inability to bring in talent, which, in the long term, can have negative repercussions. In 2019, before its IPO (initial public offering), Uber stated the importance of improving its brand image for future success: "We have previously received significant media coverage and negative publicity, particularly in 2017, regarding our brand and reputation, and failure to rehabilitate our brand and reputation will cause our business to suffer."

Furthermore, many entities, including taxi companies and governments, are standing against Uber's expansion because they fear it is becoming a monopoly. Uber refrains from paying dividends and its inability to raise profits justify governments' concerns. The company is promising investors world domination in exchange for their patience to receive earnings. Uber's business model relies on meager prices while at the same time paying reasonable amounts to its drivers with very little or almost no profit left. The ride-hailing company can afford such a business model with the support of wealthy venture capitalists and tech giants, to knock off all competitors in the industry. This strategy of pricing out all other players might not work. Why? Because big competitors like Lyft are offering the same prices and are still gaining market share. Recently, Uber reported a loss of \$5.2 billion, its most considerable quarterly loss since its founding. How many more years will it be until the company starts making a profit? The answer is still unknown. However, some experts argue against this view, defending Uber by claiming it is still in its early stages of growth; it is common for companies to have losses at that stage.

The future of Uber is unclear, but can it become a monopoly? Uber's app is user-friendly, but is it still considered innovative? What about its entry into other markets like food delivery? Aren't there significant competitors in that industry as well? What will be the future of the company? Will its self-driving technology and car ownership plans help it gain profits? And is this technology reliable? All these questions are big challenges for Uber to face. The business is still young and is thought to have a promising future. Uber's ability to remain a leading service provider is still possible. The company's new CEO promises fast and radical changes to increase the brand's equity.

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Questions for discussion

1. Identify Uber's experience touchpoints from both the driver and the customer standpoints. What kind of service is provided by each touchpoint? Does it generate a positive or a negative ride-sharing experience?
2. How has Uber evolved its collaborative marketing strategy to integrate the customer experience? Are these changes in line with today's consumer needs in the sharing

economy across different markets? How does the local culture affect Uber's development?

3. Define Uber's customer journey. How does Uber use technology, data, and other digital devices to offer an exceptional ride-sharing experience for both customers and drivers? What are the advantages and disadvantages of each technology? Can you think of another form of technology Uber should use to differentiate itself from direct and indirect competitors?
4. What strategy should Uber develop to cope with self-driving cars that are offering similar ride-sharing experiences? Explain the diversification strategies and types of ride-sharing experiences Uber can develop to remain attractive, retain its actual customers, and enlarge its market.
5. How can Uber use the EXQUAL tool presented in the book by Wided Batat, *Experiential Marketing* (Routledge, 2019) to assess the customer experience?

Challenge yourself

Imagine you have been hired to be Uber's Chief Experience Officer (CXO) to develop a diversification strategy. Your goal is to elevate the ride-sharing experience to attract both more qualified drivers and more customers. How would you diversify the offer by designing a new experience? What components should you focus on in the design of this new experience?

PERSPECTIVES ON THE SECTOR



Markus Giesler, Director, Big Design Lab, York University

Unlike regular customer experience (CX), CX in the digital and tech sector requires specific attention to how changes in the technological landscape (new technological capabilities) routinely shape, drive, and constrain consumer behavior in unprecedented and surprising ways. Tech companies traditionally focus more on these capabilities than on the experiences that these capabilities constitute, and so it matters significantly for these companies to

adopt a more customer-centric, experience-focused perspective.

One technological context that requires a great deal of CX expertise is artificial intelligence (AI). Companies like Amazon, Apple, Microsoft, or Google are currently

trying to engage consumers through ever-more advanced AI solutions such as voice assistants, chatbots, IoT (Internet-of-Things), and smart products. But they frequently overlook that there can be a discrepancy between the expected delivery, as envisioned by the software engineer, and the actual delivery, as it is shaped by cultural norms and belief systems that influence the consumers' attitude toward technology.

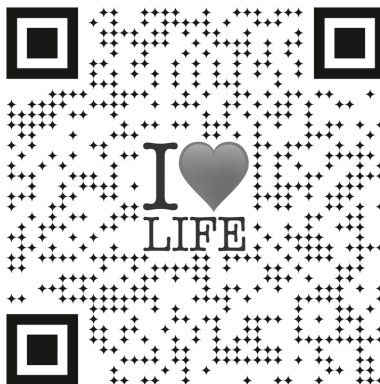
Thus, I do believe that companies need to be astutely aware that the most prominent force of innovation in tech is not data or technology itself but culture – and the many different ways in which culture can make or break a technology company's momentum. For instance, a company seeking to change the way people shop online cannot succeed without also understanding existing privacy norms, models of family, and conceptions of the home. A CX perspective can shed important new light on these and other domains.

Author's perspective on experiential marketing

Online video "Introducing concepts & tools"



- Access the link www.youtube.com/watch?v=ZgNNlZgG5Kk&t=48s or flash the following QR code to view a short video featuring the author, who introduces and explains the concepts and tools companies can use to implement a successful experiential marketing mix strategy.



How consumer goods firms are leveraging the customer experience

By selling their products directly to consumers, consumer goods firms can collect valuable insights into their experiences. This is why adopting a consumer-centric approach to learn more about customers and understand their functional, social, and emotional needs is essential in implementing successful fast-moving consumer goods (FMCG) experience strategies both online and offline. Today's new consumers are well-informed, seeking new experiences and purchasing journeys within an intensely competitive market. Consequently, consumer goods firms should offer more than products. Experiences are the only way to help these companies differentiate themselves and create a unique and strong relationship with their customers. The first focus is on improving the customer experience, and the second is putting digital at the heart of the customer interaction. FMCG brands are approaching customer experience in various ways. This chapter presents three company cases that examine major FMCG brands, namely, Coca-Cola, Nutella, and Milka. All are currently applying different experiential strategies to improve the customer experience, both online and offline. First, I will explore the story and the marketing strategy behind each company; then, I will focus on the customer experience implementation and the digital strategy in each company. Finally, I present the key challenges for the future.

Learning outcomes

After exploring and solving the questions and challenges presented at the end of this chapter, you will be able to develop critical thinking about the way FMCG brands are utilizing customer experience strategies and experiential marketing. Also, in the online video provided "Introducing concepts & tools," you will learn more about the customer experience tools and how FMCG brands can use them to design the ultimate customer experience, both online and offline, that fits with consumers' functional, social, and emotional expectations.

Company case 4: Coca-Cola and its new experience-led marketing strategy

As the competition intensifies among brands in the soft drinks market, companies should innovate and differentiate themselves by offering consumer-centric experiences

that give their target audiences a compelling reason to purchase the brand and recommend it to others. Coca-Cola places the customer experience at the heart of its marketing and communication strategy by creating an emotional link between the brand and the customer via engaging and creative online and offline campaigns. They convey a strong brand identity to the point where customers no longer just buy soft drinks; they buy a drink experience that gives them a better version of their real lives.

How did it all start? Coca-Cola's success story and marketing strategy

Coca-Cola began its story in Atlanta, Georgia, in 1886, when pharmacist Dr. John Pemberton created a new syrup in his chemical company. The syrup was based on cocaine from the coca leaf and caffeine extracts from the kola nut. Pemberton called the drink Coca Kola. The name was later changed by Pemberton's bookkeeper, Frank Robinson, to Coca-Cola. Although denied by the company, some evidence indicates that it wasn't until 1905 that cocaine was removed from the drink. Traces were still present until 1929. After that, scientists discovered a way to remove all of the psychoactive elements from the extract. The beverage was first sold at the soda fountain in Jacob's pharmacy. Only nine servings were sold each day. Soda fountains were famous back then and often housed in pharmacies. They served as a meeting place for visitors.

The first year of operations led to a loss for Pemberton. The business only made \$50 in profits, but its costs were \$70. Through the use of coupons and newspaper advertising, the beverage became known. Then, the formula was acquired by another pharmacist and businessman, Asa Candler, for a few thousand dollars. Candler then incorporated Coca-Cola into a Georgia corporation. He spent vast amounts advertising the beverage, first starting by promoting it on calendars.

The company grew very fast under Candler's leadership. Bottling plants exclusively produced Coca-Cola. Celebrity and magazine advertising increased sales exponentially, and the company expanded its operations to the world. In 1919, Coca-Cola was purchased for \$25 million by a group of investors led by Ernest Woodruff, whose son, Robert, remained both president and chairman for more than 30 years. After World War II, the packaging of Coca-Cola took new shapes, and the product offerings were diversified. For instance, "Coke" was registered as a new trademark, and new beverages like Sprite (introduced by the company) and Fanta (the company purchased the rights to it) were added to the product lineup.

Other new additions included the low-calorie version of the drink, Diet Coke. More products came under the company's ownership as Coca-Cola acquired manufacturers of fruit juices, bottled water, and sports and energy drinks from around the world. Coke's packaging was considered very important to the company's image. Other competitors were trying to imitate Coke by producing slight variations of the bottle with names such as Koka-Kola or Koke. Bottle manufacturers working for the company were therefore asked to create a design exclusive to Coca-Cola that would be immediately recognized by consumers (even when a bottle was broken or in the dark).

The final design turned out to be the famous contour bottle, designed by Alexander Samuelson at the Root Glass Company in Indiana. The bottle's shape was patented in 1915 and was the only packaging design used by the company for 40 years until the introduction of the king-sized bottle. Today the company's business model relies on

revenues from the variety of beverages it owns, including water, sparkling soft drinks, energy drinks, juice, dairy drinks, tea, and coffee. Recently it acquired Costa Coffee.

The main competitors include its long-term rival PepsiCo, Dr. Pepper, Snapple, Nestlé, Lipton, and Tropicana, among others. Unlike other beverage-producing companies, Coca-Cola does not wholly manufacture its products. It sells concentrate to bottling companies around the world that mix it with water, carbonate it, and then bottle the products. These are then sold to retailers and distributors. Thus, the company reports its revenues under two categories: concentrate operations and finished-product operations.

Generally, Coca-Cola targets different age groups with different ads but is more focused on younger generations. People aged 10–25 are the primary market; people aged 25–40 are the secondary market. The company also categorizes its consumers into segments: those who like flavors are targeted with cola products and Fanta, whereas those who are more health-conscious are targeted with diet colas and other non-cola drinks.

Today, Coca-Cola is one of the leading companies in the world. Each of its star products generates more than \$1 billion in revenue and is sold in more than 200 countries. The company's secret formula for Coca-Cola is locked securely in a bank vault at the Trust Company Bank in Atlanta.

How is Coca-Cola designing the ultimate brand experience?

Since its early beginnings, Coca-Cola proved itself as a brand with strong advertising techniques, which, over the years, contributed to its phenomenal success and worldwide recognition. From the use of calendars for advertising, which first occurred in 1891, to a six-story sign lighting up New York City's Times Square, Coca-Cola has had a long advertising history. Today, the company is on the Fortune 500 list, with a yearly revenue surpassing \$41 billion. It is one of the most famous worldwide brands, selling products consumed more than a billion times per day. How did Coca-Cola become so famous?

Coca-Cola has had incredibly successful marketing campaigns, especially on television. Three ads are considered among the best TV commercials ever made: "I'd Like to Buy the World a Coke" in 1971 was broadcast with a catchy song that ended up being requested on radio stations by thousands of people. Another successful campaign was "Mean" Joe Greene in 1979, which became a classic Super Bowl ad, and the "Northern Light" commercial in 1993 featuring the famous polar bears, which later became icons of the brand.

Advertising was, and still is, an essential factor in the success of the company, coupled with long-term partnerships with celebrities and sports organizations such as the Olympic Games and the Tour de France. The company has proven to be a big sports fan, sponsoring major athletic events for more than 80 years. It all started when Chairman Robert Woodruff decided to open a kiosk outside the Amsterdam Olympic Games venue in 1928. Since then, the Coca-Cola company has been heavily involved in sports sponsorships. In 1976, Coca-Cola made history by becoming the first company ever to forge a partnership with a sports governing authority, the Fédération Internationale de Football Association (FIFA).

When it comes to strategy, Coca-Cola positions its products as refreshing and thirst-quenching. In most ads and commercials, the drinks are associated with happy times spent with friends and family and appear to bring joy to people. The company segments its audience according to geography, place of consumption, product type, and

demographics. When it comes to geography, worldwide market segmentation is done whereby each major region operates under the head of the division that reports back to the parent company. In terms of place, the company's marketing strategies differ depending on where and how the beverage is consumed.

Most consumption is done in public places, such as restaurants and cinemas, whereas the rest is done at home. Another type of segmentation involves the kinds of products, for instance, the consumers of Diet Coke are a completely different audience than regular Coke consumers. Moreover, non-cola products belonging to the brand have a particular audience that requires a communication strategy specifically tailored to that audience's needs. Demographically, segmentation is done according to age and income. Coca-Cola tries to connect with its consumers through different channels and wants to create long-term relationships with them by becoming part of their everyday lives. For instance, the beverage has been advertised for consumption during breakfast. Consumers can use it as a source of morning caffeine in place of coffee or tea.

Still, the company aims to offer its customers a sense of ownership of the product by increasing personalization. This relationship was translated into the "Share a Coke" campaign whereby first names on the bottle replaced the Coca-Cola logo. The company used more than 17,000 common names on the packaging in over 70 countries. This strategy allowed consumers to develop a special connection with the product and identify themselves with the brand. This personalization strategy helped Coca-Cola stay relevant to its modern consumers, especially since nowadays, having a recognizable brand is no longer enough. Such a "debranding" technique capitalized on the global trend of self-expression and sharing emotionally. Also, the "Share a Coke" campaign was coupled with a website, a Facebook page, and an online platform allowing users to share a virtual Coke. To ensure customer loyalty, the company even created a My Coke Rewards program. It enables a user to collect points by entering codes from exclusive Coca-Cola products on the company's website. Points earned can then be redeemed for a range of prizes.

The company was able to differentiate itself from other beverage companies by associating the drink with moments of happiness, relaxation, and good times with friends and family. Coca-Cola is, therefore, selling a drink and abstract concepts that remind consumers of happy times shared with others. Traditionally, the company has advertised such ideas using video and print, yet today, a multichannel approach is adopted that focuses on tools such as Coke TV and social media.

Coke's Share Happiness campaign has changed the way we usually interact with soft drinks brands. It physically translated the company's concept of sharing by developing a can that could be twisted to become two mini cans. Coca-Cola genuinely engaged with its consumers by offering an added emotional connection that is rarely found in other branded drinks. Usually, beverage companies focus on showing how tasty and great the drink is, but in Coca-Cola's case, ad campaigns are focused on finding ways to connect with the consumer to build trust and loyalty. This successful customer-centric strategy has helped create a global brand that is recognized by millions of people worldwide.

Coca-Cola consumer-centricity and consumer experience touchpoints

Coca-Cola's consumer-centric strategy is implemented by developing relevant collaborations and sponsorships of great events. For instance, Coca-Cola sponsors all FIFA tournaments, including the FIFA World Cup as well as the FIFA Women's World

Cup. The company also introduced the Coca-Cola Cup. Significant collaborations included Disney. Coca-Cola helped finance the cost of Disney's first theme park in 1955. This collaboration led to the opening of the Coca-Cola store on the premises of Disney's Orlando, Florida, theme park.

The store offers a unique retail experience. Park visitors can find customizable T-shirts, mugs, and other souvenirs with Coca-Cola's iconic logo. They can also create personalized drinks by adding a combination of fresh fruit flavors to the famous cola beverage. The store also caters to ecologically conscious consumers and offers them a line of sustainable clothing with handcrafted items designed by female artisans from different parts of the world.

Moreover, visitors can go to the store's second level and take pictures with the Coca-Cola Polar Bear, or go to the rooftop bar where they can enjoy a wide variety of drinks and a panoramic view of the Disney Park. Furthermore, Coca-Cola purchased Columbia Pictures in 1982, which helped Coca-Cola market its products by incorporating its beverages into the scenes of the movies Columbia produced.

Columbia was later sold to Sony. Still, one cannot talk about Coca-Cola's advertising without mentioning its Santa Claus painting. It all started in the 1920s when Coca-Cola wanted to increase its sales during a slow winter season. The company asked illustrator Haddon Sundblom to paint a realistic version of Santa. The artist, inspired by St. Nicholas, invented the jolly red version of Santa that we all know today.

It is also worth mentioning that Coca-Cola has always been heavily involved in helping communities around the world. For instance, the company has joined the United Nations Program, UNAIDS, to fight AIDS in Africa. Also, the Coca-Cola Foundation, created in 1984, concentrated on improving health in communities and contributed, along with Coca-Cola bottlers, \$12 million in disaster relief following the 9/11 terrorist attacks in the United States.

To sum up, it is clear that Coca-Cola reinforces its presence in consumers' daily lives by multiplying the points of contact in retail, through events, creative and engaging advertising, and through viral content marketing, often in collaboration with the entertainment and movie sector.

Leveraging technology and digital to offer an emotional customer experience

Technology has always been part of each step in the Coca-Cola value chain, from syrup manufacturing to bottling and storage. The company's innovative bottling system is considered one of its biggest strengths because it allows the company to conduct business on a global scale while at the same time, maintaining a local approach. Through the use of technology, the company can partner with local bottling businesses and have an innovative organizational approach that provides economies of scale. With a large-scale franchising system for bottling operations, Coca-Cola can exert a strong influence on communities around the world because its bottling partners are usually local businesses that regularly participate in philanthropic activities.

Technology is also used with automated refrigerator vending machines introduced by the company to offer eco-friendly coolers with lower CO₂ emissions. Moreover, different packaging types have been manufactured with new devices and processes that have allowed the company to produce more efficiently and with higher quality.

Other innovations include those used in Coca-Cola marketing campaigns by embracing new advertisement channels. For example, Coca-Cola is implementing "glocalization" to

collect relevant consumers' insights. In its partnership with Maru/Matchbox, Coca-Cola launched an insight community called the "Beverage Design experience" on the Vision critical platform. The aim is to engage consumers with a user-generated content strategy to capture their ideas and transform them into business innovations. Through this community, the company can exchange with consumers and engage them in different countries to collect cross-cultural insights that are both qualitative and quantitative in nature and are created by consumers through the use of their mobile phones and other devices.

On this platform, Coca-Cola asks questions about relevant innovations in terms of design, product, or communication. The insights generated from this community platform, which is a bottom-up approach, have helped the company to leverage technologies and data generated by its customers to design suitable products, innovations, and experiences. This strategy shows customers that Coca-Cola has, in its DNA, a consumer-centric logic and is an engaging brand that works to maintain the connections with consumers.

Coca-Cola's challenges in the future: what's next?

Although Coca-Cola is a very engaging brand and implements strategies centered on its customers, it is nowadays facing some challenges that have decreased its sales in recent years. The first challenge is about enhancing the diversification strategy of Coca-Cola. The company has done so by launching less sugary products, attracting new target groups, and improving its image. Despite its efforts, Coca-Cola remains associated with excessively sweet drinks, which can cause serious illnesses such as obesity and diabetes.

The decrease in sales can also be explained by the World Health Organization's recommendations, which state that we should not drink more than one glass of soda per day. Sugar addiction is another issue related to soft drink products; this is why Coca-Cola should innovate to provide a light and healthy natural alternative soda or a soda with reduced sugar. It is never too late to improve its image. Coca-Cola is now announcing its desire to diversify. For instance, as a starting point, the company has announced the launch in France of a new organic drink called Honest. It is based on infused plants and is low in calories.

To face the health challenge along with other challenges such as sustainability, Coca-Cola unveiled its new strategic vision. This new vision places consumers and environmental issues at the heart of Coca-Cola's strategy, including new commitments around its drinks and their packaging but also their impact on society and the environment. Present in more than 200 countries around the world, Coca-Cola intends to use its power to set up a new sustainable development strategy with particular objectives by 2025. They revolve around three priorities: drinks, packaging, and society. Three complementary actions concerning climate, water, and the logistics chain support these priorities.

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Questions for discussion

1. Define the experiential marketing strategy of Coca-Cola and briefly describe the types of experiences the brand offers to enchant its customers in their everyday lives.
2. Discuss the role of digital devices and technology implemented by Coca-Cola to guarantee a fluid customer journey from online to retail and vice versa.
3. How has Coca-Cola modified its marketing strategy to focus on the customer experience, differentiate itself, and remain competitive within the soft drinks market? Are these changes in line with today's consumer health needs?
4. Describe how Coca-Cola can increase its market share by attracting new consumers who do not drink sodas. What kind of customer experience should Coca-Cola offer to reinvent itself and target these new group segments?
5. Discuss how Coca-Cola can expand its offering to cover the market by leveraging data and technology. What are the elements that Coca-Cola should integrate into its digital and experience marketing strategy to achieve this objective?

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) at Coca-Cola. Your task is to create a new concept store, "the Coca-Cola experience store," and connect it with the company's online platforms. What would be your starting point? What kind of experience should you strive for to enchant the consumer? How would you go about identifying online and offline shoppers' experience touchpoints and connecting them to deliver value along the global customer journey?

Company case 5: Nutella, the great delight experience

Nutella is a brand that illustrates very well the attachment consumers can develop toward a product. To satisfy its customers, Nutella focuses on the feeling at each point of contact with the company that will be the significant element of the brand's differentiation. To stand out in the market and retain its customers, Nutella offers a remarkable experience that touches and engages its customers – one that increases the sales of its world-famous Italian chocolate spread. Nutella is nowadays implementing multiple strategies and tools that are an integral part of the emotional customer experience.

How did it all start? Nutella's inspiring story and marketing strategy

Nutella's story began in 1923 when Pietro Ferrero decided to open a pastry shop in Northern Italy after World War I. With his wife and his son, Pietro moved around different cities to perfect his cooking skills. The family ended up settling in Alba at the beginning of World War II. During this time in Italy, chocolate was a rare luxury, so he had to find a cheaper replacement. He ended up creating a mix of hazelnut oil, cocoa, coconut butter, and molasses that he wrapped in wax paper and sold around the city. He named the blend Giandujot, from the popular pastry *gianduiotto* made during the time of Napoleon.

The newly invented recipe became very popular among customers in the town and sold extremely fast. Pietro then collaborated with his brother, Giovanni, who had a background in wholesale. Together, they established the Ferrero company in 1946. Pietro died suddenly of a heart attack in 1949. Nonetheless, the company's foundations were already in place; the company continued to grow with the introduction of a more spreadable version of the Giandujot, the Supercrema.

The product was sold in reusable jars and was distributed via sales representatives. In 1957, Giovanni also died from a heart attack, leaving the company to Pietro's son, Michele. Under his direction, the company expanded globally by first entering the German market and transforming old Nazi missile factories to make sweets. Later expansions included Belgium, Austria, and France. The company marketed its products as "healthy" and "energy filling."

Furthermore, after the end of the war, the country was again able to afford real chocolate. Michele upgraded the recipe of the Supercrema to include more cocoa and cocoa butter. He also renamed the product in 1964 after the implementation of new Italian regulations on superlatives. With the help of his team, he decided on the name we all know today: Nutella. As the company entered new markets, such as Switzerland, Hong Kong, and Australia, new product lines were introduced: Kinder in 1968, Tic Tac in 1969, and Ferrero Rocher in 1982. The company was very profitable. By 1986, its revenues reached \$1.5 billion. Michele was behind the massive success of the company with his strong managerial and leadership skills.

In 1997, he handed over the company, which was making an estimated \$4.8 billion in sales annually, to his sons, Pietro and Giovanni. Michele made sure that both his children were perfectly equipped to run the company. He sent them to study in Belgium and the United States, where they learned to work in the international market. Giovanni was in charge of marketing, while his brother, Pietro handled operations.

However, in 2011, while biking in South Africa, Pietro died of a heart attack, the same fate as his ancestors, leaving the company to his brother. Giovanni was under a

lot of pressure, especially after his father's death four years later, at the age of 89. He had to assume the roles of both CEO and chairman with very little time to focus on the company's long-term strategy.

In 2017, a new CEO, Lapo Civiletti, was appointed, making him the first nonfamily member to handle the role. This position helped Giovanni concentrate on acquisitions, now an essential part of the company's strategy. The plan is to increase profits by 7 percent each year to double them after a decade. Unfortunately, the company's current product lines are unable to generate such a return. Consequently, Ferrero is focusing on acquisitions: Thorntons, the British chocolatier, was its first acquisition in 2015. In 2017, the company acquired Fannie May, a U.S. candy manufacturer for \$115 million, and the Italian candy maker Ferrera for \$1.3 billion. Nutella's most recent deal was Nestlé for \$2.8 billion, which included the acquisition of Crunch, Raisinets, and LaffyTaffy. Following this deal, Ferrero became the third largest confectioner in the world.

According to Giovanni, he is not planning on pausing anytime soon. Nevertheless, critics have questioned the success of such acquisitions as they see that Ferrero is buying its way to scale instead of growth through innovation. It is also important to note that current North American consumers are slowly shifting toward healthier premium foods and that Nestlé products are considered a target in the mass market with their high sugar and unhealthy content.

The company's main competitors include Mars, the manufacturer of M&Ms and Mondelez, the maker of Oreo and Toblerone. Besides, Nutella has to face competition from other spreadable chocolate brands and bread spread substitutes such as butter, jam, and peanut butter. Still, Ferrero's profits continue to be steady at around \$1 billion a year, which are hugely popular among consumers, especially Nutella. The brand's main target is young consumers, but it is also a product made for the whole family. In terms of positioning, the Nutella brand positions its product as an accessible commodity with a good quality that is good enough to be sold at a reasonable price.

Furthermore, to secure its hazelnut supply, the company acquired two of the biggest hazelnut traders in the world: the Oltan Group in Turkey and the Stelliferi Group in Italy, becoming the largest hazelnut supplier while investing in plants across the globe. Currently centered in tax-friendly Luxembourg, the company now owns 25 factories around the world. In only three generations, the company has become an empire that sells its products in more than 60 countries and employs 40,000 people. Giovanni is the 47th richest man in the world with an estimated worth of \$21 billion, yet he is facing a huge challenge: if his plans for scaling go wrong, he could be jeopardizing what his ancestors worked hard to build.

In 2015, one Nutella jar was sold every 2.5 seconds around the world, and the amounts produced in a year could circle the globe 1.4 times. These numbers witness the success of the product among consumers, which could not be achieved without a robust marketing strategy. Since its early years, the company has known the importance of building a special connection with its customer base by offering the spread to all children bringing a slice of bread to a Nutella connected store.

Today, Nutella concentrates its marketing efforts on the family where most commercials often show a happy family gathered around at home, enjoying the yummy spread at breakfast time. The campaign "Wake up to Nutella" started in 2007 and still runs today, focusing on attracting parents by sending the image of a balanced diet for their children when they have Nutella for breakfast. However, the product is considered calorie-dense.

(It has a 75 percent sugar composition and contains palm oil.) Nonetheless, it is still marketed this way. The company faced an advertising lawsuit accusing it of false claims for describing Nutella as “an example of a tasty yet balanced breakfast.” The company later settled the suit for \$3.1 million while denying any wrongdoing.

Nutella is actively present on all advertising platforms, including TV, radio, and billboards. It proves its presence at sports events by sponsoring the Olympic Games and the FIFA World Cup. The brand became a global phenomenon when it signed a three-year sponsorship deal with Italy’s football team, which resulted in worldwide recognition. The move also resulted in people associating Nutella with healthy eating.

Furthermore, the brand has a strong communication strategy and actively uses social media to interact with its audience on different platforms, especially those that are visually heavy, including Facebook, Instagram, Tumblr, and Pinterest. For instance, to celebrate the company’s 50th birthday in 2014, Nutella launched the “50 Years Full of Stories” campaign, asking followers to share their best memories of the spread with them for a chance to win various prizes. By using the hashtag #nutellastories, 76,000 stories were shared.

Such marketing efforts eventually resulted in an incredibly loyal fan base for Nutella, to the point where consumers petitioned to celebrate World Nutella Day every year on the 5th of February. World Nutella Day has been an excellent success for the brand by increasing its followers on social media. Moreover, partnerships with famous YouTubers and influencers get the name Nutella trending on different platforms.

It is important to note that Nutella became a massive success after the company adopted three crucial strategies. First, it marketed the products as a breakfast commodity that can be put on toast, bagels, and waffles. This strategy helped consumers understand the use of Nutella and make the best of it. The message became more precise and more specific, and the call to action changed from “eat this with everything” to “eat this with your breakfast.”

Second, even though it has been proven to be controversial, Nutella marketed itself as being part of a healthy diet. This situation led many parents to add the spread to their children’s breakfast and got the product into many families’ homes. Third, consumers were curious enough to experiment with the spread by using it in different recipes and sharing their experiences on social media. This helped Nutella prove its use with other foods without having to market it. Additionally, the company understood the importance of following its audience as they grow up. It is easy to attract children when they see a chocolate spread that satisfies their sugar cravings. However, it becomes harder to convince them to use the product as they grow up.

Nutella is also concentrating its marketing efforts on teens and adults. The product not only represents a food commodity, but it is also linked to emotions and childhood memories, helping it become a national obsession. Also, Nutella is considered to bring comfort to consumers’ lives with its rich chocolate content and helps them save time when it comes to making breakfast. The company has also been able to market the product via the commercial food sector, which sells products to restaurants and cafés.

When it comes to packaging, the product’s black and red colors stand out from other brands. Nutella was also able to differentiate itself from other competitors with its active engagement in corporate social responsibility by using palm oil that comes only from sustainable sources. Also, Ferrero is a member of the International Cocoa Initiative, an organization that focuses on eliminating child labor in the cocoa industry.

How does Nutella elevate the customer experience and journey?

Nutella became so popular that fights broke out in France when supermarkets offered a promotional cut in the product's price. Such popularity came after a long effort by the brand to interact with its customers on an emotional level, with fans associating the product with family and childhood memories.

The company also focuses on consumers' emotions by allowing them to personalize jars with their names or those of their loved ones. The personalized label is printed on the spot upon the customer's request at a customized Nutella store that can be located using the company's website. As put by Nutella's marketing director in India, this campaign is Nutella's way of thanking its fans for their endless love and commitment to the brand to turn them into brand ambassadors while at the same time creating the excitement among new consumers to experience the product. Additionally, consumers are encouraged to share their experiences by uploading their pictures on social media platforms using the hashtag #mynutellajar.

Moreover, the brand interacts with its fans online and offers an offline experience with the Hotella Nutella, a first of its kind, a Nutella hotel experience in California. The experience will allow three Nutella fans and their guests to spend the weekend at the hotel and enjoy breakfast with celebrity chefs and food judges, showcasing new creative ways of using the spread. Besides, interactive breakfast sessions will be offered where a culinary panel will teach guests how to make different recipes with Nutella. The group will include Tanya Holland, the chef and TV personality, and the talented pancake artists, the Dancakes. They are known for their creative designs with pancake art and will be teaching people how to create artistic pancake designs with Nutella.

The Hotella Nutella experience only lasted for the weekend of January 10–12, 2020, as the pop-up venue is only a limited edition of a more traditional hotel. Interested fans will have to win their weekend at this hotel by going to www.HotellaNutella.com and creating a video that shows how Nutella makes their mornings unique. The contest will end on the 8th of December when the three winners will be announced. Although only a few people will get to experience this getaway, the aim is to increase the social media buzz about Nutella among millennials.

By incorporating this hospitality aspect, the food brand will have an advantage over other competitors as it will be able to connect with consumers through an effective and sharable marketing strategy. When people share their travel experience, this will create an extraordinary world around the brand that features all kinds of branded items in the hotel, from bed pillows to bathrobes. Nutella understood that the traditional way of advertising is no longer enough and is, therefore, offering its consumers immersive experiences by creatively communicating with them. This offering differentiates the brand from other competitors and increases customer loyalty to the brand.

The Hotella Nutella is just another experience in the series of food service experiences the brand offers, including Nutella Cafés (in Chicago and New York) and restaurants offering exclusive menus and dishes combined with the hazelnut spread. Furthermore, to interact with fans on a more personal level, Nutella launched its "Your Nutella, Your Way" campaign that allows customers to add their names on the jar's label, which will be promoted in stores and across different media channels including social media and TV. The company knows that personalization is an excellent move in attracting consumers as

everyone loves to buy something personal and meaningful. What can be more exclusive than actually seeing your name on the product you want to buy?

Another meaningful campaign by Nutella touches on the importance of having breakfast for youth populations, the “Go Nuts, Go Nutella” challenge in Singapore. This campaign aims to help parents get their kids to wake up earlier and get ready for school faster so that they have enough time to enjoy breakfast. The challenge will take place over two days. A series of tasks will be given to kids to see who is the fastest at getting dressed for school, tying their shoelaces, and packing their schoolbags. Winners of the challenge will get to spend a day at Universal Studios.

Nutella’s consumer-centricity and customer experience touchpoints

Nutella uses both online and offline touchpoints to offer shoppers the ultimate experience. Offline, the company has recently entered new markets such as travel retail. The brand is leading the way through this innovative travel range product design with new travel mini editions of the jar. Moreover, the company is entering the food service industry in the United States by positioning itself as suitable for professional chefs’ needs.

The company’s Nutella Cafés, as well as its pop-up weekend Nutella hotel, have increased its interaction with its fans by offering a real-life Nutella experience. The brand is also indirectly present in the food service market as many restaurant owners and chefs have incorporated the famous spread into their recipes and menus and are able to attract fans of the product into their restaurants. Moreover, the spread is present internationally in supermarkets, and dessert stands at carnivals and football events.

When it comes to digital touchpoints, the company is present on all social media platforms and attracts new followers through image-heavy campaigns showcasing the spread in different recipes and tasty-looking desserts. By inspiring fans with original content, the company has built an online community filled with Nutella enthusiasts. This active online audience is always finding new ways of using the spread and sharing them online.

Nutella has touched almost every meal in consumer’s day, from breakfast to desserts and snacks to late-night cravings; every consumer has his or her version of the spread impacting his or her everyday life, which they often share online. Some dedicated fans have even created exclusive blogs where they show everything Nutella. The company’s website also provides recipes with Nutella as one of the ingredients. Plus, Nutella’s online presence is boosted through paid partnerships with influencers and celebrities. TV is also a touchpoint device; most Nutella TV commercials focus on the family and the use of the spread during breakfast time. Other touchpoints include billboards, food exhibitions, and event sponsorships.

Leveraging technology and digital to offer the ultimate taste experience

Technology allowed Nutella to better target its audience through personalization, communication, and the practical usage of data. For instance, when the company first launched its website, it allowed interactions among its customers who were now able to express their feelings and experiences. These interactions formed a social community of brand admirers, where members felt a sense of belonging.

On this platform, members found a place where they can share their thoughts about the brand and the added value it brings to their everyday lives. For example, fans share

recipes and creative ways to use the spread, but they also publish diaries where they compare their experiences with and without Nutella. The company understood that participation with online brand communities increases consumer commitment to the brand. This online effort to connect with consumers was the result of market research that showed that there was a lack of understanding among consumers on the way Nutella can be used in their daily lives.

Research also showed that the majority of Nutella fans are younger and heavily use social media. The company, therefore, took advantage of the digital platforms used by consumers to turn them into touchpoints and later on into Nutella's online universe. By increasing its online presence through Facebook, Twitter, and Pinterest, Nutella was able to amplify the passion fans have for the great spread while simultaneously reaching and inspiring new customers. The company used a mix of paid and organic media and increased engagement by collaborating with influencers and celebrities. Also, Nutella used technology for other marketing strategies, such as updating its packaging. It partnered with the advertising company Ogilvy & Mather in Italy and used an algorithm to create 7 million jars, each with a unique design. The way the technology works is to use a software that extracts different colors and patterns from a database to turn every single jar into a piece of art. The software also provides customization as each consumer receives an original version of the pot. Without the software, the project would have needed an impressive team of designers with a massive amount of time. According to Lavinia Francia, the creative director of the project at Ogilvy & Mather, the number of unique designs generated by the software is endless. It is programmed to choose one out of the four textures available and rotates until it creates a new sleeve.

These limited-edition jars were so popular that all 7 million of them sold out in just one month. This action is not the only time Nutella has used technology for customization purposes; the brand also launched the "Say It With Nutella" campaign, which allowed users to choose words they wanted to add on the jar's label and share it online. The purpose of the campaign was to use the Nutella jar to communicate enthusiasm about the product. However, the campaign prohibited the use of swear, violent words, and terms such as "cancer," "obesity," and "diabetes."

Moreover, Nutella extended its portfolio to include the "Hello World" platform, which provides interactive point-of-sale materials that use the most advanced facial recognition technology. The new platform will also be rolled out in the travel shopping market across airports. It will create an enjoyable shopping experience based on the theme of "optimism" in the sense that the customer's facial expressions will be detected using the facial mapping panels. Once identified, the software will determine whether the person is happy, inspired, or grumpy and will display an ad showcasing the new rage of mood-labeled Nutella jars.

If customers do not directly engage in the panels, they will broadcast different content based on the number of people walking by. For instance, if a group is passing by, the panel might say, "Look at this dynamic duo!" and "You look STUNNING. Did someone say selfie?" Additionally, in a new and original event, Nutella collaborated with SoundofThings (SOT), a social network based on sound, for Nutella Café in New York. The event is called "Late Night Bites" and will bring guests a taste of the Nutella Café experience in a new and creative way, through sounds and music. The night will not only feature a live performance by famous DJ, Brittany Sky, but it will also incorporate

different sounds usually heard at the Nutella Café like the sizzling of crepes, the sound of the Nutella jar opening, and the café stirring, a mix created by the SoundofThings app.

SOT is used as a marketing platform by companies around the world because it offers, in addition to the iOS and Android app, a Composer Portal, which can be used by sound designers, musicians, and composers to create their own unique sounds, provided with a limitless database of soundtracks. By attending this event, guests will listen to Nutella's unique music in a heightened experience that will activate all their senses. The event reservation took place on Nutella's Facebook page. All in all, Nutella was able to interact with its consumers through the active use of technology and data that increased the engagement between the brand and the audience.

Nutella's challenges in the future: what's next?

Although still hugely successful and profitable as the world's third-largest confectioner, Nutella will have to face some challenges in the future. Health-conscious consumers and those following nutrition trends will be shying away from calorie-dense products like Nutella to find more natural sources of sugar. Nutella will have a hard time convincing consumers that the spread is part of a balanced breakfast. This situation might affect the company's profits, especially after its series of acquisitions, including the Turkish hazelnut supplier Oltan, Thorntons in the UK, and Fannie May and Ferrera Candy in the United States.

Additionally, a problem threatening the production of the beloved spread is global warming. To produce Nutella, Ferrero uses ingredients from multiple sources: hazelnuts from Turkey, palm oil from Malaysia, sugar from Brazil, and cocoa from Nigeria. Currently, the company consumes about one-quarter of the world's hazelnuts each year. However, the production of palm oil is considered a major contributory factor to global warming. As a result, two of the spread's ingredients might be threatened: hazelnuts and cocoa.

The French environment minister Ségolène Royal first highlighted the company's use of palm oil in 2015. She encouraged consumers to boycott Nutella as it is a significant contributor to deforestation because palm oil is produced in countries that are clearing forests to increase agricultural land. However, Nutella responded by claiming that all of its palm oil sources are traced and verified as sustainable. Moreover, the company is part of the Roundtable on Sustainable Palm Oil and the Palm Oil Innovation Group; still, it is impossible to separate the company's abundant supply from the major deforestation problem caused by the palm oil industry.

Additionally, in recent years, Nutella has faced a reduction in the supply of hazelnuts because crop production has decreased in Turkey, the world's largest exporter of nuts. But to what extent does global warming impact the supply of hazelnuts and cocoa? Hazelnut yields are very sensitive to temperature changes and depend heavily on rainfall. Moreover, according to the International Center for Tropical Culture, areas considered among the world's most massive cocoa producers have witnessed a rise in temperatures, making them less suitable for production.

Furthermore, areas that supply hazelnuts and cocoa are minimal and concentrated. Two-thirds of the global cocoa production comes from just four countries: Nigeria, Cameroon, Côte d'Ivoire, and Ghana. As for hazelnuts, Turkey is the primary producer, representing 70 percent of the world's supply and it is expected to be affected by extreme

weather conditions in the future. Experts have advised the company to slowly move away from manufacturing products that depend on cocoa, hazelnuts, and palm oil. This approach might be too challenging to implement as it touches on the core competency of the company, which is the production of high-quality chocolate. On the other hand, with global warming slowly affecting the supply of cocoa and hazelnuts, causing price increases, the company will be preserving its profit margins in the long term. Other studies relating to palm oil have shown that it can be detrimental to one's health. Although not wholly validated, such claims can scare off buyers.

Another challenge for Nutella is improving its employees' satisfaction as workers' strikes for higher pay in the company's French Villers-Écalles factory, which produces 25 percent of the world's Nutella, caused a blockage for a week and thus resulted in key ingredients running low. Strikers were demanding a 4.5 percent increase in pay and a €900 bonus when managers only offered a 0.4 percent increase. The Ferrero family, which is known for its secrecy, claimed that the strikers were only a minority of the plant's 400 workers.

The management even fought the protest by threatening to impose fines on strikers if they continued to block the factory's production, which could amount to €1,000 per hour for every striker. Keeping in mind that Ferrero's employees number more than 30,000 in different parts of the world, better human resource guidelines should be implemented to avoid such events.

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Questions for discussion

1. Describe and classify in categories all Nutella's food experience components to satisfy the functional, social, emotional, environmental, and ideological needs of customers. Identify the painful touchpoints in Nutella's customer experience.

How can Nutella improve consumers' painful experiences before, during, and after purchase?

2. Describe how Nutella can use Big Data, mobile shopping, and extended reality technologies, such as virtual reality (VR) and augmented reality (AR), to elevate the customer experience. What are the advantages and disadvantages of each technology? Can you think of another form of technology Nutella should use to enchant the customer experience and increase its sales? What would this technology add to the brand's value?
3. Explain how Nutella can rethink its brand experience by transforming its offering into selling healthy and responsible products. Analyze how this new approach could affect the image of Nutella and consumers' emotions.
4. Discuss Nutella's digital storytelling and phygital strategy. Do you think Nutella should offer different online and retail or in-store experiences for both millennials (Gen Y) and postmillennials (Gen Z)?
5. How does Nutella communicate and share value through its social media strategy? Explain how Nutella uses each social media platform. How does the content delivered create a positive experience for consumers and increase the company's sales?

Challenge yourself

Imagine you have been hired to be Nutella's Chief Experience Officer (CXO) to boost the company's online presence. You want to implement a digital strategy by creating a gaming app that allows the brand to sell more products and provide customers and online users with useful, engaging, and entertaining products and services. How would you go about doing this?

Company case 6: Milka, the art of the Swiss chocolate experience

Milka implements different strategies to connect with its customers and convey emotional marketing content actively. The brand also uses experiential marketing by focusing on pleasure sharing and indulgence as two fundamental values at the center of its relationship with customers. It is thus relevant for us to explore Milka's success story and its marketing and communication strategy that focuses on the newly emerging needs of consumers who are searching for healthy and pleasurable food experiences.

How did it all start? Milka's story and marketing strategy

Milka is one of the world's most recognized chocolate brands. It is famous for being made with Alpine milk, created in Switzerland, and then produced in Germany since 1901. As of 2020, around 150,000 Milka products are sold around the world each hour, and they can be found in more than 40 countries.

Owned by the American multinational Mondelez, Milka has millionaire revenues, and the group is the leader in the snack industry, as well as one of the five biggest companies in the agro-food sector. Milka's success and greater market share than its direct competitors have substantially contributed to Mondelez being the world's snacking leader. Milka, or the chocolate with a lilac identity, tops the market after years of substantial change and transformation since its beginnings in 1825. In that year, the Swiss Philippe Suchard made the first chocolate bar that would later turn into what is branded as Milka today.

The name Milka arrived later, in 1901, resulting from the combination of the chocolate's two main components: milk and cocoa ("Kakao" in German). In 1901, Milka was registered as a trademark in Löerrach (Germany) and the first Milka chocolate bar with the new name as well as the lilac theme went on sale. In 1926, Milka issued its first limited-edition products for special celebrations such as Easter and Christmas. This is a tradition that has persisted through time and still characterizes Milka in 2020, adding other festivities, including Mother's Day and Valentine's Day. It wasn't until 1962 that the current Milka script logo was trademarked. From that point forward, it was included in the packaging and all the commercial material, soon placing Milka at the #1 of chocolates in Germany. In 1970, Milka merged with Tobler, creating "Interfoods."

In 1973, Lila, the cow – Milka's famous purple mascot – made its first appearance in print and TV advertising. As of 2020, Lila continues to be the face of Milka, representing its values of tenderness, nature, quality, and friendliness. It allows people to give a face and name to the brand, making it more personal and easier to remember among the audience. Tying the identity of Lila, the cow, to the brand is a particularly smart and successful strategy to attract the youngest audiences: children.

In 1992, there was a new merger with Jacobs Coffee and "Jacobs Suchard" emerged. Shortly after, Kraft International acquired Jacobs Suchard for more than \$4 billion, which was later split and renamed "Mondelez International." Then, in 1995, Milka boosted its visibility by becoming a sponsor of Alpine Ski competitions and teams, strengthening the desired association between Milka products and the Alps. In 2016, Milka was sold in China for the first time, and new products continued to be introduced across markets through time, including the Milka Oreo Chocolate candy bar in the U.S.

Mondelez International is a North American multinational in the agro-food industry with several international and local brands, classified in five main categories: Biscuits and Cookies (e.g., TUC, Chips Ahoy, Oreo, Prince, Lu, BelVita); Beverages (Bournvita and Tang); Gum and Candy (e.g., Clorets, Halls, Trident); Meals (Philadelphia and Royal); and Chocolates (e.g., Milka, Cadbury, Cadbury Dairy Milk, Marabou, Côte d'Or, Toblerone). The company states that its brands "are as diverse and rich in heritage as the more than 150 countries in which [it] market[s its] products."

In 2018, Mondelez reported close to \$26 billion as its net revenues from its activity, providing "the right snacks, at the right time, in the right way." Milka alone reported \$2 billion in net revenues in 2018. Mondelez's philosophy or mission "Snacking made right" embodies its concerns for mindful snacking and healthy lifestyles as one of its top priorities. The company recognized that consumer concerns and preferences change with technologies, as people have more access to information and spend more time researching the qualities of what they consume. Mondelez CEO Dirk Van de Put insists that the company adapts to these changing trends and increasing health concerns:

While snacking as behavior is growing, consumers feel a certain degree of tension as they do so. On the one hand, they want to snack because it fits into their lifestyles. On the other, they want to eat right. We, [Mondelez and its brands, including Milka], can solve the consumer's dilemma.

Mondelez has the highest market share in the agro-food/snacking industry. Throughout its existence, Mondelez has acquired and merged with competitors, such as Cadbury, which was not free of controversies and investigations by regulators. Its competitors now include Nestlé and Ferrero. Nestlé is the owner of a large diversity of brands, including Nescafé, Nespresso, Buitoni, Nesquick Cereal, and KitKat. Besides snacks, it has brands in the categories of Drinks (e.g., Milo, Nesquick, Nestea), Healthcare Nutrition (Boost, Nutren Junior, Peptamen, Resource), Food Service (e.g., Chef, Maggi, Chef-Mate), Frozen Food (e.g., Buitoni, Lean Cuisine, Maggi, Hot Pockets), Bottled Water (e.g., Nestlé Pure Life, Perrier, S. Pellegrino, Poland Spring), Ice Cream (e.g., Häagen-Dazs, Mövenpick, Nestlé Ice Cream), and Petcare (e.g., Alpo, Gourmet, Purina ONE).

Ferrero, on the other hand, has Nutella, Kinder, Ferrero Pralines (e.g., Ferrero Rocher, Raffaello, and Golden Gallery) and Tic Tac. Besides Tic Tac, all the other brands are concentrated in the sweets and chocolate industry, exercising direct competition to Milka and its products. In the context of such competition, Milka recently released "Patamilka," a creamy hazelnut, milk, and chocolate mix that resembles "Nutella" in form, texture, and taste. Also, Lindt & Sprüngli is another direct competitor to Milka. While Milka offers extra tenderness and melty creaminess, Lindt markets its products by focusing on their higher quality and upscale experience. Years ago, Milka suffered from the cliché that Swiss chocolate was too pricey and elitist, out of the reach of people outside Switzerland, such as, for example, the average family in the U.S. However, Milka effectively moved away from that perception by making significant investments in marketing and communication that linked Milka to the idea of family and loved ones. The underlying message in all communications is that Milka is suitable for all rather than just for a few.

To further support this idea of general suitability, Milka offers products with different sizes, shapes, and packaging, making sure it fits with various situations, price ranges, preferences, and tastes. Chocolate products branded under Milka include the traditional chocolate bars, little bonbons, Patamilka, minibars, and bigger bars that mix flavors – such as Oreo and caramel. The packaging varies from XL to individual. There is also a special packaging for offers and limited-edition products, including those for the festivities of Christmas and Easter when chocolate is particularly prevalent at family gatherings.

In terms of marketing and communication strategy in the industry, in general, chocolate and snacks are typically associated with inactivity, weight gain, and even laziness or unhealthy lifestyles. Mondelez, however, communicates a very different message: "the right snacks, at the right time, in the right way, are an essential part of a great day with your loved ones." These products brighten up the day as well as refresh, renew, and uplift the mood, creating a unique and delicious joy to the consumer and his or her loved ones. Mondelez products – including Milka's – "make the family smile" and not only lift moments with flavor: they lift the spirit by creating joy. For this message, to be successfully transmitted to its cow-munity (Milka's term to refer to its consumer base or fans), Milka bases its communication strategy on sensitive content. The message communicated seeks to raise emotions through action-requiring campaigns, such as

challenges where the consumer has to somehow participate, as a means to consolidate its consumers and attract new ones through advertisements that emphasize innovation, movement, sports, and fun. Furthermore, the concepts of “family,” “home,” “traditional,” and “Alpine-natural” are always present. These concepts are transmitted in two main ways: a storytelling or narration where Milka products light up someone’s moment or day when it is not going very well, and the famous Alpine Milka cow “Lila,” always represented as friendly, kind, and inviting. Besides being cheerful and smiling, Lila portrayed as tender, which is central to Milka’s message: “Milka: The Chocolate that Dares You to Be Tender.” Lila also embodies the whole brand and portrays Alpine quality. Using it as the brand’s face and showing how “humanly” she is treated also highlights the chocolate’s quality: the secret behind Milka’s tenderness and the taste is the quality of the milk, which is conditional on the special treatment farmers give to their cows.

Most ads seek an emotional engagement from the audience by first presenting a problem or challenge that the main characters face and, second, by showing how Milka brings joy and helps to resolve it. For example, the 2012 Balloon Commercial shows how a bar of Milka chocolate helps a family’s mother get through a boring day at the office. The ad shows beautiful images of the woman with her family on a balloon flying over the Alps; suddenly, she realizes that she has just imagined it from her desk in the office. The voiceover says, “Milka, so tender and so full of all the good things from the Alps. So good ... you will feel you are there.” The two key messages here are, first, that Milka is so authentic that it will transport the consumer to the Alps and, second, that Milka chocolate makes reality more bearable and easier to handle – the Mom is not that disappointed when she realizes she is in the office because she has a bar of Milka. Moreover, it is not a coincidence that the ad has a family’s mother as the main character: it serves the purpose of emphasizing Milka products for family-friendly environments.

Milka ads – and mainly Mondelez’s – use a diversity of performers with different traits and conditions, including men, pregnant women, children, grandparents, athletes, and students from across the world. This tactic supports the idea of the universality of its products for their power to reach families worldwide: all people, wherever they are, can benefit from Milka’s quality, tenderness, and joy. To support the idea of “right snacking” as part of healthy lifestyles, people in the ads are in constant movement or even practicing some kind of sport, such as dancing, running, or boxing. However, Milka ads, in particular, are often located in the Alps, where the milk comes from. These tend to have a clear tone in common and resemble a fairytale or short movie, where the brand narrates stories around the chocolate or milk-making process. For example, the 2020 Milka ad “Gerda, Moocha, Marisa, Katja & Lola: Discover the real Milka cows,” narrates the milk-making process that starts from the cows and emphasizes that milk used for Milka chocolate is exclusively from the Alps.

Further, it also explains that farms have been family-owned for decades and continue to be small, with around 60 cows per farm. The ad carefully shows how cows are given a personal and special treatment, even being called by their names: the farmer checks if all cows are present by listing their names out loud. At the same time, a young girl takes the milk of that farm to Milka’s little and traditional-looking factory, while passing through beautiful Alpine landscapes and towns filled with friendly locals. All these elements highlight the familiarity, tenderness, and special attention to the detail put into every Milka chocolate bar or product. Other ads talking about the chocolate-making process

follow similar patterns and stress that, regardless of the size of factories nowadays, tradition, tenderness, and special care for the cows and the process itself continue to be at the heart of Milka's activity.

How does Milka elevate the customer experience and journey?

Milka has been redefining the concept of chocolate since 1825, bringing tenderness and joy to families across the world and offering an experience that goes beyond the consumption of a simple chocolate bar. To accomplish this mission, Milka insists that the consumer's action is required for Milka to be Milka through its slogan "The Chocolate that Dares You to Be Tender."

Along the same lines, the brand regularly releases campaigns that promote consumer engagement by, for example, offering competitions where consumers need to be reactive and send something, record themselves, or engage in challenges. All of these have a great emotional component in common and serve as a tool to make people experience the message and brand themselves, rather than just communicating it.

A relevant example is "#TheLastSquare" campaign, which aimed to test people's tenderness: Milka sold bars that were missing one square and gave consumers the choice to claim it back or send it to someone they cared about. It is well known that the last piece or square of chocolate is the most precious one, hence it is the hardest to share.

To activate this original initiative, a tender advertising campaign was created: it showed how children sent their last pieces to their grandparents, who received it by a courier and they became emotional reading the personalized message their grandchildren had written for them. This made people engage with the brand, even in the shops, as they played with the package to feel the missing square. When they opened the lilac wrapping envelope, they were sent to "lederniercarre.fr," where they had to insert the code printed on the chocolate bar envelope. Then, they had two options: claiming it back or sending it to someone. If they chose the latter, a window appeared where a tender message could be sent to the receiver, along with the last missing square. This campaign strengthened the values of tenderness, solidarity, kindness, and family that Milka works hard to identify with.

As simple as it may seem, this campaign required changing the whole production system at the factory to deliver bars with a missing square. In Milka's philosophy, this was an investment to consolidate its "cow-munity." The campaign was successful for its originality and authenticity, as well as for its effective overarching message that is to unite people and to be enjoyed with loved ones. Such emotional links have also been boosted by the special campaigns Milka made around crucial events, such as Mother's Day.

Other engaging campaigns of this kind include the "#MilkaChallenge," where Milka fans were invited to participate once again. In this case, people of all ages and backgrounds were invited to share their facial expressions when they were tasting something bitter versus their reaction when eating Milka chocolate. The best contrasts and original expressions won a full package of Milka products. Further, participants were called to invite other friends to the challenge using the hashtag "MilkaChallenge." These initiatives contribute to Milka's uniqueness in providing more than the simple consumption of Milka products. Instead, the experience is much broader and often shared with loved ones, putting "you" at the center at all times.

Additionally, Milka has substantially invested in transparency of the chocolate-making process to make Milka products more familiar, trusted, and preferred. Through

the production of vivid little movies and stories about how a chocolate bar is produced, Milka involves the consumer in the transformation journey of chocolate. These narrations show the process from its beginning as cocoa grains and the freshness and quality of Alpine milk, all the way to the consumer's delightful palates. Content includes fact sheets and easy-to-follow YouTube videos with a casual and informal tone. Milka's fans know how what they are eating is made, which is something that twenty-first-century consumers appreciate.

Milka's consumer-centricity and customer experience touchpoints

Milka succeeds at creating a unique and remarkable experience for its customers through high-quality interactions, also technically known as touchpoints. These include the product itself, tender, delicious and joy-giving; Milka's easy-to-remember name, combining the names of the two main components of chocolate (milk and "Kakao" or cocoa); its logo, inspiring the creamy and melting attributes of Milka products; the brand's emotional and tender advertisement campaigns, always narrating a story where Milka, love, tenderness, and joy go hand-in-hand; and its other digital initiatives that call for the consumer's involvement and make the experience memorable. The in-shop customer service in Milka's case is not an advantageous touchpoint as it can be for other brands. This is because Milka products are not sold in specialized, private Milka shops as in the case of Nike, for example; instead, they are for sale in supermarkets and other grocery stores that offer a wide range of products besides Milka's. On the other hand, however, Milka offers a personalized online experience of quality, which may balance the absence of in-shop customer service.

Milka's website is a key touchpoint. Being very clear and easy to navigate, it offers a hassle-free experience to users, who will be most likely to revisit it: it is colorful, dynamic, easy to read, and shows the sections clearly. Despite displaying a great body of data and information, the way it is designed and structured makes it easy and it does not overwhelm the reader. Milka's lilac-themed website is personalized for every region and has a different content, tailored to each country, instead of the same content translated into different languages. Throughout the navigation, the website visitor can see the ongoing challenges and contests, as well as visuals, and clear instructions on how to get involved and participate. Additionally, specialized sections on transparency are available in all languages, offering downloadable fact sheets on yearly revenues, acquisitions, and other news related to Milka.

In addition to the listed touchpoints, Lila, the Milka cow, is another key intermediary between the brand and its consumer base. The mascot accompanies the consumer before, during, and after the consumption of a Milka chocolate. Besides playing a key role in Milka's communications and marketing strategy, as explained earlier, Lila serves as a point of interaction for the reasons explained in the following paragraphs.

First, Lila, the Milka cow, embodies the whole brand image, which makes it an easy and effective way to spread the image of Milka and make it be remembered: it makes it easier for the audience to associate the message and product of Milka to something physical or tangible that has a name and "face." It is not just a cow because chocolate is made with milk; it is "Lila, the cow." This identity has been associated with the brand since 1973 when Lila made its first appearance in print and TV advertising. Since then, it has continued as the iconic image of the brand and keeps transmitting familiarity, friendship, and trust.

Second, using Lila as the brand image has paved the way for the name given to Milka's consumers: "the cow-munity," who can easily identify with the brand, its quality, and its positioning as a familiar product that is suitable for all. In general, this cow-munity and the brand go hand-in-hand with the violet-lilac color, which represents the spirit of the day and is inspired by Art Nouveau. The color, as well as Lila, the cow, make a click in people's heads: whether they are regular Milka consumers or not, most recognize the color and automatically associate it with the brand after seeing it for more than 120 years of its history. Occupying a good space in people's minds is a huge first step toward a good take of the market.

Third, Lila is particularly appealing and popular among the youngest fans: the children. Since its first appearance, Lila has been the main character of short narrations and advertising campaigns, through which Milka's youngest consumers have developed a closer tie to the iconic character and its inviting friendliness through time. Advertisements resemble short stories for children. Fourth, Lila is a cow and, therefore, is a link between the brand and nature. Exploiting the idea of a cow as the brand's image is an effective way to make customers automatically associate Milka with nature, and, therefore, sustainability, respect for the environment, and high-quality products. This is appreciated by consumers nowadays, who are more empowered and pickier, given the technologies that allow them to search for information on a company and its practices. Furthermore, Lila sets up the direct connection to health and authenticity, as it underlines that the product derives from Alpine milk of the highest quality, milked from cows that receive the best treatment, in the best farms, in the greenest mountains.

Another important touchpoint for Milka, and Mondelez in general, are the descriptive videos posted on their official social media accounts, particularly on the brand's YouTube channel. These videos provide information on the product-making process in an obvious and easy-to-follow way. Videos tend to have an informal tone that makes it conversational rather than lecturing, facilitating consumers' retention of the content they are being exposed to. While the chocolate-making process and the machines used are not necessarily easy to explain, this explicative content turns the technical into concise explanations that are understandable for a wide range of audiences, including children. Furthermore, images combine takes from the factory with takes from a particular kitchen where a performer follows the same process but on a much smaller scale than the factory (it is producing only one chocolate bar in a regular kitchen). The underlying idea to be transmitted is that, despite the vast scale of factory production lines, the essence of the chocolate-making remains the same and preserves the authenticity of the first home-made chocolate by the founder Suchard in 1825.

Besides, Milka contracted to Adjust Your Set, one of the most recognized content agencies in the United Kingdom, to create a Christmas event calendar based on a fully interactive augmented reality platform and app. The idea behind it is to enable families to watch, play, and share content using any touchscreen. The app revealed a daily surprise to its users from animated films and interactive games to augmented reality activities. All of them were illustrated in Milka's Alpine magical world.

Another great app developed by Milka is the Christmas Countdown Calendar, which targets parents and their children. Families point their smart devices at a calendar, and on key dates, the app plays animated films in Milka's Alpine wonderland. On Christmas Eve, the app displays a unique personalized augmented reality experience. The application also offers a variety of interactive games using one's camera and the touchscreen.

"Trumpet and Tuba" allow customers to create songs, and the "Snowman Game," will enable them to accessorize themselves. Customers can also download recipes, decoration ideas, and storybooks. A multi-language delivery of the application ensures engagement across a wide variety of markets and locations. The augmented reality section was developed by Play Nicely, which conceived and designed the associated platform. The calendar is also available on Apple Store and Google Play, making it accessible to everyone.

"Drawing on Milka's alpine heritage, we created an imaginative and beautiful Milka alpine wonderland, which is a gift for families to unlock this Christmas," said the associate creative director of Adjust Your Set, which worked on the project for Milka.

We also wanted to encourage real family interaction through the calendar content by inviting them to play and create together, thus narrowing the space between the online and offline worlds. I wish I had a Christmas calendar like this when I was young.

One of the campaigns that evolved into the most significant advertising trends of the year was a machine-based prank that asked people to give a little bit of themselves to get a little bit of chocolate in return. The machine had no slots for coins. Instead, users had to play a game to get a chocolate bar. It inspired genuine delight among all participants and seemed to put a smile on people's faces.

Leveraging technology and digital to offer the ultimate chocolate experience

Mondelez International, Milka's parent company, keeps using cutting-edge technologies to integrate the offline and online channels of its brands. To accomplish this mission, Milka gives a central role to personalization, which requires the use of technologies: Milka collects information about its fans "cow-munity" or consumers related to their tastes, preferences, and concerns, and designs tailored products to correspond to them.

Besides, in products, personalization is also central to the brand's digital presence (its website particularly) to offer consumers exactly what they are looking for. When users visit "milka.com," they are given the choice of selecting one of many countries. Each country's selection displays a portal in the local language with content tailored to that country and its consumers. Hence, offers, ongoing activities, and even website sections vary. For example, in the Spanish portal (www.milka.es), the header sections are "Home," "Brand," "Products," and "Actions," whereas the French portal (www.milka.fr) is headed by the tabs "Tendresse Chez Milka," "Produits," "Patamilka," and "Actualité." Additionally, the French Milka website has a "Service" section in the header, through which consumers can contact Milka directly and access a question forum. The user can send feedback, both general and on a specific product, by referencing the bar code number of the product of interest.

Besides, Milka's mobile application, developed by CamOnApp, provides a multitude of interactive experiences based on product packaging and a person's geolocation. The app is also available on Google Play and Apple Store and is free of charge. It has three main features: Scanner, Milka Products section, and Map. The Scanner is used to scan a Milka product and get all the information needed about the product using the

packaging. Consequently, a simple purple wrapper becomes an avenue for communication and innovation. The Milka Products section has all the brand's offerings along with their nutritional information.

Milka also created a digital campaign related to Easter. "Capture the Rabbit" is a game in the Milka app whereby the user needs to capture 15 rabbits in less than 30 seconds. The winners benefit from a variety of prizes. The app made use of augmented reality. Instead of searching for the chocolate egg in one's actual surroundings, the app mixed people's real surroundings with digital bunnies for them to find. The campaign was a great success, and it greatly encouraged user engagement. In another instance, Milka developed a game distributed at points of sale that challenged shoppers to interlock their fingers with a friend to make a Milka chocolate bar. Shoppers were encouraged to take pictures and share them on social media, creating a particular moment of tenderness. Users who shared their photographs were entered into a draw to win a special visit to the Alps.

A sub-section on "Innovation" containing new products is common in all languages and country versions. Milka's message and tenderness-spreading mission go hand-in-hand with keeping the balance between continuous innovation for quality and improving variety, and preserving Milka's Alpine origins of authenticity.

Following a consumer-centered approach, Milka involves its cow-munity also at this point, in the pursuit of such balance: Milka's owner Mondelez has a specific platform on its website named "SnackFutures: Invent, Reinvent, Venture" that invites consumers to contribute to the group's work on providing the right snacks. Contributions from consumers range from providing new recipes for introducing new snacks to suggesting changes in the production lines and product-making and sending suggestions for improving or enriching the taste of a particular product.

This platform promotes a trio of "well-being, premium and digitally-enabled snack solutions" that will spur innovation and pave the way for "discovering and unleashing innovative ideas to lead the future of snacking." Mondelez places innovation at the heart of the company's strategy and that of all its brands, including Milka. Product innovation is moved by consumers and their changing behavior trends, as CEO Dirk Van de Put explains: "Consumers are changing the way they make decisions/they shop, so Mondelez has changed its messaging while experimenting with new products."

For example, Oreo has found its way into yogurt, ice cream, and chocolate bars (from the original black "sandwich" cookie, made of two dark chocolate layers and white cream in the middle) to satisfy a broader range of needs and preferences. In the U.S., a greater concern for calories and healthy eating styles among empowered consumers with access to information on the products they consume led to the introduction of "Oreo Thins." Hence, this product was significantly smaller and had fewer calories per unit, which responded to the new consumer preference for smaller portions with less Kcal. Besides frequently introducing new product types, sizes, and packaging, innovation is also present in manufacturing. Mondelez CEO explains that "Test and learn" mechanisms have been installed in the snack-producing plants to learn and correct mistakes as they go, which has a great impact on quality improvements.

Further, Mondelez is carrying out a plant-renewal plan, shutting down some old factories and opening more modern ones to produce multiple categories in the same space; this cuts the costs of transportation, waste, and pollution, and optimizes space. Increasing efficiency allows for adopting a rapid-response approach "to launch small-scale innovations faster." CEO Van de Put explained that China's Oreo Rainbow reached the market in record time, thanks to this strategy.

Milka and Mondelez's efforts to offer personalized tender experiences are also reflected in the brand's strategy to penetrate emerging markets and adopt a "local-first" model. India, for example, is the fastest-growing market for the snack leader. Hence, the balance between internationally known brands and brands relevant to local audiences around the world is as important as the balance between innovation and Alpine authenticity.

Mondelez's portfolio of such brands cherished by local audiences account for half of the company's revenues and play a significant role in its image of inclusivity, variety, and respect for keeping local essences. For example, in the UK, Mondelez acquired Cadbury – very important to the British heritage – and promoted it as "the taste of the nation." The company has recently gone a step further by becoming the sponsor of one of the main football teams in the Premier League: Manchester United. Experts see this unprecedented decision as another attempt to get closer to local audiences by representing one of the local things that matter to them the most. The global partnership came into effect in February 2020.

Mondelez's innovation is also applied to its pursuit of sustainability. The "Cocoa Life Initiative" aims for continuous investment and research to develop the chocolate-making process in the most sustainable ways. Under this initiative, Milka creates farming communities in six cocoa-producing countries.

Milka's challenges in the future: what's next?

While they are on a revenue-increasing trend, Milka and its owner Mondelez have been subject to several controversies that the group will need to address to maintain its credibility and current position as an industry leader. Such controversies include recent accusations of illegitimate mergers and acquisitions by the European Union (EU), in 2020. This is not the first time Milka's owner Mondelez has been investigated for threatening fair competition in the industry of chocolate and snacks. In 2014, EU competition regulators investigated Mondelez's intentions to merge its coffee operations with its main rival D.E Master Blenders. After months of investigations, it concluded that the acquisition was legal, and regulators allowed it to be carried forward.

In 2015, Mondelez was accused of manipulating the price of wheat. In the accusations, the U.S. Commodity and Futures Commission (CTFC) alleged that Kraft Foods "and its former subsidiary Mondelez Global bought \$90 million worth of wheat futures but had no intention of taking delivery of it." The CTFC estimated that this purchase raised the price of wheat and made them earn \$5.4 million. Shortly before this event, Kraft had agreed a merger with Heinz, which had the potential to create the fifth biggest goods company in the world, a fact causing concern to the regulators in charge of preserving fair play in the market competition.

Besides accusations of having too great a market share and keeping new potential competitors from entering the market, Milka and Mondelez face severe allegations of deforestation by environmental organizations. Such charges are supported by reports that have been published and make direct references to the group brands. This is the case of the publication "Chocolate's Dark Secret" by Mighty Earth NGO. These accusations caused waves of unhappy customers expressing their discontent online who invited others to boycott Milka and other chocolate brands. Images of deforested fields and the resultant natural disasters have a tremendous detrimental potential for Milka as they frontally collide with the images of the fresh, clean, and preserved Alpine landscapes at

the heart of Milka's projected quality chocolate. Many efforts have been made to promote the brand's sustainability, including recycling campaigns and attempts to make 100 percent of the packaging recyclable by 2025.

Another challenging cliché that Milka and its owner will need to work on is the rumor that Mondelez is monopolizing the world's snacks. Some critics argue that the Illinois-based multinational is taking over and promoting international brands at the expense of local ones. So far, Mondelez seems to have found the right balance between internationally-known brands and its acquired local brands. For example, Cadbury was a main competitor in the UK but merged with the American multinational. However, both the visual content posted about it and the ads themselves made sure that Cadbury chocolate's image as a British icon was not lost and instead preserved as it was before the merger. Even then, there was some backlash. In India, one of the most important emerging markets for the group, local brands have been acquired, but the group has insisted on barely showing that the brands have changed hands. This has been a successful strategy to avoid being perceived as a Western intruder who wants to "hijack", change, or monopolize local tastes and flavors around the world.

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Questions for discussion

1. Describe Milka's experience touchpoints. What are the emotions generated by each touchpoint throughout the customer journey before, during, and after a sale? Compare the role of different technology devices in improving the brand's online and offline experience.
2. How has Milka changed its marketing strategy to integrate the customer experience with digital and marketing strategy? Are these changes in line with today's consumer needs?
3. Describe how Milka is leveraging digital and customer experience to differentiate itself from other competitors in the marketplace.
4. Explain how Milka can create a brand experience that responds to the functional, social, emotional, and environmental needs of consumers in search of pleasurable yet healthy food experiences.

5. Discuss how Milka can implement the 7Es of the experiential marketing mix, a tool presented in the book by Wided Batat, *Experiential Marketing* (Routledge, 2019), to design satisfying and profitable customer experience and reinvent the chocolate experience.

Challenge yourself

Imagine you have been hired to be Milka's Chief Experience Officer (CXO) to create an educational experience targeting kids – one that integrates both the pleasure of healthy food and educational content. How would you use the 7Es of the experiential marketing mix to design such a program?

PERSPECTIVES ON THE SECTOR



Denise Lee Yohn, Brand Leadership Expert

I consider that customer experience is the sum of all interactions a consumer has with a brand – everything that person sees, reads, hears, touches, tastes, and smells. Consumers make brand and product decisions based on how brands make them feel. More personal experience is more relevant and convenient for people and makes them feel important and valued. A customer experience that connects with consumers emotionally leads them to trust your

brand and identify with it. Thus, consumer goods and brands can redefine themselves by leveraging digital and data to enhance the customer experience. Indeed, digital has become a critical way to connect with customers – from search and location marketing that enables brands to be in the right places as people browse and learn about new products; to content marketing and alternative reality technologies that inspire and inform consumers as they make decisions; to predictive analytics and real-time data that serve up inventory information and offers at the point of conversion; to e-commerce, cashless payment, and logistics capabilities that provide safe, fast, and easy transactions. Sephora's use of augmented reality technologies and Gucci's social media and mobile app innovations are examples of how digital technologies can engage customers in unique and valuable ways. Yet, there are many challenges for the consumer goods sector. For instance, the COVID-19 pandemic has dramatically changed the way customers interact with brands. All companies will need to develop their

digital customer experience as the primary way they compete. Also, the employee experience has been and will continue to grow in its influence on customer experience. Companies need to develop and manage employee experiences that attract and retain top talent and that inform, inspire, and instruct employees to deliver on-brand customer experiences.



Elcio Tarallo, Corporate PMO leadership responsible for strategic programs

Customer experience in the consumer goods sector is related to how the customer expectations are attended in terms of needs and desires across all the stages of the customer journey and touchpoints. Customers want to find their preferred products easily in any sales channel. They even like to receive attractive offerings since it is done through the right way/media, at the right time (although wrong messages are hated). They can pay different prices according to the primary need at the moment of

buying: convenience, better service, cost, or impulse buying. Then, satisfying your customer depends on being present in all of their buying moments in the different channels with the right offer. Loyalty can be improved too by accordingly solving customers' problems with your products. Also, the digital revolution is impacting the consumer goods sector. The omnichannel experience provided by retailers requires more agility on production and logistics. Market campaigns and promotions are made in cooperation by producers and retailers. Demand prediction is a challenge, and real-time pricing and real-time promotions are needed. The digital experience at the POS (point of sale) or in the customer's home requires technology investments made by producers and retailers: digital wearing, extended reality, smart shopping carts, mobile sales apps, testing products virtually, behavior sensors are some examples. Thus, brands must be more innovative and reinforce their brand and connection with customers, combining values, tradition, and modernity. The main challenges will be to understand and to anticipate consumer behavior in the real and virtual worlds, based on all the potential changes caused by new social habits (i.e., footprint, social distance), many ways of buying, new disruptive products or services and to be able to adapt and respond quickly in terms of design, production, logistics, and marketing.

Author's perspective on experiential marketing

Online video "Introducing concepts & tools"



- Access the link www.youtube.com/watch?v=BF5pXt1N7w4&t=1s or flash the following QR code to view a short video featuring the author, who introduces and explains the concepts and tools companies can use to implement a successful experiential marketing mix strategy.



The customer experience in the retail sector

With the rise of e-commerce, especially during the pandemic in 2020, the retail sector can no longer be merely a physical place. Online shopping practices do not mean that the old-style retail store is dead. Instead, it has to reinvent itself by integrating a customer experience approach that places the shopper at the center of the retailer's omnichannel strategy. Why? Because nowadays a product in itself is no longer enough to satisfy customers and make them come back to a store. To remain attractive, the retail sector has to offer a satisfying phygital customer experience that incorporates different physical and digital touchpoints to enchant the consumer both online and offline. Many retailers in various industries are now considering an experiential marketing strategy to elevate the customer experience. They are doing so by implementing different strategies and technological devices to rethink the customer's online and offline journey. In this chapter, I introduce three company cases that examine major retailers in different sectors, namely, Macy's, Walmart, and Ikea. These retailers are implementing an experiential strategy to enhance the shopper's experience in their stores and online. I will first explore the story and the marketing strategy behind each company; then, I will focus on customer experience implementation and digital use in each company. Finally, I will discuss the challenges these retailers are facing to reinvent the shopping experience.

Learning outcomes

After exploring and solving the questions and challenges presented at the end of the chapter, you will be able to think critically about the way companies in the retail sector are implementing the customer experience and what is needed to develop an effective global experiential marketing strategy. Also, in the online video provided, "Introducing concepts & tools," you will learn more about experiential marketing and how companies in the retail sector can use it to design the ultimate shopping experience online and offline to satisfy the needs of their customers and bring them back to their stores.

Company case 7: How has Macy's reinvented the shopping experience?

By facing the changes in consumer and shopper behaviors, the retail sector is continually reinventing the points of sale by integrating digital technologies in stores and, at the same time, designing warm and welcoming atmospheres centered on the customer journey. The retailer's goal is to create a fluid, unique, and memorable experience that

the customer will remember. Currently, Macy's is one retail chain that is working on reinventing the online and offline shopping experience in its stores. Therefore, it is essential to understand the story behind Macy's success as well as its challenges and the way it is adapting to shoppers' needs.

How did it all start? Macy's effective marketing strategy

Rowland Hussey Macy was born in 1822. During his young adult life, he failed at many attempts to open his own businesses:

- In 1844, he opened a needle-and-thread store in Boston.
- In 1849, he prospected for gold in 1849 during the California Gold Rush.
- In 1858, Macy decided to move to New York City and open his own upscale dry goods store: R.H. Macy & Co. The store was located on the corner of 14th Street and 6th Avenue. On the first day of operations in October of that year, the company took in \$11.06. The logo of the brand was a star, just like RH's tattoo that he had got while working on a ship a few years prior. R.H. Macy & Co. had an advertising budget of \$2,800, and its revenues quickly grew to approximately \$85,000 by the end of the year. Over the years, the store began selling different products and expanded to 11 adjacent buildings. Up until the 1950s, Macy's had a robust cash-only payment policy.

In 1875, Macy included two family members as partners in his business: Robert Valentine and Abiel La Forge. However, the three partners would be dead in the next three years. The company continued to be owned by the Macy family until 1895 when the Straus brothers acquired it. In the early 1900s, the store relocated to New York's Herald Square. The store quickly expanded in the area and occupied several buildings. The business was located far from other dry goods stores, so transportation services were offered for customers to make it easier for them to get to the store.

In 1924, the Herald Square store became the largest store in the world, and around 10,000 people watched Macy's first Thanksgiving Day parade. From the 1920s onwards, Macy's kept expanding all over the United States by acquiring stores in Queens, Toledo, Atlanta, Newark, and San Francisco. In 1946, The Macy's Flower Show was launched and was held at the company's flagship stores in New York City, Chicago, and San Francisco. In 1976, Macy's held a firework show on Independence Day in New York City. It is now the largest fireworks display in the nation.

In the early 1980s, Macy's opened stores in Florida, Houston, New Orleans, Dallas, and other cities. In 1988, R.H. Macy & Co. merged with Federated Department Stores and moved its headquarters to Cincinnati. Federated Department Stores was a holding company for several family-owned department stores: Abraham & Straus, F&R Lazarus, Filene's of Boston, Bloomingdale's, Stern's, Dayton, Rike's, Goldsmith's, Bullocks, I. Magnin, and Rich's.

In 2005, the company was operating under two names only: Macy's and Bloomingdale's. Federated acquired the May Department Stores Company in 2005. By 2006, Federated had converted over 400 of those stores to Macy's brand. In 2007, Federated Department Store was officially renamed Macy's Group.

In 2008, Macy's adopted a localization technique called "My Macy's" to consolidate into three divisions. The company also launched a sustainability initiative to increase

its efforts in helping the environment. Although in 2014, Macy's went overseas to open its first store in Abu Dhabi, in 2015, Macy's started closing down underperforming department stores and laying off employees. In 2016, an Apple Store opened in the New York store. By 2018, Macy's was operating 871 stores; 636 were Macy's stores, with the remaining stores being Bloomingdale's, Bluemercury, and Backstage. In 2018, all Macy's stores began offering "buy online, pick-up in-store" and "buy online, ship to store" services.

In 2020, Macy's announced that it would close more than 123 stores over the next three years. Besides, Macy's Inc. is the owner of Bloomingdale's and Macy's department outlets, and Bluemercury, a chain of beauty products, and spas. Macy's is mainly involved in the lifestyle and retail industries. Its main competitors are Kohl's, Lotte Shopping, Aeon, JC Penney, and Neiman Marcus. At Macy's, the target market is composed of the upper and middle-upper class society.

- *Products*: Home products: cutlery, kitchenware, furniture types, tables, chairs, chocolates, and desserts. Bed & Bath products: bed sheets, comforter, towels, pillows, and mattresses. Women products: clothes (e.g., dresses, shirts, sweats, leggings, jeans, shoes, accessories, swimwear). Men products: clothes (e.g., jeans, hoodies, tuxedos, suits, polos, watches, belts, shoes, wallets, ties). Kids products: clothes, accessories, and toys.
- *Place*: Macy's Inc operates 680 department stores under the name Macy's or Bloomingdale's. They have 190 specialty stores that have Bloomingdale's outlet, Bluemercury, and Macy's Backstage. Stores are spread over 43 countries and in Paris and Dubai. To be able to handle its operations more efficiently, Macy's U.S. operations are split into several divisions: Macy's North, Macy's East, Macy's Midwest, Macy's Florida, Macy's Northwest, Macy's West, and so on. Macy's has a reliable distribution channel. The company has stores that are partially or fully owned, leased stores, and an efficient supply chain and logistics network.
- *Price*: Macy's target market is clearly defined. Its products are reasonably priced and usually follow this promotional pricing plan: clearance sales, seasonal sales, festive sales, deals-of-the-day, discounts, and coupons.
- *Promotion*: An intensive marketing communication strategy is used. Campaigns are launched via print ads and ads in other media, such as television, magazines, and social media platforms (e.g., Instagram, Twitter, Facebook, YouTube). Brochures and store catalogs are always available to inform customers about discounts and benefits. Personalized emails are also sent to loyal customers to inform them about new promotions and the company's loyalty programs.

Some innovations Macy's has used to increase its brand visibility and attract customers are as follows:

- Macy's Thanksgiving Day parade each year.
- "The Market @ Macy's," where popup shops and products are pushed through.
- An advertising budget organized in a way to be able to target its loyal customers better (e.g., rely more on local TV ads instead of confusing them with hundreds of promotions).
- In-store Santa Claus-themed exhibits and decorated windows to attract customers.
- Window displays, which introduced the concept of "window shopping" to the retail world.

- Teabags, colored bath towels, and Idaho baked potatoes.
- Made-to-measure clothing for men and women.
- Macy's credit card.
- My Wallet is a "virtual wallet" for customers. It contains their credit cards, coupons, and promotions, which allows them to keep up with the benefits and discounts they receive from Macy's.

How is Macy's mapping the shopper experience and journey?

Macy's caused a revolution in the retail industry when Fred Lazarus (the founder of Federated Department Stores, which became Macy's, Inc.), arranged clothes of the same style together in groups of single sizes in the mid-1930s. Lazarus based this grouping technique on observations he made while he was in Paris. A hundred years later, the company's app also changed the way people shop. The app has a "scan and pay" option that makes it easier and faster to check out.

Clients simply scan the barcode on an item; they pay for it using their cards on the app, go to Macy's "Scan & Pay Checkout" counter. There the security tag on the item is removed, and customers get their shopping bags. The app also has a function called "Style Inspo" that suggest outfits for the day and night after the shoppers take a quick quiz on the app. Besides, a "Snap & Shop" feature allows clients to take a snapshot of items that they like, and the app suggests similar items from Macy's stores.

Another way that Macy's app has completely changed the traditional shopping experience is via its virtual reality options. For example, clients can scan their rooms on their apps, and visualize how the furniture available at a Macy's store will look in their places. That way, people can make sure that the items fit and match the setting of their rooms before they buy the furniture. The same concept has been applied to beauty products.

A "Virtual Beauty Try On" option allows shoppers to "try on" beauty products in pictures of themselves to pick the perfect lipstick color, mascara, or eyeshadow. One incentive customers have to use the app is that they collect "Star Money" with every purchase. Their Star Money balances determine the different statuses of customers and the range of perks and offers Macy's gives them.

Also, clients can shop on the app and have items delivered to their nearest stores. Clients are contacted by the store when the goods arrive and receive notifications on their phones with updates on their packages. It is also vital to mention STORY, which became part of Macy's in 2018. STORY is an attempt to collaborate with small businesses and introduce their products to Macy's customers. Some brands pay to participate in these events. However, small businesses are encouraged to join for free but get a commission on what they sell at the events. Every couple of months, STORY changes themes. Among the subjects introduced: "Remember when," "Love STORY," "Wellness," and "Home for the holidays." "Our goal right now is to look at new areas of the business like STORY to improve and overhaul the metabolism of the company," says Jill Ramsey, Macy's Chief Digital Officer.

Whatever projects they are working on, Macy's employees always keep their vision aligned with the company's strategy, which is as follows:

- Strengthen the customer relationship.
- Curate quality fashion.
- Accelerate digital growth.

- Optimize the store portfolio.
- Reset the cost base.

Macy's consumer-centricity and customer experience touchpoints

Macy's understands that to keep its customers interested, it continually has to use technology to innovate. An entire team is dedicated to managing the online marketplace and e-commerce. The team's main task is to provide the same excellent retail experience, whether the client is in the store or online. The sole purpose is to get "a happy customer with a full cart." Macy's is also investing heavily in artificial intelligence (AI) to improve customer experience. AI is employed in two ways in the Macy's app: (1) It encourages self-service; and (2) it allows customers to summon a sales associate to help. This strategy will raise the level of retail services in an industry that has become highly competitive. Macy's uses the app to get customers excited about the holiday season.

To help raise money for the "Make a Wish" foundation (which grants the wishes of critically ill children), the Macy's annual Believe campaign was launched on the app, which was a success. It has raised more than \$8.7 million. It allows shoppers to write letters to Santa and participate in Guinness World Records by attempting to make the most extended wish list to Santa and encouraging its customers to share in the spirit of goodwill. Macy's also implements interesting information systems that can be summarized as follows:

- *MST (Macy's System and Technologies)*: Formed in 1985 to consolidate the data of the operations, MST is mainly the retail, electronic, and data warehouse high-performing system used in all categories of Macy's activities. A combination of technologies is used to meet the business needs (e.g., wireless, Internet, client/server, midrange). They are always aligned with the vision of all departments to ensure that the system is in line with the constantly changing business environment. MST focuses on high-volume transactions and quick order fulfillment. It supports the company's goal of offering the same experience in stores and online. MST also incorporates support systems, inventory management, the tracking of orders, and the expansion of the range of products in stores and online.
- *MLO (Macy's Logistics and Operations)*: MLO was created in 1994 to facilitate the coordination of Macy's logistics, merchandise distribution, and vendor technology. Its primary mission is to reduce costs and processing time in shipping. Additional functions were developed later to control expenses, recover assets, prevent stockouts, and prevent losses.

Leveraging technology and omnichannel data to offer the complete retail experience

Macy's creates insights based on its data collection and analysis to offer an exceptional customer experience for each of its millions of clients. The company's goal is to make the experience more personalized across all channels to stay at the forefront of its customers' expectations. An analytics team is present to help integrate the data-driven insights into the company's strategy and decision-making. Using the system and the app, the team analyzes the shopping behavior of each person. Macy's then creates a detailed profile of each of its customers and markets its product accordingly.

Macy's is, as a result, able to send approximately 500,000 different versions of the same email tailored to different customers. Also, using analytics, Macy's predicts what kinds of items to offer in each store, when to provide them, and how much each item should cost.

In the first quarter of 2014, Macy's deployed SAP's InfiniteInsight solution, a predictive analytics option. It allows Macy's to personalize its marketing campaigns to reach consumers better. Before implementing this option, Macy's used to analyze different variables on Excel Spreadsheets to deduce that a specific customer would spend a certain amount of money in its stores. The employee would then have to consult a data analyst to create a predictive model for each product category.

The models allow Macy's to analyze ten million terabytes of information daily, which has improved the company's online sales by 12 percent. The increase has been achieved by sending more personalized emails and targeted ads to each website visitor. The models have also made it easier to analyze customers' behavior patterns, recognize hot selling items, and plan in-store sales. These operations are conducted in real time as compared to the weeks and months it took to analyze the data previously.

Macy's challenges in the future: what's next?

Macy's is currently undergoing a restructuring plan. Some jobs will be cut, and some stores will be closed to cope with the retail industry changes. Many customers prefer to shop online rather than go to a shopping mall. Some of the main challenges that Macy's might face in the future are:

- *The company's Growth150 plan:* This involves outfitting some of its most profitable stores with new decor (e.g., lighting, merchandise, fixtures) as a way to recapture some of the company's clientele.
- *Opening more Macy's Backstage stores:* Macy's Backstage competes with heavily discounted brands like TK Maxx and Nordstrom Rack. Macy's noted that the stores that include a Backstage shop inside sell around 5 percent more than other stores.
- *Quickly getting hot items into stores:* Macy's is now working closely with its top vendors to ensure that the best-selling items are available in its stores.
- *Updating the Macy's app:* It should be continually updated to compete with online retailers. Mobile is retailers' fastest-growing channel nowadays. In 2018, Macy's sales through the app reached nearly \$1 billion.
- *Closing down stores:* The big question is what Macy's will do with all this real estate. The company is currently negotiating with community stakeholders to create "complementary uses" for some of its locations.
- *Halting sales declines:* Sales are slowly declining because it is now easier for shoppers to compare prices online. Moreover, Macy's stock price has been decreasing for a while. A solution should be found to avoid the halt of the growth of the company.

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Questions for discussion

1. How has Macy's modified its marketing strategy to focus more on customer experiences to be competitive? Are these changes in line with the needs of today's shoppers?
2. Describe how Macy's can increase its slowly declining market share by bringing back customers into stores. What kind of retail experience should Macy's offer to reinvent itself and innovate in the digital and experiential era?
3. How does Macy's define the shopping experience? Describe the difference between the employee experience and the shopper experience at Macy's.
4. Discuss how Macy's might become the future Amazon in the physical retail sector. What elements should Macy's integrate into its experiential marketing mix strategy to achieve this objective?
5. Describe how Macy's can create a sustainable shopping experience that integrates phygital aspects and Big Data to connect its online spaces with its offline places (malls and stores).

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) at Macy's. Your job is to implement its overall experiential marketing strategy to connect its physical stores with its online platforms. What would be your starting point? How would you identify online and offline shoppers' experience touchpoints and connect them to deliver value and fluidify the global customer journey?

Company case 8: Walmart's top priority: focus on the customer experience and digitized shopping

Walmart is one of the most significant examples when it comes to the use of digital devices and technology to enhance the customer experience. For instance, Walmart has engaged in facilitating the return of products so that customers will no longer have to go to the central cashier inside the supermarket but will be able to interact with reception hosts outside the stores. By integrating technology, the company allows customers to save the items they want to bring back on their mobile and just have to drop them off at the store. Beyond the use of technologies and smartphones, Walmart is nowadays implementing multiple strategies and tools that constitute an integral part of its global strategy as it relates to the customer experience. Let's look at the story of Walmart's success as well as its challenges and how it is adapting to new consumer needs.

How did it all start? Tips from Walmart's marketing strategy

Walmart was founded by Sam Walton, with two primary goals in mind: deliver exceptional value and excellent customer service. The story of Walmart is very closely linked to Walton's life. His ideas and beliefs shaped the company's creation and expansion for 50 years. His principles still affect major decisions and will continue to do so in the future.

After serving in the military for three years, in 1945, Walton moved with his wife, Helen, to Iowa and then to Newport, Arkansas. It was then that Walton was introduced to the retail business. Five years later, he left Newport and moved to Bentonville to open his store. He called it Walton's 5&10 since everything was intended to sell for 5 or 10 cents. Due to this store's success, Walton decided to open the first Walmart store in 1962, located in Rogers, Arkansas.

According to Sam Walton, Walmart's value proposition was to offer lower prices and better service than all of its competitors. No one expected that such a simple scheme would make Walmart so successful. It went far beyond everyone's expectations. The proceeds were used to expand the business. The company's growth mainly relied on low costs and great relationships, both within and outside of the company. Walton never stopped innovating. He was always introducing new retail technologies, new store formats, and opening new stores in and outside of the United States. Due to the full range of products that Walmart offers, it has too many competitors to list. Based on its physical locations, its main competitors are Costco, Kroger, Walgreens, Home Depot, Tesco, Target, and Carrefour.

But due to recent technological changes, Walmart's main competitor has become Amazon. Both companies are making great efforts to stay in the lead in terms of cost. Walmart bought Jet.com, an e-commerce startup in 2016. It was the start of a new era for Walmart. The company saw an opportunity to take advantage of its retail experience and the innovative technology used in Jet.com to expand and dominate the online world. The move made Walmart and Amazon two giants competing in the same fields.

Walmart has a vast range of product offerings, such as fresh produce, bakery, deli, and dairy products, electronics, apparel, toys, home furnishings, banks, hair and nail salons, restaurants. Vision centers, health and beauty aids, and a pharmacy. Over the years,

Walmart has evolved in a variety of ways. The first few years, it expanded its product offerings until it sold practically everything. Then it moved to geographical expansion and started opening new stores and distribution centers, the first of which was in Bentonville, Arkansas, in 1971.

After going public in 1972, Walton opened the first Sam's Club in Oklahoma. The company then opened its first Walmart Supercenter in Washington, Missouri. The store combined general merchandise and a supermarket, providing a one-stop-shop. In 1992, Walmart expanded to Canada with the purchase of 122 Woolco stores. And then to China in 1996 and the United Kingdom in 1998. By 2000, it had 3,989 stores worldwide.

In 2007, it launched its Site to Store service, enabling clients to purchase products online and pick up the merchandise in stores. The next strategic move came in 2015 when Walmart acquired the Chinese e-commerce business Jet.com. Currently, Walmart is focused on its online business after having dominated the physical store field for 50 years.

Walmart's marketing strategy focuses on the five core principles of a marketing mix, the 5Ps: price, product, promotion, place, and people. Price is the primary and most essential element when it comes to retail. Setting the appropriate price determines profit margins and demand. One can either go high value, low volume, or low-value high volume. Walmart's price positioning focuses on scale economies to maximize its profits.

Due to its massive sales numbers, Walmart has excellent bargaining power relative to its suppliers. The company only works with the best players in the supply chain. The large variety of products it offers ensures that the other products drive the sales of under-promoted goods. Walmart created a more effective supply chain, which is based on universal barcoding and stock-keeping units. This strategy allows for better cost control, which then leads to more competitive pricing. Besides, a flexible payment strategy will also enable customers who purchase expensive products like appliances and furniture to pay for them over a period of time.

The next element of the marketing mix is the product. Walmart's key advantage is the wide variety of products it offers; you can get anything you need from groceries and hardware to furniture and appliances. The company buys large quantities, so there is plenty of supply at all times. Walmart also signs some exclusivity agreements whereby some products are only sold at Walmart and are labeled as such.

The promotion also constitutes an essential element in Walmart's strategy. The company is always running different promotions with attractive discounts. It also uses slogans that are attractive to customers and clients like "everyday low prices," "lowest price store" and "save money, live better." Besides, Walmart is present all over the media, whether it's on TV, billboards, or social media. Of course, a great product would not be as good if it didn't come with any warranties, insurance, or replacement policies. Customers know that if a product bought at Walmart fails, they will be reimbursed or given a new one.

Walmart has an advanced e-commerce platform that allows customers to purchase products online. The goods are then delivered to customers' homes within 48 hours and for free. Logistics are facilitated by a network of distribution centers linking suppliers, stores, and customers in an organized matter. This distribution process uses the latest hardware and software advances to track orders and inventory. Everything

is automated and connected. Walmart has one of the largest fleets of trucks, which ensures proper product delivery on time. All outlets are strategically located all over the world.

How is Walmart transforming the retail experience?

We are currently seeing a very rapid evolution in technological advances. Walmart has always been a leader in new technologies that optimize and facilitate its operations and shopping experience. The company started adding 1,700 technology employees in 2018, with plans to increase to 2,000 in 2019. The first challenge Walmart is tackling is the automation of its customer processes. Integrating Walmart's digital and physical operations by allowing store pick-ups of items bought online had great benefits.

The company has also had a growing interest in critical technologies like cloud computing. In 2018, Walmart partnered with Microsoft to enhance its digital experience and boost Walmart's performance in terms of sales and speed. Walmart is also using machine learning, according to Walmart's CEO. The company believes that using machine learning will allow Walmart to implement significant changes. It will require the use of algorithms and statistical models to automate analytical processes for a better operational and transactional flow. The company has a shelf-scanning robot that utilizes machine learning. Walmart will be using this robot to predict shelf inventory better and will allow for minimal stock shortages.

Walmart's consumer-centricity and retail experience touchpoints

Due to Walmart's size, it can gather vast amounts of data from its customers, which is then used in the machine learning processes mentioned earlier. Blockchain is also an emerging technology that Walmart is using. Walmart's CEO says they are using it in the company's food supply chain.

Although the technology is still in its early phase of development, it is considered a game-changer for the industry. Evolving and adapting constitute a challenging process, especially for a large company like Walmart. Due to the extensive R&D a technological product needs, it often fails after implementation, which can be extremely costly for such a large company. Because of its size, Walmart now believes there should be a certain amount of waiting time before implementing new technology.

Walmart relies on a variety of technology like Bluetooth, barcodes, RFID (radio-frequency identification), and regular radio frequencies. These provide large amounts of data like the time of day products are used and where the products are located. Scanners and automatic conveyor belts are also used in check-outs and pick-ups. The automation process reduces lines and waiting times. Face recognition devices that analyze customer satisfaction or behaviors are also likely to make a significant impact on the overall experience.

Leveraging digital technology to offer a fluid customer experience

Big Data is now one of the most valuable assets a company can own or utilize. Proper storage and analysis of data ensure an understanding of customers and transactions

that cannot be achieved in any other way. Walmart relies heavily on these tools by following workflows and sales at all outlets, distribution centers, and on its e-commerce platform. Walmart also uses Big Data to improve its operations about the customer experience and satisfaction. The company does so by focusing on five main areas: pharmacies, check-out counters, supply chain, product assortment, and personalized customer experience.

Due to its investments in technology and innovation, Walmart has become one of the key players in the retail business. The essential advantage it has over its main competitor, Amazon, is its physical stores. The data Walmart gathers from its 11,000 stores gives it an edge over other online retailers. Walmart created an automated pick-up service where all you have to do is scan the barcode of your online purchase at the pick-up location, and a conveyor belt will deliver the products directly to you. It only takes 45 seconds to pick up your order. The company's primary focus is eliminating lines and queues, so Walmart is implementing scan-and-go shopping systems so customers can check out of stores faster.

Machines and scanners do the whole process. Another important breakthrough is the use of machine learning in the optimization of delivery routes for home deliveries. Finally, the company is working on smart tags that can monitor product usage, automatically replace products on the shelves, and track expiration dates and recalls.

Walmart's challenges in the future: what's next?

"The pace of change in the retail sector is truly extraordinary," says William Kerr, co-director of Harvard's Managing the Future of Work initiative. Technology is the main driver of this change. The primary challenge facing Walmart is adapting to technological innovations and modifying its existing and successful business model. Besides requiring competent teams of programmers and scientists to create tools for e-commerce implementation and growth, the company needs to re-skill its employees.

Training and support constitute a significant challenge. From 2009 to 2018, annual revenues at Walmart's regular stores decreased from \$142.5 billion to \$97.7 billion. However, the company's revenues from its Supercenters increased. To fight this drop in revenues, the company is converting its regular stores to other formats. As Walmart's chief sustainability officer, stated: "We are now a tech company as much as a retail company." This transformation changes the nature of the jobs at Walmart. The change might be challenging, and longtime employees might resist it, making it harder to adapt to the rapidly changing market. Walmart is now spending more than \$1.2 billion a year on employee training. The company also faces an increase in wages, leading to reductions in its earnings per share.

Even after acquiring Jet.com for \$3.3 billion, Walmart is still struggling in the e-commerce sector. It cannot afford delays or money-losing initiatives. Although Walmart has jumped from 2.6 percent to 4.7 percent of the U.S. online retail market, it is still far behind Amazon, which has 38 percent of the market. If Walmart is not able to narrow the gap, Amazon can be a major threat to Walmart's future. There is also the challenge of signing up for other brands to sell via Walmart's online store. Amazon is way ahead in this matter. Finally, Walmart has to find solutions to the money-losing side businesses it has acquired, such as the clothing retailers Modcloth, Bonobos, and Eloquii, before they dramatically affect the company's overall numbers.

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Questions for discussion

1. Describe the Walmart's customer journey and experience touchpoints. What types of emotions does each touchpoint generate? If customers have a negative check-out experience, how can that be fixed? Compare the role of different technologies in improving the check-out experience.
2. How has Walmart changed its marketing strategy to integrate the customer experience within its digital and marketing strategy? Are these changes in line with today's shoppers' needs in the grocery and retail sectors?
3. Describe how Walmart can challenge Amazon by using Big Data. How can the company improve the overall online retail experience of its customers before, during, and after purchase?
4. Explain how Walmart can create a shopping experience that responds to the functional, social, emotional, and environmental needs of the new green and paradoxical consumer, who is also searching for hedonism, pleasure, and quality products for lower prices.

5. Discuss how Walmart can implement the 7Es of the experiential marketing mix, a tool presented in the book by Wided Batat, *Experiential Marketing* (Routledge, 2019), to design satisfying and profitable customer experience and reinvent the grocery retail sector.

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) at Walmart. You want to create a new experiential concept store that integrates both consumer and employee perspectives. How would you use the 7Es of the experiential marketing mix to design the ultimate customer versus employee experience – one in which shoppers will be enchanted, and employees will be committed and engaged?

Company case 9: How is Ikea advancing the experience of its customers?

Ikea, the furniture retailer, is implementing strategies offline and online to elevate the customer experience in all its stores. The company is doing so by combining both online and offline actions, such as the launch of its mobile shopping app, “Brick & Click,” which is a business model in which a company connects both an online store (the clicks) and physical store (the bricks), mixing the two into a unique retail strategy, among others. Beyond technology and the multichannel connections, what is more relevant to Ikea’s customer experience strategy is that its customer’s daily lives inspire the company. Customers are placed at the center of the company’s strategy. In this case, I examine the experiential approach of Ikea and how it uses technology to enhance the customer’s shopping journey offline and online.

How did it all start? The story behind Ikea’s successful marketing strategy

Ikea was founded 76 years ago by Ingvar Kamprad, who is Swedish. Kamprad was a teenager when he started selling kitchen tables and small items such as pencils and pipes. Today, Ikea is the best-known provider of affordable furniture in the world.

Kamprad spent his childhood on a poor farm surrounded by few resources. He made use of anything he could find. His work methodology later became the company’s central vision: to sell low-priced, simple products for the masses. When it first started, Ikea wasn’t only selling furniture; it also sold items like pens, wallets, and postcards via its mail-order catalog. One of the company’s sales representatives would visit every home and write down orders. It wasn’t until 1951 that the company started distributing brochures with its furniture design nearly eight years after its founding. The business model incorporated the ready-to-assemble design from the beginning, which helped reduce its shipping costs.

Ikea’s first retail store was created inside Kamprad’s warehouse in 1958. Ikea featured different designs within its collections, all unique in their simplicity and convenience.

The patterns of the furniture changed with the trends of each era. For instance, bright floral couches were popular in the 1980s, while neutral colors dominated most of the designs during the 1990s. The two bestselling items in Ikea's history include the Billy bookshelf and the Klippan sofa from the 1980s. Nowadays, the company is focused on creating multi-functional furniture that goes well in almost any house.

Ikea is now, according to Forbes, the world's biggest furniture retailer, with 430 stores in more than 50 countries. Most Ikea stores include large showrooms that allow customers to experience and test the furniture before deciding to buy it. The stores are enormous; consequently, they are usually located outside of the main cities. This location makes Ikea more than just a store, but instead a place the whole family can visit on a trip and spend the day.

The stores feature playrooms for kids and even food courts offering local and Swedish cuisine (mainly classic Swedish meatballs). The first restaurant was opened in Ikea's Älmhult store in 1960. As Kamprad once said: "It's difficult to do business with someone on an empty stomach." The company's goal is to offer excellent quality and affordable furniture that competes with furniture sold by Walmart, Amazon, Wayfair, and Tesco. Other local competitors include Pepperfry in India and unorganized carpenters in countries where labor costs are low.

Ikea has been able to succeed globally because its managers knew early on that international expansion was necessary as part of the company's strategy. It also made sure to cater to the local needs of the countries in which it operates while preserving its business model. For instance, Ikea introduced an onsite assembly service in countries like India, where the do-it-yourself culture is not present. The company's consistency with its simple and straightforward designs has also been one of the pillars of its success across borders. Ikea buys merchandise not only from China and India like other retailers but also merchandise from around the world. The company ensures the products are delivered in a cost-effective and timely manner. All of these factors helped Ikea become one of the most influential brands. It ranks in Forbes' Top 50 World's Most Valuable Brands.

Ikea's mission is "to create a better everyday life for the many people." This mission has been translated into everything the company does, from designing furniture to marketing its assets. When it comes to its business model, Ikea relies mainly on five attributes, including low price, form, function, quality, and sustainability. The most crucial attribute for Ikea, which it considers its starting point, is a product's target price.

Nonetheless, Ikea has been able to position itself as a low-cost retailer without its products being considered cheap. The products are inexpensive compared to other retailers' products; however, consumers never think of items bought at Ikea as low-quality "cheap crap." Ikea is determined to design quality furniture that is affordable and accessible to the masses. The company also wants to become "the leader of life at home." The company must understand how consumers are leading their lives at home to respond to their needs better. This is why Ikea conducts its market research by regularly visiting people's homes and observing and taking pictures of them. Every three months, it updates the "Life at Home" report.

The company, therefore, adopts an intimate one-on-one approach in understanding what the customer wants and works accordingly. Information gathered from anthropological observation is combined with results from other tools such as online panels and published studies to be incorporated into the company's "Data Mining Board." This digital tool allows its users to identify patterns that can be used by Ikea in terms of its decision-making and communication strategy.

The company's marketing team makes sure to apply everything learned from market research to Ikea's approach to storytelling. To ensure that this customer-centric strategy is implemented, the following vision is communicated to Ikea's staff: "To give down-to-earth, straightforward people the possibility to grow, both as individuals and in their professional roles, so that together we are strongly committed to creating a better everyday life for ourselves and our customers." The company's marketing techniques are incorporated in a way that serves that same purpose.

For instance, Ikea's partnerships with famous designers are not implemented in the same way as with other retail stores. Ikea always prioritizes the designers' products and makes sure they are added to its product range as opposed to just offering them limited editions. The aim is to acquire benefits from the collaboration related to creativity and inspiration, instead of only showcasing the designer for a short period.

Moreover, Ikea's simplistic nature is found even within its corporate culture. Its values include "humbleness and willpower" as well as "accept and delegate responsibility." Both translate into a non-bureaucratic culture. The brand has also worked on reaching consumers through engagement and, more specifically, through retailing co-creation. When people talk about co-creation, they are usually referring to the process of asking consumers for ideas on new products or designs. In Ikea's case, the company takes co-creation one step further by allowing customers to create the item bought by assembling it. After completion, co-creators feel accomplished and proud, as they can create a piece of their homes using their own hands. This "after feeling" is what is referred to as the "Ikea Effect." The effect lingers on and comes back every time the consumer looks at that piece of furniture in his or her house.

Today's consumers living in the digital age are increasingly attracted to the growing "Do It Yourself" (DIY) trend, which is expected to increase by 6 percent every year. More and more businesses are utilizing their stores and turning them into spaces where people can come and learn new arts and crafts. Ikea is considered a pioneer in this "maker's movement" trend. The company was among the first to adopt it. Furthermore, Ikea is highly involved in civic engagement. It is a promoter of a sustainable environment and always uses eco-friendly materials in its design. Moreover, the company has its philanthropic organization, the Ikea Foundation, which provides functional furniture to underprivileged communities.

Ikea's customer experience: what did Ikea get right?

If you think of a global furniture retailer, the only name that comes to mind is Ikea. Why is that? One reason is that the company has introduced many of the ways we currently shop, including self-service and volume shopping, as well as cash and carry. Ikea was also the first to create the idea of mass-produced furniture for home assembly. Another important reason is the fact that other furniture companies are regional and not international. In contrast, Ikea has succeeded in pleasing customers worldwide. How? It focused on the customer.

Ikea's consumer-centricity and customer experience touchpoints

From the beginning, the company's founder Kamprad set out to improve people's everyday lives affordably. Ikea was also able to redefine the furniture retail experience, which, in turn, added to its popularity. First, we realize that in the past, buying furniture

was based on the idea that the items would last a lifetime. Investing was, therefore, a big step.

However, Ikea's approach is different and resonates well with the mindset of millennials. The plan encourages consumers to instantly get rid of their problem by quickly buying Ikea products without worrying about the future or the investment. Second, the company has changed the way we look at furniture with its clean and simplistic design. This type of design caters to the needs of Gen Y consumers because they are always looking for basic and effective ways to solve problems. Third, going to an Ikea store has turned the furniture shopping experience from one that is boring and time-consuming to a fun and exciting day trip at a place enjoyed by the whole family. Ikea stores are designed in a way that ensures customers end up spending hours inside. Some people even visit the stores without buying anything; they come just for the fun of the experience and to admire the smart designs, and enjoy the Swedish meatballs.

Knowing that most stores are located away from cities as standalone properties, customers visiting Ikea are making an effort and driving, sometimes for hours, to be there. They are not just casually passing by while walking in a mall as they do with other retail stores. This shows how much people enjoy the Ikea store journey. The company makes sure that every touchpoint the customer has with the company is turned into a positive experience. But what is that experience?

To begin with, arriving at an Ikea store is like arriving at an airport terminal. The building is so vast and impressive that customers end up feeling present in a world full of furniture. Accessing the facility is stress-free because the company provides ample parking space. Upon entering, customers are provided with lockers to place their personal belongings without having to worry about them while shopping duration. Next, when checking out the furniture, Ikea offers customers the opportunity to experience and feel the furniture, and not just look at it.

At Ikea, every single product in each range is put on display in an organized and categorized way following a labeled path and spanning the whole store, which allows visitors full exposure before deciding what to buy. Aside from the main showrooms, numerous small rooms are designed to present to the customer how certain items will look in their homes. Compared to other traditional furniture stores, the experience is different. At other stores, customers often end up feeling confused and unsure of their choices because products are spread out without a proper structure. Moreover, the experience becomes particularly hard for distracted parents as their kids become impatient, running around and nagging to leave. Ikea puts itself in the place of its customers and offers a seamless experience by providing a supervised play area for children as part of the store.

Later, after spending several hours in the store, Ikea knows its customers will eventually get tired and hungry and visit the food courts within its stores. Moreover, customers can have the cost of the food subtracted from the price of their purchased items! Other strategies to comfort exhausted shoppers is the placement of the bed showroom at a later point in the shopping journey so customers can take a break while "experiencing" some of the beds. Afterward, when buyers are sure of what they want, they are directed to Ikea's warehouse to pick up their items. They are in flat packs so they can easily be transported on carts and dollies to check-out stands and then placed without a fuss in customers' cars. Carrying heavy items is considered one of the main pain points in the furniture shopping experience, but Ikea offers its customers the choice of either taking the items themselves or having them delivered.

Still, the journey doesn't end here. In the case where the buyer decides to assemble the furniture by himself or herself, another touchpoint is added at home, whereby the user has to figure out the steps of building the item. This experience can be exciting, but it can also be overwhelming as the boxes containing the new furniture provide a considerable number of screws and bolts that need to be properly placed. The buyer might become frustrated, especially if he or she doesn't understand the instructions or assembles the furniture the wrong way. As a result, Ikea offers assembly for a low price to customers who decide they don't want to have to put the furniture together themselves.

All in all, Ikea's big store model and the emphasis on turning each touchpoint into a positive memory have truly revolutionized the way people buy furniture. The company has recreated the whole process by ensuring increased customer engagement and satisfaction.

Leveraging digital technology to offer a relevant retail experience

In recent years, Ikea has been undergoing significant changes, including how it usually conducts its operations to make sure the business remains attractive to future consumers. The company is working hard to ensure its relevance in a rapidly changing digital world. Some industry experts have predicted that Ikea will transform itself into a tech company by increasing its digital offerings to improve certain touchpoints within the customer's journey. For instance, the company acquired a digital platform called TaskRabbit, which connects consumers with the individuals who are willing to assemble their furniture items for a fee. In other words, Ikea is trying to improve its DIY experience of furniture assembly to make it less exhausting for its customers.

Additionally, while traveling around the Ikea store can be an exciting journey, not all customers have the time or energy to visit all sections of the store (kitchens, bathrooms, bedrooms, and living rooms) followed by the store's warehouse, especially if they are looking for only a few specific items. Recently the company has been opening smaller stores in the center of major cities like New York and Paris.

At these stores, people can gather around and discuss home decor ideas. The aim was to attract a different kind of audience: the younger generation, which is always on the lookout for innovative and cost-efficient solutions. Moreover, to offer a faster and more comfortable experience, Ikea has developed an app called Ikea Place. Users can download it on their mobile phones and "try" out specific pieces of furniture to see how they will fit in their homes.

The company is also working on consolidating different apps into one app that features Ikea's catalog, virtual home decorations, and a calendar that plans customers' future store visits. This technology is expected to help Ikea reduce the costs of building giant stores on expensive real estate while still reaching a large number of customers. Besides, Ikea is working on developing products and services for smart homes, including smart speakers and smart plugs. As such, it is safe to say that the retail giant is slowly entering the smart home market by broadening its range of smart products.

In an attempt to reinforce its environmentally friendly strategy, Ikea is planning on having zero-emission delivery by 2020. This means that self-driving trucks, outsourced by the company, will be the way furniture will be delivered to customers in the future. Consequently, buyers might be able to request transportable showrooms to be autonomously driven to their houses and check out items they are interested in

before making their own decisions. Such a service would redefine the shopping-from-home experience.

In 2015, Ikea launched a research and innovation lab called Space 10. Space 10 brings together different kinds of professionals, from designers and artists to engineers and scientists. The lab's objective is to create new product innovations that will help customers lead more sustainable lives in the future. Such innovations include autonomous vehicles, urban farming, 3D printing, and many more. All can be viewed using virtual reality on the Space 10 app. Therefore, Ikea is investing in new technologies to make sure it stays competitive and relevant in the future that demands a different set of products, services, and interfaces desired by younger generations.

Ikea's challenges in the future: what's next?

Ikea has traveled a long way since its establishment in 1943. It has gone from a small mail-order business to a retail giant, ranking 46th on Forbes' most valuable brands in the world. Always putting the customer first, the company's revenues reached \$40 billion, with stores spanning more than 50 countries around the world. Yet, changing customer needs might present challenges for Ikea in the future as it is still heavily reliant on its current business model.

Young consumers aren't as excited about driving hours outside the city and spending an entire day looking at furniture in a giant labyrinth. Online shopping requires less time and effort. More and more brands, such as Amazon and Target, are opening smaller stores in densely populated areas while mainly relying on their online platforms to generate profits. This contrasts with Ikea's store concept. While the company's products are aimed at serving small living spaces, its stores convey a different message with their big scales and rural locations. Currently, the company is working on developing its online presence through its app. More focus should be made on improving such an essential platform because this could be the future of Ikea.

Moreover, authentic and handmade products are becoming the new luxury products. With that in mind, Ikea should update its minimal and practical designs to suit customers' tastes. For example, it could make items more personalizable by adding decorative features or offering limited edition items designed in collaboration with famous designers. It is not quantity but the quality that matters most to consumers living in a supply-overloaded world.

Ikea also has to improve its quality as increasing complaints have been emerging concerning defective items such as bicycles, easily broken plates, and others. Such allegations could tarnish the company's image, making it hard for the company to prove itself again. Nowadays, people are looking to buy scarce products that aren't available to the masses. The rarer, the better. To stay in the game, Ikea should adjust its business model from one that relies on the utility to one that relies on scarcity.

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Questions for discussion

1. Describe and categorize all of Ikea's experiential elements to satisfy the functional, social, emotional, environmental, and ideological customer needs. Identify the painful touchpoints in Ikea's customer journey. How can Ikea improve the painful experiences before, during, and after a sale?
2. How has Ikea evolved its marketing strategy to integrate the customer experience based on the real lives of its customers? Are these changes in line with today's consumer needs in the retail furniture sector within different cultural settings? Explain your point in the case of these markets (e.g., the United States, the Middle East, and Europe).
3. Describe how Ikea can use Big Data, mobile shopping, and technologies, such as virtual reality (VR) and augmented reality (AR), to elevate the customer experience. What are the advantages and disadvantages of each technology? Can you think of another form of technology Ikea should use to fluidify the customer experience? At which stage should the technology be used, and what is its added value?
4. Explain how Ikea can adapt its stores to accommodate disabled people by offering them a suitable and convenient shopping experience. What are the purchase phases Ikea should consider, and how should they be implemented?

5. Discuss how Ikea can design a satisfying and profitable customer experience and reinvent the grocery sector to attract today's Gen Y millennials and Gen Z postmillennials. Do you think Ikea should offer the same experience for young shoppers and their parents?

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) at Ikea. Assume that Ikea wants to reposition itself as a luxury furniture store and keep its DIY spirit. Your goal is to transform its concept store into a luxury self-service furniture retailer. How would you proceed to create Ikea's luxury shopping experience? What kind of marketing research could you use to learn more about the needs of luxury consumers purchasing furniture?

PERSPECTIVES ON THE SECTOR



Harry Timmermans, Professor at Eindhoven University of Technology and Editor of *Journal of Retailing and Consumer Services*

For me, customer experience is the full set of exchanges, through all relevant touchpoints, between a retail company and a (potential) customer from the initial contact through after-sales exchanges. It covers all tangible and intangible aspects of the business and its marketing efforts, including but not limited to

information quality, human interaction, pricing, after-sales performance, company profile and reputation, policy delivery, etc. I see positive customer experience as a necessary but not sufficient condition for customer satisfaction and loyalty. Positive customer experience increases the probability of customer satisfaction, which in turn will increase the chance of repeat behavior.

The use of digital information is vital to understand customer purchase histories better and enhance customer satisfaction. Also, data allows managers to offer personalized marketing and loyalty programs, improve information exchange and recommendation systems, and replace conventional channels and means. Advanced artificial intelligence enables the generation of relevant marketing information such as customer profiling, basket analysis, purchase interval times, product loyalty, advertising sensitivity, etc. In turn, this personalized information can be used to

improve customer experience by recommending related products, customized advertising, and similar marketing efforts. Modern mobile technology allows for location-based marketing strategies. Integrated platforms allow supporting the full experience. Challenge is the right dose of contact to avoid consumer detachment.

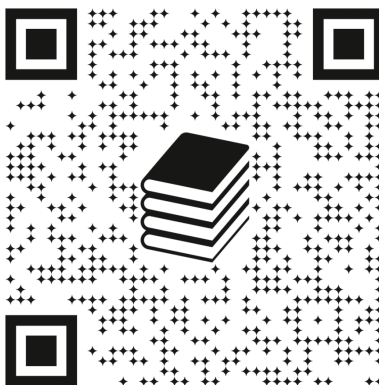
Fundamentally, not different from the past – providing the best experience for customers in a competitive setting; however, in a more complex and dynamic multi-channel environment with increasingly more potential technological support. The challenge is to create and sustain a long-term bond with customers and avoid alienation based on professional and creative management of customer experience to develop a competitive advantage for specific target groups.

Author's perspective on experiential marketing

Online video "Introducing concepts & tools"



- Access the link www.youtube.com/watch?v=u9zx2o0UI4w&t=31s or flash the following QR code to view a short video featuring the author, who introduces and explains the concepts and tools companies can use to implement a successful experiential marketing mix strategy.



The customer experience in the food, tourism, and leisure sector

The food, tourism, and leisure sector is continuously being disrupted by new entrants and changing buying behaviors. The customer experience is a vital component that market actors should consider when formulating their marketing strategies. This sector includes all kinds of interpersonal and environmental interactions. Therefore, offering quality customer experience should be a top priority for professionals for several reasons. First, the competition within the sector, with different actors providing various options and choices to consumers in terms of transport, accommodation, entertainment, or restaurant, is intense. Second, the high level of demand from consumers leads companies to focus on creating engaging experiences that are both functional and emotional since customers often express their dissatisfaction and tend to share their negative reviews online. Finally, another reason to consider the customer experience is related to the fact that this sector is more influenced by customer reviews than other industries. The customer experience is, therefore, more than a differentiation factor in this sector but rather a matter of survival. In this chapter, I introduce three cases that examine big companies, incumbents, and new digital entrants. Disney, Airbnb, and McDonald's illustrate how to leverage technology to create a definite competitive advantage and enchant customers. I first explore the story and the marketing strategy of each company; then, I focus on customer experience implementation and digital use in each company. Finally, I present the challenges these companies face to reinvent the customer experience in the food, tourism, and leisure sector.

Learning outcomes

After reflecting and solving the questions and challenges presented at the end of the chapter, you will be able to develop critical thinking about the way companies in the food, tourism, and leisure sector are implementing customer experience. Also, in the online video provided, "Introducing concepts & tools," you will learn more about the experiential marketing strategies companies implement in this sector to design the ultimate online and offline customer experience.

Company case 10: Disneyland, the fairytale experience

In recent years, several projects involving amusement parks have emerged worldwide, offering different entertainment experiences to tourists. Yet, this growing market is faced with changes in consumer behaviors. Innovative attractions are no longer sufficient to

satisfy consumers' expectations. That is why improving the customer experience is crucial to retaining actual customers and attracting new ones. Disney created its first amusement park in the 1960s. The company places the visitor at the center of its efforts. Thus, it is essential to understand the story behind Disneyland's success as well as the challenges and how it adapts to new visitors' needs by enhancing the customer experience through different strategies to satisfy its tier customers and improve their loyalty.

How did it all start? Walt Disney's successful marketing strategy

Disney's earlier success as a cartoonist and filmmaker is related to the story beyond the launch of its amusement park. After visiting California's Griffith Park with his two daughters in the 1940s, Walt Disney got inspired to create his theme park. He then visited several amusement parks, such as Tivoli Gardens in Copenhagen and Children's Fairyland in Oakland, California, for more ideas. In 1948, Disney sent a letter to Dick Kelsey detailing his plan for the "Mickey Mouse Park." In the early 1950s, Walt Disney founded WED Enterprises (his initials) and began designing a vast amusement park built to provide educational and amusement value for both children and adults.

It was hard to get the financing needed at the beginning, but a significant portion was ultimately secured by the American Broadcasting Company (ABC) in return for a fraction of the park's profits and the rights to produce a Disney television program weekly, Disneyland TV, which promoted the new park. It was designed to be built near Los Angeles. Farming land in nearby Anaheim, California, was purchased to make this amusement park a reality. The construction began in July 1954. The park's design was centered around nostalgia and fantasy. On July 17, 1955, Walt Disney inaugurated the 160-acre theme park, which cost approximately \$17 million. The themed areas in the park include:

- Main Street
- A nineteenth-century U.S. midwestern town
- Fantasyland, based on stories from Disney's animated features
- Adventureland, a jungle area
- Frontierland, which featured a Mark Twain riverboat
- Tomorrowland, which presented an optimistic vision of the future

Initially, invitations were sent out. Approximately 28,000 people showed up, but only about half of them were invited. The park was not yet ready to welcome that many people, and the first day was regarded as a failure: food and beverages ran out, the steamboat almost collapsed from too many passengers, and women got their high-heeled shoes stuck in wet asphalt. Walt called the opening day "Black Sunday" and vowed to have another opening day to compensate for the bad publicity. (A second opening day was held on July 18 and this is considered the official opening day.) Disneyland recovered quickly. Many of the attractions, the Castle, Snow White's Adventures, the Jungle Cruise, and others drew children and adults. The cost of admission was \$1.

Many events were held at Disneyland, and new attractions were continuously built to encourage people to visit again. Subsequent attractions included New Orleans Square, Bear Country, and Mickey's Toontown. "The park means a lot to me in that it's something that will never be finished," said Disney. "[It's] something that I can keep developing, keep pushing and adding to—It's alive. It will be alive, breathing thing that will need changes."

In 1965, construction work began on an even bigger Disney park: Walt Disney World, in Orlando, Florida. Unfortunately, Disney died in 1966, before the project was completed and opened in 1971. The park remains to this day Florida's premier tourist attraction. In 1983, Disneyland opened in Tokyo, Japan. In 1992, EuroDisney opened in Paris, followed in 2005 by Hong Kong Disneyland, and then Shanghai Disneyland in 2016. By the turn of the century, five cities around the globe featured 13 Disney-themed parks, 46 resort hotels, and a Disney cruise line. Disneyland became a "mecca" for all tourists worldwide. It was attracting almost 14 million people annually at the beginning of the twenty-first century. It is also considered a window into American culture.

In terms of competition, Disneyland's competitors are Comcast, SeaWorld, Six Flags, Universal Studios, Genting Highlands, Legoland Windsor, Islands of Adventure, and Europa Park. But Disneyland and its affiliates dominate the market. An antique lamp still burns bright in Walt Disney's apartment above the firehouse on Main Street in loving memory of the man who dreamt up the happiest place on earth.

The marketing mix of Disneyland can be explained as follows:

- *Product:* Even though Disneyland is one of the oldest theme parks, it is continually changing its attractions and evolving to match and exceed people's expectations. The attractions include:
 - Star Wars Launch Bay
 - Finding Nemo Submarine Voyage
 - Disneyland Railroad
 - Disneyland Monorail
 - Buzz Lightyear Astro Blaster
 - Autopia
 - Astro Orbitor
 - Tomorrowland Theatre
 - Star Tours
 - Starcade
 - Space Mountain
 - Jedi Training Academy
 - Character Greetings
 - Shopping
 - Dining

It is also important to mention that the park's shows and parades are a key differentiator as compared to competitors.

- *Place:* The original park is situated in the Disneyland resort in California. The park includes eight areas called "theme lands," divided into areas that have specific entertainment, rides, dining options, and so forth. As noted, there are six Disneylands around the world. They are located in California, Florida, Paris, Tokyo, Shanghai, and Hong Kong. The targeted audience consists of locals and international tourists, both children and adults.
- *Price:* The pricing strategy changed over the years. Initially, an entrance fee was charged, and additional ticket fees were required for each ride. Later, a ticket booklet, which had ten coupons for the same rate, could be used on any journey. After 1982,

a single entrance fee was imposed with no additional tickets required. In 2016, demand-based pricing was implemented. There are different prices for regular, peak, and value days.

- *Promotion:* The company uses several channels to maintain high brand visibility: ads are shown on TV, radio, newspapers, magazines, and billboards. Disney also has its website updated with the company's latest offers, events, and new attractions.

The parks are also decorated according to the season and occasion: from Halloween to Christmas and New Year, seasonal entertainment parades and programs are offered. The company also has packages to attract different types of people: seasonal coupons and military discounts are examples. The main focus is to brand the park as "the happiest place on earth" and the place "where dreams come true."

How does Disneyland redefine the attraction park experience?

Disneyland's brand identity is centered around youthfulness, magical fun, and family. The heart of the marketing strategy of Disney is its brand. The company knows that the brand is not about the park but how it makes people feel and how visitors see the brand, and that is shown in the parks' tagline "the happiest place on earth." The goal is to deliver an exceptional customer experience so that visitors develop an emotional link and connection to the brand. That is why Disney keeps upgrading and changing its attractions in a way to stay up to date with its customers' interests and trends. The way Disney does this is by:

- building excitement;
- personalizing information about the experience;
- continuous promotion;
- building lifetime value;
- constantly changing attractions;
- continuous theming;
- attending to details.

One of the parks' main strategies is to engage customers directly. As a simple example, like market research, Walt Disney used to watch people watching Disney movies to get people's reactions. For him, there was no marketing research tool more accurate than this. Disneyland is so much more than just a theme park. It is about the entire experience lived: it elevated the amusement park to a "theme park," thereby revolutionizing family entertainment. Added to this layer are Disney stories that go beyond the well-designed rides and pavilions. Whether someone wants to experience being an astronaut, a pirate, or a frontiersman on Tom Sawyer Island, he or she can do that all in one day. No competitors have been able to duplicate Disneyland's template, which has set the standards for the rest of the industry.

Disneyland has also affected many other industries: for example, museums now feature special lighting and music; people wait in "switchback" lines at airports, and customer service people now use the word "guest" when referring to customers. Disneyland pioneered all these changes. Besides, Main Street in Disneyland has inspired cities

to re-create their old-town ambiance. Disneyland also contributed to the design of shopping malls, where people can visit many stores without leaving the complex. And, like Disneyland, shopping malls sometimes include cinemas and amusement parks. The experience was also extraordinary: high fences separate guests from the outside world, hidden speakers play music on each corner, and hidden fans blow cinnamon and vanilla scents on Main Street.

Disneyland's consumer-centricity and customer experience touchpoints

The Disney Institute, which is the professional development and business consulting division of Walt Disney Parks & Resorts, specifically requests employees that "they must intentionally manage the service experience beyond the obvious customer touchpoints." Even before entering the park, guests would have already encountered a variety of touchpoints. Inside, a touchpoint can be anything from interactions with one of the cast members, park maps, architecture, or music that creates the setting.

Touchpoints are used to engage with visitors and make their experience a memorable one. For example, for high-demand attractions, the parks "plus up" the busy queue areas to create an engaging experience for guests while they are waiting in line. An example of this is the Seven Dwarfs Mine Train queue, where guests can be part of the jewel washing game; guests sort the jewels by colors and shapes and drag them onto a tray on the side.

Disneyland is continually collecting feedback from its guests to improve its services and create loyal fans. Feedback is collected from employees via websites and social media. Disneyland also communicates with guests directly. Comments are collected before, during, and after the experience. The parks try to personalize the experience by data mining the customer's preferences via "MyMagic+."

MyMagic+ is a vacation planning system that allows visitors to pre-plan their visits to Disneyland. They can book rides in advance, reserve tables in restaurants, and access information about each attraction. This approach lets Disneyland have insights about its customers' preferences and increases Disney's level of personalization, not only about the text messages guests are sent but also the touchpoints within the park. For example, guests can see their names pop up on a screen as they walk by it or view a photo of them on a ride to buy the picture.

In addition to this, many implementations are made to make the experience memorable. One of the most disappointing things for kids is to wait in line for a ride only to find out that they are not the minimum required height. That is why special passes are handed out to those kids enabling them to skip the line on their next ride. Other parks often disregard these small details, but they significantly boost customer satisfaction. Also, the parks' cast members/characters know that it is crucial to play their roles perfectly since they represent an integral part of the experience. Consequently, a vast array of underground tunnels connects the areas of the park, allowing the cast members to navigate quickly through the park without focusing on staying in character for guests.

Leveraging technology and data to offer a "magical" experience

Disney has always prided itself on the magical experiences it delivers. But in the mid-2000s, entrance prices grew, lines became lengthy, and the sparkle that the Disney experience

ignites began to fade. As a response, a team was put together to work on the Next Generation Experience project. The project's goal was to create a "more immersive, more seamless, and more personal experiences for each guest." The objectives of the project were as follows:

- Drive operational efficiency by leveraging a data-driven approach.
- Transform the customer experience by focusing on analytics and wearable tech.
- Increase the personalization.
- Enhance interactivity throughout channels by incorporating digital tools.

The MyMagic+ program was launched in 2013. Upon arrival, each guest is given a wrist band, which is equipped with RFID (radio-frequency identification) technology and a long-range radio. The wristbands communicate with thousands of sensors around the park and stream real-time data to hundreds of systems. The data is then used to help cast members anticipate guests' desires to give them an unmatched experience. The bands also serve as hotel keys, tickets, credit cards, and FastPasses, which allow guests to access attractions faster. With a simple swipe, guests perform the transactions they need to make, and the system locates them and records them. The wristbands also track customer behavior. Disney's IT systems Hadoop, Cassandra, and MongoDB are used to store, process, and analyze the tremendous amount of available data.

Using the app offers a significant advantage for guests to reserve spots for the attractions they want to visit. That way, they can skip one major disadvantage: waiting in line! This is also beneficial for Disneyland since when people are waiting in line, they are not spending money on food or attractions. Also, when customers swipe their bands at a ride, real-time data is shipped to the operations team. After analyzing the data, the operations department decides on whether additional staffing is required, or the guests need to be incentivized to head to another attraction.

Rerouting guests makes more efficient use of the park and allows guests to have a better experience. This shows how a simple task can be made exceptional using data analytics: from the hotel, a family pre-orders dinner. Once at the restaurant, guests are greeted enthusiastically by name, and their food is directly delivered to them. It is made possible by tracking the family's location and alerting staff of their arrival. Another example is a child's favorite character greeting them by name. If the system detects a long waiting time, guests are given a free voucher for the trouble.

Data analytics and forecasting methods are also used to improve backstage operations. Forecasting models are used to manage inventory and garments to ensure that they will be available for cast members when needed while minimizing inventory and unused costumes. This has had a positive impact on the park's revenues and operational efficiencies. During the Christmas holiday season, Disney was able to accommodate 3,000 extra guests by managing advanced reservations for rides, shows, and restaurants. Thus, Big Data added huge value to the customer experience in Disneyland.

Disneyland's challenges in the future: what's next?

One of the main challenges that Disneyland faces is that it is constantly investing more and more to keep its attractions interesting and ensure visitors return. However, it is not immune to swings in the economy. Increased investment always leads to increased risk. Besides, Disney significantly increased its security in recent years by adding security personnel in plain clothes and metal detectors. Why? If a violent event were to happen in one of the resorts, the parks would instantly become ghost towns.

Also, change is not always welcomed by loyal fans. When some attractions are upgraded or changed, Disneyland faces major criticism. One example occurred when a single tree was removed. In a letter sent to the company, the person who wrote it said: "How dare you? I got engaged under that tree." The bar was raised high when it comes to meeting clients' expectations and the fact that its target clientele consists of both kids and adults, which makes the task all the more challenging. Disneyland must keep in mind that parents will always welcome seeing older Disney's attractions that they experienced as children. However, the parents' kids might not.

Disneyland must also keep its eyes on the competition. Universal Studios is working on a new theme park called the "epic universe." It will be constructed on 750 acres of land in Orlando, and include hotels, restaurants, and shops. Disney is trying to turn the guest's experience from a two-or-three day trip to a week-long travel destination. One final issue to be faced by Disneyland is the risk of incidents. Many suicides, as well as workplace fatalities, have taken place in Disneyland. The way the team recovers from and manages these incidents is crucial. Extensive efforts should be made to prevent them from occurring.

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Questions for discussion

1. Define the experiential marketing strategy of Disney and briefly describe the stages of the visitor experience. How does the company implement its visitor experience strategy online and offline? Discuss the role digital devices and technology play in this process.

2. What makes the experience in Disneyland unique and memorable? How is Disneyland adapting to other cultures? Describe the differences and similarities between Disneyland's experiences in its U.S. parks and its parks in Asia and Europe. Are these experiences in line with guests' needs in different cultures?
3. Describe how Disneyland is creating a coherent and fluid visitor journey. Analyze the touchpoints included in this journey and the way each touchpoint affects the guest experience.
4. How does Disneyland create digital storytelling and guarantee the value shared with its customers online and in its parks? Compare the components of Disneyland's digital storytelling on its different platforms: its website, Facebook page, Instagram, LinkedIn, and others.
5. Discuss how Disneyland can implement empathy as a component of its experiential marketing mix to strengthen its relationship with its visitors. How can Disneyland train its staff to develop their empathy and provide guests with an emotional and engaging experience?

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) at Disneyland. Your job is to implement Disney's overall experiential marketing strategy and connect its physical amusement park with its online platforms. What would be your starting point? How would you go about identifying online and offline visitors' touchpoints and connecting them to deliver a coherent value and fluidify the global visitor journey?

Company case 11: Airbnb's customer experience is revolutionizing the hospitality industry

The hospitality accommodations sector has been affected by the rise of alternative digital players that have disrupted the market. In various places around the world, short-term accommodation platforms have become a substitute for traditional hotel accommodation. The top entrant is Airbnb – a company that facilitates the reservation and rental of accommodations between individuals. Airbnb is disrupting the market by leveraging digital technology and data to create a suitable, satisfying, and profitable customer experience. Therefore, it is essential to investigate the story behind Airbnb's success as well as the challenges it is facing and the way it is adapting to new consumer needs.

How did it all start? Tips from Airbnb's marketing strategy

It all started in 2007 when roommates Joe Gebbia and Brian Chesky could no longer afford their rent in the San Francisco area. They were aware that there was a big conference in San Francisco, making hotel rooms hard to come by. Essentially, Gebbia and Chesky decided to turn their place into a "designers' bed and breakfast" during

the event's four days. They created a simple website: airbedandbreakfast.com and then bought three air mattresses and arranged them in their loft.

Their first guests were two men and one woman. Each paid \$80. One of the guests even helped Brian and Joe on their presentation. They soon realized that their idea could become massive. So, they got together with their old roommate Nathan Blecharczyk to turn it into a business. They worked together on Roommates.com, a roommate matching service until they realized four months later that it already existed. They then went back to airbedandbreakfast.com. Their second and third launches went unnoticed.

In the summer of 2008, the men had finished a final version of their website and had redesigned the process to book a stay so that it could be done in three clicks. They then went to meet 15 investors. The meeting ended with eight rejections and seven investors completely ignoring them. The entrepreneurs decided to relaunch Air Bed and Breakfast at the Democratic National Convention in Denver. And since the website wasn't generating income, they decided to raise their own money: they transformed cereal boxes into "Obama O's" and "Cap'n McCains" and sold them for \$40 a box. Each box came with a limited-edition number and information about the company. The entrepreneurs were able to raise around \$30,000 to reinvest in their company as a result.

Paul Graham, a programmer, and investor took notice of the company and invited the three founders to join Y Combinator, a startup that helps new businesses in return for a small share in their companies. The entrepreneurs spent the first three months of 2009 there, perfecting their product. Even then, they got rejected by famous investors (for example, Fred Wilson saying he failed to see the business in Airbnb). They launched projects to get the hosts to love the company. They visited and stayed with all of the hosts in New York, writing the reviews and photographing their places professionally. In March 2009, the company officially simplified the name to Airbnb. In April 2009, Sequoia Capital invested \$600,000 in Airbnb. That's when the company started proliferating. One of the founders had to live for a few months in Airbnbs because the company's employees were taking up all the space in their apartment.

By 2011, Airbnb was already in 89 countries and had more than 1 million bookings. The same year, some of the valley's most prominent venture capital firms invested \$112 million in Airbnb, which was valued at more than \$1 billion. But soon after, the company faced criticism when guests started trashing their hosts' places. In 2012, the company implemented a "host guarantee," which provides hosts with up to \$1 million to cover any property damage they experience as a result of guests.

The company also faced problems resulting from hosts getting evicted or fined for renting their places out. This caused major regulation headaches for the company. In 2014, the company introduced its new logo called the "Belo," a symbol of belonging. But despite focusing on belonging, cities started to reject Airbnb. New York threatened to ban Airbnb and fire every host in 2014. Many laws were implemented to make it more difficult for hosts to rent out their apartments. Even San Francisco wasn't happy. The company spent almost \$8 million to fight a citizen-led ballot aiming to limit Airbnb rentals. The company tried to focus on its "Belonging anywhere" promise. It started collecting hotel taxes from hosts and giving it to municipalities and gave cities some of their data as "community compact." In July 2016, Senator Elizabeth Warren urged the Federal Trade Commission to focus on websites like Airbnb that were making housing shortages worse. Two other senators signed the letter.

Since 2016, the company has launched many new services and made many acquisitions. They include Airbnb experiences, Luxury retreats, Niido, Airbnb plus, HotelTonight, and

so on. In September 2019, Airbnb announced it was going public in 2020. The company is now valued at \$31 billion and does business in 191 countries.

Originally Airbnb had no budget to spend on marketing, so it had to be creative. Some of its strategies included:

- *Brand partnerships:* Airbnb found early on that partnering up with other companies results in much publicity. Throughout the years, the company has had several successful partnerships, including ones with KLM airlines, Waterstones, and even the French government. The challenge of such alliances is finding a value proposition that will interest the clients of both brands. For example, the contest held in conjunction with the KLM partnership allowed the winner to spend one night in a luxurious "aircraft apartment."
- *High presence on social media and influencers:* For each event that the company held, a large group of journalists, bloggers, influencers, and YouTube stars were invited. Hashtags were created for each event, and guests were encouraged to take photos and livestream the event. Another strategy was using pictures of celebrities. This began in 2015 when Mariah Carey posted a picture from one of her Airbnb stays. After that, Airbnb partnered up with several other celebrities to bear all the costs for their stay in exchange for social media ads.
- *Bright customer images:* Airbnb understands that better images attract more attention and offers guests a free professional photo to maintain a specific image on social media.
- *Create a community:* By fostering mutual trust between hosts and guests, Airbnb created a community. One where communication, reviews, and detailed profiles are encouraged. This gets people more engaged. The hosts usually try to make their guests feel at home by giving them local guidance about the cities they are visiting, the best restaurants and bars, and public transportation. It makes the travel experience more authentic.
- *Viral effect:* People need to have a reason to talk about Airbnb to other people. That is why Airbnb added the function of referral marketing. You get a bonus every time you refer a friend. It is as easy as it sounds, and everyone wins.
- *Teaching a new lifestyle:* At the launch of Airbnb, people were skeptical: Is it safe? Is it profitable? How do we use it? Thus, the founders noticed that with the launch of every new product or service, it was essential to teach people how to use it and its benefits. It made people realize that Airbnb changed people's entire approach to travel.

How does Airbnb redefine the hospitality industry by putting the customer and his/her hotel experience at the center of its strategy?

When Airbnb was launched, the entire travel industry was disrupted, and consumer behavior shifted. At the time, the growing popularity of boutique hotels showed that guests were looking for diverse accommodation choices, which would give them a feel for the local culture. And that is the entire idea behind Airbnb. It makes a vacation more than just a holiday; it allows people to experience new places and live like locals. Unique properties are offered for rent on Airbnb.

Some are also located in the world's most famous and spectacular locations. People feel connected on a more personal level than they would if they had done business with another travel agency, website, or hotel booking site. The entire company is built on trust. The company has confidence in the hosts. Guests also have complete trust in their hosts to provide them with precisely the accommodations they saw online. This is also based on the detailed reviews provided by both guests and hosts.

In addition, Airbnb's offerings are price sensible. The company offers experiences for people looking for stays in all price ranges. The process is also made cheaper than with any other channel. What makes the service different from the hotel is the personalization of each stay. Very often, when guests arrive at a property, the hosts will leave a small note welcoming them on their arrival. Most of the time, guests and hosts do not interact, which makes the service different from that offered by hotels. Also, Airbnb is innovative and is always looking for new ways to provide guests with unique experiences and the opportunity to live like locals.

Airbnb's consumer-centricity and guest experience touchpoints

Airbnb has implemented several digital touchpoints. It is present on social media and has its own profiles on Instagram and Facebook. The company posts content that people want to see rather than advertising that people usually want to escape from. Airbnb also leverages user-generated content that people feel compelled to share. The company understands the impact of posting only quality content that will result in a high engagement rate. One of the successful campaigns led by Airbnb is for Pride Month.

The company invited fans to create hearts out of their fingerprints and share them on Facebook. The post generated almost 155,000 interactions and 15,000 shares in one day. In addition, Airbnb always includes communities in its social media campaigns to match its slogan "Belong Together." The company's app is easy to use as well. Representatives are always in contact with their hosts and guests to make sure each is making the most out of the Airbnb experience. Airbnb also teamed up with the publisher Hearst to create the magazine *airbnbmag*. The first edition spotlighted Los Angeles, the city's "superhosts" (extraordinary Airbnb hosts), and popular neighborhoods, trips, and experiences in the area.

How does Airbnb leverage technologies and data to offer the ultimate experience?

Data is used in many aspects at Airbnb. A pricing tool was implemented a few years back to help hosts price their properties. This solved a major issue that the hosts used to face while listing the properties on Airbnb. For example, what price should a host put on a one-night stay? The tool incorporated what customers usually value the most about each property and its facilities, and what attributes hosts should have. All these variables affect the price. So, hosts are prompted to add each detail about their property for the pricing tool to be accurate. This maximizes the hosts' return and Airbnb's profits.

The search tool was also improved by using data: initially, Airbnb used to provide suggestions of the highest quality listings within the radius of the user's search. Later on, this basic search was replaced by a data-driven one. Airbnb used other users' searches and bookings to create a model to direct this new user on where to book.

Data science is also employed to evaluate experiences. Therefore, Airbnb included several factors like the overall score from 1–5, destination, origin, length of trip, the price per night, month, and room type. That way, Airbnb increased its predictive accuracy of whether users will book the property again. Airbnb also uses data to improve its hiring and ensure there is no bias when it comes to employing people. The company found that historically, only 30 percent of its applicants were women and used that to improve the process. A series of community events and talks were held to encourage women to apply for Airbnb jobs.

Airbnb's challenges in the future: what's next?

Among the challenges that might be faced in the future is dealing with guests who are not happy with their stays and hosts who are not satisfied with their guests. How can both situations be resolved? Litigation with cities that feel Airbnb properties are pushing out full-time residents is another problem. San Francisco, New York, and Europe have put Airbnb and its entire travel business on notice. Also, hotel owners are complaining that Airbnbs are putting them out of business because tourists prefer Airbnb properties. Besides, scandal involving guests using Airbnb properties as pop-up brothels has affected the image of the brand. Finally, Airbnb was planning on going public in 2020. Due to the Covid-19 pandemic, the IPO (Initial Public Offering) had to be delayed.

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Questions for discussion

1. Analyze Airbnb's experiential marketing relative to all the various forms of digital and online strategies it can use to improve its knowledge about customers. How might this improve the customer experience?
2. How does Airbnb link its online experience with its offline accommodation experience? What are the main experiential touchpoints, and what are the emotions generated by each touchpoint? If a negative accommodation experience occurs, how can Airbnb deal with it?

3. How has Airbnb evolved its marketing strategy to integrate the customer experience with digital and communication strategies? Are these changes in line with the needs of today's tourists in the hospitality sector?
4. Describe how Airbnb can challenge luxury hotels. What opportunities and challenges do its marketers and managers face when it comes to improving customers' experience before, during, and after their purchase?
5. Discuss how Airbnb can implement the 7Es of the experiential marketing mix presented in the book by Wided Batat, *Experiential Marketing* (Routledge, 2019), to help design a satisfying and profitable guest experience and rethink the next step of the Airbnb experience.

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) at Airbnb. Your job is to create a physical Airbnb hotel chain that integrates the guest experience and the use of technology and data. How would you use the 7Es tool of the experiential marketing mix to design the ultimate guest experience and help position Airbnb as a big player in the hospitality and accommodation sector?

Company case 12: How is McDonald's improving the customer's fast-food experience both online and offline?

The restaurant industry is increasingly competitive and constantly changing. It is one in which businesses must compete with creativity to retain their customers and attract new ones. Service and the quality of the cuisine remain central. However, the customer experience has become one of the keys to a restaurant's success, whether it is a traditional one or a fast-food chain. In the fast-food sector, focusing on the customer experience has become the source of innovative experiential concepts that combine both in-restaurant and online offerings. The hamburger chain McDonald's is a great example. It is creating a memorable customer experience by complementing digital and human experiences with more fluidity, simplicity, and speed to reinforce the consumers' attachment to the brand. Therefore, it is interesting to explore the story behind McDonald's success, as well as the challenges it is facing and how it is adapting to the needs of today's consumers.

How did it all start? The story behind McDonald's successful marketing strategy

McDonald's Corporation, known simply as McDonald's, is an American fast-food chain launched in California in 1948 by the brothers Maurice (Mac) and Richard McDonald. The business started as a small hamburger restaurant. Today the company is among the largest fast-food chains globally, with more than 38,000 restaurants in 100 countries.

The secret behind the restaurant's initial success was the optimization of the hamburger cooking process. Through trial and error, the McDonald brothers achieved a fast and hassle-free process that guaranteed the lowest cost and customer satisfaction in terms of a hamburger's price, taste, and service time. Back then, the McDonald's restaurant was one of a kind. The service provided by other drive-in restaurants was really slow and relied mostly on waiters and waitresses.

The McDonald brothers eliminated this business model by installing a self-service counter, which also helped decrease the business's overall operating cost. Moreover, the brothers created a custom-made kitchen with specialized equipment that ensured the food was prepared in the fastest optimal time. The brothers also measured each worker's motions and preparation time, ensuring they were properly trained to provide the quickest service. Additionally, McDonald's prepared its burgers ahead of time and kept them warm under heat lamps to be ready the moment a customer ordered them. The brothers did away with the traditional silverware and offered the food wrapped in paper that could be discarded after a customer was done eating. This approach helped the business decrease its overhead costs related to broken and/or stolen dishes. Thanks to its innovations, McDonald's was able to charge a lower price for the burgers (15 cents), which was almost half of what its competitors were charging.

The brothers also decided to focus on only the items that constituted the bulk of their sales: hamburgers, French fries, and soft drinks. They ended up decreasing the service time from 30 minutes to 30 seconds, creating a revolutionary first-of-its-kind fast-food system. All of these factors, along with the particular attention paid to cooking standards, such as the crispiness, oiliness, and saltiness of the fries, made the first McDonald's restaurant famous in the area.

However, McDonald's didn't turn into a nationwide success until Ray Kroc, a kitchen appliances salesman, who was one of the business's suppliers, agreed to buy the rights to franchise it. Although the McDonald's brothers had already franchised five restaurants in the United States, they weren't adequately managed because the brothers had a problem imposing the model's standards and quality control. Kroc's entrepreneurial and leadership skills helped McDonald's achieve standardized operations across all of its outlets. The chain's four main business goals were quality, service, cleanliness, and value. Kroc worked very hard to impose these goals, even claiming: "If I had a brick for every time, I've repeated the phrase quality, service, cleanliness and value, I'd probably be able to bridge the Atlantic Ocean with them."

In 1955, Kroc formed the McDonald's Corporation, opening his first franchised restaurant in Illinois. He had the vision of turning the restaurant into a chain with stores in every U.S. state. Unfortunately, Kroc ran into financial problems. The franchises were taking a more substantial portion of the company's revenues, and the business's debt was piling up.

Harry Sonneborn had a solution to Kroc's problem. Sonneborn's model was based on having the company own the land that McDonald's outlets were built on and then leasing the property to the franchisees. The model would provide a higher cash inflow as well as give the corporation more control over its franchisees. The concept was so successful that the company still uses it to this day. It is considered the most critical factor in the company's explosive growth. Real estate deals were handled by a subsidiary, the McDonald's Franchise Realty Corporation. Today, McDonald's real estate holdings are \$37.7 billion and generate almost 35 percent of the company's total revenue.

In 1956, the company expanded into international markets, first in countries like Canada and Puerto Rico, and later around the world. Kroc bought out the founding

brothers entirely for \$2.6 million in 1961 (the equivalent of \$22.3 million today) and ran the company himself. In 1965, McDonald's went public.

The chain has achieved multiple successes. McDonald's symbolically marked the end of the Cold War in 1990 with the opening of a new restaurant in Pushkin Square in Moscow. In 1996, the company opened its first McCafé in Australia, its first attempt to operate a coffee restaurant. Since then, the McCafé experience has spread to hundreds of locations across the globe, most of them being adjacent to an existing full-service McDonald's restaurant.

McDonald's was also the first restaurant company in the world to develop a specialized training facility, McDonald's Hamburger University. It was founded in 1951 by Fred Turner, the first grill worker at McDonald's. Turner later became its CEO for 20 years. McDonald's Hamburger University has welcomed 275,000 people. The curriculum mainly focuses on leadership development, operational management, and business growth, and emphasizes service, quality, and cleanliness. Most graduates are prepared to take on managerial positions in the company. More than 40 percent of McDonald's senior executives are graduates of the university.

McDonald's experienced its most significant growth between 1988 and 1996 as it doubled its number of restaurants around the world (feeding around 1 percent of the world's population). Its market valuation has reached \$159 million; however, in 2013, its market share shrank from 15.6 percent to 13.7 percent in the face of intense competition from the informal eating out (IEO) segment, which includes quick-service restaurants (QSR) and casual dining restaurants. The company's major competitors in the United States include Burger King, KFC, Taco Bell, Wendy's, Five Guys, In-N-Out, and Chick-fil-A. Yet, the company was successful in emerging as the most valuable QSR with a brand value equal to \$126 billion and \$33.8 billion in total assets.

Since its inception, McDonald's has worked hard to ensure a seamless customer experience via the following 5Ps: people, products, place, price, and promotion. McDonald's markets itself as people's "favorite place and way to eat," especially for families.

Moreover, the company has succeeded internationally in more than 120 countries using a global "McDonaldization" strategy based on a centralized organizational model. What helped McDonald's achieve such a success was, besides its revolutionary business model, its marketing and communication strategy. For instance, the company adopts a consumer-centric approach by customizing its menu to its customers' cultural needs. Customers, depending on where they visit a McDonald's, will find different variations of the menu: McDonald's offers rice burgers in Hong Kong, shrimp patties and teriyaki in Japan, McCurry and Pizza Puff in India, and pita bread sandwiches in the Middle East, where McArabia is one of the famous meals. One can even find McDonald's soup in Asia and high-margin items like beer in Berlin.

The restaurant's original and creative design has helped the company become the symbol of fast food for people around the world. When the first McDonald's restaurant was built in 1953, the founding brothers insisted that the architectural design should be innovative and highlight its "Speedee Service System." Red and white colors were adopted with a yellow neon sign of the famous Golden Arches featuring the M of McDonald's. The design was standardized, and franchisees in every country are required to use it. Still, the company has never failed to update its design to meet customer's expectations. It recently revamped its restaurant's decor for a more modern look designed to appeal to the new generation.

McCafés added a modern edge to McDonald's new look as well. They focus on comfort by featuring leather couches and mahogany tables. The restaurants also offer menu

items such as cappuccino, lattes, and muffins served in china. With the tagline “Good is Brewing,” the concept emphasizes quality and acknowledges that good people deserve good coffee. The McCafé experience is elevated by offering more menu choices, and consistency with the use of 100 percent Arabica beans, and good service.

According to McDonald’s Vice President of Menu Innovation, Linda VanGosen states the company “remains excited about coffee and will continue to prioritize making McCafé a go-to coffee destination for customers.” Although launched in 2009, McCafé constitutes an essential part of the company’s strategy of offering people the best fast-food breakfast experience. The concept has proven to be a success. More than 822 million cups of Premium Roast McCafé Coffee were served in the United States in 2018 alone (the equivalent of 1,600 cups of coffee per minute).

McDonald’s worked hard on its marketing campaigns to make its “M” symbol a remembered icon of the restaurant. The launch of new products that have defined the brand included the Big Mac (1968), Egg McMuffin (1973), Happy Meals (1979), and Chicken McNuggets (1983). The company’s public face is the clown Ronald McDonald, who was created in 1963 and has become the restaurant’s primary mascot. The company’s extensive advertising campaigns include the famous “I’m lovin’ it” campaign, which has appeared on television, radio, and billboards, but it also sponsors events like the FIFA World Cup and the Olympic Games. Furthermore, McDonald’s is actively engaged in community work with its Global Diversity, Inclusion, and Community Engagement Team, which aims to make education available to everyone in collaboration with other community organizations.

McDonald’s markets itself as an environmentally friendly brand with its “Better M” platform, which is focused on minimizing plastic and improving the recyclability of packaging. For instance, the company announced it is going to replace its current cold-drink lid with one that is fiber-based. McDonald’s is also finding alternatives for McFlurry’s plastic spoon and is introducing paper straws as well as toy take-back programs. These eco-friendly initiatives will help McDonald’s find the sustainable options customers are looking for while at the same time delivering an exceptional experience its fans know and love. In recent years, the company’s sales have declined with people looking for healthier food options. Consequently, McDonald’s has worked hard to include low-calorie menu items such as salads, fruits, and wraps.

McDonald’s also continuously tries to appeal to young adults through new digital touchpoints. Over the years, its target audience has been families, which the company has attempted to attract with products such as the “Happy Meal,” play areas, and family-friendly slogans. The company’s former CEO, Steve Easterbrook, dealt with fast-food critics by introducing options such as organic milk, decreasing the fries’ salt content, and revamping outlets that now offer free Wi-Fi.

Easterbrook also tried to change the *Oxford English Dictionary*’s definition of “McJob,” which is defined as “an unstimulating, low paid job,” but he was unsuccessful. Despite his success in changing the company’s look into one that is more modern and digital-based, Easterbrook was removed after allegations that he had engaged in a relationship with one of the company’s employees, which McDonald’s prohibits. The company’s board made the change to avoid any negative publicity surrounding McDonald’s work culture, especially since the company has been accused of tolerating the sexual harassment of employees and discrimination against women.

How does McDonald's redefine the restaurant and fast-food experience and transform dining-out experiences?

Since its founding, McDonald's has differentiated itself from other traditional restaurants with its speed, literally giving birth to the fast-food restaurant concept. McDonald's was among the first restaurants in the world to adopt the drive-thru window food-ordering system, which changed the way people eat around the world. With hundreds of fast-food restaurants scattered around the world today, McDonald's has found other ways to make it stand out for its customers. Its kids' playgrounds have made the company a go-to place for families.

Although McDonald's has a history of making parents and kids happy, it is now aiming to attract other segments of the market, such as by offering breakfast all day. Throughout the years, the company has built its identity around people feeling like they belong to the brand as a result of having grown up playing with Happy Meals toys; this has become part of their childhood memories.

McDonald's embraces its culture and tries to share it with fans. The Golden Arches Unlimited is the company's new online shop, offering merchandise designed for McDonald's lovers. Fans will be able to enjoy fun items designed explicitly by the company, and that feature its logo. Over the years, McDonald's has collaborated with multiple fashion brands and retailers to create limited edition items, but GoldenArchesUnlimited.com has made it easier for fans to find these items. Says Collin Mitchell, McDonald's Senior Vice-president of Global Marketing: "We're excited to help customers wear the brand they love on their sleeves with the unveiling of Golden Arches Unlimited as we continue to inspire feel-good moments with McDonald's." The product line includes items such as the Big Mac Sandwich bag, a Sesame Seed Zip Hoodie, World Famous Fries Socks, and a McFlurry Dessert Journal.

McDonald's consumer-centricity and customer experience touchpoints

When it comes to the fast-food experience, McDonald's was able to stand out in recent years by offering the Experience of the Future (EOTF) restaurants, which are designed to elevate the customer experience with self-order kiosks, table service, modern designs, mobile order and payment, and McDelivery with Uber Eats. These restaurants also feature a McCafé area serving freshly brewed coffee made by experienced baristas. McDonald's is also trying to up its hospitality game by incorporating technology into the customer's journey. The online customer relationship takes place on the device preferred by the customer. It includes the restaurant's app and McDonald's Mobile Order & Pay service. Mobile Order & Pay allows customers to pick up their orders the way they would like, whether inside the restaurant or at the drive-thru.

Customers can also use the app to personalize their orders and get exclusive deals. As stated by Hashim Amin, the head of U.S. Digital at McDonald's:

Mobile Order & Pay is just one of the latest ways we are transforming convenience and value for our customers. To celebrate Mobile Order & Pay, we're giving one of our mobile customers the chance to win the McGold Card and join a select group of McDonald's fans, just for using the app.

At the launch of the Mobile Order & Pay, the company organized a competition whereby all customers who used the app were given a chance to win the McGold Card. The McGold Card provides the winner free food from McDonald's for life. Whether clients submit their orders through kiosks and dine in or place their orders to go by using the McDonald's app, they can still easily track their orders and take advantage of each touchpoint's benefits. Another online touchpoint is the company's social media platforms. McDonald's distributes its products through the restaurants, which now include digital add-ons such as self-service kiosks.

McDonald's restaurants' new design highlights elegance, ease of accessibility, and custom-made experiences while improving food pleasure and fun at the heart of McDonald's DNA. The company's flagship restaurant in Times Square in New York embodies the restaurant's vision for the future. The glass-walled, three-story building, which has an edgy design and a calm atmosphere, offers customers spectacular views. The restaurant also offers innovative technologies, has 18 digital kiosks, table service, and aims to provide the best hospitality with the help of "guest experience leaders," who are McDonald's employees trained in the idea that service is about making a connection with the customer.

McDonald's has proven to be a company committed to providing the highest level of convenience and personalization to its customers while sharing happy moments with them through discounts and promotions. For instance, in celebration of National French Fry Day, McDonald's offered free medium fries with any McDelivery order made with Uber Eats. Global McDelivery Night In encourages consumers to spend a relaxing time at home by offering them free items such as loungewear, socks, slippers, blankets, and games with every order.

McDonald's use of technology and data to offer the ultimate online and offline customer experience

Easterbrook was eager to use technology as a tool to help the company provide the ultimate customer experience. He started by ordering every manager within the company to create an online delivery platform that would be fully operational in just two weeks. He tied management compensation to the speed and breadth of the platform's rollout. Easterbrook was also responsible for the company teaming up with Uber Eats, which constituted one of the most significant partnerships for the app.

The man's vision was to transform McDonald's restaurants into Big Data processors that would engage in machine learning and better cater to customers using mobile technology. This included drive-thrus equipped with scanners that would identify customers from their license plates; therefore, they quickly recall their previous orders and touchscreens that can provide recommendations for menu items based on the day's weather.

Although these digital add-ons constitute a considerable cost for franchisees, the strategy proved to be effective: the gains have outweighed the costs. McDonald's has also regained the company's lost image of being a revolutionary beacon of innovation.

Easterbrook also teamed up with Apple CEO Tim Cook to become a launch partner for the Apple Pay mobile payment system, which required 14,000 McDonald's outlets throughout the United States to incorporate a digital ad-on installed to its cash registers. This helped the company go public with its "Experience of the Future" initiative in 2014.

This project reimagined the stores entirely, from the way orders were placed to the services offered. Diners can now use touchscreens on kiosks to customize their orders with endless variants (e.g., adding extra tomatoes and sauce to their Big Macs). This will create more convenience for the customers because they won't have to wait in line to order. It will also generate more revenue for the restaurant because customers are willing to pay more for their tailored items.

The company also launched a curbside pick-up system. An order placed on the McDonald's app will automatically appear on the store's order list if the diner's phone is within 300 feet of the property. Their order will then be delivered by the store's employees. Other features of the EOTF include Uber Eats counters, modern furniture, and power outlets for customers to charge their phones.

McDonald's is also focusing on R&D to make sure it becomes the leader in the EOTF. The company acquired the artificial intelligence startup Dynamic Yield to help it test the machine learning software on drive-thrus, where screens automatically update with different items based on the time of day, restaurant traffic, weather, and trending purchases. The software uses the same predictive algorithms that Amazon and Netflix use to drive sales.

Moreover, in an attempt to follow the micromarketing trend, McDonald's acquired the mobile app vendor Plexure Group Ltd., which helps restaurants better engage with users on their phones using tailored offerings and loyalty programs. Another acquisition made by the fast-food giant was Apparent Inc., a Silicon Valley startup specializing in voice recognition technology. This approach will help speed up drive-thru lines by having a machine give orders to the kitchen staff instead of an employee doing it.

McDonald's challenges in the future: what's next?

McDonald's has developed a long-term strategy called the Velocity Growth Plan introduced in 2007 to deliver a customer-centric model that focuses on key drivers such as food, the customer experience, and value. The strategy does this via the following objectives: first, retaining existing customers by being a leader in the informal eating out (IEO) category; this includes family occasions; second, regaining customers who have been decreasing their number of visits by reminding them of the restaurant's strengths, which include quality, taste, and convenience; third, converting casual customers into committed ones by focusing on the McCafé coffee brand and enhancing its menu items, such as its snacks and treats.

McDonald's also concentrates on three areas it defines as growth accelerators: the Experience of the Future (EOTF), which requires modernizing its restaurants and transforming its technology to enhance the customer experience; the digital experience, which involves improving McDonald's technological platforms via apps and self-order kiosks to facilitate the customer's order and payment process; and the delivery experience because younger people prefer home delivery to pick up their orders. As such, McDonald's currently offers the delivery service in almost every country where it operates. In the United States, in addition to Uber Eats, McDonald's has partnered with Doordash and GrubHub.

Currently, the critical challenge faced by McDonald's, despite its leading position against other fast-food competitors such as Burger King, Wendy's, and KFC, is that customers are demanding healthier menu options. Recently, customers have been drawn towards a new restaurant model that offers fresh, high-quality food via efficient

counter service, providing both convenience and well-being to its customers. This model includes restaurants like Chipotle and Shake Shack, which are now considered to be the main rivals for the quick service restaurant model adopted by McDonald's. McDonald's reported a 6.47 percent decline in sales for the 12 months that preceded March 2019. To cater to consumers' changing needs, the company announced in 2018 that it would remove all preservatives and artificial colors and ingredients from its food and introduce new healthy options, such as chicken salad and apple slices in Happy Meals.

Another challenge facing McDonald's is employee turnover. With the increasing operational complexity caused by mobile app orders, self-order kiosks, and adding new menu items, employees have had to deal with heavier workloads with no additional compensation. Workers have also had a hard time getting used to operating within the new system. In the United States, the well-being of employees has become a major issue. The Fight for \$15 campaign is trying to put pressure on McDonald's to increase the average wage of an employee, which is \$10.45.

Moreover, the company has faced several accusations of coercion and more than two dozen sexual harassment lawsuits. These complaints even became part of political conversations among several Democratic senators. Illinois Senator Tammy Duckworth and 2020 presidential candidates Bernie Sanders and Elizabeth Warren sent a letter to McDonald's CEO rejecting the "unsafe and intolerable" working conditions in the company's restaurants. The company was accused of failing to prevent misconduct and hurtful comments from supervisors. McDonald's had to revamp its harassment policy, especially after Easterbrook's scandal, which occurred during the #MeToo fight against harassment.

Besides, the company has to overcome the sudden departure of Easterbrook, who oversaw shareholder returns, reaching 150 percent. During his tenure, McDonald's introduced the all-day breakfast, ordering kiosks, and the implementation of the Experience of the Future strategy. The company's new CEO, Chris Kempczinski, will have big shoes to fill and face major challenges, such as sliding stock price. Kempczinski also inherited tensions with franchise operators (who had to bear the bulk of the costs for the Experience of the Future redesign) and the frustration of employees over poor wages and sexual harassment.

Besides, the fast-food sector continually faces consumer perception problems. In 2012, McDonald's reported a meat scandal; 4,500 cases of expired beef, pork, and chicken were purchased from its supplier Shanghai Hushi Food in China. In India, McDonald's was involved in multiple lawsuits spanning its entire business model, which ended in shutting down its operations in north and east India.

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Questions for discussion

1. Describe and classify McDonald's' food experience components in terms of how they satisfy the functional, social, emotional, environmental, and ideological needs of customers. Identify the painful touchpoints in McDonald's customer journey. How can McDonald's improve the painful experiences before, during, and after a sale?
2. Describe how McDonald's can use Big Data, mobile shopping, and technologies, such as virtual reality (VR) and augmented reality (AR), to elevate the customer experience. What are the advantages and disadvantages of each technology? Can you think of another technology McDonald's should use to fluidify the customer experience? At which stage should it be used, and what is its added value?
3. Explain how McDonald's can transform its stores into healthy and responsible restaurants that integrate the food well-being of its customers and foster healthy eating among vulnerable populations.
4. Discuss how McDonald's can design a satisfying and profitable customer experience and reinvent the fast-food sector to attract kids and families. Do you think McDonald's should offer different online and in-store experiences for different group segments (e.g., students, foodies, kids, young adults, seniors, healthy-conscience people, etc.)?
5. How can McDonald's use its app to provide value to its customers and differentiate itself from current food delivery platforms such as Uber Eats? What sets of values and services should McDonald's incorporate to elevate its app?

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) at McDonald's. Your job is to upgrade the fast-food company to target luxury, tech-savvy consumers, and reposition the company while preserving convenience as part of its DNA. How would you create the McDonald's luxury phygital experience? What kind of marketing research can you use to learn about the needs of luxury consumers in terms of fast-food experiences?

PERSPECTIVES ON THE SECTOR



**Cathy H.C. Hsu, Chair Professor,
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In the tourism and hospitality sector, customer experience is shaped by interactions between service providers and recipients in the stages of pre-, during-, and post-consumption. Customers' evaluation of experiences covers the cognitive, affective, and conative components. Do they believe and feel that they have an excellent experience? Are they actively engaged in that experience? Once customers are

convinced about and inspired by the experience, they will be satisfied with and loyal to the service provider.

In addition to enhancing on-site customer experience through digital integration, technology can be integrated into experience in the dreaming and planning stages and post-experience reminiscent stage. Pre-arrival steps of customer experience are often orchestrated through digital means. Communications, such as the need for a much-deserved break or the ability of the service provider to fulfill lifelong dreams, could be vividly delivered through various forms of technology, including social media postings, private messages, and tailor-made multimedia illustrations. After the service encounter, positive reinforcement messages also play an essential role in the overall experience. Again, messages could be delivered through various digital forms and channels to arouse customers' cognitive and affective confirmation.

Service providers need to strike a balance between high tech and high touch. After the Covid-19 pandemic, consumers' definition of hospitality may change, and their expectations of the high touch components may change as well. A major challenge is to make customers feel the emotional connection with service providers and perceive the service as personalized with warmth, while taking advantage of the high-tech innovations to ensure customer health and safety.



Scott McCabe, Professor at Nottingham University Business School and Editor-in-Chief of *Annals of Tourism Research*

The customer experience from the individual's perspective is a personal event in someone's life that includes perception, behavior, cognition, and emotions. In tourism and hospitality, these experiences encompass everything consumers go through that is associated with that event, including their search for information,

deciding, booking, anticipating, experiencing, remembering, and sharing stories. For tourism and hospitality experiences to be really successful, they need to be unique, personal, and memorable. From the industry perspective, customer experiences are unique economic offerings, based on a series of interactions between a firm and a client from the first contact to follow-up communications after the event experience. The driving aim of the delivery of customer experiences is to achieve customer satisfaction, often linked to referrals, recommendations, and repeat purchases or visits.

Like all sectors, the tourism and hospitality industry has largely integrated digital into the customer experience. Yet, there are exceptions, since most businesses are small and medium-sized enterprises and often do not have the financial resources to invest in new technologies continually. One of the main changes in recent years has been moving to mobile access to digital technology so that customers can easily search and book from their smartphones. Once in the destination or on-site, digital technology such as queue scheduling or smart integrated digital information platforms can enhance the tourists' experiences of cities, improving the ease with which tourists navigate the environment, book, and experience events, attractions, or hospitality options. Digital technology can help streamline information, making experiences seamless. This gives greater convenience to the customer and adds value to the experience.

I think that the main challenges to the tourism and hospitality sector right now are defined by the Covid-19 pandemic. The industry has to establish how it can maintain profitability in an era of social distancing, reduced passenger and customer numbers, more considerable attention to hygiene and safety standards, and meeting new forms of demand arising from the pandemic are going to be crucial to the industry. The sector is highly resilient, and there is clearly high demand for leisure and tourism once travel restrictions are lifted. However, it will be imperative that the sector becomes more sustainable as we move back to normal, rather than cutting costs, and investing in new technologies, such as automation and virtual experiences, to meet the future challenges.

Author's perspective on experiential marketing

Online video "Introducing concepts & tools"



- Access the link www.youtube.com/watch?v=cEJgGWf2mNc&t=65s or flash the following QR code to view a short video featuring the author, who introduces and explains the concepts and tools companies can use to implement a successful experiential marketing mix strategy.



The customer experience in the luxury and fashion sector

The shift from traditional luxury to postmodern luxury has led luxury fashion brands to change their practices from concentrating on goods to a more experiential approach where the starting point is to offer a superior luxury experience. A customer-centric approach will help luxury and fashion brands successfully respond to the emotional, social, and functional expectations of their customers while offering unique and exclusive shopping experiences. In the luxury and fashion sector, the customer experience constitutes an additional offer category linked to consumer well-being, in addition to the product and service offered by the brand. This evolution means that luxury and fashion companies wishing to move from an approach that focuses on intangible product features that are truly customer-centric must involve the entire organization and the company's departments to develop a suitable luxury experience both online and offline. In this chapter, I discuss three luxury and fashion companies that have adopted a customer experience approach to improving their online and in-store purchase experiences to differentiate themselves and enchant their customers. The companies are Chanel, Nike, and Estée Lauder. I will first explore the story and the marketing strategy behind each company. Then, I will focus on the implementation process of the experiential and digital strategy in each company. Finally, I will explore the challenges these brands are facing to offer the ultimate customer experience.

Learning outcomes

After exploring and solving the questions and challenges presented at the end of this chapter, you will be able to think critically about how companies in the luxury and fashion sector are leveraging customer experience to satisfy buyers' expectations. By viewing the online video provided, "Introducing concepts & tools," you will learn more about the experiential marketing concepts and tools.

Company case 13: How does Chanel create the ultimate luxury experience?

To attract customers, especially millennials, and make itself accessible, Chanel is leveraging technologies and customer experience. Chanel's challenge is to create engaging and emotional luxury shopping experiences that emphasize nostalgia with playful and digital dimensions. For example, Chanel has recently opened an experiential concept store in Tokyo where lipsticks are replaced by video games' joysticks to entertain

the young generations while making them discover new products. Thus, Chanel has developed a state of mind that should satisfy both adult and young consumers, who want to have different experiences with the brand. Therefore, it is essential to understand the story behind Chanel's success as well as the way it is adapting to the needs of new shoppers via different experiential and digital strategies.

How did it all start? Chanel's fairytale story and successful marketing strategy

On August 19, 1883, in Saumur, France, Gabrielle "Coco" Chanel was born. After her mother's death when Gabrielle was aged 12, she was sent to an orphanage where the nuns taught her how to sew. In 1910, Chanel opened her first shop, "Chanel Modes," in Paris at 21 Rue Cambon. Her style was simple and elegant, which attracted and was favored by many actresses at the time. The store started by selling hats. In 1913, she opened a new shop in Deauville, France. Chanel felt cold one day and decided to make an old jersey into a dress to stay warm. Many women asked her where she got the dress, and she offered to make the dresses for them. Her sportswear collection and jersey dresses became an instant hit. As a result, she rapidly gained a reputation in the clothing industry.

In 1918, Chanel opened the Chanel couture house at 31 Rue Cambon in Paris, France, followed by the launch of the iconic fragrance, Chanel No. 5 in 1921. Perfumer Ernest Beaux created the fragrance. It was named No. 5 because it was the fifth scent presented to Chanel for her consideration. It is a timeless fragrance, and is, to this day, the ultimate symbol of femininity.

In 1924, the company's first line of makeup (mainly lipsticks and face powder) was launched. "Société des Parfums Chanel," a division dedicated to fragrances and beauty products, was also launched in 1924. That same year, Chanel designed the costumes for the ballet "Le Train Bleu," which performed at the Théâtre des Champs Élysées. She also used to visit Scotland with her lover, the Duke of Westminster, frequently. There, she discovered tweed, which was commonly used as fabric for masculine suits. It inspired her iconic women's suit. Two years later, in 1926, Chanel created the company's iconic "little black dress." Its simplicity revolutionized fashion and became an instant classic. It also marked the peak of Chanel's fame. Later on, World War II forced Chanel to close four of the stores. One remained open, and her products continued to be in high demand.

In 1955, Chanel's iconic 2.55 quilted bag launched in February and was named after the launch date. The bag featured a shoulder strap that allowed a woman's hands to remain free. That same year, Chanel launched the men's fragrance Pour Monsieur. After Chanel died in 1971, the company launched its first ready-to-wear collection and the worldwide distribution of its accessories. In 1983, designer Karl Lagerfeld became the artistic director of Chanel Fashion (haute couture and ready-to-wear clothing). In 1984, Coco fragrances were launched, followed by the brand's first line of watches in 1987: the "premiere watch" was designed by Jacques Helleu.

In 2002, Chanel acquired eight Parisian ateliers to establish Paraffection, a company that supports the unique expertise of traditional fashion artisans. In 2009, the Rouge Coco lip color was introduced, inspired by the lipstick Chanel herself developed in 1954. It delivers a modern interpretation of the classic feminine essential. Since its inception more than 100 years ago, Chanel has become the leader in the fashion accessories and

luxury goods industry. The company reinvented the trends of fashion and revolutionized the industry, one creation at a time. Like any other business, Chanel segments its target audience based on the following:

- demographic segmentation, which is based on age, gender, income, and so on;
- psychographic segmentation, which is based on people's lifestyles, interests, and opinions.

That way, Chanel can reach its target customers by promoting products in a value-based way that appeals to each segment. The company mainly caters to the rich and famous. Chanel's vision is as follows: "Reinventing fashion by transcending conventions, creating an uncomplicated luxury." Chanel's competitive advantages are as follows:

- *A renowned reputation:* As a leader in the luxury products field, Chanel has been able to create timeless classics and sustain its legacy for more than 100 years.
- *A strong brand portfolio:* Chanel has created several business lines: watches, fragrances, clothes, beauty products, a jewelry line, etc.
- *A unique way of promoting products:* Chanel promotes its products by sponsoring fashion shows like Paris Fashion Week and art exhibitions, among others.

Chanel's distribution strategy makes the company's products available worldwide. Chanel distributes its products through various channels like multi-brand stores and exclusive showrooms. The fashionable shops are open across the globe and are called Chanel boutiques. There are currently about 300 boutiques worldwide. According to Forbes 2019 ranking, Chanel is the world's 79th most valuable luxury brand and is valued at approximately \$9 billion.

The marketing mix of Chanel (the 4Ps) is as follows:

- *Price:* The strategy adopted is premium pricing, depending on the time and fabric it takes to create a particular product. The time it takes to create a product is usually long because it goes through various processes before it is up to Chanel's high standards. Only skilled experts in textile and design are involved in creating the products. This results in high-priced products that clients are more than willing to pay for.
- *Place:* There are 310 Chanel stores around the globe: 6 in Australia, 2 in South America, 128 in North America, 94 in Asia, 10 in the Middle East, and 70 in Europe. Because the company mainly targets the wealthy, stores are always located in high-class areas in the center of each city, or famous airports, where the brand has been a big hit with business-class travelers. The store always reflects the image of Chanel: chic and elegant. And because there are very few stores available worldwide, online shopping makes the brand accessible to everyone.
- *Promotion:* Chanel ads only appear in the most expensive fashion magazines. This approach makes it easier for the company's niche viewers to stay up to date with Chanel's latest product launches. To promote its image of exclusivity, Chanel handpicks its brand ambassadors, including actresses Carole Bouquet, Marilyn Monroe, Lucia Hiriart, Keira Knightley, Anna Moughlalis, Vanessa Paradis, and Nicole Kidman. They immortalize the Chanel name while simultaneously symbolizing elegance, heritage, and exclusivity.

- *Products*: This category includes the following:
 - evening and day clothes for both men and women;
 - woolen Chanel suits with accessories for women;
 - luxury jewelry: all products have diamonds. Jewelry was introduced in 1932 but is still a hit.
 - exclusive bags for men and women;
 - watches with a unisex style;
 - makeup products;
 - fragrances: Chanel No. 5 remains a classic symbol of elegance;
 - comfortable designer shoes for both men and women.

How does Chanel offer a unique luxury experience?

Chanel revolutionized the luxury and fashion industry. To this day, the brand is considered to be the ultimate fashion brand and the symbol of exclusivity and elegance. It is through the invention of the following ten items that Chanel redefined the retail and luxury industry:

1. *The little black dress*: It remains a classic to this day. The dress was named the “Ford” dress to express how revolutionary it was at the time. It became a “uniform for all women of taste.” Black was previously only associated with mourning. But for Chanel, black was elegant and could be worn every day.
2. *Trousers for women*: Pants were only worn in the workplace when women started working in the public sector. Chanel began designing trousers for women to be worn while doing sports and other activities. They soon became worn daily and became a fashion choice.
3. *The jersey dress*: Coco Chanel designed clothes made of jersey. The fabric was not expensive and was suitable for the clients’ busy lives.
4. *The 2.55 handbag*: Inspired by soldiers’ bags with straps, it freed up women’s hands.
5. *The collarless jacket*: Chanel’s collarless jacket was created when Coco Chanel was 71 years old. It was designed to be more comfortable than the 1950s style.
6. *Designer perfume*: Chanel No. 5, the first man-made perfume using synthetic compounds, is still the best-selling perfume in the world.
7. *Costume jewelry and faux pearls*: Worn every day with casual clothes. For Chanel, it was better to wear many imitation jewels than a few expensive real ones.
8. *Sailor tops*: Inspired by the navy seamen, the tops became one of the most stylish items.
9. *The Chanel suit for women*: It consisted of a knee-length slimline skirt and collarless jacket with pearl and gold buttons.
10. *The Chanel two-tone pump*: Inspired by men’s sportswear, it is still the most elegant footwear.

These items were the main reason why Chanel was different. Instead of bestsellers, Chanel aims to create superior products that continue to sell well over time. In contrast, fast fashion sellers rely on seasonal trends that are redesigned each year.

Chanel's consumer-centricity and customer experience touchpoints

The main touchpoints and devices used by Chanel to create the ultimate luxury shopping experience are the following:

- *Chanel fashion shows*: Chanel is to this day known for its over-the-top extravagant fashion shows. For example, in 2017/2018, the backdrop for the fall/winter show featured a 40-meter replica of the Eiffel Tower. To this day, that show is the most extravagant one the company has ever held.
- *Chanel boutiques*: The shops have bright rooms, high black-and-white walls, and baroque architecture. The main places where people come and shop for Chanel products are boutiques. They are designed in a way to highlight the elegance, simplicity, and glamour of the brand.
- *Digitalization*: One of the most essential ways Chanel connects with its customers is through digitalization. Digital communication and sales allow Chanel to communicate with customers and reach them. Chanel.com is usually used as a benchmark for the luxury segment wanting to go digital. The details relating to the website will be covered in the following section.
- *Social media campaigns*: Chanel is on Facebook, Twitter, Google+, Instagram, and on Chanel News. For example, 113 photos of the iconic Chanel jacket, known as the "little black jacket," were released on all social media platforms and created a social buzz. The online communication shows the benefits of integrating digital and classic communication channels.

Leveraging technology and omnichannel data to offer an emotional luxury retail experience

In February 2018, Chanel announced its partnership with Farfetch, the online fashion retail platform. The deal aims to deploy the company's operating system to physical retail to enhance the customer shopping experience. Chanel products will not, however, be sold on the Farfetch marketplace. Chanel is using it to connect clients with its products, which will only be done through Chanel's boutiques. In other words, most of the action will still take place in Chanel's stores. Farfetch will merely funnel would-be customers to Chanel's stores and website.

Chanel has made it clear that it will take many years to see the results of this partnership. Some new implementations are starting to show: the system recognizes customers when they log in and tracks their shopping habits through radio-frequency identification (RFID) enabled clothing racks; customers can add clothes to their wishlists, view themselves in online digital mirrors, and make mobile payments. Chanel can personalize the shopping experience using the data the company has and the insights it generates from the system. To sum it up: Chanel is blending digitalization with its in-store services.

On the home page of Chanel's website, there is an overview of the lines of business that Chanel is in and quick links to the products' categories and the blog "Chanel news." "Inside Chanel" explains the identity and history of the brand through videos, mostly black and white, to follow the brand's elegant image and sophistication. Chanel's films are almost considered art and captivate users. Besides, when clients register for Chanel's newsletter, they are asked which categories of products they are interested in the most. This strategy increases the chance of receiving emails from Chanel that interest them.

Chanel's challenges in the future: what's next?

On February 19, 2019, Karl Lagerfeld died at the age of 85. He had been Chanel's creative director and chief designer for 35 years. Lagerfeld made Chanel the multinational brand it is today. He hardly took any days off and designed over 14 collections a year of couture and high-street designs. "To design is to breathe, so if I can't breathe, I'm in trouble," he said. One of Chanel's main challenges is finding someone who will be able to revolutionize Chanel the way Lagerfeld did. His successor, Virginie Viard, has been put to the test. Without Lagerfeld, the company has become "less of a trophy" for potential investors. In addition, Chanel has received criticism from many sources. The criticisms include a growing sense of disappointment among customers, boutique windows lacking inspiration, and an older clientele. Some critics have even labeled Chanel "dusty."

The brand is trying to stay up to date with new technologies (two robots opened the 2017 Chanel show). Digitization is a challenge. Revolutionizing the future of a 110-plus-year-old brand will not be the most straightforward task. Chanel is already very present on social networks, notably via Instagram. The brand also has nearly 28 million followers and tests new functions. For example, it uses Instagram Shopping, a service that links Chanel's products on Instagram and allows shoppers to buy them.

The company has a large number of web designers and developers. They ensure a balance between Chanel's local and global teams to avoid controversies on its social media platforms (using WeChat for China and Facebook and Instagram for the United States). The main challenge is how to ensure the historic brand continues to move forward while being consistent. Also, Chanel is the only major luxury brand that does not sell men's clothing. However, this segment is a real growth driver in the global luxury market. For example, the "streetwear style" for men has experienced exceptional growth in the last few years and will remain a key lever to attract new customers, including millennials, around the world.

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Questions for discussion

1. Define the experiential marketing strategy of Chanel. Briefly describe how the company is attempting to enchant customers both online and offline while offering emotional and exclusive luxury experiences. Discuss the role of digital devices and technology in the design process.
2. How has Chanel modified its marketing strategy to focus more on the customer experience? Are these changes in line with today's consumer needs in relation to luxury consumption and purchases?
3. Describe how Chanel can increase its market share by attracting millennials and postmillennials. What kind of customer experience should Chanel offer to reinvent itself and innovate in the digital and experiential era?
4. How does Chanel define the customer experience? Describe the difference between the employee's experience and the customer experience at Chanel.
5. Discuss how Chanel might create a new e-commerce, digital luxury website. What elements should Chanel integrate with its experiential mix marketing strategy to achieve this objective?

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) at Chanel to enhance its online presence by rethinking its e-commerce, website, and social media content and strategy. What would be your starting point? How would you identify online and offline shoppers' experience touchpoints and connect these platforms to deliver a coherent value and fluidify the global customer journey?

Company case 14: Nike's focus on digitized shopping as an integral part of its customer experience

Nike has long assumed that providing a unique experience to its consumers is essential. The opening of the Nike House of Innovation in New York confirms this trend as a new kind of shop. The strength of the customer experience offered by Nike is related to its omnichannel approach to optimize the customer experience through making the purchasing process more manageable and by creating a link between physical points of sale and online points of sale. Nike is, therefore, at the top of this ranking of fashion brands offering the best customer experience, alongside prestigious brands such as Louis

Vuitton and Moncler. Beyond the use of digital devices, Nike is nowadays implementing multiple strategies and tools to offer the ultimate customer experience. Read on to learn more about Nike's success as well as challenges and how it is adapting to the new consumer's needs.

How did it all start? Tips from Nike's marketing strategy

Nike was founded in 1964 by the track athlete Phil Knight and his University of Oregon coach Bill Bowerman. The business was originally called Blue Ribbon Shoes and was a distributor for a Japanese shoemaker called Onitsuka Tiger. Knight and Bowerman sold the shoes out of the back of Knight's car. Their first year, they sold 1,300 pairs.

In 1966, Knight and Bowerman opened their first retail store in Santa Monica, California. In 1967, they expanded to the East Coast. Bowerman had a fascination with optimizing his runners shoes. In 1965, he offered to create a new design for Tiger. He proposed a shoe that provided the right support for runners. In 1967, the shoe was released. It became a hit due to its comfortable, sturdy, and stylish design. In 1971, Knight and Bowerman decided to develop their brand and manufacture their own shoes. In 1978, the company officially changed its name to Nike. By the 1980s, Nike had captured 50 percent of the U.S. athletic shoe market. By the beginning of the twenty-first century, Nike had grown to be one of the world's most valuable brands. In 2014, it was the most valuable brand among sports businesses.

Nowadays, Nike is the world's leading shoe and sportswear brand and is valued at more than \$30 billion. It has developed a powerful brand with very defined marketing strategies that include agreements with celebrities, international teams, and professional athletes. Its main competitors are Adidas, Asics, Puma, Under Armour, Fila, and New Balance. Nike offers a vast range of products, like sports equipment, athletic shoes, and clothes, but it is focused on improving its athletic shoes, which is its specialty. It has evolved well in the past years, becoming one of the most valuable brands worldwide.

Nike primarily targets consumers in the age range of 15–45 years. It caters to both women and men but also focuses on teens and tweens to build long-term loyalty. Its positioning statement is "for serious athletes" because that gives customers confidence. In the market, it is positioned as a premium-brand because it offers a well-designed, high-quality product with a good reputation worldwide. Nike recently acquired some other shoe brands, such as Converse and Hurley. It also has partnerships with Michael Jordan, designing Nike shoes and clothes for basketball players and lovers.

Nike sponsors international soccer teams, such as Paris Saint Germain, Barcelona, Brazil, and Chelsea, and supports famous soccer players like Neymar (PSG), Cristiano Ronaldo (Juventus), and Gerard Piqué (Barcelona). The company's largest Nike store is located in London, and the company employs about 76,700 people. Overall, Nike has captured approximately 31 percent of the global athletic footwear market.

Nike has become the leading brand in the sportswear industry, thanks to its effective marketing mix strategy. Nike's image is based on high-quality products sold for high prices in numerous locations. The company also takes a customer-centric approach in terms of the development of its promotional activities. Regarding its product strategy, Nike offers a wide range of products, such as apparel, equipment, and accessories. However, the most marketable products are its shoes. To target different segments, Nike provides the same product categories under different brands and with specific features according to the needs of different types of sports. All products are in continuous development

as Nike is always investing in research and development. Additionally, new versions of products are enhanced and developed with a customer-driven approach.

In terms of price, Nike's pricing strategy is very competitive compared to its main competitors. Nonetheless, Nike is a premium brand, targeting customers willing to pay premium prices for high-quality products. The premium prices result from a trustworthy brand image that increases consumers' desire and interest in Nike's products.

For its place strategy, Nike sells its products in more than 200 countries around the world through multi-brand stores and exclusive Nike stores. In the United States, Nike's products are sold by more than 20,000 retailers. The brand also uses licenses, independent distributors, and flagship stores in major cities. Nike's e-commerce sales are also becoming more important.

Lastly, in terms of promotional campaigns, Nike relies on a well-structured and robust communication strategy. The consumer lies at the center of the strategy: "Everything we do starts with the consumer," former Nike CEO Mark Parker told investors during an earning call in 2015. He also stated: "It's our obsession with serving the consumer that sharpens our focus and drives our growth."

Nike's marketing communication strategy includes:

- *Advertising*: Nike creates advertisements focusing on emotional marketing. Most of its ads are developed to tell stories and not to advertise products. The ads inspire customers by creating different emotions connected to specific needs that can be satisfied through purchasing Nike's products. All the ads are about stories of famous athletes or ordinary people who became heroes because they overcame their difficulties and created empathy. The brand is renowned for the iconic motto: "Just do it," an encouragement for people to overcome their limits.
- *Endorsements and sponsorships*: Nike has hired a great number of famous people like Michael Jordan, LeBron James, and Tiger Woods to represent its ideal customer type. Nike uses endorsements to strengthen the brand's image, increase sales, and motivate people to buy the preferred products of their sport idols. Moreover, Nike is the main sponsor of many sports events and sports organizations like FIFA (International Federation of Association Football).
- *Personal selling*: This is related to sales made in stores. All employees are responsible for sharing the company's vision and values inside Nike's stores. The employees are also the final and direct way to deliver and ensure an excellent customer experience.
- *Sales promotions*: This activity includes personalized coupons and offers to consumers. Nike uses sales promotions to attract new customers and to persuade existing customers to keep buying Nike's products. There is always a dedicated section on the company's website for discounted products.
- *Public relations*: Nike is very active in communities, collaborating with more than 60 organizations around the world. The campaigns revolve around social issues such as gender equality and LGBT rights. For instance, Nike has a dedicated YouTube page called NikeWomen, which is used not only to advertise women's sportswear but to highlight the importance of female athletes and the role women play in their communities.
- *Social media*: Nike has a strong presence on social media. In particular, it relies a lot on YouTube. In 2016, Nike launched a popular YouTube series called "Margot vs. Lily." The short series was composed of episodes from people in everyday life struggling to follow the latest fitness trends and highlighting the importance of

having a healthy and balanced life. Nike's social media posts are funny, short, motivational, and inspiring so that followers are willing to share them and create buzzes.

- *Collaborations*: Recently, Nike started successfully collaborating with brands from the luxury industry. The most famous one is the company's collaboration with Off-White, which involved working on the development of fashion shoes. The success can be explained by the sharp image of the co-brand and the distribution strategy since the shoes were produced in limited editions and were very difficult to find. This approach generated hype and interest in customers' minds. Collaborations have helped Nike expand its presence not only in the sportswear industry but also in the fashion industry and elevate its image to the same level of luxury brands like Off-White and Dior.

How is Nike's elevating the phygital retail and sports experience?

With its clear, loud, inclusive, and empowering message, "everybody is an athlete," Nike is transcending the clichés of sport and nudging people of all physical conditions across the world to pursue their athletic and lifestyle goals. Nike has redefined what it means to be an athlete, as well as broadened the utility of comfortable and sportive clothes beyond conventional "sports": Nike clothes are not only for the gym or practice, but also for our daily lives, including for brunch, a casual walk, or a Sunday outing.

Additionally, its branding also makes Nike be perceived as environmentally friendly and committed to preserving the environment, which is extremely appreciated (and even demanded) by consumers. Once thorough branding and marketing techniques have successfully established a correlation between healthy lifestyles, empowerment, sustainability, community support, and Nike products, Nike plays with a great advantage over its competitors. However, it cannot neglect other crucial actions to maintaining its customer base, continuing to grow, and staying at the top.

This includes putting its customers and community at the center: Nike focuses on innovation and continuous movement to give its fans what they want in the best physical and digital experience possible. As part of this effort, physical stores are among the most sophisticated. The NYC flagship store in 650 Fifth Avenue, for example, has around 70,000 square feet and several floors offering an engaging and spectacular combination of fashion, lifestyles, sport, technology, and innovation, all in the middle of one of the busiest cities in the world. Full of moving images, smart-tablets, short promotional videos, stairs with flashing lights, and trained staff who know the product features and story well, Nike stores offer more than high-quality products: they offer a unique experience that combines all the above factors while delivering Nike's strong message of inclusivity and empowerment to all, which makes the Nike concept unique.

The value of extra care for the customer, combined with the high quality of Nike products, results in customers willing to pay above the standard price they can get anywhere else for a similar item. Nike's sharp image and perceived higher value, its combination between technology, fashion, comfort, quality and innovation, and the loyalty of its customer base (particularly teenagers), allow the brand to charge premium prices compared to its competitors. Indeed, Nike prices are higher than other sportswear brands, which gives Nike more significant revenues and profit margins. Competitors

are pushing hard to innovate and steal part of Nike's consumer base, which works as an incentive for Nike not to cease its work to better its products. As a result, quality bars keep going up, products are continuously renewed and improved, and Nike customers are happy and loyal.

Besides innovation and the latest technologies, other advantages Nike has over its competitors are scale, scope, and customization. First, Nike benefits from economies of scale: its large corporate size allows for substantial cost savings. Second, Nike's scope is broader than its competitors: under the brand "Nike," we find a full range of products of different uses, kinds, and nature, including footwear, apparel, accessories, and devices, for men, women, and children. Nike's variety translates into a greater ability to respond to more and varied demands. In other words, it satisfies more needs and, thus, more clients, which means that more sales and revenues go to Nike. Third, customization also generates more revenues as it expands conventional size limits and covers the demand of customers who are looking for a specific design, color, or another special feature in its product. NikeID keeps track of these and allows clients to customize the products they buy.

Moreover, providing customer-tailored solutions to its clients portrays Nike's message that the clients are at the heart of its activity, and the company adapts to be responsive and reactive to their specific needs. This strengthens the idea and mentality that allows Nike to charge premium prices. Additionally, Nike also offers an even more upscale experience and treatment to subscribers of the Nike+ membership. All these factors are key to ensuring customer loyalty and engagement around the world.

Nike's consumer-centricity and retail experience touchpoints

To offer its customers a unique experience, Nike invests in emotional marketing, celebrity endorsements, brand acquisitions, and market-leading technology to develop high-quality products. A crucial part of Nike's strategy is letting customers know that such an upscale experience does not end with their purchase and, instead, occurs before, during, and after the transaction. For this message to be reliable, consistent, and successfully transmitted to its consumer base, Nike uses multiple touchpoints. These are actions that signify an interaction between the brand and their shopping, online or offline.

Regardless of their form, which can vary from an Instagram post to excellent in-shop customer service, these touchpoints aim to create memorable interactions where the brand stands out over competitors, with the ultimate goal of attracting new clients and building loyalty among current ones. Besides standing out, Nike's touchpoints are characterized by clearly representing the brand and motivating its audience to take action. While this can sound very challenging in large corporations with remarkably varied and large audiences, Nike is an excellent example of this branding strategy to build deeper connections with its clients throughout their shopping journey.

Nike's touchpoints include engaging, motivating, encouraging, and easy-to-remember slogans such as "Just Do It;" the iconic and easily recognizable Swoosh logo; its flashy, beautiful, and easy-to-navigate website; its handy Nike app, as well as the derivatives, including Nike Run Club and Nike Training Club; its excellent in-shop customer service provided by highly trained employees, knowledgeable of the story and properties of each Nike product for sale; the products themselves, through their quality, comfort, and ability to meet customer expectations; the accessibility, transparency, and availability of the brand to respond to client concerns and feedback (online, offline, and by phone);

its social media profiles with handy and practical “how-to” articles and manuals; its successfully branded association with big names, through the sponsorship of leagues, teams, competitions, and professional athletes with great audiences and loyal fans; thorough packing; its manifested concern about the environment and sustainability; its great fleet of flashy, visible, and salient advertising campaigns; Nike’s message of inclusion and diversity, through its perceptible diversity of ads and campaign performers including all ages, sexes, and ethnicities; its commitment to development and empowerment of the most vulnerable, through well-documented solidarity campaigns and community service initiatives; and events organized by the company to engage current and potential customers, including in the stores.

Nike understands the importance of touchpoints, as they are its face or presentation and matter as much as the quality of Nike products itself: today’s shoppers are more demanding and very selective amid the intense competition and multiple options they can choose from. All these touchpoints are designed to reach consumers, appeal to their emotions, and convince them that Nike is the best option, all things considered.

For this to happen, Nike strategically adapts its touchpoints and marketing content to its client base. This includes, for example, deciding where to reinforce advertising: since millennials are a crucial part of its consumer base, the digital world has become the main platform for Nike’s marketing expansion and success at keeping clients. In addition to celebrity endorsements, online has become the platform for Nike to display its visual, appealing, and engaging content. Indeed, online touchpoints are attractive and colorful, as well as user-friendly and easy-to-use. Nike’s website, for example, does not ask you to log in more than once. Overall, surfing the website is a hassle-free experience, making online shoppers or visitors prone to revisit it again in the future. The same applies to its apps for smartphones.

Other key factors in making the overall Nike customer experience superior include: the store locations (in premium spots, including the most commercial and expensive streets in town, e.g., Passeig de Gràcia in Barcelona or 650 Fifth Avenue in NYC); the cleanliness of the stores; the one-to-one in-shop advising; Nike’s option of appointments for customization; the personal ID clients can acquire by signing up; the possibility to return items after they are shipped and received; the invitations on the receipts to take satisfaction questionnaires, and Nike’s promise to “take your feedback seriously” and use it to identify weaknesses and design strategies to correct them. Nowadays, going to a Nike store is an experience; from the moment you enter, you have the characteristic smell of all the stores, the specialized customer service that makes you feel good to be there, and all the extras that each store has. Not all stores are the same; many of them have peculiar and distinctive things. Among these things are digital games. The games are played using Nike products. Among these games are electronic basketball boards, ping pong tables, smart bikes, and golf games with dynamic games using Nike’s shoes.

Nike stores provide endless entertainment. One of its best stores is the one in New York City. There, the brand was commissioned to carry out a whole new experience for retail buyers. The store has five floors. From the moment you enter it, you can see that it is different. The first floor does not even have physical products; it is only a reception area indicating what can be found on each floor. Electronic devices show you all the products Nike has without you having to look for them on each floor. Each of the products that the store mannequins display has a QR (quick response) code. When scanned, you receive product information about it. If you are interested in trying it on or

buying it, you can do so using the application. You can request sizes to test the products without even talking to an employee; you just ask and wait in an indicated area.

The store also has its own “laboratory” that covers an entire floor. There, Nike designers can help you make your own digital creation. At the end of the production, you can see your product and its total cost. After one or two days, you will have your creation in your hands. Similarly, Nike is trying to renovate or otherwise add value to all its physical stores. The attempt isn’t simple or inexpensive. Nonetheless, it’s a goal the company seeks to implement. Nike has also worked hard to improve the experience of its online store, unlike other brands. For example, the store has short videos, or gifs, of people using the products. Nike tries to make its online shopping experience exciting and motivating. The goal is to get the customer to return and purchase more products because buying from Nike is exciting.

As touchpoints help to secure a relationship between the brand and customers, investing in touchpoints often has the highest return: given that it leads to favorable word-of-mouth and reaching new clients, maximizing touchpoints is not necessarily costly and, instead, may lead to saving costs. This is because the firm will increase sales while it is not as reliant on expensive campaigns anymore. When touchpoints serve their purpose, which is making the customer interaction and overall experience memorable, superior, and preferred, the brand’s reputation is strengthened.

Leveraging digital technology to offer the perfect sports experience

From the start, Nike sought to invest in technology and quality to produce all its products and never to stop improving athletes’ performance. At first, the brand only developed shoes for athletes. To enhance the technology of its products, the brand has always sought to create partnerships with athletes to develop products based on their needs. Its first sponsorship of an athlete was Steve Prefontaine in 1972.

In the 1990s, Nike launched its first soccer shoes, in partnership with the world-champion soccer player Ronaldo. At that time, Nike’s product was very innovative in the soccer category. Nike invests a lot of attention to sports categories by creating apps to help people with exercise and running. One example of this technology is Nike Connect, whereby National Basketball Association fans and soccer fans can buy shirts with microchips inserted on the label of each shirt. By downloading the app, the user will be able to unlock exclusive content about the team and the athlete in question.

Over the years, Nike has strengthened its focus on its customers and developed many technological tools to enhance their experiences. Nike’s website and app Nike+ allow customers to create personal accounts and become members of a community. Customers can access personalized services, rewards, discounts, training, and advice. Furthermore, users can share data about their recent runs and see them on maps. Users can also share the data with their friends and interact with them as well as with the brand itself.

Moreover, Nike has also developed other mobile apps for the same purpose. The NRC (the Nike Run Club) app and the NTC (Nike Training Club) app give customers the ability to upload the records of their runs and discover training sessions and share their improvements. As a result, both customers and Nike can gain value: customers benefit from a 360° training experience with Nike, and Nike gains valuable insights and data about customers’ preferences and behaviors.

The whole “Nike trust, value, and authenticity concept” is based on the redefinition of athletes and the message that living the upscale Nike experience is suitable for everybody.

For this reason, Nike works to be a prominent leader in mass customization. The so-called cookies exist in Nike's online website to track consumer behaviors and trends. As a result, Nike can create shopper profiles, memorize the user's NikeID or email address, and the user's main size and style preferences.

Similarly, email communications are personalized with the customer's name and suggested items tailored to the specific customer: these are aligned with previous purchases and searches. Indeed, personalization is vital to Nike's success in appealing to every segment of its audience, scattered all over the world. Besides being present in direct communications with consumers, such data-based strategies also apply to advertising and promotional campaigns: initiatives are tailored to the specific reality of the society the content is displayed in and take into consideration its cultural sensitivities, hot points, social trends, and what matters to that particular target group. Coming up with the optimal strategy requires research, data collection, analysis, and decisions on elements such as direction, tone, or frequency.

Nike collects such data through its official website, apps, observing in-shop behavior trends, surveys that customers fill out voluntarily after a purchase, or other feedback sent directly to the email addresses made available on its official website. Once Nike identifies what current and potential customers in a specific target group are looking for and expect, the brand proceeds to innovate and adapt its offer accordingly. In parallel to the personalization of products and services, innovation is the overarching concept of Nike's activity.

Recent introductions such as the Nike Flywire supporting system, the Lunarlite foam cushioning, new generations of Free footwear, and the Hyperdunk basketball show have pushed the industry's bar and standards. The multiplicity of competitors makes Nike push further to innovate its offer and improve its service and the experience it offers. Avoiding competitors stealing some of its customers is an incentive for Nike to continue investing in quality and data collection to better inform its products and services.

Nike's progressive shift toward placing the focus on marketing and the newest technologies paved the way for strategic partnerships, including the Nike-Apple deal to release Apple Watch Nike+ in 2016, a watch with a built-in GPS that tracked distance, pace, and route. Besides accessories, Nike is using the newest technologies on its own for revolutionary apparel manufacturing, including 3D printing. This technology makes prototype testing much easier, the key to spotting weaknesses in products. The main goal of overhauling its manufacturing operations is increasing scale in a sustainable way and mastering mass customization. Managing production digitally and automating parts of the manufacturing process – some stitching, for example – reduces labor and equipment costs and increases efficiency. Moreover, it also reduces production time and, hence, delivery time.

Technologies are also directly available to customers at flagship Nike stores through digital walls. Such walls show Nike's items and service catalog – displaying all products for sale – and allow customers to play with their product customization on the screen. This service, which blurs the line between physical and digital worlds, contributes to Nike's superior and unique experience where the customer is the primary actor. Stores also offer sample products for the customer to be able to see, touch, and feel. Moreover, sensors programmed to spot movement switch on nearby tablets that educate customers about a product, including its features and reviews.

Nike uses technology to automate former human functions while still giving customers a personalized service for a unique experience. This idea was reinforced in

mid-2017 when Nike unveiled the Triple Double Strategy (2X), a plan through which the company promised to double its “cadence and impact of innovation” and strengthen its “direct connection with consumers.” In 2018, Nike developed a new technology in its physical stores, called Nike Live. Customers can use this new feature by utilizing the Nike app on their mobile phones. It allows customers to scan products’ barcodes to obtain information about them, their availability in stores, or online.

The integration of digital tools in the store is the result of Nike’s interest in creating an omnichannel experience. Likewise, Nike recently introduced large displays to involve consumers in product tests, interactive kiosks for shoe customizations, and tablets to educate consumers with videos and reviews about products.

All these innovations transform the brand into a new giant in the technology industry. Finally, Nike’s website now has an entire section dedicated to the latest news about its latest technological innovations and developments. That way, customers can always be updated on product development improvements, retail experiences, mobile apps, and digital devices.

Nike’s challenges in the future: what’s next?

Analyses of Nike’s operations showcase an outstanding performance that puts it at the #1 of retailers in the sporting industry. Positive forecasts for future development and improvements dominate, but Nike still has some challenges to deal with to continue topping rankings.

First, its heavy reliance on celebrity endorsement. Celebrity sponsorships form a successful strategy to market the brand and make it reach all corners of the world. However, associating Nike with a professional athlete, who has his or her own private life, can be a source of bad press and bad reputation if the concerned athlete is involved in any kind of misconduct. Tiger Woods, for instance, was caught in a sexual scandal when Nike was his sponsor. Similarly, Maria Sharapova failed to pass a drug test, and Lance Armstrong proved positive in doping while being Nike endorsers. Another very well-known controversial case dates back to 2018, when famous NFL quarterback-turned-activist Colin Kaepernick became the face of Nike’s “Just Do It” campaign under the provocative slogan “Believe in something. Even if that means losing everything.”

Kaepernick had publicly taken the knee in a pre-game, during the U.S. national anthem, to draw collective attention to “the issue of continued racial injustice in America.” The NFL boycotted him while Nike considered him an inspirational social justice campaigner, supported by Serena Williams and LeBron James. This risky move angered many fans but succeeded overall.

However, experts voice that Nike should shift toward promoting an association of the brand with leagues and clubs rather than to particular individuals, following the model of the energy drink Red Bull. This is partly because technologies and social media have become invasive, and professional athletes are very exposed to public opinion, which can easily go from one extreme to the other, with potential negative effect on the sponsor’s image. Social media also makes word-of-mouth publicity much easier, and harmful rumors or bad news spread much faster than before when the mass media dominated public opinion.

Second, it will need to continue the tradition of considerable investment in both marketing and product quality, i.e., technologies to ensure an upscale experience to match the ever-demanding consumer requirements and expectations. This race for

the latest technology has high costs but is crucial amid increasing competition in the sporting apparel industry and more empowered consumers.

Third, higher awareness and more empowered consumers. Technologies have granted consumers more tools to dig deeper into the manufacturing processes of the products they buy and the company's operations. This, combined with the widespread concern for sustainability and the environment, results in much higher expectations that Nike needs to fulfill if it wants to keep its consumer base and attract new customers. Shoppers often see purchases as actions that need to be aligned with their ethical and moral stances. This general worry, added to people's free access to this information, pushes Nike to continue its commitment to supporting social initiatives and solidarity campaigns. While these might not necessarily generate sales directly (those people may not be able to afford Nike's premium prices), such initiatives improve Nike's image, which ultimately leads to more sales and higher revenues overall.

Fourth, its premium prices and increasing competition in the industry. Nike prices are higher than those of its competitors. This alone excludes from the firm's possible consumer base all the segments of the population under a particular income level. Additionally, new players continue to enter the industry and are offering much more affordable prices, which both attract those consumers who cannot afford Nike products and sometimes steal some from Nike. Competition in the sporting industry is intense: besides traditional specialty brands, such as Adidas and Under Armour, fashion brands that did not initially specialize in athletic apparel are now focusing on a section for fitness and sports clothing. This is particularly the case among firms whose vast majority of clientele are women. Some examples are H&M, Zara, and Primark. While shoes from these brands might be perceived as clearly inferior to Nike footwear, items such as leggings, shirts, and hoodies are believed to be very fashionable and of fair quality. Most importantly, prices are less than a third of Nike's premium pricing for similar items, which makes these alternatives desirable options. Moreover, Nike's presence is very limited in developing countries.

Fifth, technology and controversies around user-privacy violations. Tailoring the Nike experience to each one of its consumers requires gathering data from them. These data collection tools are designed to develop behavior patterns that will inform the adaptation of content to what the customers want and expect. This has been taken too far in the near past when data was collected in illegitimate ways and violated user privacy. The most controversial known case is the data smuggling work of Facebook and Cambridge Analytica to influence the U.S. 2016 presidential elections that gave a win to Donald Trump. As it has reportedly been doing, Nike will have to continue resisting breaching the limits of legitimate information-collecting tactics despite knowing how crucial this information is to its business model and success (it may become challenging with an ever-increasing awareness of the potential harm of technology and its impacts on user privacy). By 2021, Nike's online retail sales worldwide are expected to reach \$4.9 trillion. The way people are buying products is changing; personal contact and physical experiences in the retail space are decreasing. Nike must adapt and create an online experience that distinguishes the brand from other sports brands. This can be very complicated. However, Nike is already thinking about this since online sales require more personalized products and experiences, which Nike is beginning to implement. A new strategy allows customers to create their own products. However, many doubts and fears have also arisen within the company.

Sixth, Covid-19 effects on the sports industry. In early 2020, most tournaments, leagues, and championships were canceled. This means less exposure and reduced

visibility across the world, as celebrities are confined in their homes without practicing their sports, neither publicly nor with an audience. Additionally, stores have shut down across the globe – resulting in a direct drop in sales – and supply chains for nearly every product we consume have been broken or altered, which, of course, includes Nike products. This is because we live in a globalized world, and the economy transcends national borders, with the vast majority of products – or some parts of the products – being manufactured in Asia and then imported to the West. After plants and stores have been shut down for months, Nike will have to plan a smooth comeback to continue generating demand and fulfilling it.

Seventh, labor controversies. Claims that black employees represent a ridiculously small percentage of the total Nike labor force have been at the heart of critiques of the Oregon-based giant. Along the same lines, several reports throughout the past decades have established a connection between Nike factories in developing countries and child labor and exploitation. Such factories, mainly located in Asia, where wages are substantially lower than in Western democracies, are reportedly the home of vulnerable and abused workers, forced to overwork and paid miserably. Nike has been subject to accusations of this nature and of being behind the so-called sweatshops since it moved its factories out of the United States in the 1970s. In the past, Nike responded, claiming that it did not own the factories and could not control what happens inside, but that does not seem to satisfy critics, who continue linking Nike to child labor and exploitation as a dirty tactic to maximize profits. Nike will have to tackle these challenges and further invest in technological innovations to transform and lead the industry.

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Questions for discussion

1. Describe Nike's customer journey and touchpoints. What emotions does each touchpoint generate? Compare the role different digital technologies play in improving Nike's check-out experience.
2. How has Nike integrated the customer experience with its digital and marketing strategy? Are these changes in line with today's consumer needs in the sports fashion sector?
3. Describe how Nike can challenge Amazon by using Big Data to improve its customers' overall retail experience alongside three phases: before, during, and after the purchase.
4. Explain how Nike can create a shopping fashion experience that responds to the functional, social, emotional, and environmental needs of the new consumer in search of quality products for lower prices, hedonism, and pleasure.
5. Discuss how Nike can implement the 7Es of the experiential marketing mix presented in the book by Wided Batat, *Experiential Marketing* (Routledge, 2019). How can the 7Es help Nike design satisfying and profitable customer experiences and reinvent the sports fashion sector?

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) at Nike. Your job is to create a new fashion sports experiential concept store targeting families. How would you use the tool of the 7Es to design the ultimate shopping experience for both kids and their parents, one that will leave both groups feeling enchanted and engaged?

Company case 15: How is Estée Lauder advancing the beauty experience?

Estée Lauder is one of the cosmetics brands that have recently reinvented the shopping and beauty experience by offering different types of services as well as an outstanding and personalized experience. By removing all obstacles, Estée Lauder calls customers to interact with the brand in an open sales environment by offering diagnosis, makeup "bars" that encourage customers to test and choose products on their own, and standalone

presentation areas dedicated to makeup and skincare. Thus, Estée Lauder has succeeded in developing a multilevel purchasing approach, which offers more liberty to customers, improves their global purchasing experience, and visually conveys the brand's expertise image. To examine the experiential strategy of Estée Lauder and how it uses technology to enchant the customer's shopping journey offline and online, I will first explain its origins and evolution, and then the challenges the brand faces in the future.

How did it all start? The story behind Estée Lauder's marketing strategy

Josephine Esther Mentzer was born in New York. The name "Estée" was a variation of the nickname she grew up with, Esty. She became interested in skincare products when her Hungarian uncle came to live with her family in the United States and started creating velvety skin creams in their kitchen. It was then when Estee learned how to concoct face creams and how to apply them to women's faces. She met her husband, Joseph Lauder, and married him in 1930. They changed the last name to Lauder to correct a spelling mistake that was made when Joseph's grandfather emigrated to the United States.

Estée Lauder had a simple premise in mind: that every woman can be beautiful. She started her business with only four skincare products. She began selling her product in beauty salons, where she would apply it to clients' faces while they were under hairdryers. In 1946, she and her husband officially launched the company. They got their first significant order worth \$800 a year later from Saks Fifth Avenue. Estée believed that to convince a woman to buy her products; the woman needed to see the results on her face. Estée also offered a "gift" with each purchase, which became a standard in the industry.

While advertising her brand, Estée insisted the business's ads should have two main attributes: the ads should be aspirational and approachable, and one model should represent the face of the brand at all times. The color picked for the packaging was turquoise because Estée believed it conveyed a sense of luxury and usually matched the decor of bathrooms, where women typically apply their makeup.

Estée personally attended the opening of every new store and stayed a week after to train beauty advisors in their selling techniques and merchandise displays. She firmly believed in word-of-mouth marketing. Her mantra was "Telephone, Telegraph, Tell a Woman." She believed that if a woman liked her products, she would spread the word. Besides skincare products, she launched a line of fragrances. One of her successful, best-known fragrances is Youth-Dew.

Up until the 1950s, women only wore perfume on special occasions. They used to wait for their husbands to give them fragrance as a gift. Estée wanted to find a way to persuade women to buy their own perfumes, and that's when she created Youth-Dew (originally a bath oil and then Estée Lauder found out that women were using it as a perfume. That's why it is not like other perfumes, as it is more oil-based.) This innovation was the one that vaulted the company from being a startup to a multimillion-dollar business.

Estée also oversaw the creation of five new beauty brands: Aramis, Clinique, Prescriptives, Lab Series, and Origins. She always insisted on making products only with the highest-quality ingredients. Her company went public in 1995 and was valued at around \$2 billion. Estée retired in 1995 and passed away in 2004. However, the core values she embodied are still relevant and inspiring to women to this day.

The marketing mix of Estée Lauder can be described as follows:

- *Product*: At the start, the company only had four items in its product portfolio: Creme Pack, Super Rich All-Purpose Creme, Skin Lotion, and Cleansing Oil. The collection expanded as the years went by to include:
 - skincare products, including toners, masks, face creams, face oils, B.B. creme, moisturizers, antiwrinkle creams, repair serums, and so forth;
 - fragrances like Sensuous Pleasure for women and Lauder and Intuition for men;
 - makeup products, including powder, blusher, mascara, concealer, eyeshadow, eyeliner, lipstick, and nail polish;
 - the Re-Nutriv line included an eye cream, face oil, masks, foundations for makeup, etc.
- *Place*: Estée Lauder started her company in New York City. To this day, the headquarters are in Midtown Manhattan. For the first 15 years, the brand expanded its network to several parts of the United States. Nowadays, the company has a presence worldwide, including in China, Brazil, Italy, and the United Kingdom. Products are sold in department stores and retail outlets as well as online stores.
- *Price*: The company's target market is the upper-middle and upper class. Providing high-quality products in high demand in the market allows the company to adopt a premium pricing strategy. The reasoning behind it is that if a woman sees the benefits a product can have, she will not hesitate to pay more. The company also offers many incentives to its customers with each purchase, including gift coupons, a discount on one's first purchase, and discounts for online shopping. This lowers the prices of products and retains loyal customers.
- *Promotion*: Several strategies were adopted throughout the years to promote Estée Lauder's products and increase the company's brand awareness. In addition to new customers receiving 15 percent discounts for their first online purchases, the company also mails gift coupons to each customer. This strategy has been successful in retaining new customers and increasing the loyalty of existing ones.

Estée Lauder also ensures that the ingredients it uses are listed on the back of packages, along with directions for how to use products, the countries in which they were produced, and the names of the manufacturers. The brand is promoted through several traditional advertising outlets, including magazines, direct mail, photo displays, and in strategic locations. Sales and marketing executives are encouraged to spend as much time as possible with customers to provide them with the best help. Estée Lauder's more recent models/brand ambassadors have included Gwyneth Paltrow, Shaun Casey, Anja Rubik, and Willow Bay, among others. The company was voted America's best employer of women by Forbes in 2019.

The cosmetics experience: what did Estée Lauder get right?

In 2018, Estée Lauder launched an app called Liv, which can be accessed through Google Home and mobile devices. The app provides customers with personalized nighttime beauty regimens. It's a way to combine the "high touch" approach with on-demand assistance.

Estée Lauder's consumer-centricity and customer experience touchpoints

Estée Lauder uses social media to keep its customers up to date on the company's new product launches. For example, on Instagram, the company usually posts pictures of new

products to engage customers. A six-step midweek pick-me-up routine IGTV (Instagram TV) post is an example. Brand ambassadors post their skincare routines and keep clients up to date about the company's corporate social responsibility initiatives (e.g., how Estée Lauder is helping countries fight Covid-19).

On its website, the brand posts about how its workforce is mostly comprised of women, about the awards they win, and how the company celebrates International Women's Day. The website is user-friendly and is constantly updated with information about the company's new product launches and initiatives. The website also features live online chats with makeup experts.

Leveraging digital technology to offer a relevant cosmetics experience

In 2016, Estée Lauder launched its Consumer Engagement Centre of Excellence, which centralizes consumer learning and insights from all of the company's brands. The company uses the data it gathers from focus groups and social listening to drive innovation across the company. Says Lesley Crowther, Estée Lauder's first Vice President of Consumer Engagement and Retail: "We've recognized that we're stronger together. As a portfolio brand, we are cross-pollinating everything we know about the consumer, retail, and service. We feel more like one family, all working together."

In the same year, the company made 52 acquisitions that were mainly targeted at improving Estée Lauder's digital marketing capabilities. Estée Lauder's Leading Beauty Forward program was also launched in 2016 and is expected to be completed in 2021. The program focuses on reducing the company's selling, general & administration (SG&A) costs by \$200 to \$300 million and enhancing Estée Lauder's marketing capabilities to stimulate growth by exiting nonprofitable businesses and optimizing its supply chain.

Digital marketing is now mostly used as a strategy. To date, the company is primarily modifying its marketing budget to dedicate a substantial portion to influencers. "Seventy-five percent of our investment now is in digital social media influencers, and they're revealing [themselves] to be highly productive," says Lesley Crowther, Vice President, Consumer Engagement and Retail. The approach is designed to reach millennials who are inclined to buy products to pamper themselves. The company's online strategy made this a reality. That is why Estée Lauder uses online advertising, email advertising, social media campaigns, and e-commerce.

Estée Lauder's challenges in the future: what's next?

In the cosmetics sector, companies have implemented a broad set of innovations, both technical and marketing-related. However, the industry is subject to both research constraints and intense competition. Estée Lauder needs to successfully develop its products and services to meet new emerging consumption trends and behaviors as well as the needs of a new group of consumers, namely young people. The company's main challenges are:

- *Keeping up with millennials:* Estée Lauder is already investing heavily in engaging with millennials. Hiring Kendall Jenner as a brand ambassador and using digital marketing to reach its young clients are some examples, but are they enough? With the increased competition and millennials having a reputation of being less loyal than their parents used to be, this is a significant challenge for the future.

- *Investing in data analytics* can help the company improve its business and personalize clients' experiences even more. The insights the company can generate from its database could allow the industry to completely shift its focus onto what customers' demands are. Artificial intelligence could ensure the company's survival for the long run.
- *Regaining clients' trust*: In 2020, Estée Lauder experienced a data breach (440,336,852 logs and records were publicly available), and the company's reputation still has not recovered from it. Because customers highly value the privacy of their data, a big challenge for Estée Lauder will be to regain their trust.

Thus, to develop a competitive advantage, Estée Lauder has to innovate in terms of how it communicates and connects with its audience, especially young people. It has to go beyond traditional media, such as magazines and outdoor advertising. It must adapt to new trends and master new techniques to maintain its market share. Creating a consumer-centric strategy by considering user-generated content could also allow Estée Lauder to strengthen its marketing strategy.

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Questions for discussion

1. Describe the components of Estée Lauder's customer experience. How can the company improve the customer's journey before, during, and after a sale?
2. How has Estée Lauder changed its marketing strategy to integrate the customer experience? Are these changes in line with today's consumer needs? Are they in line

with people's cosmetics and beauty experiences in different cultures? Explain your point in terms of the following markets: The United States, the Middle East, and Europe.

3. Describe how Estée Lauder can use Big Data, mobile shopping, and extended reality technologies, such as virtual reality (VR) and augmented reality (AR), to elevate the customer experience. What are the advantages and disadvantages of each? Is there another technology Estée Lauder could use to improve the customer experience? At which stage should the company do so, and what would be its added value?
4. Explain how Estée Lauder can adapt its stores to a new segment, namely kids, by offering them a suitable beauty shopping experience. What purchase phases should Estée Lauder integrate, and how should they be combined?
5. Discuss how Estée Lauder can design a satisfying and profitable experience to reinvent the cosmetics retail sector and attract the silver female consumer generation. How do you think Estée Lauder should alter the customer experience for different generations, including Gen Y and Gen Z?

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) at Estée Lauder. Your job is to design a new experiential offer, the "Estée Lauder Coffee Shop Experience." How would you design it to capture the DNA of the brand? What kind of marketing research could you use to learn more about the needs of potential customers? What would be your target?

PERSPECTIVES ON THE SECTOR



Pamela Danziger, Unity Marketing, Retail Rescue & American Marketing Group

In the world of luxury and fashion, the term "customer experience" is much like other words like quality, craftsmanship, or even the word "luxury" itself, so overused that they are rendered meaningless as a result. Forrester, the research firm, which publishes the Customer Experience Index (CX), defines customer experience as encompassing three variables: useful (deliver value), usable (make it easy to find and engage with the value), and enjoyable (emotionally

engaging so that people want to use them). The emphasis in that definition is on the customers' value perception of the brand as they interact with it at every

touchpoint along their customer journey. The perceived value is delivered through an emotionally engaging experience throughout the customer journey. Therefore, the luxury customer experience happens before, during, and after the sale, every time the customer holds, wears, admires, or thinks about the luxury brand. It doesn't happen just in the store or online. That is where brands engage in customer service, but the ultimate customer experience of a luxury brand goes far beyond customer service. To create the ultimate customer experience in luxury, brands must focus on deeply understanding the needs, aspirations, and desires of customers and continuously enhance their value perception. It starts with the customer and works out from there.

The luxury sector, as a whole, has been slow to adapt to the digital world. But since the 2008/2009 recession, luxury brands have made extraordinary investments to play catch up. With most luxury brands now comfortable selling online, with the notable exception of Chanel, many of the luxury players are going deeper into the digital market. Why? Because that is where the growth is. Bain's 2019 Luxury Goods Worldwide Market Study found that online is the fastest-growing channel, increasing sales by 22 percent. What's even more telling, the online channel influences 75 percent of all luxury goods transactions.

Digital disrupters got an early leg up on the digital revolution, as luxury brands were not convinced that their customers wanted to interact digitally. This gave running room for brands like Farfetch, Net-a-Porter, Bonobos, 1stdibs, Parachute, and others to get off the ground. So impressed with the multi-brand fashion success of Farfetch and Net-a-Porter, LVMH thought it could do better and launched the S24 platform in 2017. Notable heritage luxury brands taking the lead online include Louis Vuitton, Badgley Mishka, and Gucci. But as luxury brands have all eyes on technology, they've been slower to adapt to the human side of the digital revolution. Using catchphrases like omnichannel or channel-agnostic, most organizations still run digital operations behind locked doors. That is because the technologists remain the experts on translating the brand's DNA into computer code. SAP's Lori Mitchell-Keller explained a significant hurdle for luxury brands is maintaining the perceived "cache of luxury in the online world." The digital revolution also calls on them to enhance the human experience, as humans, after all, have to interact with the brands either digitally or physically to make a purchase. Programming the social dimension into luxury brands' digital and in-store systems will require managers with skillsets acquired from anthropology or sociology, not necessarily in the computer science lab or the retail management track.

My company, Unity Marketing, conducts an annual State of Luxury study, surveying some 900 executives engaged in the luxury sector about the trends they see and their expectations for the future of their company and the luxury industry. While the coronavirus pandemic has been a massive disruptor to business-as-usual for luxury brands, hitting first in China, where luxury sales growth was already threatening to stall, and has caused brands to re-evaluate their global

opportunities. The U.S. market is ripe for further development because the number of genuinely wealthy consumers is much more significant in the U.S. than in any country in the world, even China. For example, there are more millionaires in the U.S. (18.6 million) than in the next eight countries combined. According to Credit Suisse's Global Wealth Report, by comparison, No. 2, China has only 4.4 million. But as luxury brands lean into the wealth class, there are cultural undercurrents that are turning against the wealthy elite. Where wealth used to be something the affluent wore proudly, today, the wealthy are retreating into their cocoons, living behind walls, and going increasingly inconspicuous. As the rich get richer, everybody else has fallen behind. Income inequality is causing resentment to grow among the hoi polloi and anxiety to rise among the wealthy.

The result can be catastrophic, as we have seen in the Yellow Vest uprisings in France and the Hong Kong democracy protests. The coronavirus has effectively thrown more fuel on the populist firestorm, as people have taken to the streets to protest the massive shutdown of economies around the world and draconian shelter-in-place orders. A growing backlash against the wealthy elite and the status symbols that define them will have a direct impact on luxury sales. The watchwords for the wealthy as they come out of this time of anxiety and uncertainty will be privacy and security. This will only make it more challenging for luxury brands to connect with them in the future. But on the other side of challenges lie opportunities. Here are the growth opportunities identified in the latest 2020 State of Luxury Report:

- *Collaborations*: Some 50 percent of luxury industry insiders identify this as a growing trend in 2020, and it doesn't just apply to streetwear brands, but to true-luxury collaborations, like Armani and Ferrarri.
- *Sustainability*: The luxury resale and rental markets and lab-grown diamonds illustrate opportunities for companies to create sustainable new business models that address the growing concern for sustainability among consumers.
- *Personalized experience*: Every luxury consumer is an individual who deserves to be treated in a way that acknowledges his or her specialness. Bespoke, made-to-order, and hands-on, customized design, travel, and other services are the highest expression. "Consumers have a quest for experience and luxury that delivers a story. They find it in handmade, artisanal products, and personalized services," said an insider.
- *Craftsmanship and quality*: The future for luxury is to return to its roots of craftsmanship and quality after too long, letting those slide in the search for sales growth. The idea of craftsmanship doesn't just apply to luxury goods either. The best luxury service and experience brands take a craftsman approach to the professional services they provide, whether in the home or on the road. That craftsmanship guarantees quality.

This luxury insider sums up the opportunities for 2020 and beyond:

Broad cultural/societal diversity will challenge brands to attract and provide a voice to diverse creative audiences. The ones that get it will stand out and create more interesting and differentiated products and services. This is a great opportunity for new, emerging brands.

As well as heritage brands, I would add.

Author's perspective on experiential marketing

Online video "Introducing concepts & tools"



- Access the link www.youtube.com/watch?v=PukwRygwW0g&t=80s or flash the following QR code to view a short video featuring the author, who introduces and explains the concepts and tools companies can use to implement a successful experiential marketing mix strategy.



How B2B and consultancy firms are leveraging the customer experience

In the same way that we acknowledge the importance of B2C customer experience, companies should not neglect the B2B experience. A great B2C experience always starts with a successful B2B experience that integrates both rationality and emotions. By developing a better B2B experience, a company can better allocate and manage its internal and external resources. B2B and consultancy is a sector that's just as competitive as B2C. However, in this context, B2B customers are still expecting a privileged relationship with their suppliers. For instance, offers and services are tailored as carefully as possible to the client's needs. B2B clients are also individuals and are thus exposed to innovative and differentiating customer experiences that they wish to find in their business practices and relationships. Therefore, companies in the B2B and consultancy sector should shift from a client-supplier relationship logic to a partner relationship. A B2B company can do so by positioning itself as an expert and a key player in offering satisfying B2B customer experiences. How? By transforming salespeople into real advisers who provide solutions and jointly develop products and services with their customers.

New fundamentals such as these are being encouraged by all B2B companies. The first focus is on improving the B2B client experience; the second is to place digital at the heart of the B2B client's journey to develop a sustainable competitive advantage. In this chapter, I introduce three company cases that examine major B2B companies, namely, General Electric, Accenture, and NASA. All are presently aiming at enhancing the B2B experiences of their clients. I will first explore the story and the marketing strategy behind each company. Then I will examine each company's B2B customer experience strategy alongside the use of digital devices. Finally, I will present the key challenges each company faces in the future.

Learning outcomes

After exploring and solving the questions and challenges presented at the end of this chapter, you will be able to think critically about the client experience strategies B2B companies are pursuing. Also, in the online video provided, "Introducing concepts & tools," you will learn more about the B2B customer experience and experiential marketing strategies and how companies in the B2B and consultancy sector can design the perfect B2B customer experience both online and offline.

Company case 16: General Electric and its new experience-led strategy

As in B2C, many B2B companies, including General Electric (GE), are now following a multichannel journey that diversifies potential points of contact with their clients. Such a journey offers many opportunities for improving and differentiating a company's B2B customer relationships. In the age of digital and Big Data, the points of contact with the B2B clients are multiplied. Previously, General Electric did not know enough about its B2B customers and even less about the end-users. Now it has an excellent opportunity to learn more about each and personalize its offers to them. General Electric was the first B2B company to adapt its online content and its presence on social media. The company has a strong presence on social networks and offers a fluid and customer-oriented website. For example, GE posts videos on YouTube describing technical information and solutions related to its products (e.g., a tutorial on gas turbines). Hence, it is vital to understand the story behind General Electric's success and the challenges the company faces. The way it adapts to the expectations of its B2B customers to differentiate its offerings from the competitors is also worth exploring.

How did it all start? General Electric's success story and marketing strategy

General Electric traces its history back to 1890, when Thomas Alva Edison, a famous American inventor who lived in Menlo Park, New Jersey, merged some of his business interests into a corporation to form the Edison General Electric Company. In 1892, the company merged with the Thomson-Houston Electric Company (based in Lynn, Massachusetts) to form the General Electric Company under financier J.P. Morgan. GE was registered in Schenectady, New York, which was also the company's headquarters for many years. Around the same time, Canadian General Electric, the company's Canadian counterpart, was formed.

General Electric was one of the founders of the Dow Jones Industrial Average, when it was established in 1896. It is the only company that was initially listed on the index more than 119 years ago. In 1911, General Electric absorbed the National Electric Lamp Association (NELA) and established the headquarters for its lighting equipment division in Nela Park in East Cleveland, Ohio. Then, in 1935, GE was one of the 30 largest companies listed on the London Stock Exchange. In 1919, GE founded the Radio Corporation of America (RCA) to promote international radio. GE used RCA as its radio division until 1930 when the company left GE. RCA itself quickly became an industrial giant.

GE has a long history of working with turbines in the field of energy generation. The company introduced the first turbochargers during World War I and continued to develop them during the war period. As a result, GE became indispensable in the years before World War II. GE also introduced Frank Whittle's jet engines to the United States in the 1940s. This situation led to the founding of GE Aviation, which is now the largest engine manufacturer in the world, followed by Britain's Rolls-Royce plc, which led to designing and manufacturing reliable, innovative, and efficient engines. In 2002, GE acquired Enron's wind-energy interests during Enron's bankruptcy proceedings.

GE has developed a broad line of computers over the years, including general-purpose computers (such as the GE 200, GE 400, and GE 600 series), real-time process control computers (including the GE 4010, GE 4020, and GE 4060), and menu-switching computers (such as the Datanet 30 and Datanet 355). Also, GE developed the GECOS operating system (renamed GCOS), initially designed for batch processing, but later redeveloped to facilitate sharing and transactional management functions. In addition to RCA, over the years, GE has acquired many business entities, such as NBC (in 1986) and Universal Pictures (in 2004), among others.

Although GE began as an engineering company, today its customers are numerous and diverse. GE operates in many different sectors, thanks to its multiple subsidiaries, such as GE Healthcare, GE Aviation, GE Digital, GE Capital, and GE Power. The company supplies healthcare solutions, including medical imagery devices and hardware to hospitals and clinics; in aviation, it supplies airplane engines to the U.S. military and aerospace companies, such as Airbus, Boeing, and Embraer. In the power distribution industry, GE supplies turbines for power generation companies such as EDF; in the digital sector, GE supplies companies such as Apple, Microsoft, and Huawei.

General Electric's competitors are other engineering companies, including Philips, Mitsubishi Electric, Honeywell, Siemens, and Schneider Electric. Regarding market share, General Electric's is greater than most of its competitors. Its mission statement is to "build, move, power, and cure the world." The company achieves these goals as a result of the advanced machinery it supplies to its customers. In 2018, GE was the world's 18th largest company, based on gross revenues.

While it is one of the world's biggest companies, before the year 2000, GE did little marketing. Its marketing team was comprised of people who had begun their careers with the company as engineers, salespeople, or Six Sigma leaders. They had been promoted because they were strong performers who had worked in the same industries as their customers. GE realized this strategy was not working. It needed to hire people with more classical marketing experience. After the 2008 financial crisis, GE discovered that their marketing during the previous five years (2003–8) was insufficient. The company realized that the following profiles were needed to transform GE's marketing into a strategic function: instigator, innovator, integrator, and implementer. GE refers to the roles as the "marketer's DNA."

- *Instigators* think strategically and see what other people in the business do not see.
- *Innovators* think about using unique marketplace insights to come up with products, services, or solutions based on untested ideas. The more an idea deviates from the status quo, the better the market opportunity.
- *Integrators* communicate the insights and unite GE's marketing efforts with everyone inside the organization. In other words, integrators "cross the bridge" between groups to get their buy-in.
- *Implementers* are people who will execute a plan, idea, or strategy. They get things done.

All four roles are essential, but it is rare to find a marketer who has them all. However, by identifying each role, GE can quickly recognize marketing leaders with the right DNA for each position. As one marketing executive put it: "We identify our top 50 up-and-coming marketers as 'rock stars' and make their development a company priority."

Today GE treats marketing as a crucial function. The success of GE's marketing and communication strategy is its storytelling. Although GE's products are technical ones

(wind turbines, gas turbines, storage batteries), it doesn't mean that the company's communication focuses solely on technical specifications. GE understands that it needs to give people what they want to read; that is why the company's content marketing works well.

Given the scope of its operations across industries, General Electric uses differentiated targeting strategies to satisfy the changing needs of its customers located around the world. GE's communications and marketing are carefully thought out and designed for the various industries, considering external factors that affect GE businesses and their remote or macro-environment. An attribute that GE insists on highlighting is the variety of its products and the company's ability to cover a wide range of needs and preferences. In addition to promoting diversification to grow the business, GE products are competitive through their uniqueness and quality, before, during, and after their purchase. This is well reflected in the company's general marketing strategy, despite the existence of a different strategic management for each segment of the business.

While diversification and the ability to cover many customers' needs are central to GE's communications and marketing strategy, GE adapts it to the characteristics of the different segments and locations in the global market. GE products are sold through authorized distributors and sales representatives, and online services. GE's centralized website redirects users to the portal of the segment they are interested in, where they will be offered the option of acquiring GE products or contacting a GE team for inquiries. Once again, the availability of this service depends on the scope of the purchase and industry itself. For example, a plane manufacturing company willing to buy a batch of a few tens of jet engines is more likely to place the order directly through its GE agent responsible for managing the client account.

On the other hand, online shopping is more convenient for private persons or individuals acquiring appliances for their homes. As per the way products are promoted, GE prioritizes direct marketing and public relations while also using advertising and sales promotion in some segments. In the healthcare segment, for example, direct marketing is used to promote the company's digital products to concrete professionals and organizations in the industry. Similarly, aviation products are marketed directly to airline companies and operators of the Aviation segment.

Advertising is particularly used in the segments where mass audiences (general people, in their homes watching TV) are the clients. Two notable examples are GE Appliances and Healthcare businesses. In GE Appliances, campaigns highlight the qualities and attributes of GE domestic appliances, such as dishwashers, fridges, and freezers, washing machines and ovens, all by GE-owned brands. In the GE Healthcare division, advertising campaigns reflect on the international focus of GE and its ability to give individuals the best treatment in every corner of the world. The "Say Ahh" 2012 ad, for example, shows people being asked to open their mouths and say "ahh" while the doctor checks their throat with the special flat-wooden stick. Images show not only one individual but many, with very different physical features and in very diverse environments, from a doctor's modern office in the middle of the city to a man in a "Khaima" in the middle of the desert. With such communication tactics, GE expounds the message that it is "everywhere" and can cover everyone's needs, no matter how remote their location is.

Sales promotion often takes the form of special offers to promote a variety of products in electric lighting and consumer appliances. At the same time, public relations promote the company's products through goodwill as a means to give visibility to GE. With the same goal in mind, GE has closed deals to sponsor events the company wants to be

associated with. For example, GE was TOP program partner of the International Olympic Committee (IOC) and sponsor of the National Basketball Association (NBA) Boston Celtics. In both cases, the GE sponsorship led to the association of GE with sports, healthy lifestyles, dynamic activities, power, competition, and victory.

An important part of GE's communications and strategy to market the brand is a continuously voiced concern for sustainability and social impact. Such concern has an effect on the perception of mass audiences of the company, building an image of responsibility and commitment to the environment that helps GE's positioning in the consumers' mind and, consequently, in the market. The company's Corporate Social Responsibility (CSR) stance takes three primary forms. First, environmental, focusing on the preservation of the environment and the Earth's natural resources. Second, social, seeking the full development of its employees, customers, and communities. Campaigns to promote personal growth and social impact include HR Management delivering educational training for employees across divisions, and investments in vulnerable populations to improve their potential. Third, good governance, focusing on working with investors and government that give corporate citizenship programs a privileged relevance in their approach.

GE is also disruptive in terms of the way it approaches the media. The company works with a lot of different channels, partners, and mediums and is the first to adopt different platforms and create valuable content (e.g., on Snapchat, Instagram Stories, and Facebook Live), which helps position the brand as a leader. GE also uses LinkedIn. The company's YouTube videos and live broadcasts result in many views, which leads to engagement and feedback from customers. As a result, GE can see what clients are wanting and asking for.

Besides, GE is always exploiting the latest trends, such as virtual reality. GE marketers are also examining the potential of bots and artificial intelligence as well as voice automation. Says GE CMO Linda Boff:

We try to find ways to bring it to life, to tell that story in fresh, unexpected, human, and relatable ways that don't diminish the fact that we are not working on things like [just] bringing electricity to a billion people around the world.

Today's world is different. Consequently, Boff says her marketing team is divided into "three labs: disruption, creation, and performance – to put experiment at the heart of the business."

The main challenge for GE marketers is to keep the company relevant and attract new audiences. Consequently, the winning formula for GE is "a combination of ideal creative, a critical storytelling element, being unexpected, and unapologetically ourselves," says Boff. The goal is to humanize technology and make the GE story relevant. The success of GE's marketing and communication team focuses on its users and how the company can serve them and apply technology to meet their needs.

How is General Electric transforming the B2B customer experience?

While praising technologies and its "obsession" for innovation, GE acknowledges that it cannot leave human power and people behind. Thus, it tries to promote the former while reminding that the latter is as important. The advertising campaign "Performance Machines" is an excellent case of this balance between the new sources of power and the traditional or old-fashioned: humans.

The ad shows professional athletes competing with GE engines and other machines, in a competition where general audiences were asked to engage online and choose between supporting the machines or the athletes. This campaign was very beneficial to people's conception of GE for three main reasons: first, it reminded the public that it still puts people and their needs and preferences at the top of priorities; second, it led to massive engagement by regular customers and possibly new ones among the athletes' fans who engaged for their love for the idols; and, three, it worked as a link between the company and the ideas of sports, healthy lifestyles, power, strength, victory, and team-playing.

As a world leader in energy, GE offers technology, solutions, and services for the entire energy chain, from generation to consumption. The company's customers operate in more than 170 countries; together, they supply more than a third of the planet's people.

General Electric has created a new approach to its customers when it comes to generating energy. The company's main objectives are to offer "affordable, reliable, accessible, and sustainable" products to its customers. The company thinks about how it can provide full service to its customers and maintain a sustainable relationship with them, not only in terms of producing and distributing energy but in terms of how clients can develop their energy-producing machines and implement a digital plan without creating a new department to work on it.

Most energy providers are just focusing on the implementation, production, and distribution of energy. In contrast, GE redefines the energy service experience by providing full service, including a digital plan-of-the-day (DPOD) tool for customers that enables them to manage solutions that focus on automation and the high-performance of the wind-power metric. Some countries spend vast amounts of money on energy because their energy devices do not correspond to the country's right power. For example, a company might implement a turbine wind generator when the wind performance is lower. GE helps customers capture the maximum amount of energy at the lowest cost by analyzing the power with a digital service.

Compared with other energy providers, such as EDF, National Grid, and other international energy providers, GE is mostly focusing on how it can meet all the needs of its B2B and B2C customers and how it can promote a positive experience for them when it comes to producing energy. The difference lies in how GE analyzes the customer experience and how it uses digital technology to gain its customers' trust. GE also works on distributing a wide range of energy products in more than 80 countries around the world.

Nowadays, GE is transforming the customer experience by taking a global approach to its energy service. Previously GE only implemented, produced, and distributed energy. Today, GE provides a complete offer to enhance the experience of its B2B customers. Among its services and products, we can cite the GE's Power Up for digital wind solutions. This flexible offering lets wind farm operators pay only for confirmed performance improvements. GE also provides Solar PV monitoring (designed to increase yield through analysis and enhancing proactive solar power plant maintenance strategy) with some digital applications that analyze the energy production of an energy device. With the digital service, customers can analyze the performance of wind metrics and analytics and use GE's digital plan-of-the-day tool. Power Up analyzes the performance of the turbines.

Customers like GE's services and want to collaborate with the company, which is one of its objectives. Says David Lau, DIF Capital Partners' Head of Asset Management North America: "We have been delighted with GE's strong performance to date and

are delighted to continue our relationship. Thanks to our strong partners, Idaho Wind Partners is certainly a well-performing project in our portfolio.”

General Electric’s B2B consumer-centricity and touchpoints

General Electric started to develop its main touchpoints due to the necessity to remain relevant and deliver extra value to its consumers. That meant going beyond just selling wind turbines, gas turbines, or storage batteries. What clients want is additional value. GE realized that the key is being there for its customers. That, in turn, led GE to deliver its touchpoints.

To enhance the interaction between the customer and the company, GE’s website is designed to be simple, well-structured, and visibly attractive with a wide range of images and colors. The first thing the user sees is something being typed that reads, “What can we help you find?” or “What are you interested in, and how can General Electric help you get that information?” This message goes away after a few seconds, and another one comes up, inviting users to type what they need in the search box.

These attributes serve the purpose of making visiting the website a hassle-free experience, so that the user revisits it again. Sections are clearly differentiated, and users can access their areas of interest with a simple click. Moreover, each section’s key messages are highlighted in bold in a way that catches the eye of the reader and takes him or her straight to the point. Moving images or short videos played on rotation also makes the experience less dense and visually pleasant.

GE has positioned itself as a company that is driven by technology, and that offers value through quality products and services for a range of customers across the world. To offer a differentiated experience from that of its competitors, GE has to carefully plan any interaction with its customers. These interactions, technically also known as “touchpoints”, include beyond the company’s general website, the online portal of each one of the GE businesses, its agents managing client accounts and those in public relations, social media accounts in different platforms, advertising campaigns, and the company’s messaging in general, mainly issued online. Sponsorships are another touchpoint for GE as they connect B2B and B2C customers to the brand and establish a direct association with specific ideas or concepts that favor it, such as healthy lifestyles and sports.

As per social media, the company articulates an adapted strategy to the audience of each of the platforms it uses. Instagram’s user base, for instance, is known to be much younger than that of Facebook. Taking this into account, the managers of key Instagram accounts affiliated to GE use a more juvenile and informal language to get their message through and transmit it successfully to younger users. For example, a post from the company’s general Instagram account (@generalelectric) shows part of a series taken by a Pulitzer-awarded photographer. The post strategically contains hashtags and tags to promote engagement with and increase its reach among Instagrammers.

Pinterest, another social media platform, has also served as a space for GE’s communications with its youngest audience. Since this platform allows for less text and is about uploading pictures with short captions, the company went for memes with Edison and short sentences of a more informal and playful tone.

Another important touchpoint is every interaction between GE and general audiences, where GE expresses its sustainability concerns. This voiced concern for sustainability plays a big part in the company’s image or, in other words, how customers build their

perceptions of the company and its operations. For this concern to be credible in customers' eyes, GE shows a strong commitment to take into account all the consequences of "being worried about the environment," rather than just saying the words. Keeping such commitment as well as transparency and accountability is extremely important in times of much more empowered users who spend more time researching the products they purchase and have more tools to access information about a company's "skeletons" or foul play, if any.

All these novelties together lead to public opinion being very volatile, so even a minor scandal could fatally harm the company's reputation. Taking this risk into account, GE makes sure that its Supply Chain Management and Product Design respect the principles of sustainability and reduce the company's footprint on Mother Earth. Thus, CSR programs for sustainable operations have been put in place in the gas and oil industry. Similarly, the design and promotion of its portfolio of products need to (and do) take into consideration the ever-growing environmental expectations of its B2B and B2C clients.

Further, General Electric offers a wide range of apps that have been helping customers. They include apps for GE Healthcare, PiCCo (includes formulas, references to scientific studies, and an educational game to balance fluid loading and inotrope therapy), or GE Aviation Support (available worldwide for aircraft owners or operators). The apps provide customer support in different fields and connect/interact with them using different approaches. Rather than just specifically selling GE's products, apps have become one of GE's touchpoints and a product differentiator.

As previously mentioned, one of the main touchpoints of GE is social media, including Snapchat, Facebook, Instagram, LinkedIn, and YouTube. GE publishes different content on the platforms to reach out to different targets. Boff says:

We've found when we're able to tell relevant stories – both about our challenges as well as our successes – in all ways – on channels, people reach out to us and share their experiences as well. That's allowed us to build relationships over time.

Social media are the perfect platforms to connect with the customers, interact, share, and, of course, tell stories about the human impact of what GE does. GE also excels when it comes to biotechnology software and solutions, which are transforming the health sector. The company is the only one in the industry with a cloud-based healthcare platform, for example.

Leveraging technology and digital to offer a great B2B customer experience

Technologies and continuous research for development and improvement are at the heart of General Electric's existence and operations. Its mission is to provide customers with the newest and most updated technologies for an upscale experience of its products across the business it operates in.

This drive for continuous innovation has been the backbone of General Electric since its origins with Thomas Alva Edison, inventor of the incandescent light bulb, first patented in 1879. From that point on, GE has continued developing new technologies over the decades, ranging from commercial plane engines, oil, and innovative gas pipelines, the latest transportation means and healthcare systems, to home appliances. This was possible by merging with smaller companies with groundbreaking

findings, which GE would perfect after the acquisitions. Throughout its history, GE has earned credit for multiple accomplishments in bringing the latest technology to many households and individuals across the world. In 1922, for example, GE started to make electric home appliances, such as refrigerators, washing machines, and stoves; and in 1927, GE developed the first television. A few years later, in the 1930s, moldable plastic revolutionized mass manufacturing. In 1941, GE made the first American plane engine, and in 1957, "GE opened the first nuclear power plant near Pittsburgh [in the U.S.], which stayed open until 1982," as *Business Insider* reports.

The pursuit of ultimate innovation and technological leadership peaked with former CEO Jack Welch's decision to fix, sell, or close all GE businesses that were not leading in their market. This decision also involved new mergers as a means to access new products and use innovation and technology to perfect them at GE. Supported by a very positive stock-value trend during his leadership, most analysts identify Welch as the best CEO of GE, partly because of this explicit declaration to be "the leader" in all the business areas GE operated in. Further, the technology and digital legacy started with him and his approach to defining GE: not merely as a manufacturing company but as a "boundary-less" business. A substantial improvement embodied this shift in the company's performance on the stock market: GE grew from a \$25 billion to nearly a \$130 billion giant by the time he stepped down in 2001.

In the later years with Welch's successors, GE continued praising technologies and innovation as its sense of being. Jeff Immelt (2001–17) believed that companies need to eventually turn into software companies. In an interview for Charlie Rose, Immelt said:

It's our belief that every industrial company in the coming age is also going to have to be a software and analytics company. The people that deny that digitization is going to impact every corner of the economy are going to be left behind. So we're investing massively in that, but really around industrial assets and not around things like the consumer Internet.

As a consequence, GE repositioned itself as a high-tech digital industrial company, and new technologies were put in place to offer the ultimate experience to customers. Today, GE leverages data, collected and processed by the most innovative systems, to operate across all its industries. The latest technologies include the newest plane engines, smart systems to monitor patients getting medical treatments, ways to create renewable power sources, more resistant and eco-friendly oil and gas pipelines, more energy-efficient lightbulbs, smart financial services tailored to each client's needs, and innovative drugs to cure diseases.

The culmination of these efforts is GE's Predix, the world's first Industrial Internet platform. As explained in the article "Become a Digital Industrial Company," published on GE's website, Industrial Internet has the power of "changing the face of global industries for generations to come."

[Using] data as the fuel and advanced analytics as the growth engine ..., Predix turns data and intelligence into actionable insights and employs the latest innovation, including digital twins, to optimize assets and operations. All this ... is supported by a robust ecosystem that accelerates app development. The industry is reinventing itself for the digital age, and Predix makes it possible.

Such technology allows for factories to work at the highest possible efficiency, providing a client with real-time control and information on all its manufacturing processes. More data can also inform better planning of machine maintenance, without stopping lines for revision until it is necessary. Further, this new system also protects industrial data, applications, and control networks from possible malicious software threats. This is done automatically and continuously, with no need for technicians or an IT department's action. The continuous and real-time collection of data also brings the client's analytic capabilities to an infinite level.

Moreover, it allows the client to minimize downtimes, optimize a plant's performance, and react to changing trends in the market "with flawless agility." With this revolutionary system, engines, devices, and other machines stream data back to manufacturers after being sold to the client, which informs product development and helps maintenance. As *Forbes* states, old companies such as General Motors and GE are becoming, in no small degree, information technology companies with the introduction of such innovative technologies.

Therefore, we can say that General Electric uses information technology as a fundamental tool to provide better service and quality. In recent years, GE has focused on investing more in future-oriented industries and data-based services. Jack Welch, who was president of General Electric for 20 years, has said that the only way to create value and grow in today's world is through innovation. This mentality has pervaded the company for many years; its goal is to innovate to maintain its success.

General Electric is also an Industrial Internet actor. The Industrial Internet allows companies to use sensors, software, machine-learning techniques, and other technologies to collect and analyze vast volumes of data from physical objects and other sources, and then to use the findings to manage operations and offer new value-added services. According to GE, the Industrial Internet was conceived as a source of high operational efficiency and innovation that arises from the convergence of various technological fields. With this, the company can, first of all, have a high volume of data (Big Data), and this is available to any firm in the industrial sector. This is obtained via incorporated sensors, data capture mechanisms, software, learning techniques, and other technologies. For example, data from equipment, products, factories, supply chains, or hospital material can be gathered and analyzed.

Moreover, the sensors GE uses in its machinery regularly measure its performance to improve locomotives, propulsion engines, MRI machines, and other equipment. This operation helps avoid unplanned interruptions and improves the performance of the products. GE can make any modifications it needs to because it knows what happened before and after with its products. In the same way, it can predict what would happen if it makes a specific modification to a product. Questions such as the following can then be answered: At what point was the process most efficient? What business opportunities does the modification present? This is very important for GE because it helps the company meet one of its objectives: to help society.

A clear example is fuel consumption. By optimizing one particular operation in the aeronautical industry, GE estimated thousands of million dollars could be saved. This is significant and an example of how GE creates value for its customers. GE offers them the basic functionalities and a better return on their investment.

Another sector in which improvements have been made is in the healthcare sector. Sensors and transmitters have been placed in the beds of hospital patients to track which beds are actually in use, which could result in 10,000 more patients a year being

admitted to hospitals. Thus, technologies are embedded in each service GE offers to improve the productivity and reliability of its products and, in turn, generate profits for GE's clients.

General Electric's challenges in the future: what's next?

General Electric is committed to giving its customers an upscale and unique experience through the latest technologies, quality, and great service. This engagement, combined with the company's efforts to continue being present in many businesses, markets, and regions, has a very high handling cost. In addition to running with multimillion costs, corruption scandals, and alleged malpractices by GE's management in the last years have put the company in a very complicated position.

GE's reputation has been affected by recent fraud accusations made by Madoff whistleblower Harry Markopolos, an "accounting expert who raised red flags about Bernie Madoff's Ponzi scheme." As the *Wall Street Journal* (WSJ) reports, Markopolos released a report on GE's general accounting, where he claimed that the company's cash flow situation was far worse than it disclosed. Financial trouble has also led to different views on what strategic management should focus on. For example, there are talks about divesting some of GE businesses in line with Welch's decision to keep only companies where GE is the leader.

In the latest Annual Outlook session covered by Emma Quigley and published on GE's official website, "GE's 2019 Outlook: Building on Strengths and Tackling Challenges," GE Chairman and current CEO H. Lawrence Culp Jr. acknowledged the financial trouble the company is in. He stated: "GE's challenges are complex but clear ... We are facing them head-on as we execute on our strategic priorities to improve our financial position and strengthen our businesses." He presented the company's plans to strengthen its businesses in front of analysts and investors, projecting on his goal to revert the numbers and counterbalance GE's huge debt:

GE is expecting Industrial organic revenue (non-GAAP) growth in the low-to-mid single digits and adjusted Industrial free cash flows (non-GAAP) in the range of negative \$2 billion to \$0 billion. Looking ahead to 2020 and 2021, GE expects Industrial free cash flow to return to positive territory in 2020 and accelerate thereafter in 2021.

An important driver of GE's financial and cash trouble was the delay of Boeing in the payment for engines it received from the conglomerate last year. In fact, CEO Culp forecast in January GE's first-quarter free cash flow at a negative \$2 billion, attributing it directly to complications with the 737 Max jet, which has been taken out of the market worldwide after the two deadly crashes that killed 346 people. In March, Culp told *CNBC* that GE had reached an agreement with Boeing and is close to resolving the Boeing 737 Max jet issue. *CNBC* reported that "the agreement with Boeing was reached through GE's joint venture with French aerospace company Safran." It sets the ground for GE to "catch up and be paid during the course of this year." Culp added that this "will be a good thing at a time of some volatility to assure folks with respect to our cash position," which is a possible implicit reference to the scandal surrounding the company after Madoff whistleblower Markopolos released his report on GE.

Multimillion debts, corruption scandals, fraud allegations, and a hypothesis of a possible bankruptcy all hurt GE. In particular, they are counter-productive to GE's continued efforts to market itself as a transparent and reliable company committed to corporate social responsibility and fair play. Additionally, the association of GE with the plane manufacturer Boeing does not favor the company either since its 737 Max jets' engine errors led to deadly crashes and the deaths of hundreds of passengers.

Moreover, other challenges emerge as GE goes forward with implementing the newest technologies. The company's reliability and the trust customers give to it are fragile in the era of smartphones and accessible information. As public opinion is very volatile, easily impressionable, and hard to change once it has reached a verdict, GE will have to be extremely careful with the limits of digital rights and user privacy. For example, some users can find it intrusive to have ovens and refrigerators regularly sending data back to the manufacturer. Despite the official goal being "the best interest of the consumer" and "quality improvement," such data allow for building profiles and gathering sensitive information, such as estimation of how many people live in the house and on when the house is empty – continuous data collection can track at what times there is activity in the house.

Besides, to compete in the industries in which it operates, GE must increase its technology investments. However, the company has recently experienced financial problems and has laid off thousands of employees. GE has laid off half of its aeronautical construction workers and about 10 percent of its engine workforce. Doing so is perhaps necessary, but it will create new problems because each employee plays an essential part. Consequently, GE must revamp its strategy to face these challenges.

Lastly, another challenge was triggered by the Covid-19 pandemic that broke out in late 2019 and early 2020. The drop in oil prices, weak demand for aviation, transportation, and power generation equipment will undoubtedly affect GE because many of its clients operate in related industries. These companies' sales fell, affecting GE's sales as well. "The difficult thing about this is that it is being reflected on all continents," notes GE's CEO, Larry Culp. General Electric had already planned to freeze the pensions of approximately 20,000 salaried employees in the United States to reduce its debt.

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Questions for discussion

1. How is General Electric leveraging digital technology to enhance its relationship with its B2B and B2C customers? Discuss the digital devices and technologies implemented by General Electric to improve the customer's journey at different touchpoints.
2. How has General Electric shifted its marketing strategy over the years to focus more on the B2B customer experience to remain competitive? Are the changes in line with the needs of today's B2B customers and their expectations?
3. Describe how General Electric can increase its market share by attracting new clients. What kind of B2B experience should General Electric offer to reinvent itself and target these new clients?
4. How can General Electric manage the B2B customer experience and employee experience? Describe the difference between the two types of experiences and explain how they can be complementary.
5. Discuss how General Electric can expand its offering to cover the market by leveraging data. What elements should General Electric integrate with its digital strategy to achieve this objective?

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) at General Electric to create a new experiential B2B offering through its digital platforms. What would be your starting point? What kind of platforms and social media would you focus on? How would you go about identifying online and offline experience touchpoints to deliver a relevant B2B customer journey?

Company case 17: Accenture, the great consultancy experience

A company like Accenture understands very well the importance of developing knowledge and knowing better its B2B customers' needs to provide them with the right service and highest-quality products. By focusing on improving its B2B digital experience, Accenture allows its clients to navigate like B2C clients with filters to facilitate their research, the

possibility of downloading visuals and situational modules, and the possibility of obtaining samples with a click. Digital tools also allow Accenture to identify its customers and personalize its offers to them. To differentiate itself, retain its customers, and attract new ones, Accenture is currently implementing multiple B2B strategies and tools that are an integral part of the rational and emotional aspects of its B2B customer experience. Let's deepen our knowledge about the emergence of this successful company, learn more about its challenges, and how it is adapting to the new expectations of B2B customers.

How did it all start? Accenture's story and strategy

Accenture was initially the business-and-technology consulting division of the accounting giant Arthur Andersen, formerly one of the top accounting firms in the U.S. Accenture's goals are as follows:

- *Mission*: "Solving real business challenges of the clients through innovation and deep industry knowledge."
- *Vision*: "The people to lead, the knowledge to transform, and vision to transform."

The division initially started out by implementing administrative-services tools for Arthur Andersen's clients, such as General Electric and Bank of America. For example, the division designed and installed the BankAmericard (later VISA) system for Bank of America as well as BaseV, an operating system used for IBM computers.

Several revolutionary projects occurred within the division over the years: a system integration project; the first significant applications software package, FIN-PAC; Lexicon, which was the first comprehensive data dictionary for businesses and computer systems; a real-time commercial software package (DCS); and METHOD/1, a structured approach to planning, design, installation, and support.

In 1980, the division was rapidly expanding and renamed the Management Information Consulting Division. At the time, it had 5,000 employees and generated approximately \$250 million in annual revenues. In 1989, Arthur Andersen's partners voted to make the consulting a separate unit of the Andersen Worldwide Society Cooperative (AWSC). That same year the consultancy group launched SMART Store 2000, which was opened to provide innovative solutions for retailers and the sellers of consumer packaged goods. By the end of the decade, the unit had 21,000 employees and generated a total of \$1.4 billion.

In 1990, Accenture's official magazine *Outlook* was launched. It mainly covers thought leadership in change management. In 1991, *Dialogue*, an internal news publication, was launched. In 1994, Arthur Andersen's Centers for Strategic Technology in Palo Alto, California, and France were opened. They are known today as Accenture Technology Labs. In 2000, the division and Microsoft jointly created Avanade, a joint venture to optimize Microsoft's investments.

In 2001, Accenture adopted the name it still currently has and was listed on the New York Stock Exchange under the symbol ACN. It ranks among the biggest 200 companies on the exchange. By the early 2000s, Accenture had 70,000 employees and generated around \$9.8 billion. Accenture was included in the Fortune Global 500 in 2002 for the first time.

In 2009, Accenture Interactive and Accenture Mobility were launched as new digital businesses. Many eco-friendly initiatives were also undertaken. In 2011, Accenture was

added to the S&P 500 Index. The company's latest Accenture Technology Lab opened in Beijing in 2012. In 2013, Accenture acquired three firms to enhance its creative design, digital content, and e-commerce capabilities. Then, Accenture Strategy was launched in 2014 to combine Accenture's business and technology strategies. In that same year, Accenture Digital was launched to combine its digital marketing, analytics, and mobility efforts. In 2014, Accenture acquired i4C, an advanced analytics software company. In 2015, Accenture Consulting was launched. Several other acquisitions were made later to enhance the company's capabilities in certain areas.

In 2016, Accenture opened a new cybersecurity R&D lab in Israel and its global labs around the world. In the same year, Symphonologie was launched. Symphonologie combines human insights with artificial intelligence. The pace of acquisitions accelerated in 2017. By the end of 2019, Accenture had 492,000 employees, was present in more than 120 countries, and generated \$43.2 billion. Accenture has become the leader in service and management consulting by implementing enabled solutions that are digitally advanced and customer-oriented. Today Accenture provides services to more than 40 industries and almost three-quarters of the Fortune Global 500 companies. Having such a broad clientele requires the company to use a mix of demographic, psychographic, and geographic segmentation.

Accenture's marketing mix is as follows:

- *Product*: Includes management consulting services, focusing on the processing of design works and appropriate technology applications in business; administrative services outsourcing, such as HR, business operations, IT applications, and maintenance, among others; providing the technological solutions needed to deliver projects; and supporting clients' activities ranging from security, marketing, legal, financial, and facilities management.
- *Place*: Accenture is a global company. It does not need to be physically present in a specific country to deliver its services. It has a presence in over 120 countries and provides services in more than 200 cities. Accenture strongly believes in establishing direct relationships with its customers and, therefore, has a network of efficient teams that serve the company, following its values. They reply to customers' needs on time, which results in open communications and loyal relationships with the company's suppliers, clients, and each other.
- *Price*: Accenture's services are premium priced because the company offers highly customized quality services to its clients. The pricing is sometimes flexible to allow the company to maintain and satisfy its loyal customers.
- *Promotion*: Accenture has a strong advertising program that includes television, newspapers, and public places like airports. Accenture also sponsors events. From 2005 to 2009, Tiger Woods was a brand ambassador for the company. Many slogans referred to this partnership. "Go on, be a Tiger" and "We know what it takes to be a Tiger" are examples. Today, the Accenture's slogan is "High performance. Delivered."

How does Accenture elevate the B2B customer experience and the client journey?

Accenture has several strong points that make it the preferred choice among its competitors. The main one is delivering high-value, exceptional services to its clients. Other strong points include the following:

- *A strong portfolio:* Accenture's expertise spans more than 40 industries around the globe. This expertise gives the company unmatched knowledge and know-how to deliver exceptional services to businesses. Accenture also has invested in interrelated functions and operating groups to create an efficient network that can address its clients' problems most effectively.
- *A financially stable group:* Having the reputation of being the largest consulting company globally (based on revenues) has its advantages. Having a premium-pricing policy and high margins allows Accenture to continuously focus on improving its knowledge and thus deliver exceptional services to its clients.
- *More millennials:* Most of Accenture's hiring focuses on youth generations. Significant amounts of money are spent on their training.
- *Acquisition strategy:* To gain more insight and expand its knowledge, Accenture regularly acquires new businesses specializing in specific fields the company is interested in pursuing. In 2019 alone, Accenture budgeted \$1.5 billion for acquisitions. Accenture's aggressive acquisition strategy enables the company to keep up with the constantly changing marketplace and allows it to continue to supply high-quality services to its clients.

The following is a list of acquisitions Accenture made in January–March of 2020 alone:

- January 2020: Sierra-Cedar's WorkDay, Salesforce & MuleSoft
- January 2020: Ideoclick
- January 2020: Symantec's MSSP business
- January 2020: SAP partner Maihiro
- February 2020: AlphaBeta Advisors
- February 2020: VanBerlo
- February 2020: Icon Integration
- February 2020: Mudano
- March 2020: ESR Labs for embedded software development

Accenture's customer-centricity and B2B experience touchpoints

Accenture's website is constantly updated with all the company changes, the new services provided, articles and findings, new lines of business, and new investments and acquisitions. Customers can also sign up for the Accenture Newsletter delivered via customized emails that recap the industry news relevant to their interests. Accenture is also very transparent in reporting its quarterly results, including the total revenue it generates, the number of employees it has, and its global reach. The transparency makes it easier for potential customers to trust Accenture when it comes to requesting consulting services. For example, the revenues generated by each service line is made available to the public at the end of each quarter.

Leveraging technology and digital to offer the ultimate B2B experience

Accenture is making sure it stays ahead of the game when it comes to data analytics and technology solutions. Its aggressive acquisition strategy is mainly in place to ensure it can provide new and exceptional services. The knowledge gained from its acquisitions

is directly put to use to serve its clients. Many of the services offered by Accenture are Big Data-focused and digital technology-related. On its website, Accenture states the following:

We're cracking the code on big data. Accenture invests heavily in R&D, academic alliances, and incubation of emerging technologies to advance the industry's thinking around big data and analytics. Our 900+ data scientists currently serve more than 2,000 analytics clients, 70 of which are Fortune Global 100 companies.

Accenture's primary focus is to help businesses leverage technology and use information and insights deduced from the analysis of their data to adjust their strategies and identify opportunities. According to a recent study by Accenture, the companies that use its services see practical results and significant value. Accenture has identified five trends companies must keep up with to succeed in the constantly changing digital age:

1. *DARQ power*: DARQ is short for distributed ledgers, artificial intelligence, extended reality, and quantum computing. These technologies are the catalysts of change and can offer companies revolutionary capabilities.
2. *Personalization*: Technological interactions are creating a tech identity for each customer. The next generation of consumers are looking for individualized experiences.
3. *Human + Worker (+machine)*: Humans are differentiated by their expertise and skillsets, in addition to growing capabilities made possible by machines. Companies must understand and support this.
4. *Security*: Security must play a key role in companies.
5. *MyMarkets*: Companies must be client-customized and provide on-demand experiences.

Accenture's challenges in the future: what's next?

As much as Accenture has been successful in the past, there are few challenges it might face in the future:

- *Economic downturns*: During a slowing economy, the demand for Accenture's consulting services will most likely slow down too. Accenture can undoubtedly add value to nearly any company that decides to enlist its services. However, when it comes to cost-cutting, consulting services are often the first companies to be dispensed with.
- *Acquisition risk*: As mentioned previously, Accenture has an aggressive acquisition strategy. It mainly focuses on acquiring smaller, niche consulting companies, especially those in the digital cloud and security industries. But there are risks related to acquiring companies. Acquiring a business that might not fit in with Accenture's culture could negatively impact the company.
- *Company culture and employee satisfaction*: Eighty percent of Accenture's employees would recommend the company to a friend, they say. However, Accenture's decision to cancel its U.S. pension plan, for example, could harm employees' retention.

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Questions for discussion

1. Classify Accenture's experience touchpoints. What might be the painful touchpoints that prevent B2B customers from collaborating with Accenture? How can Accenture improve painful experiences before, during, and after the B2B experience?
2. Describe how Accenture can use Big Data to elevate the B2B customer experience and create new attractive consultancy services and offerings.
3. How might Accenture rethink its B2B brand experience by shifting from consultancy services to consultancy experiences? How could such an approach affect B2B customers' emotions and transform Accenture's image?
4. Discuss how Accenture's storytelling and digital communication strategy can help the company differentiate its offerings and create value for its B2B customers.
5. How does Accenture communicate and create value for its B2B clients via its presence online? Explain how social media platforms are used by Accenture to attract new clients.

Challenge yourself

Imagine you have been hired to be Accenture's Chief Experience Officer (CXO) to boost its online presence and implement a digital strategy by leveraging B2B customer experiences. How can Accenture sell more services and provide its clients with useful, engaging, and emotional online consultancy services?

Company case 18: NASA, the art of the space experience

Space exploration is considered an industry like any other but is highly experiential and unique in nature. The National Aeronautics and Space Administration (NASA) uses digital and social media to target the general public. NASA's social media management is an example for many community managers. The organization has more than 500 social media accounts on 16 different platforms. Its objective is to make discoveries about our

planet, our solar system, and make the universe accessible to large audiences, including individuals and companies. By using social media to connect with people, NASA can share all of the fascinating and great things in an accessible way that allows the B2B companies as well as the general public to connect to its content easily and also make them live great experiences. It is thus relevant to explore the success story of NASA and its marketing and communication strategy. It is also essential to investigate the challenges and explain how NASA can adapt to the emerging needs of B2B and B2C customers.

How did it all start? NASA's story and marketing strategy

NASA is a civilian agency that is mainly responsible for planning America's space activities. NASA was a response to the launch of the satellites Sputnik I and Sputnik II by Russia in 1957. America was aware that the satellites were able to orbit the planet in 98 minutes and were concerned that Russia might be able to launch missiles from Europe and target America. The establishment of NASA marked the beginning of the space race between the two countries.

America first attempted to launch a satellite in 1957, but it exploded after takeoff. In 1958, the United States successfully launched Explorer I, which successfully orbited the Earth. NASA was officially established in 1961, and President John F. Kennedy announced that America would put a man on the moon before the decade was over. This was achieved in 1969 with the Apollo 11 mission. Astronaut Neil Armstrong was the first person to walk on the moon. As he did so, he declared, "That's one small step for man, one giant leap for mankind."

Ever since its inception, NASA has made groundbreaking discoveries about space, our planetary system, and the universe. It has been responsible for major human and machine expeditions as well as launching Earth-circling satellites that have played a major role in communications and weather forecasting. The agency also played a significant part in constructing the International Space Station. Some of the major programs that were led by NASA are as follows:

- *Human space flight initiatives*: Project Mercury (to assess whether humans can survive in space); Project Gemini (to practice docking and other space operations); Project Apollo (which ultimately led to the first moon landing).
- *Robotics missions* to the moon, Venus, Mars, and the other planets.
- *Research in aeronautics* to ensure that transportation is safer and more efficient.
- *The gathering of information* related to Earth via monitoring satellites; communication satellites.
- *An orbital workshop* called Skylab for astronauts.
- *The Space Shuttle*, which was a reusable shuttle used to travel to and from the Earth.

Because it has proven to be successful, many companies are now following NASA's lead when it comes to marketing. NASA's various social media accounts other than its main one, "@nasa" are specifically aimed to target niche interests. As examples: @marscuriosity mainly has info about the Mars Rover and the discoveries it made; @nasaspitzer is related to the telescope named Spitzer and the breathtaking images it captures; @asteroidwatch is for the people worried about the Earth getting hit by an asteroid. Other marketing and communication activities are also considered by

NASA to connect and share values with both B2B and B2C audiences, we can cite the following:

- *Partnering up with influencers*: Social media influencers are part of NASA's "NASA Socials" program. They are offered special activities and are invited to behind-the-scenes events at NASA, such as getting to meet astronauts and scientists. Influencers have the same privileges as the press to attend spacecraft launches, tours, and media briefings.
- *Educating people while entertaining them*: Many of NASA's social media posts combine humor with stunning pictures of outer space. NASA knows its audience and realizes that people on social media platforms are relatively young. So, NASA keeps its scientific talks to a minimum to keep these people interested.
- *Knowing what content its followers want and how they want to get it*: NASA learns from its social media followers and adapts accordingly. For example, NASA noticed that its followers enjoy seeing photos of outer space and behind-the-scenes photos for missions. The agency also noted that they like to hear messages, so it added audio clips and podcasts to communicate.
- *Humanizing machines*: NASA makes its robots and tools speak in the first person because the agency learned that people more easily connect with humans rather than computers. It is easier when people feel like they have personal connections with these robots.

How does NASA elevate the customer experience and journey?

NASA offers the most relevant customer experience through its visitors' centers, which are scattered around the United States:

- Kennedy Space Center/Space Shuttle Atlantis – Florida
- Space Center Houston – Texas
- U.S. Space & Rocket Center/Space Shuttle Pathfinder– Alabama
- Developmental Orbiter – Alabama
- Great Lakes Science Center – Ohio
- Virginia Air & Space Center – Virginia
- Ames Research Center – California
- Goddard Visitor Center – Maryland
- INFINITY Science Center – Mississippi
- Jet Propulsion Laboratory – California
- Armstrong Flight Research Center – California
- Wallops Flight Facility – Virginia
- Intrepid Sea-Air-Space Museum/Space Shuttle Enterprise – New York
- Smithsonian Udvar-Hazy Center/Space Shuttle Discovery – Virginia
- California Science Center/Space Shuttle Endeavor – California

Each center offers a unique experience with a massive museum, live events, artifacts, and exhibitions. NASA's replicas of its spacecrafts look precisely like the ones used on the actual missions. The museums also contain the real machines and command modules used in previous missions. The Starship Gallery, located in Houston, includes one of the most significant space artifacts collections in the world. During the tours, numerous

exhibitions of actual astronauts' spacesuits used in missions are displayed. Bus tours show visitors actual launchpad locations for previous missions. NASA also keeps its clients interested by interacting with them. For example, the Houston Space Center launched a contest to name a replica of the Space Shuttle. Many sections of the tour include videos and live interactions.

NASA's consumer-centricity and customer experience touchpoints

NASA employs social media to attract different segments of the population. The posts are translated into different languages, such as Spanish, commonly spoken in the United States. NASA also uses the comments section in its posts to generate insight and refine its marketing strategies. Surveys are sent to both B2B and B2C customers to get their feedback and learn from their comments. The results are then published online. NASA's customer relationship function ensures that customers can voice their opinions, and both the criticism and praise are evaluated. Other touchpoints include direct interactions with visitors.

Leveraging technology and digital to offer the ultimate space experience

NASA is considered to be one of the biggest generators of data. According to Kevin Murphy, the program executive for NASA's earth science data systems, around 12.1 TB of data is gathered by NASA daily from its active missions and sensors around the globe and in space. Collecting, storing, and managing this amount of information is a challenge. The following systems and projects make it possible to do so:

- QuAIL (Quantum Artificial Intelligence Laboratory) and its quantum computers.
- The Pleiades, the agency's supercomputer, which performs modeling and simulations.
- DAACs (Distributed Active Archive Centers), which are used to store the data.
- NACRA (Network Activity Cybersecurity Risk Assessment), which assesses the risk of cybersecurity.
- Exploration of Medical Capabilities (ExMC), which develops medical technologies for in-flight diagnosis and treatment.

The data is used to learn from previous missions in order to guide new ones. During NASA's missions, data is continually streaming from the spacecraft. Using traditional methods, it would have taken days to conclude how to guide a mission. But now NASA can learn from previous experience and combine the data to come up with a solution directly. For example, the Rover Curiosity sent to Mars was guided by the Mars Reconnaissance Orbiter's insights. The data is also used for navigation purposes. NASA Flight Operation Team uses visualizations of data built by Multi-Processing Control (MPC) systems to guide the teams on their missions.

NASA's challenges in the future: what's next?

As missions get bigger and involve more people, one major challenge is to monitor the mental health of the people on board spacecrafts. The teams have to be trained to stay for long periods in confined space stations. Isolation and confinement can result in

clashes and behavioral changes. The psychological health of astronauts should be a priority before launching the mission.

Radiation, which attacks one's immune system, is prevalent on Mars and in deep space. Although astronauts wear protective gear, radiation can damage their health. Low-gravity conditions weaken the bones and muscle structure of astronauts. Also, the risk of any operation going wrong and putting the life of the crew on board in jeopardy is always a possibility as is then facing criticism from the entire world as a result. Finally, staying ahead of the technological field and keeping an eye on the future of space exploration can put great pressure on NASA employees trying to meet the world's space exploration expectations.

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Questions for discussion

1. Describe NASA's B2B and B2C experience and different touchpoints. What are the emotions generated by each touchpoint throughout the customer journey: before, during, and after? Compare the role of different technology devices in improving the online and offline NASA's experience.
2. How has NASA evolved its strategy to integrate customer experience within its digital strategy? Are these changes in line with the needs of today's customers?
3. Describe how NASA is leveraging digital to attract more B2B and B2C customers.
4. Explain in which way NASA can create a brand experience that responds to emerging environmental and social issues.
5. Discuss how NASA can implement the 7Es of the experiential marketing mix presented in the book by Wided Batat, *Experiential Marketing* (Routledge, 2019) to enhance its B2B and B2C experience.

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) of NASA to create an edutainment NASA experience targeting millennials and postmillennials. How would you use the tool of the 7Es of the experiential marketing mix to design the ultimate edutainment space experience?

PERSPECTIVES ON THE SECTOR

Jeff Tanner, Dean and Professor of Marketing, Strome College of Business, Old Dominion University

In B2B, the customer experience is the sum of all experiences or interactions with a firm's brand by anyone and everyone who works for a (potential) customer of that firm. The parts include the firm's journey when buying, the interaction with the product/service, and the environment in which this takes place. One dimension peculiar to B2B is the

degree to which the decision/relationship is an enterprise purchase/relationship. The experience must be managed both at the person level and at the enterprise or corporate level.

For instance, the pandemic has led to significantly more digital interactions, and the question remains to be seen as to how these will continue. Therefore, trade fairs and in-person sales calls have halted during the pandemic; how those evolve post-pandemic will be interesting to see. One significant trend is the creation of account-based marketing strategies made possible by digital channels for enterprise customers. This trend creates a variety of touchpoints available for individual journeys within a corporate agreement and at the enterprise level. The touchpoints can be categorized as pre-sale, sale, and post-sale or interaction. The actual touchpoints, though, vary tremendously based on the type of product/service. They can also be categorized as face-to-face, social, interpersonal (contact centers either by phone or chat), etc.

A challenge is that organizational and B2B buying is often influenced or completed by multiple organization members. Reaching all of those members with the appropriate message at the right time is hugely challenging. Across the various digital and direct channels, the ability to carry on an intelligent conversation (seamless marketing communications) is one challenge. Knowing what the individual already knows, where that person is in the journey, is difficult

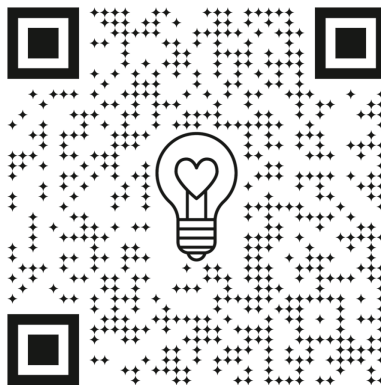
and leads to breakdowns in communication. Another is that digital democratizes communication, and customers can learn mistakes or incorrect information by interacting more with each other and less with the brand. When the consumer tells another something real for the teller but not for the listener, the result is likely to be a poor experience with the brand.

Author's perspective on experiential marketing

Online video "Introducing concepts & tools"



- Access the link www.youtube.com/watch?v=LDoEv8jrmBI&t=21s or flash the following QR code to view a short video featuring the author, who introduces and explains the concepts and tools companies can use to implement a successful experiential marketing mix strategy.



The customer experience in the banking and insurance sector

In highly competitive sectors such as banking and insurance, the customer experience is an essential lever. Offers are so abundant that it is effortless for dissatisfied customers to change providers quickly. The importance of the customer experience is even more evident today because the traditional players in the market compete with digital players that sell only online. Many of these customers don't demand a relationship with a seller as face-to-face customers do. Consequently, competing based on the customer experience can be difficult. Faced with these competitors available online outside of regular agency hours, incumbents must review their ways of interacting with their customers. Customers' needs for immediacy and autonomy also invite companies to rethink the user experience and customer relationships. In this chapter, I introduce three company cases: Geico, Wells Fargo, and Bank of America. Nowadays, these three companies are implementing thought-provoking customer experience strategies by leveraging technologies and data to drive revenues and satisfy their customers. I will first explore the story and the marketing strategy of each company. Then, I will focus on customer experience strategies and the use of digital in each company. Finally, I will summarize the future challenges for these firms.

Learning outcomes

After solving the questions for practice and the challenges presented at the end of this chapter, you will be able to think critically about how firms in the banking and insurance sector are implementing customer experience strategies to differentiate themselves and attract new customers. Also, in the online video provided, "Introducing concepts & tools," you will learn more about the experiential marketing mix tools and how companies in the sector can use them to design suitable customer experiences both online and offline.

Company case 19: How is Geico improving the insurance experience?

The insurance market nowadays uses multiple channels and strategies to attract new customers. Geico has imposed new standards by establishing a correlation between service quality and the customer experience. When shopping, consumers use multiple sources of information from online sites, the Geico application, its call centers, independent insurance agents and counselors, and by emailing the company. Geico grows

because it is capable of stealing competitors' customers who are only passively loyal to their current insurance companies. To understand Geico's success and how it is improving the customer experience, we need to know its story and the fundamentals of its marketing strategy centered on the customer experience.

How did it all start? The story and the marketing strategy of Geico

Geico is a North American insurance company with its headquarters in Chevy Chase, Maryland, in the U.S. Founded in 1936 in the middle of the Great Depression from humble beginnings, Geico has undergone substantial transformation and growth throughout the years, placing it among the top insurance companies in the country today.

Geico's primary business is car insurance, for which it holds 13.76 percent of the market share. In addition to auto insurance, Geico offers other insurance types through its agencies, including insurance policies for the house, pets, businesses, trips, jewelry, stays abroad, and life insurance. Hence, its clients range from owners of vehicles (such as cars, motorbikes, and boats), house owners, renters, landlords, and business owners to employees, ensuring they will be compensated in case of unfair dismissal, for example.

In 1936, the American couple Leo and Lillian Goodwin founded the company that would become one of the most successful and the second-largest vehicle insurer in the U.S., only after State Farm. The company's main milestones along its almost 100-year-old journey to success include the expansion of the pool of investors in 1948 when investment banker Lorimer Davidson joined the company, the opening of Geico's current Maryland headquarters in 1959, Geico's achievement of the 1 million policies-in-force (PIF) mark in 1964, the increase in price and the doubling of net earnings to \$13 billion by 1966, the introduction of 24/7 telephone customer service, 1993's new approach to invest in advertising to increase national visibility and expand the consumer base, Warren Buffett's purchase of outstanding Geico stock and its establishment as a subsidiary of the multinational Nebraska-based Berkshire Hathaway Inc., the first appearance of Geico's famous pet Gecko in an ad campaign in 1999, and the achievement of the 8 million PIF mark in 2007. Between 2007 and 2017, Geico passed the 16 million PIF to reach the 28 million insured vehicles mark in 2020.

Another two critical reach-related milestones took place in 2009 and 2010, respectively. First, when Geico opened in Massachusetts and made coverage and services available in all 50 states. Second, when Geico became the first insurance company that offered the possibility of purchasing an insurance policy through a mobile-friendly format via iPhone and Android smartphone devices. This technology-friendly approach has continued developing further since then, making Geico a byword for hassle-free online operations and quick customer service response.

The significant transformations that Geico experienced since the Goodwin couple started it from scratch are also embodied by changes in the audiences targeted. Geico is the acronym for "Government Employees Insurance Company" and, as the name indicates, the company's initial mission was to provide auto insurance to government employees. Back then, the Goodwin couple found focusing on this particular and specific target group a great strategy to secure loyalty and acquire a fixed consumer base.

Further, budget limitations due to the Great Depression allowed the company to allocate resources to attracting one group only. As time passed and its consumer base and profits grew, Geico broadened its offer and extended access to just about anyone.

Growing and diversifying its consumer base have not come at the cost of worsening customer service. Analyses and consumer reviews mostly highlight Geico's ability to make the experience personal and maintain the "small-company feel," mainly through its highly-developed digital services. Geico has a well-documented track record of growth rate from year to year. In 2013, for example, about 7 million American drivers had their vehicle insurance with Geico.

In 2019, the number went up to 17 million policies in force, and, in 2020, Geico insures more than 28 million vehicles. As the company states in its official website, it now "looks forward to even more growth, founded on quality coverage and outstanding Geico customer service." The company insists that Geico is only moving forward while it continues to keep "ingenuity, perseverance, innovation, resilience and hard, honest work" at the core of its activity to offer the best service to its customers.

In terms of marketing and communication approach, experts attribute Geico's great success and rapid growth of market share directly to the company's effective strategy. Indeed, Geico identified the importance of increasing visibility in an attractive and engaging way a long time ago and, consequently, allocates multimillionaire resources to the advertising budget. Of the top car insurers in the U.S., Geico is the best known for its short and concise, friendly, funny, and original advertising campaigns. These emphasize three key ideas. First, the suitability of Geico products to everyone and anything with value, including pets and jewelry. Second, the simplicity and hassle-free experience of contracting a Geico insurance policy – "so easy that even a caveman can do it." And third, and most importantly, the great savings customers will make by insuring their vehicles and property with Geico.

Besides, price is a central part of Geico's marketing strategy, and great success in acquiring market share. A promise of direct savings in a household's yearly budget is extremely attractive in times of economic instability, uncertainty about the future, and worryingly rocketing unemployment rates. Thus, highlighting direct savings consistently throughout its advertising initiatives has been a key driver in growing its consumer base. Most campaigns insist on the fact that 15 minutes can make you save up to 15 percent of your car insurance, referring to the short time one needs to hire a Geico policy. The company also emphasizes that, besides a few minutes, only a smartphone with an Internet connection is all that is needed to start saving. This can be done in any situation, including in the middle of a date, on a jet ski, at a wedding, or in a plane before take-off, as shown through funny stories in its advertising campaigns. Hence, availability is another key part of Geico's value proposition to the consumer. The message is simple, short, concise, clear, and straightforward – "join Geico and save, and we will be here to assist you in the most agile and fastest way when needed." This is one of the key secrets of the company's marketing strategy success.

With time, Geico has gone from stating the full sentence that explicitly says what 15 minutes can achieve, to stopping halfway through and saying "well, you know," taking for granted that everyone knows it leads to 15 percent off their yearly car insurance budget. This has proven to be a useful tool in gaining popularity and visibility: it reflects the idea that once the facts are clear and known, it is incomprehensible that some people have not taken out their insurance policy with Geico yet. Growing its consumer base gives the company an even higher safety net of profits that are, in part, reinvested in continuing the tradition of discounts and lower fares than the competition. As the specialized auto insurance fare comparison website "compare.com" reports, "The more people that Geico insures, the less it costs them to insure new customers."

Besides clarity and simplicity, a balance between sticking to the main message and refreshing the way it is said is also central to the insurer's marketing success. Creativity, innovation, and difference are guaranteed in Geico's ads: one day it might be cavemen, the next a vampire or some pigs screaming "wee, wee," yet the core message remains the same and clear: Geico is a byword for saving, more comfortable lives, and hassle-free experiences. This consistency in messaging exploits availability biases and makes Geico more present in people's routines: the more mass audiences are continuously exposed to its message, the more they perceive it as familiar, known, and reliable. This has proven to influence people's judgment of it, affecting their behavior in a way that favors the company, which in this case would be taking out an insurance policy with Geico.

Moreover, the tone of advertising campaigns is always motivating the audience's engagement and inviting it to take action. When audiences do engage, the experience goes on to another level where it becomes personal, which makes ads easier to recall, regardless of how much time has passed. The ads make you think, feel sorry for some characters that appear in them, and even laugh aloud. This engagement can also take the form of mere thoughts post-ad or, in other words, provoking the audience in a way that people continue thinking of what they saw and heard from the silly characters when the ad is over.

For example, the Sushi Boat ad, showing how the lives of those who have recently joined Geico keep getting better and better, might lead people on a boat to randomly think about sushi mini boats getting closer to them while sailing on a sunny day. Similarly, the ad where Maxwell the pig is asked by the crew members to switch his phone off can also make someone think of Geico when experiencing a similar situation before take-off. Geico manages to connect the characters it presents in its ads and real-life situations everyone could be confronted with at any moment.

Both the originality and engaging power of Geico ads since their beginnings have not only made them recallable and easily identifiable: they also have a differentiated lasting power. More than 10-year-old ads still can resonate and be part of an effective brand strategy, as shown in the recent "Best of Geico campaign," showing the best moments of the company's pet Gecko since its first public appearance in 1999. Through this campaign, the company revisited its greatest hits and managed to reengage consumers on its several social media accounts and official website. As of 2020, videos of old Geico ads continue receiving visits and new views. As Cynthia Herr reports for HawkPartners,

Insurance may not have much to do with cavemen and squirrels, but Geico uses these lovable characters perfectly to provide a funny anecdote that brings the brand promise to life – which is what keeps people rushing to YouTube to watch these characters, again and again.

Geico's quest for a relevant customer experience to drive revenue

Geico offers great insurance deals and customer experiences, total availability for continuous customer service, and hassle-free operations. This means there is no need to go through the dense and boring protocols of paperwork traditionally associated with insurance. It is vehicle insurance made easier than ever, and more accessible than its competitors offer.

Indeed, simplicity is a vital part of Geico's value proposition to consumers. The slogan "So easy even a caveman can do it" is one of the company's flagship marketing and advertising initiatives, reflecting how easy it is to issue an insurance policy with Geico or do any operations, once a member. Such flagship initiative works for the two polarized segments of Geico's targeted audiences: on the one hand, it works among younger potential clients, who are not comfortable with the traditional paperwork historically associated with getting a new insurance policy or dealing with the provider. This segment of the audience is much more agile with smart devices and the Internet, the main platforms for Geico's services for all sorts of operations. On the other hand, Geico's promise to make things simple is also a catch for older audiences who may not be very agile with new technologies and could not complete online operations unless the instructions were very simple. By offering unambiguous and concise instructions and reducing the number of steps that a user needs to take out a policy or make a claim, Geico ensures accessibility for its older segment of targeted audiences.

Availability is another clearly stated promise. It is voiced through most of the company's communications with its clients. For example, some advertising campaigns show individuals in the troubling situation of a post-accident event, one person in a vehicle insured by Geico and another one with an insurance policy from another provider. The latter is noticeably stressed out and worried, trying to reach his insurance company without success and repeatedly being put on hold. Every few seconds, he has to say "yes" or "no," slowly and clearly vocalizing, which works as a hint for the audience to deduce he is not speaking with a real person but with a machine or a recording.

On the other hand, Geico's client is serene, calm, and cool, and does not worry about a thing. When he is asked about it, he says he has already confirmed an appointment with his agent for the next day, to go over the compensations for repairs. This can be done through the app or, as shown in other ads, through the 24/7 phone line service, with the promise of getting personalized service and a human being on the other end of the phone. In all its dealings, Geico offers reliability and quick responses, as well as the promise to handle everything for us when the situation "gets tough."

Personalization is also an essential part of Geico's business and the differentiated experience it offers to customers. Its official website and app allow users to register and set up a profile that contains all their payment information, adherence history, the services contracted, and more. Fares also adapt to each client's driving trends and records, which are tracked with the latest technologies. Hence, despite the continuous growth of its customer base, Geico is committed to continuing the Goodwins' legacy of a "small-company feel" and maintain this founding principle at the heart of its operations. This care for its consumers is practiced through initiatives that show the company's flexibility to adapt to its clients' changing needs and preferences.

A good example is the discounts Geico is offering to compensate for Covid-related financial trouble. Understanding that unemployment rates in the United States have reached unprecedented peaks because of the pandemic, the company "is giving car insurance customers a break on premiums," as *CNN Business* reports. Geico said it "will give customers a 15% credit on six-month policies when they are renewed or if they were started between now and Oct. 8 ... It estimates the credits will be worth \$2.5 billion," the article continues. The company has also paused all cancelations of coverage due to non-payment and policy expiration during the Covid-19 pandemic until further notice. Similarly, Allstate – one of Geico's competitors, announced it would give cash payments equal to 15 percent of premium costs, but only over a two-month period for April

and May. Geico will not issue cash payments but extended the period to six months, understanding “the effects of this crisis will linger,” as CEO Todd Combs stated. Other smaller insurers also joined the initiative. For instance, American Family Insurance said it would give \$50 per car they insure with the company.

Lastly, Geico is always available and answers all of its customers’ needs, even if they do use a competitor’s product because it permits them to develop strong relationships with potential clients. Because its digital marketing campaign mostly targets young people who do not have a strong loyalty to a particular company, Geico can change their car insurance easily if a better or more convenient one is found. A McKinsey study showed that poor claim service could be a switching trigger for people buying insurance. By making it easy to research Geico’s information, the company has acquired new customers from its competitors.

Geico’s consumer-centricity and customer experience touchpoints

Started from scratch by an American couple in 1936 and given a “small-company feel,” Geico is today the second-largest vehicle insurance company in the U.S. It offers national availability, low rates, and easy shopping experiences. A key part of Geico’s success in providing its customers with a unique experience is making sure all the company’s interactions with its clients are aligned with its central message. Thus, such interactions or “touchpoints” need to be consistent with Geico’s mission reflected in its messages: Geico offers simplicity, efficiency at solving problems, great deals, and coverage, as well as a strong commitment to be fully available and to accompany the client at all times, whenever needed. In exchange, the customer can relax and feel safe while at home, traveling, or driving.

Touchpoints are carefully designed to give clients this feeling of reliability. They include Geico’s website, accounts across social media platforms, the agents, the 24/7 customer service line, email communications, the original and creative advertising campaigns, and the company’s official app. Touchpoints are direct points of contact with clients and are crucial to strengthening the message that Geico is “more than just car insurance.”

Geico conducts its business through direct sales via phone calls or its website, a key differentiator from competitors in the vehicle insurance industry. The company’s official website has clear and separate sections, each for one kind of insurance. These are displayed on a bar under the section “Insurance” on the header, and in boxes in the middle of the Home page. Such clarity allows for easy and quick access to the area of interest with a simple click.

Users are also given the possibility to enter their ZIP code to get product and service suggestions tailored to their specific geographic location. In all, the website is easily navigable and hassle-free. Colors, icons, moving images, and multiple expandable bars contribute to making the website very dynamic. Besides the types of insurances offered, heading sections also include “My Account,” where users can log in and make payments or add vehicles, among other actions; “Claims and Roadside Help,” allowing clients to report a new claim or track existing ones in real time; and “Tools and Resources,” providing State-specific information among other services. For further considerable savings, the website offers the possibility to bundle insurance.

Creatives rely on salience, comedy, and a mixture of fiction and reality, to come up with funny and original ads that carry Geico’s clear message: “issue a policy with us and start saving money.” Campaigns on social media also call for the audience’s engagement. On

Twitter, for example, the company's official account posts challenges inviting followers to participate and use hashtags, such as "#GEICOCutePets," a post asking people with pets insured by Geico to post their best pictures. Besides challenges of this kind, posts include TV ads, short videos of testimonies across sectors – including the military and other government employees – and text captions with announcements and information of interest for Geico's customers. The same applies to Instagram posts.

Offering the ultimate support to guide and accompany customers through products and services is also key to Geico's strategy. Therefore, touchpoints need to reflect the company's full availability to help clients understand how to get the most out of the services they have purchased or can purchase. The company does this through the mobile app, as well as through articles and fact sheets posted on its official website and social media accounts. The article "5 Smart Gadgets to Better Secure Your Home" is an example. Understanding that potential policyholders visit the website for information also includes a simulation option to estimate yearly insurance costs.

Besides, although Geico's targets mostly young people with new media, TV ads are still the leading purchase influencer. Geico has earned positive comments on its mobile app and website. This digital approach shows that more than just multiplying the number of touchpoints, Geico ensures the touchpoints are of better quality.

Customers using Geico's mobile app can access a large panel of services, from information about where the nearest gas station is to tow services. In addition to using the app to pay their insurance bills, as noted, customers can use it to file claims and see their status. Tutorials about how to deal with an accident, as well as how to change a flat tire or jumpstart a vehicle are also available. Geico has multiple touchpoints, but the most critical ones are related to its strategy related to TV advertising. It is how people discover Geico and consider it a possible purchase choice. Then, in terms of the information search and comparison phase, the most critical touchpoints are Geico's call center and website, which most customers access on their phones.

When purchasing insurance, most people prefer contacting a Geico agent. The human touch is still necessary, so potential customers again use their phones to contact agents or meet directly with them. Geico continues to add new touchpoints and use new media without discontinuing older ones. An excellent omnichannel strategy is a necessity, and Geico's is near perfect.

Leveraging technology and data to offer the perfect insurance experience

Geico seeks to offer a unique experience to its customers by adopting the newest technologies. These are used through its website and, particularly, through its mobile app service, allowing common operations such as issuing a new policy, reporting or tracking claims, or GPS-related services. In recent years, the insurance sector has been disrupted by digital technology. Therefore, we can ask how this disruption allows the insurance sector to improve and, consequently, offer the best products and services to customers.

First, the Internet allows Geico to have better customer follow-up because more people are connected to the Internet. Not only does it make it easier to purchase insurance online (e.g., travel insurance), but it is also possible to get reports and answers more quickly. Geico has also made a chatbot, or virtual assistant, named "Kate" available to answer customers' questions, which is much faster than exchanging emails with them. Also, technological developments related to data storage are significant to note. Indeed, the more time passes, the more data can be stored at a lower cost. This makes it possible

to retain more information about each customer. Thus, it is easier to avoid the asymmetries of information that an insurance transaction can generate.

There are a few apps services available. Geico Mobile and DriveEasy are for vehicle insurances and car policyholders, where Geico Federal Credit Union is the mobile banking app for clients of the company's financial services. DriveEasy tracks customers' driving itineraries, registering speed and route. With this information, it keeps a driving score for each user based on habits such as braking, phone use, and speed.

Once installed, the app gathers this information continuously automatically, without having to enter any input or even open the app. The app promises privacy through encrypting and storing the collected information on one of Geico's secure servers in the U.S. Profile scores are also built with data from the user's behavior about distractions while driving, including handheld phone calls or active phone use. Such activities harm the driver's score. Besides overseeing the user's profile, the app also provides a detailed breakdown and tips to improve driving. Users who are participating in DriveEasy to become safer drivers receive a discount. It is relevant to note that this service is only available in select states, and users need to check if theirs is included in the list.

Like the website, the DriveEasy app is very convenient, simple, and easy-to-use at any skill level. So is Geico's mobile app, which offers all the services needed to go paperless and make claims on the spot. Besides such services, it has a variety of features that accompany drivers during their trips, including a locator for the closest gas stations. The app also enables notifications to send reminders for vehicle recalls and scheduled maintenance appointments. Further, the introduction of Geico Explore allows for exploring augmented reality and lets the driver explore his or her surroundings, pinpointing restaurants, attractions, and guiding the user to where the car is parked.

Also, Geico gives drivers the incentive of saving to encourage safer driving styles and cut down on road fatalities. Besides assistance for safer driving, the Geico Mobile App offers users the possibility to pay online with one tab and much more, including digital insurance ID cards, the fastest way to get emergency roadside assistance, a virtual assistant, and a vehicle care section that allows policyholders to schedule appointments and see their vehicle's maintenance history or bills. Moreover, the app allows the driver to upload pictures of a damaged car after an accident and sends feedback with an estimate of the costs in about 20 minutes. At the same time, this information is being processed to schedule an appointment if necessary, so that the user can skip going to an auto shop and booking it in there. Having digital insurance ID cards constitutes a big part of the "going paperless" idea: long wait times, stress searching in the wallet, and trying to find the physical card are over. Apple users can also add their ID cards to the iPhone's Wallet.

The virtual assistant developed and powered by Amazon, "Alexa", also works to make operations for Geico policyholders much easier. The assistant, which works in the same way as Apple's famous Siri, can redirect Geico's customers to the information tab or service they need. Alexa is very easy to install and connect to Geico. Once again, the insurance company designs its products to accompany its clients at all times and make sure they know how to get the most out of its services, all while experiencing them free of any hassle. Artificial intelligence allows Geico to insure certain clients for more adequate amounts because it can better account for the risks associated with those clients.

Additionally, Geico uses the latest technologies to make paying on its platforms smooth and straightforward. In 2017, the insurer started a partnership with Duck Creek Technologies (DCT) to start using its policy and billing software. DCT CEO Matt Foster

highlighted the agility of his company's software, as well as its suitability to help Geico achieve "the customer satisfaction and operational efficiency results they are targeting." Through adopting the new software, Geico can streamline processes, consolidate all its products on a single platform and make products available much faster, both on traditional and digital channels. The software's design is aligning with Geico's simplicity and clear mission of reducing complications and making processes more agile.

Over the years, computer chips and digital sensors have become smaller, allowing them to be installed into all kinds of devices. This situation has also led to the development of the IoT (Internet-of-Things). The IoT represents the multitude of objects connected to the Internet. This is the case, for example, with fitness trackers connected to the Internet. As far as insurance is concerned, there are related applications. IoT, along with "telematics" akin to the black boxes in planes, can provide an increasing amount of data to insurance companies, including information about drivers' health, their driving habits, the state of their cars, and so on. This again makes it possible to provide optimal insurance coverage for each customer, limiting the risk of information asymmetries.

Nevertheless, this method is somewhat intrusive. You might think that the data retained by the black boxes should remain personal, specific to the car, and its driver(s), with a few exceptions, such as if a driver is in imminent danger. However, to be useful from an insurance point of view, this data would have to be sold to other insurers for reuse. Therefore, the question remains to be studied between the benefit to insurance customers and possible repercussions in terms of the privacy of the information.

Geico's challenges in the future: what's next?

We live in an ever-shifting world. In the future, many cars are going to be self-driving. If every car was self-driving, there would be fewer traffic accidents. This saves people's lives, but it could also save them money on their auto insurance.

Besides low rates and reasonably good customer service, the company differentiates itself from its competitors by providing the easiest-to-use online tools for its clients, something other companies are lagging behind in. A challenge may be continuing this trend while not neglecting a crucial part of being an insurer operator: providing sufficient coverage. Geico is often in the eye of the storm when critics bring up the cliché "What seems cheap at the beginning ends up being expensive later." Supporters of this cliché refer to how yearly lower rates may save up to some 20 percent from the budget but will need to be spent later when the user finds out the coverage is limited and he or she needs to pay from his or her own pocket. Thus, critics have been saying it is worth paying a higher monthly rate and be 100 percent confident that there won't be any nasty surprises in the bill at the end of the month.

The emergence of new technologies in the automotive sector is another thing that Geico, as well as all the other insurance companies, will have to keep in mind in the planning of its operations. Where do autonomous vehicles leave insurers? Currently, insurance companies do risk assessments of human drivers and their cars based on data collected from their accident history or driving records. These data are fed to modern machine learning or artificial intelligence, which finds correlations to manage risk. Advanced Driver Assistance Systems (ADAS) imply a shift from human-run vehicles to autonomous ones, which slowly starts to disrupt the automobile insurance industry.

With increasing automation and fewer accidents, many elements are disrupted. For example, the size of business: will there be demand for insurance policies? Will they

be needed if accidents are progressively reduced until it becomes an event from the past? If this new model leads to mobility being a service rather than a result of privately owning a car, will insurers transform their business and target audience, from private consumers to commercial fleets? And, in this case, won't fleet operations self-insure? Current algorithms thought out and designed to track human behavior could also be disrupted with the new non-human data points. These are questions insurance providers need to start asking themselves as autonomous driving is progressively introduced in the automotive industry.

Geico is an extremely efficient and well-run company that tries to make an underwriting profit and earn investment income. Like all insurance companies, Geico is subject to catastrophes, claims numbers to surge, and costs. Nonetheless, the brand is pretty strong, and the company may be poised to overtake State Farm. Geico spends heavily on its marketing and customer-acquisition efforts for a reason. The company is trying to build the brand based on it saving people money and offering excellent service. Nonetheless, the company does provide good service and continues to capture a good market share as a result. As Geico expands more deeply into other areas, such as insuring homes, it will likely capture even more market share.

It is worth noting that the markets in developing countries have more significant potential for rapid growth, at least in percentage terms, especially for property insurance companies. Insurance premiums are likely to increase as a result of catastrophes. However, even rising prices may not provide profitability, given the significant number of new risk factors Geico faces, for example, an increased number of cases of driver distraction while driving.

Last, the Covid-19 crisis has led to instability and economic struggle in most American households. Since March 2020, most people have been working from home or have lost their jobs, conditions that have led to reduced mobility, less driving, fewer accidents, and fewer costs insurers need to cover for. In times of such financial struggle for consumers, Geico will need to continue challenging clients to "focus on the bright side of things" while adopting flexibility to help them through it. For the time being, Geico has announced a "help" package for its clients, including 15 percent credits for the fees of 6 months and no cancelation of coverage if monthly fees are not paid during these months.

However, some criticism has emerged, discussing whether vehicle insurers are doing the best they can to help. Dan Karr, CEO of ValChoice – a data company that monitors the insurance industry – insists that the reduction of traffic and accidents during the lockdown will lead to about \$10 million in savings for the industry. This, he argues, is a great safety net that insurance companies should further invest in providing real relief to their customers. As *CNN Business* reports, Karr's accusations have gone further to say that this is a customer loyalty program rather than a relief initiative. While it seems this crisis is not implying financial losses for insurance companies, these will need to make sure such allegations are not spread and harm Geico's image. This can be done by making further efforts to help its customers during these difficult months.

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Questions for discussion

1. Describe how Geico implements the customer experience strategy. What are Geico's experiential strategy objectives, drivers, and outcomes?
2. Identify Geico's customer experience touchpoints. What are the advantages and disadvantages of each touchpoint before, during, and after the experience?
3. How has Geico's digital strategy evolved? Are these changes in line with today's consumer expectations? How is Geico leveraging data to understand its customers?
4. Explain how Geico can empower its customers.
5. Should Geico focus more on the physical experiences of customers instead of digital ones? How should the physical experience be organized? What role do Geico's employees play in terms of delivering a satisfying and enjoyable service experience?

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) at Geico. Your job is to create a new phygital e-commerce website. How would you proceed? What are the drivers of the phygital experience and the expected outcomes? What is your target market? What expectations do consumers have in terms of online insurance services?

Company case 20: How is Wells Fargo transforming the customer experience?

Wells Fargo is a community-based bank that organizes its strategy around customers and the use of digital tools to enhance their banking experiences. Wells Fargo is transforming the customer experience by creating a more responsible environment for the banking sector. The company wants its customers to be able to have consistent access to all the platforms available to them. Moreover, the company is improving the security of all the bank interfaces. I will introduce the story of Wells Fargo alongside its marketing strategy and its shift to a more experiential and digital logic. Then, I will explain the future challenges the company has to face.

How did it all start? The story behind Wells Fargo and its marketing strategy

For more than 160 years, through both prosperity and recession, Wells Fargo has gained a reputation for trust in the United States. In 1852, Henry Wells and William Fargo founded Wells Fargo & Company. The company's main tasks included banking, exchanging gold for paper money and vice versa, and the express delivery of gold and valuable goods. It was at this time that the stagecoach became the symbol of Wells Fargo. Wells Fargo opened its business in San Francisco's Gold Rush port, and soon its agents were also opening new operations in other towns and mining camps in the West. After that, Wells Fargo gradually changed its business to finance. It has acquired and merged with more than 250 financial firms.

Of Wells Fargo's 72 million retail customers, 22 million are millennials and members of Generation X, having been born between 1965 and 1995. However, only a few of these people invest in the bank's wealth and investment management units. So, Wells Fargo has begun targeting these existing customers. To do so, Wells Fargo focused on cross-sales, which involves selling multiple products to one customer. The bank persuaded each customer to subscribe to six Wells Fargo financial products, far exceeding the U.S. average of three per customer. In other words, rather than focusing on external customers, Wells Fargo focused on its existing customers.

According to the U.S. Federal Reserve, it has 1,836 U.S. member banks. Wells Fargo is the third-largest bank in America. It has achieved its position with the total amount of its domestic assets and the size of its market capitalization. Wells Fargo's strong competitors in the United States include Bank of America, JP Morgan Chase, and Citibank. Combined, the four major banks comprise 40–45 percent of the U.S. market. JP Morgan Chase is

one of the top 10 banks globally and the largest bank in the United States. Bank of America has grown to its present massive scale via a series of mergers and/or acquisitions with banks such as NationsBank and Fleet Boston Financial. Finally, Citigroup, formerly the world's largest bank, is currently the country's fourth-largest bank after Wells Fargo.

Wells Fargo is a growing company that took advantage of the global financial crisis that began in 2007. The bank tends to outperform other banks in terms of its mortgages, deposits, and debit-card services. It has grown rapidly over the past decade by specializing in financial products. Also, its expertise as an investment bank is excellent. Wells Fargo's products are comprehensive. They include asset and trust management, employee benefits management (corporate-sponsored mortgages), commercial financing, international services, and corporate and investment banking and treasury management.

However, Wells Fargo now faces different challenges. In 2016, it was embroiled in a major scandal. It was revealed that since 2011, the bank had opened millions of fake deposit and credit-card accounts for customers. In the process, employees created fake email addresses and fake passwords. The reason for this was the company's performance pressure. In other words, as mentioned earlier, the company pressured its personnel to engage in cross-sales as well as sell additional insurance or pension products to customers with deposit accounts. Helped by such aggressive marketing, Wells Fargo's stock prices rose. Its market capitalization reached \$300 billion in the summer of 2016. But after the scandal broke, Wells Fargo saw a 10 percent drop in its stock price, which erased \$30 billion in its market capitalization. The victims also filed a multibillion-dollar lawsuit against the bank.

In 2017, Wells Fargo's foreign exchange traders were found to have deceived customers and charged higher fees than customers realized. Some traders took advantage of the fact that customers do not carefully compare costs and that the method of commissioning is complicated. But despite these successive incidents, Wells Fargo overcame the crisis. Its stock prices rose from \$44 to \$65 that year. The increase seemed to be due to retail banking other than mortgage loans.

Nowadays, Wells Fargo offers banking, investment, mortgage goods, and services as well as consumer and commercial financing through Internet sites and mobile banking. Wells Fargo also has 7,400 banks and more than 13,000 ATMs. It has offices in more than 30 countries and supports customers who do business internationally in various regions in various ways. About 260,000 employees work at Wells Fargo. Also, its new CEO, Charles Scharf, has vowed to actively invest abroad and sign various investment agreements to transform the company.

Wells Fargo has taken a new approach to its marketing and communication strategy since the 2016 scandal. Before the scandal, the company was known to be a fierce risk-taker and was considered to be good at what it did. It was one of the top companies in its field and but then the scandal tarnished its image.

After the scandal, consumer loyalty and trust in the brand took a severe hit. The company started a process to rebrand and win back the customers it had lost. It launched the "Better-Wells Fargo" campaign, which focused on the fact that even though the bank had made a colossal mistake, it was now taking responsibility for its actions and trying to become better and a more reliable kind of brand. This was followed by the 2018 campaign "Re-Established." Re-established's main focus was to regain the trust of the stakeholders and customers. For this, Wells Fargo created, among other things, a TV commercial named Trust, which communicated the history of Wells Fargo, the fact that it had

admitted its mistakes, and explained the new approach the brand is taking: focusing on satisfying its clients instead of its sales.

Nowadays, the main point of the bank's communication is to portray a brand that is helpful, that serves its customers, is very solid and reliable. This is very well reflected in Wells Fargo's narrative. For example, on its webpage, you constantly see words like "help," "simple," "serve," and "convenient." The terms are used to develop trust. There is a definite appeal that relates to customers' vulnerability when making important decisions about their finances. In keeping with this strategy, the company created the Control Tower section on the Wells Fargo app to help customers better organize their finances, go over them, and make decisions on how to save, invest, or spend their money. There is also a Financial Education section on the webpage dedicated to helping customers make better-informed decisions and a "Financial Health Conversation" link that offers free personal guidance for those who need it. Wells Fargo also develops a mortgage app that will carry out the entire process of applying for and getting approved for a mortgage loan online.

In terms of its social media, the company's posts are mainly directed to show how it is helping the community, telling people what they can do to help, or by posting tutorials and updates with important information about finance. Responding to customers' needs, interacting, and encouraging conversations, and replying to followers are also emphasized. The company wants its followers to know that it is here to help them and that it can be trusted.

The brand's main target is young adults. This is reflected in all of the company's communications. You can see it, for example, in the bank's advertisements, which usually portray people in their thirties. You can also see it in the design of the bank's webpage, which is modern, clean, and well organized. The company has also tried to bring a new sense of diversity to its brand. This is more coherent with the globalized world we live in today and very necessary. Wells Fargo's ads portray people of different origins, races, and backgrounds. Its commercials also appear in different languages to attract people in the United States who might not speak English or would prefer to be reached via their native languages.

Wells Fargo's pursuit of the ultimate customer experience

Wells Fargo was one of the first banks to redefine the customer experience by putting clients in the center of its strategy. Banks used to be, and still are, very complicated. As a customer, it is not always easy to understand the differences among banks and choose the one that will best meet your needs. Steve Ellis, the head of the bank's innovation group, knew that with the new technologies, there were considerable opportunities to redefine the bank's strategy and innovate around the customer. The bank needed to develop an entirely new system of digital and physical banking. To do so, Ellis needed to understand the needs of those customers. So, he decided to learn more about ethnography techniques. Ethnography in the field of social sciences examines the culture and way of life of people by going to where they live and observing them. Through using these techniques, he and his team were able to understand the problems banking customers face.

The customer experience can be defined as the feeling accumulated by consumers following all their interactions with a company, from its employees, its products, its stores and websites, its marketing campaigns, its values, and its service centers. It includes

all contact points, before, during, or after a purchase. It is vital for customers to feel that their banks answer their needs at every interaction point. However, because the world is still evolving, banks need to adapt quickly to any obstacles or changes in society. Thus, Wells Fargo is continuously experimenting with and testing and working on different strategies, such as the design-thinking approach and the user-centered design.

Design thinking begins before starting a project. It is an innovative methodology that transforms ideas and plans into real actions and tangible prototypes based on consumer feedback, user-centered design, and client needs during each step of the design process. These two approaches are beneficial when it comes to adapting and always redefining the customer experience.

After the fraud was exposed in 2017, Wells Fargo has had to redefine its customer strategy. Indeed, the scandal affected the bank and its customers. First, Wells Fargo needed to make sure that its customers still had confidence in the bank. It decided to focus on listening to the doubts and questions customers had after the scandal. Second, the bank decided to unify the customer relationship. Wells Fargo started a new campaign where you can see team members helping customers with their everyday financial needs. It was a way to show how close the bank is to its customers. The bank also introduced a new logo and a new slogan for the campaign to show customers that this is a new era for the bank.

Wells Fargo differs from other market actors in various ways. First, its strategies are centered around its customers mostly, since the fraud makes Wells Fargo different from the other banks. Most banks are working with their customers. But do they grow depending on how their customers' needs evolve? Second, Wells Fargo is an online bank that favors 24/7 access to customer service. Most banks' customer service departments are open during office hours and generally are closed on the weekends. For example, Bank of America is only available by phone from Monday to Friday from 8 a.m. to 11 p.m. Lastly, Wells Fargo's aim is to improve its customers' businesses. Even though this might be the goal for most of the banks, the way Wells Fargo does it might differ. Wells Fargo knows that making a business successful will help to grow the bank. Doing so might attract more investors if they know how Wells Fargo works.

Wells Fargo's consumer-centricity and customer experience touchpoints

Wells Fargo has grounded its growth strategy by implementing customer experience. During the past two decades, simultaneously with technological evolution, customers' needs have evolved. In particular, people's lifestyles have changed, driving companies to improve their approaches to their customers. Moreover, another business sector has emerged.

New fintech companies – that is, companies that focus on computer technology in the finance area – started making times hard for existing banks. Banks rapidly had to change their strategies to put customers in the most comfortable condition as possible, supporting them with efficient customer services and enriching their services with new tools. Why? Because these new companies were developed to compete mostly on the customer experience and support.

Wells Fargo understood that banking had recently moved onto a digital platform and had to change more. To follow its evolution, the company's entire way of doing banking had to change. The central pivot of the banking environment is the customer. The whole environment has been built around the client, who may or may not have banking

knowledge. Consequently, all Wells Fargo's services had to be redesigned to assist the client in every action. After the creation of online banking, the customer experience was implemented via these three tools:

- *The mobile banking application:* With Wells Fargo Mobile, the customer can access from any place almost all the services the bank provides. The app allows customers to control their savings, credit cards, recurring payments, and personal data sharing. Moreover, it is possible to do instant transfers of money and make checking deposits. Customers can also send and request money with the collaboration of the platform Zelle. They can also deepen their knowledge about their FICO credit scores, pay their bills, and more.
- *Wells Fargo has branches in almost every U.S. state,* allowing customers to get personal assistance and feel as comfortable as possible.
- *Wells Fargo's customer portal* is a website that will enable customers to access all of their data and profile information via either a computer or smartphone. The customer's portal provides a large number of tools. For example, it is possible to open a checking account, thanks to a simplified process, to set up automatic savings and access a personal consulting service to understand better how to save money, reach specific financial goals, and learn about the stock market. Wells Fargo has put a great deal of effort into helping its clients understand how to manage their loans, mortgages, personal accounts, savings, how to prepare retirement plans, organize and work on their college funds, and plan to buy homes. All these online activities are protected by an efficient cybersecurity system, in which the company has invested a significant amount of its resources.

Wells Fargo provides all the tools and services to its customers to follow the right path toward the ultimate customer experience. In particular, all the personal elements of the digital experience, such as the customer's cognitive, sensory, affective, and social elements, are stimulated through the process. The customer doesn't really realize it, but is pleased and surely feels comfortable. As a result, he or she is more likely to promote indirect advocacy for Wells Fargo, which helps the company thrive.

Moreover, it has to be recognized that Wells Fargo's strategy is based on the digital experience components, whereby the individual, environmental, the marketplace, and the temporality allow the customer to take advantage of the service as well as strengthen the company–customer relationship. As the bank itself declares on its web portal: "It doesn't happen with one transaction, in one day on the job, or in one quarter. It's earned relationship by relationship." Eventually, the customer will realize that the tools enhance his or her financial educational knowledge.

Leveraging digital technology to offer the perfect customer experience

Big Data is essential for companies nowadays. It helps them leverage their knowledge about their targets. For banks, data helps them to make better investments or adjust their strategies better. Banks can personalize the customer experience, improve their efficiency, and make better decisions. For Wells Fargo, data guides its decisions, which has made the company successful in the long term.

After its 2018 scandal, the bank decided to reconsider its approach to data. The data was centralized and could be controlled from only one place. By doing so, the company was hoping to improve the customer experience by better analyzing all of the data. And in merely a year, the bank was able to observe a positive result.

One of the main impacts of the centralization of data is that efficiency and time savings improve. The bank was also able to anticipate further threats. The move also minimized the risks Wells Fargo was taking in terms of making different investments or taking different actions. And, lastly, Wells Fargo personalized the customer experience. In other words, it designed services and products to better respond to a customer's individual needs. As a result, customers feel closer to the bank. They can get digital tools that are better and faster, easy to use, and a bank that understands their needs. However, using this data can be risky. If the bank uses too much of it, customers might feel that their private lives are being invaded. They might not like it and change banks as a result. So, Wells Fargo had to find the right balance when using the data, and the bank has succeeded in doing so.

Wells Fargo's CEO, Tim Sloan, has been fully ready to embrace new technology since he took over the bank's helm in 2017. He knows technology is changing banking, and Wells Fargo needs to go further in its research. This is why, in 2019, the bank invested \$9 billion in technology, according to *Forbes*. Better security systems are always needed because there are increasing financial cyberattacks around the world. In June 2019 alone, there were 100 data breaches in the United States, which exposed more than 25 million records. "Technology and information security are at the heart of what allows us to satisfy our customers' financial needs and help them succeed financially," Sloan said in 2018. Sloan also predicted that five technological tools will change banking and that Wells Fargo wants to leverage them fully:

- *APIs (application programming interfaces)*: This is a tool that will allow third parties to connect to Wells Fargo and also enable people to connect from anywhere.
- *AI (artificial intelligence)*: This allows the bank to feel closer to its customers as it uncovers their personal needs.
- *Voice and biometrics*: It replaces passwords and makes connections safer.
- *Payments*: The use of digital wallets is increasing considerably, and Wells Fargo wants to allow every mobile customer to have access to one.
- *The cloud*: Banks have to be faster than they used to be and develop services faster as well. It can be done by using data and the cloud.

Wells Fargo developed two programs to finance the research of new technologies: the Wells Fargo Innovation Incubator (IN2) and the Wells Fargo Startup. The bank sees technology as the way for businesses to grow faster. On its website is the following slogan: "Small business tools that help you think big."

Wells Fargo's challenges in the future: what's next?

Wells Fargo has a challenge when it comes to restoring its honor and regaining consumer confidence. Even if Wells Fargo now has a substantial presence as one of the top four U.S. banks, good reputations are not an option but a prerequisite to further strengthen its presence in the industry in the future.

In December 2019, two analysts working for Axios and Harris Poll predicted Wells Fargo's financial, regulatory and political challenges would continue through 2020. They released the rankings, having conducted surveys on the 100 most visible companies in the United States by "reputation." Survey respondents determined a company's ranking based on three criteria: "good culture," "vision," and "ethics." Wells Fargo ranked 96th. The ranking represented the public's awareness of Wells Fargo, which had a reputation as "very poor."

One of the main reasons for the poor ranking was the fraudulent customer account scandal that took place in 2016. As a point of reference, Wells Fargo ranked 29th on Fortune's 2019 list of the largest companies in the United States. The two rankings together indicate that Wells Fargo ranks very poorly in terms of its reputation compared to its size.

Wells Fargo is still in the midst of the "massive apology and rebranding cycle" it undertook in 2018 to restore trust among its customers, employees, and regulators. Will the bank continue to develop this marketing campaign steadily and eventually regain the trust of consumers? That remains to be seen. Although Wells Fargo has been continuously striving to revamp its image, it still requires further effort to salvage it.

Another challenge the company faces has to do with technology. The world is taking a more online banking approach, and Wells Fargo will have to adapt to it to survive. It will need to keep its technologies up to date and ensure they work correctly and efficiently. Up to this point, Wells Fargo has taken a perfect approach toward the phygital experience, but it cannot afford to disregard this aspect. If the bank does, it will become obsolete.

Together with the technology progress, new companies will arise. Fintech companies are gaining a more significant share of the banking market, thanks to the innovative services they provide, such as vaults, saving funds, the possibility of doing market trading, exchanging foreign currency instantly, and sending money without fees risks. Nowadays, to thrive in this highly competitive market, it is imperative to be a leader in innovation. No company is too big and strong to fail.

Technology is advancing at an ever more rapid pace as well. That makes it necessary to analyze every emerging spot in terms of technological innovation. Another challenge Wells Fargo and every company will have to face is to remain updated about its cybersecurity. Many people are becoming competent hackers, putting companies at higher risk. Protecting savers' money is the core activity of a bank. The last main challenge is also to protect customers' personal data, which is a precious good. Data trading is growing every year; thus, cybersecurity and keeping up with technological innovations are probably the most critical challenges.

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Questions for discussion

1. Outline the components of Wells Fargo's customer experience and its touchpoints. How has Wells Fargo changed the banking experience? How can "empathy capital" be integrated into the experiential marketing mix of Wells Fargo?
2. How does Wells Fargo manage the customer experience? What kind of data is used to create the perfect banking experience? How can Wells Fargo engage in a phygital banking experience before, during, and after a transaction?
3. Describe how Wells Fargo can use extended reality technologies, such as virtual reality (VR) and augmented reality (AR), to elevate the banking experience. What are the advantages and disadvantages of each technology? Can you think of another form of technology that Wells Fargo should use to create a strong competitive advantage?
4. Explain how Wells Fargo can adapt its offerings to become the first bank targeting students. Should Wells Fargo develop a partnership with schools, universities, and the entire education sector?
5. Examine and compare Wells Fargo's experience offerings in two contexts: advanced technology countries versus novice technology countries. What obstacles might prevent Wells Fargo from providing a satisfying online banking experience in novice technology countries?

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) at Wells Fargo to help the company shift from a physical banking experience to a phygital (physical and digital) experience combining both online and physical services. How would you proceed? What would be the positioning? What kinds of marketing research would you use to collect smart insights about what consumers really value?

Company case 21: An inside look at Bank of America's customer experience

The evolution of the financial marketplace has led to a need for companies to revise their strategies. Bank of America (BoFA) is one of the best-known banks that recognizes the importance of using digital technology to improve the banking experience. For BoFA, the consumer should be at the center of all decisions. Consumers should be driving the business by their wishes, and the company should find solutions to their problems. To achieve this, the company relies heavily on a marketing strategy that includes both the human and technology. Bank of America is then adapting to the digital and experiential era. This does not mean that the technology will replace humans (there is a need for both) but will transform the possibilities. Therefore, it is essential to understand the story and the rise of Bank of America as well as the way it is elevating the customer experience to differentiate itself from its competitors.

How did it all start? The story behind Bank of America and its marketing strategy

In 1904, Italian entrepreneur Amadeo Giannini founded the Bank of Italy in California to provide banking services to Italian immigrants. In 1929, it was renamed "Bank of America" after merging with the American Bank, creating one of the largest banking institutions in history. It established a historic banking charter, which still exists today. But, initially, it took some time to develop the business within the country.

During World War II, Bank of America allowed the U.S. government to pay its soldiers using their checking accounts' credit cards to be linked to their bank accounts, which was a first in history. This step allowed the bank to have relatively low administrative costs. About ten years later, the bank tried to diversify into the insurance sector. However, the Bank Holding Act of 1956, which prohibits the acquisition of an insurance company by a bank, hindered the project. The Act also led to a separation between Bank of America and its insurance subsidiary Transamerica. Another key step was the purchase of Bank of America by Nations Bank in 1998 for \$65 billion. The merged banks officially adopted the name of Bank of America. The last milestone in the bank's evolution was the purchase in 2004 of the National Processing Company, a company that was set up to suggest financial strategies to transportation companies.

Today, Bank of America is the leading U.S. deposit bank and the seventh-largest in the world. It has subsidiaries in all 50 U.S. States as well as in nearly 50 countries. In the United States, Bank of America provides its services to 66 million individuals and is firmly established in the Big Four of American banking institutions. Headed since 2010 by Bryan Moynihan, the company delivers a consistent performance every year, with a turnover of \$92 billion in 2017. This has enabled it to be included in the Dow Jones Index since 2008.

The clients targeted by Bank of America are of all types: small and medium-sized businesses, public limited companies, investors, and banking institutions. The private sector constitutes the majority of the bank's clientele. In addition, the bank's clients are distinguished globally by their wealth: Bank of America provides services to 99 percent of the Fortune 500, a list of the 500 richest American companies.

However, other companies are overshadowing Bank of America, including Santander, Ally Financial, and Capital One. Bank of America's competitors are very varied, but three main rivals stand out. Wells Fargo is the fifth largest company in the world. Citigroup is remarkable because of its immense international presence (it operates in more than 100 countries), whereas JP Morgan Chase is one of the world's largest investment banks. These three companies are also competitors in terms of their wealth management services, based on the same processes. Bank of America and its three rivals form the American Big Four.

On the one hand, Bank of America offers a comprehensive banking service, building up a deposit pool for the clients and a solid investment base. It also provides wealth management, real estate, and mortgage services, as well as financial services for major corporations. On the other hand, it is an advisory bank, offering lending solutions, cash management, and also debt underwriting strategies for companies. The bank also offers advice on mergers and acquisitions. It helps clients deal with various risks: bad debts, criminal actions, payment defaults, threats of fraud, and so forth. The bank also targets companies and individuals seeking financial advice or a place to store their financial assets.

The marketing strategy chosen by Bank of America is designed to demonstrate that the bank is modern. It is no longer what people used to find in the past. Its services and possibilities go beyond what people could imagine, thanks to technology. The customer experience is thus enhanced by the number of options available. For its marketing, Bank of America puts forward its employees, which is quite unusual for banks. All of the bank's employees are involved, including Moynihan, who participated in an ad designed to show how the company understands people's needs. The relationships (how people connect to each other) and emotions people experience (at different moments of their lives) are a recurring theme in the bank's messaging.

To communicate effectively with customers remains a priority for companies, especially those in the financial sector, where trust is a crucial element because money is involved. To do so, Bank of America has chosen to show "the inside" of its operations, which is usually not visible to customers. They can hear stories about employees working for the bank and sharing their experiences. This communication strategy allows the bank to find employees who share common values. The power distance between the company, its employees, and customers is reduced because it is possible to find similarities among them. This is important for the company. If customers can relate to the bank's employees, it means that they "are like them" and, therefore, are qualified to give them advice about their finances.

Communicating an image of a group that integrates people with different backgrounds makes it more believable that the bank can help people with different needs. This may reinforce Bank of America's legitimacy to operate in the financial sector. The emphasis is also put on people's current concerns. The company wants to appear to be committed to creating a better society. As a result, Bank of America is using a corporate social responsibility (CSR) platform to attract consumers interested in building "a sustainable future." Thus, both marketing and communication actions are crucial to making customers aware of their experiences by being part of Bank of America.

Bank of America's focus on the customer experience

According to Bank of America's Chief Client Care Executive and Head of Consumer Client Services, Holly O'Neil, the bank's primary goal is to put its 66 million clients in the middle of everything it does. The bank has a high-tech and high-touch strategy. Improving the customer experience is a challenge for almost all businesses. For example, the Kony Digital Experience 2019 Index Survey showed that while companies have invested more than \$4.7 trillion in digital transformation projects, not even 20 percent of their clients perceived any significant experience improvements in what their banks offered.

One of Bank of America's best practices to keep in touch with its clients is through listening mechanisms. Annually, 90 million surveys are sent out to map the customer experience perception. Bank of America's executives and team members get real-time access to the results through their customer experience management system. The implementation of this new tool took almost a year. According to O'Neil, the tool has been empowering employees and showing them new insights and feedback. The tool has also provided more accurate alert systems, such as detecting fraud and higher limits for money transfers.

Bank of America implemented its "Voices" customer feedback mechanism throughout the entire bank. Voices measures how the bank's many customer-facing teams are performing. "Right now, 45,000 of our people have Voices dashboards on their desktop that every day tell them how they are doing with their clients," says O'Neil. The tool continues to be updated by the bank's IT team. One future capability the team is working on is the possibility for employees to answer back rapidly when a customer includes a question in response to a survey.

The bank's main contact channels are its financial centers, mobile banking, and the mobile app. Besides its technology approach, the Bank of America is still committed to the up-close and personal contact with its customers. High-level executives talk directly with clients to get multiple feedback points to develop the customer-leader approach. The bank also conducts meetings that include senior executives, regional leaders, and clients. The goal is to show that the bank does listen and care about its customers.

Bank of America has been working hard for a long time to stabilize the company and drive customer centricity from what was once a product-led business. The bank feels it is essential for customers to know the people behind the business, what they believe, and how they think, to build an emotional connection. The bank also knows it is important to understand the customer, the primary role a bank plays in someone's life, and how it can help customers achieve their goals. The bank believes that this is the main difference between it and its competitors.

Bank of America's consumer-centricity and customer experience touchpoints

Bank of America is using technology to facilitate the lives of its customers, who can be individuals but also companies looking for solutions. Customers may have several concerns, but the bank's digital tools are there to help them with their transactions or get advice. One of the devices available at Bank of America is its automated teller machines (ATM), which are slightly different from those used by other banks.

A Bank of America ATM can be used with just a smartphone instead of a credit or debit card. This type of device helps people who have many different credit cards and do not want to waste time at an ATM looking for the right card. Also, all of their credit cards (if issued by Bank of America) will be located in the same place: the customer's virtual wallet. It is essential to point out that this ATM is not yet available everywhere, which might reduce, to some extent, the customer experience.

"Erica," the bank's virtual assistant, is another way Bank of America is trying to create a better experience for its customers. Erica has had more than 50 million interactions and is an appreciated tool when it comes to creating a personal connection with customers using digital technology. The use of artificial intelligence (AI) allows the bank to be more precise regarding what a client is looking for and to adjust its recommendations. It can create a bridge between the customer's wishes, what the bank has to offer, and many other purposes. A customer can ask Erica questions as well ask her to make transactions.

The bank can also collect data to determine how people are using the application, which can improve the customer experience. The app is also available everywhere. Moreover, any BofA customer can use the virtual assistant; there are no financial conditions that precede access to it.

These tools and devices are some examples of what Bank of America is using to create a unique experience for its customers in today's fast-moving world. The use of tools shows that the customer experience has changed. People want to spend time on things that matter to them, such as their families. This is emphasized by the company's different advertisements that feature families. The point of using physical devices and technologies is to combine the advantages offered by both. With these tools, efficiency can be improved. In return, this can increase or create satisfaction for customers.

Leveraging technology and data to offer the perfect online and offline banking experience

As customer care is key to attracting as much as retaining clients, especially in the highly connected society we live in, digital engagement to enhance the customer experience is critical. Bank of America has actively followed the digital strategy of increasing its digital engagement, as shown by the numbers advanced by *Business Insider*: the percentage of the bank's online sales has increased from 20 percent to 30 percent of total sales. The percentage corresponding to mobile sales has surged from 38 percent to 53 percent as more and more clients enjoy the digital options offered by the bank.

The virtual assistant, Erica, has a lot to do with this increase. A 115 percent increase in the assistant's use was recorded since the fourth quarter of 2018. Erica will allow the bank to transition some of its advisory and sales activities from human assistants. According to the bank, Erica helps 7 million customers maintain better control over their accounts and avoid undesired overdrafts and unnecessary spending. The AI of

Erica's algorithm makes it possible to answer and solve complex banking tasks for clients through data analytics. According to the bank, in a single year, Erica completed over 50 million client requests. Some 200,000 ways of understanding financial questions were available in Erica's algorithm, which is now at 400,000 ways. They were "learned" via the conversations Erica had with the bank's customers. Erica helps the customers by proactively sharing tips, providing data on their accounts, and various insights to help customers get regular support.

The analytics gathered by Erica have helped the bank remain proactive and leverage the data, machine learning, and engagement based on context to provide a fully customized experience. Customer data is essential when it comes to narrowing down clients' needs and preferences, which, if done correctly, can sharply increase the trust and the relationship between a bank and its clients. Being able to offer relevant, secure, and appealing financial services and products is another key to improving personalized customer experience. Moreover, Bank of America uses sophisticated encryption techniques to protect its customers' data from third parties. Using this technology deepens the trust and the experience of the customers.

Another pillar to leveraging technology to improve the customer experience is being able to get in touch with clients at any time of the day or of the week. In addition to traditional call centers or email exchanges, which are common to all banks, Bank of America uses Erica to be always available to its clients. Erica can provide basic-to-complex support for clients regardless of the time of day. This not only cuts down the costs of personnel but also makes customers feel close and that the bank is available to help them.

Lastly, the customer journey is a significant point addressed by Bank of America in its approach to the customer experience via technology. The bank acknowledges that "more than ever, customers expect a seamless experience throughout their purchase journey." Opening an account can be done entirely on a mobile device, making it a smooth and hassle-free task. There is no need to go physically to a bank or to print out documents. Monitoring the account is made easy with the use of Erica, which helps all clients better manage their money. All expenses are monitored to detect discrepancies, and payment may be contested directly from the app. The client will never be left alone, clueless, or without support.

Bank of America's challenges in the future: what's next?

As noted, the economic crisis in 2007 was a major challenge facing the company. Bank of America's revenue decreased significantly during that time. It spent \$64 billion in one year writing off impaired credit card loans. A year after the financial decline, Bank of America made matters worse by buying Countrywide Financial, which was later investigated by the FBI. Countrywide Financial had inflated the value of the houses it had loaned money on, falsified the number of its assets, hid from households the extent of the crisis, and so on.

For two years, Bank of America was tainted for entering the mortgage market, which was rife with fraud. The bank controlled a quarter of the mortgage market in the U.S. Finally, Bank of America admitted that it had agreed with Countrywide Financial to discriminate against clients. For example, minority borrowers were steered toward higher costs mortgages to a greater extent than nonminority borrowers. As a result, Bank of America lost support and lost Americans' confidence. The bank must, therefore, exhibit exemplary behavior in the years to come.

A more recent issue is the coronavirus. Indeed, banking activity has been severely affected, and the financial markets are volatile. Bank of America's stock, like all the others, has dropped precipitously. If this trend were to continue, it could have a substantial impact on the agencies' ratings of the company. Also, the cost of risk is much higher: the risk that receivables and unpaid interest will not be repaid is much higher. Many borrowers are currently working only part-time, which may prevent them from repaying their loans. As a result, Bank of America has offered to defer their loans and mortgage payments until they can pay later. Clearly, the bank has a critical role to play during this economic crisis.

Another challenge that has grown in importance in recent years is the threat of fraud and criminal activity. To address this problem, the bank is relying on three guiding ideas: (1) making the issuance of its credit cards more secure; (2) helping companies implement internal fraud policies; and (3) strengthening the bank's control over unusual transactions. Moreover, Bank of America must contend with its competitors, which seek to differentiate themselves through innovative policies and by diversifying their activities.

Bank of America must, therefore, redouble its efforts to find competitive advantages that will attract customers. For example, in 2016, the bank gained market share by being the first to implement automated teller machines (ATMs) that can be used without credit or debit cards. Therefore, Bank of America must continue with initiatives like this to surpass the market leader, JP Morgan Chase.

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Questions for discussion

1. Identify Bank of America's customer experience touchpoints from both the employee and the customer standpoints. What service is provided by each touchpoint? Does it generate a positive or a negative banking experience?
2. How has Bank of America evolved its marketing strategy to integrate the customer experience? Are these changes in line with today's consumer needs? How does culture affect Bank of America's development in different markets?
3. Describe Bank of America's customer journey. How does Bank of America use technology, data, and other digital devices to offer an exceptional banking experience to its customers and employees? What are the advantages and disadvantages of each technology? Can you think of another form of technology

Bank of America should use to differentiate itself from its direct and indirect competitors?

4. Explain how Bank of America should refine its strategy to cope with digital players (online banks). Outline the diversification strategies focused on the customer experience that Bank of America can develop to remain attractive, retain its customers, and enlarge its market.
5. How can Bank of America use the EXQUAL tool presented in the book by Wided Batat, *Experiential Marketing* (Routledge, 2019) to evaluate the customer experience satisfaction?

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) at Bank of America. Your job is to reflect on its online diversification strategy. How would you proceed? What components should you focus on in the design of this new online banking experience?

PERSPECTIVES ON THE SECTOR



Kathryn Waite, Edinburgh Business School and Editorial Board, *Journal of Financial Services Marketing*

In the banking and insurance sector, customer experience can be defined as the sum of a holistic and subjective response to all direct and indirect contact with a company. Banking experience is received at each interaction or touchpoint with a company; responses can be cognitive, affective, and physical/behavior. In terms of intangible services, such as financial services,

the experience of the product is inseparable from its digital form, whether online or offline. In contrast, numerous studies indicate that compelling customer experience can provide customer satisfaction and loyalty. There is also a need to consider how the customer experience might engage and empower the financial services so that customers take an active role in the management of their financial well-being. This aspect is particularly important in the case of complex products, such as pensions, where the use of online technology facilitates self-determined investments.

Nowadays, the banking and insurance sector is redefining itself by integrating digital to enhance the customer experience. Digital tools to manage accounts and enact transactions have long been in existence for current account services, and customers are gaining in both their ability to use and trust in mobile applications. The pervasive use of smartphones has facilitated the acceptance of mobile banking. Mobile phone providers have joined the traditional banking sector in providing payment functionality using mobile technology, e.g., Apple Pay. The next step is the adoption of mobile technology for more complex financial products, i.e., insurance and investment accounts. This can involve product innovation, and there is evidence of this practice in the car insurance sector. For example, bymiles.co.uk allows customers who have low mileage to insure each mile they drive and uses both telematics devices and a smartphone app to deliver the customer experience.

Although there is a growing proportion of the world's working population who are digital natives, there still remain those for whom face-to-face channels are the only or best option. While digital technologies can deliver inclusive financial experiences (e.g., mobile phones enable those who are homeless and displaced to access financial services), some remain excluded due to a lack of reliable identification and gaps in technological infrastructure. Banks need to ensure that they can meet all banking needs without unsustainable cost and risk. One risk is posed by an aging population. It is erroneous to view financial services needs as remaining constant across the life-course, and it is essential to ask questions about how the customer experience might change with age or adverse life events. For example, cognitive decline associated with such conditions as Alzheimer presents a challenge to the banking sector with the increased use of digital technology. It is crucial to examine how banking provision can accommodate those for whom digital technology itself becomes unusable.

Author's perspective on experiential marketing

Online video "Introducing concepts & tools"



- Access the link www.youtube.com/watch?v=hX7w9lfvDa8&t=25s or flash the following QR code to view a short video featuring the author, who introduces and explains concepts and tools companies can use to implement a successful experiential marketing mix strategy.



The customer experience in the media and communication sector

If there is one sector that has been transformed by digital technology, it is the media, press, and communication sector. Digital information is nowadays a key component of modern society. The news and media industries have had to adapt to new customers' needs; society's insatiable demand for immediate and valuable information has led many companies in the sector to depend entirely on digital technology to reach readers worldwide. However, many readers still want some of their communication delivered via print, as evidenced by the American weekly *Newsweek* example. *Newsweek* went 100 per cent digital in late 2012 but returned to newsstands in 2014.

Nonetheless, the sector has found a viable alternative economic model with digital and online content. Companies in the industry are now directly connected to their audiences digitally. Thus, improving the customer experience is one of the major ways companies can retain their current audiences and attract new ones. In this chapter, I introduce three company cases, namely, *The New York Times*, CNN, and Net-a-Porter. These companies are leveraging the customer experience and technology to increase their revenues, differentiate themselves, and enchant their customers. I will first explore the story and the marketing strategy behind each company; then, I will focus on the implementation process of the experiential and digital strategies pursued by each company. Finally, I will present the challenges these companies are facing to improve the customer experience in the media and communication sector.

Learning outcomes

After exploring and solving the questions and challenges presented at the end of this chapter, you will be able to develop a way to think critically about how companies in the media and communication sector are improving the customer experience to satisfy people's needs better. In the online video provided, "Introducing concepts & tools," you will learn more about the experiential marketing mix and the tools companies in the sector can use to elevate customer experiences both online and offline.

Company case 22: *The New York Times*, a new press experience

The New York Times (the *Times*) is an influential and well-established worldwide newspaper company. Throughout the years, the company's success has hinged on its ability to adapt to market changes quickly. For two centuries, the media environment has

continued to evolve, and the last few years have taken it from print to digital. These changes have resulted in strategic upheavals. The *Times* has relied on its reputation, the strength of its content, and its image as a family business since it was founded. The company has been able to reinvent itself over the years. It has done so by adapting to trends and pursuing a subscriber-oriented and visual strategy that places customer experience at the center of its priorities. It is then interesting to understand the story behind the *Times'* success and how it adapts to new customers' needs in terms of news and information by offering a new media experience.

How did it all start? *The New York Times'* story and strategy

The *Times* was launched in 1851 as a newspaper intended for a cultured and intellectual small audience. But the company's strategy of not being a newspaper aimed at a mass audience led to bad financial results. In 1896, Adolph Ochs purchased the company and transformed it into an international newspaper. Ochs restructured both the company's internal workings and the subjects the newspaper covered.

The *Times* became a local and international daily newspaper sold at an affordable price of one penny. Its slogan was "All the News That's Fit to Print." The newspaper is considered to be a benchmark newspaper for moderate Democrats and Republicans. It was also the first newspaper to use radio for televised reporting, which gave it a competitive advantage over its competitors. The sinking of the *Titanic* in 1912 provided a springboard for the *Times*: it was the first publication to report that the ship had sunk.

The *Times* remains a family business, as evidenced by the company's shares on the stock exchange, which is divided into two parts, with voting shares majority-owned by family members. The newspaper tries to reinvent itself and offer a unique experience to its readers; the famous *Times* crossword puzzle made its first appearance in 1942. In the early 1970s, the *Times*, which wanted to be a free publication, set up an op-ed section where independent journalists could freely write articles not related to the newspaper's editorial line.

In 1971, the *Times'* "Pentagon Papers" series laid bare U.S. government secrets, particularly those related to the Vietnam War. The coverage led to a Pulitzer Prize for the paper, a prize it had won for the first time for its reporting during World War I. Since then, the newspaper has won the award more than 127 times.

The *Times* has become a national institution beyond the borders of New York. The newspaper released its first online edition in 1996, which was in black-and-white; in 1997, it released an online version in color. The company changed its strategy in 2005 when it launched TimesSelect, a paid-subscription service that provided people with exclusive online access to the newspaper's op-ed columnists. But that deprived the newspaper of a mass audience, and the strategy was abandoned. In 2006, the company released a TimesReader product, a desktop interface that allowed subscribers to download the print edition. In 2011, the *Times* set up a subscription service for its digital edition to combat the launch of free newspapers on the Internet.

The *Times'* strategy is now oriented toward its online product rather than its print product. Today, the sales of the online version dwarf those of the print version. In January 2020, the *Times* announced that among the newspaper's 5 million subscribers, only 900,000 subscribe to the print version. The *Times'* Web development and diversification strategy is bearing fruit. The company has gone from allowing readers to access 10 free articles per month for free to only 5, which has boosted subscriptions.

The quality of its journalism and content is the main strength of the newspaper. Diversifying its offerings also strengthened the newspaper. In 2017, it launched *The Daily*, a daily podcast. The company recently announced it would release a video offer in the same style as *The Daily*. Building on its digital strategy and recent good results, the publication is solidifying its position in the United States and internationally.

The *Times*' change of strategy with digital development has pushed the newspaper to reorient its marketing and communication strategies toward digital. Leveraging customer data has given the newspaper a new way to convert readers into new subscribers. Its marketing strategy involves the use of questionnaires, call centers, and feedback to obtain information about the customer experience, and, more specifically, the digital customer experience. This has allowed the newspaper to get to know its audience better.

The *Times* has been able to reinvent its digital marketing strategy with its daily reporting by offering stories via emails and online newsletters. According to Nicole Breskin, the paper's email product director, the newsletter is more than a marketing and communication strategy; it's a full-fledged newspaper experience, with an impressive 50 percent open rate. In other words, 50 percent of people open the newsletters the *Times* emails them. "DailyBriefings" is a roundup of the day's news delivered each morning via email. It is the digital product that has been most successful when it comes to capturing subscribed and unsubscribed readers.

The *Times*' marketing strategy also involves developing more digital features, such as "Cooking and Watching," which appeals to readers because it involves and engages them. Offering advice to readers is another strategy. The *Times* began pursuing this strategy in 2013 and 2014 by offering interactive Web content, such as "How Y'All, Youse?," "You Guys Talk," "What Is Your Love Style?," "How Well Do You Know the World?," and "Copy Edit This!"

The way people take in the news is different today. According to the Pew Research Center, only one person out of three reads the news, whereas one person out of two watches the news. As a result, the *Times* has begun to use a number of new tools, one of which is storytelling. Storytelling utilizes visual power – images and so forth – to capture the attention of the readers. The newspaper aims to increase its use of storytelling by 10 percent. Virtual reality is the latest tool implemented by the *Times*. It fully immerses readers in the stories published by the newspaper by making them completely visual.

The *Times*' strategy of developing content focused on visuals is also done through partnerships with, for example, Facebook and Snapchat, which are used by tens of millions of people worldwide. For instance, Snapchat posts videos and content from the *Times* on its pages dedicated to current news.

In addition to redesigning content to make it much more visual, the newspaper's marketing strategy is now more client-oriented. For example, the *Times* has launched T-Brand Studio, which advises brands on content. This approach is a way of pushing the newspaper's experience even further.

How does *The New York Times* offer an immersive reading experience?

The *Times* recognized that to remain the reader's first choice the company had to adapt its traditional printed way to deliver news articles. Thus, it was essential for the company to shift to a digital strategy. Nowadays, newspapers' readers use their smartphones or laptops to easily and quickly get the daily news rather than buying print newspapers.

The *Times* reoriented its way of operating toward an experiential model by first focusing on its customers and demonstrating its commitment to enhancing how they experience the news. The company intentionally leaked its internal innovation report in 2014. In the report, the company pointed out that it was aware it was lacking in several areas, such as keeping the attention of readers and noting some imperfections related to its digital tools.

The *Times* exclusively focused on getting more subscribers. Instead of maximizing its revenues through clicks and advertisements as its competitors were doing, the *Times* adopted a long-term sustainable effort to use digital technology to improve the customer experience and build a loyal customer base. As a result, the publication doubled its digital revenue to \$800 million by 2020. About 200 articles are written and published daily on the newspaper's website. However, the vast amount of content is too much for a person to read through. Consequently, the *Times* integrated several dimensions to enhance the reader's digital experience:

- *Cognitive*: The goal of the newspaper business is to serve readers and society by providing accurate, reliable, and understandable news reports to help people grasp what's going on in the world and foster culture. *Times'* journalists fulfill the readers' need for information by writing stories and articles about the news in general and specific topics they might be interested in.
- *Sensory*: Getting information by reading newspapers involves the sense of sight. However, dense and long articles can lose readers' attention. Therefore, the *Times* decided to shift to a digital strategy by developing new ways to deliver information. They include the use of audio, live conference events and videos, photos, graphics, and charts. The recipes the *Times* publish evoke a sense of taste, smell, and touch. Stimulating the five senses engages readers and makes the information more entertaining, enjoyable, and immersive. Moreover, the approach was also more likely to persuade young readers to subscribe to the *Times*.
- *Affective*: Users of the *Times'* digital platforms expect to find the information they are seeking in an easy and fast manner. The digital newspaper has format sections and tags and a website platform that's easy to access. The *Times* also added features that can help users quickly access the content they want to read versus what they don't want to read. A "follow" button allows readers to keep track of ongoing topics, news articles, and breaking events. Alerts related to them are then directly sent to readers' phones or email addresses.
- *Social*: The digital platforms make it easy for the *Times* to instantly interact with its readers, which could not be done by printing newspapers. Readers can post comments at the end of each article (if they create a *Times* account), post their opinions (after being checked by moderators), and interact with other readers. As a result, they can form a community and exchange information about their interests, such as food, travel, books, politics, and foreign affairs. In other words, the newspaper enhances the digital experience of its readers by actively involving them, which naturally leads readers to subscribe to the *Times* and become loyal customers. The company is also on social networks, including Twitter, Facebook, Instagram, and YouTube. The comments sections on these platforms are available to the broader public. Readers can freely express themselves and socialize with other people. The newspaper also involves its readers by letting them participate in quizzes on specific topics before writing articles about them and analyzing and sharing the results.

Thus, the *Times* transforms the customer experience by actively involving readers. As a result, readers feel more inclined to interact with the *Times*' content and share it.

The New York Times' consumer-centricity and reader experience touchpoints

The main devices used to read the *Times* online are smartphones and laptops. Readers can connect via the website or the *Times* app for easy access to the publication's newsletters, events, social media, and other channels. The digital tools were designed to respond to elements that can successfully enhance the digital customer experience, namely, its cognitive, sensory, affective, and social aspects. These elements are key to fostering readers' loyalty and habits and finally to subscribe. Newsletters are a typical way to engage readers and gain their loyalty. For instance, the *Times* launched a feature that automatically notifies readers via their Google and Apple calendars about new content produced by the newspaper that might be of interest to them.

The following applications and platforms engage and answer the needs of *Times*' readers beyond just journalism:

- The NYT Cooking application was developed to help readers by providing them with instructional cooking videos. Readers who take the challenge to make the recipes will often share their results on social media as well as tag (mention) the newspaper.
- The NYT Crossword is an online platform that offers new daily game challenges. Readers can print or play the games on the Web or their mobile devices. Many of the games allow players to interact with one another online.
- Wirecutter is a channel that gathers useful videos of experts' research, tests, and reviews on products to help *Times*' readers make the best buying choices.
- TimesTalks are series of live conversations performed by experts, public figures, artists, and others in several domains (e.g., art, music, literature, innovation, fashion).
- Get with The Times features live hosted conversation with the newspaper's journalists and guests. They discuss pressing world issues.
- NYT Live is a live conference that brings leaders together to address major business challenges in many areas (e.g., luxury, finance, energy, technology). These conferences are useful for developing business opportunities and networking.
- Subscriber Events are exclusively live and remote experiences available only to subscribers.
- Times Journeys is a channel where experts share their knowledge and insights about the world's destinations.

The *Times* also directly utilizes its readers' contribution by making them part of its social responsibility commitment. Readers can make donations and help the newspaper provide educational initiatives to people in need, for example, by providing them with college scholarship programs and financial assistance. To attract new and younger audiences, the *Times* also offers educational programs via the School of the NYT, which can be accessed online by both professionals and pre-college students.

The *Times* has many touchpoints that allow subscribers (and potential future subscribers) to feel valued and fully immersed. They are closely connected with professionals (journalists, experts, and public figures) who create content for entertainment purposes and people's personal use. *Times*' readers also have access to a broad range

of informational services, from cooking tutorials to live events, from online courses to world travel, which create for readers a community around shared-interest topics.

To gain a sense of belonging, subscribers can join The New York Times Wine Club or support the newspaper by buying merchandise from N.Y. Times Store. Lastly, subscribers can personally engage with the company's team members. On its website is a long list of people subscribers can contact by email. They include journalists, videographers, marketers, art directors, and many other people.

Leveraging technology and data to offer a unique press experience

The *Times* uses internal data analysis to try to sign up more subscribers. Its data analysts attempt to uncover and quantify all the information and stimuli people receive, which can have digital or nondigital origins. The *Times'* researchers do so by relying on the Market Mix Model (MMM), which uses a multivariate regression model. For the model to work, all drivers must be quantified holistically; in fact, all potentially useful data must be on hand and available to be analyzed.

The *Times* already has datasets available onsite, mostly on its Google Cloud Platform. For example, the *Times'* Pageviews help the company to understand what stories or articles have most impact on subscriptions and attract more readers. The goal of MMM is to examine what offsite influences lead a customer to choose a site. The data collected comes from third parties, such as Facebook and Google. It includes searches, clicks, impressions, app downloads, offsite and onsite displays, and other economic variables.

The data will then go through a validation and modeling process that uses Python and other cloud-based infrastructures for analysis. The *Times* also wants to understand the emotions articles provoke among readers. The analysis helps marketers place the ads where they are most likely to have an impact. To facilitate the process, the *Times* launched Project Feels. The data is gathered through tests volunteers take. They are asked to connect an emotion to what they read. It was clear from the project's findings that articles associated with the feelings of love, sadness, and fear performed significantly better than articles related to other emotions.

Using this digital tool, the *Times* can identify the best articles to be advertised in the most suitable contexts, thereby grabbing the reader's attention and increasing subscriptions. Another potent digital tool is social media. The *Times* has gathered great benefits from it. The newspaper's Facebook page has garnered 17 million likes, and 8.5 million people follow its Instagram page.

All of these digital technologies and data are the drivers of the company's earnings, which makes them essential for the company's health. In a world where individuals receive constant information, it has become extremely challenging to survive, based only on the merits of a newspaper's content. Consequently, the *Times* has found new tools and techniques that reflect its desire to achieve excellence.

The New York Times' challenges in the future: what's next?

The needs of readers nowadays are very different from the ones of 50 years ago. Today, people are more educated in general, and the rapid spread of news is almost uncontrollable. Challenges will arise if the needs of customers change, and the *Times* is not prepared to keep up with those changes. The changes may be linked to the accessibility

of information or its quality. Also, it is not always possible to predict how readers will react emotionally to articles, ads, and stories because this will change over time.

The risk of losing its grip on its customers is what makes the *Times* constantly innovate, for example, the *Times* has made a considerable effort to promote its videos because more and more daily information is being delivered that way. New technological tools will likely allow readers to be informed about the news, for example, it is possible the news could be displayed via augmented reality or virtual reality. Customers in the future may seek more immersive ways, such as this, to consume information.

The ability to receive information through these phygital tools will give the readers the chance to also “feel” the articles they are reading. As a result, their emotional reactions to the news may be very different than what they were before; an article that would not have been noted could be seen as very interesting and one that would incite fear today could be considered excessive or not influential in the future. Such a change could be strictly linked to the use of phygital tools, which may be the most used means of communication in the future.

The *Times* must be ready for these technological changes and always think ahead when dealing with the delivery of information and the quality of that information. The *Times* must evolve based on customers’ needs and the technological innovations that occur in the industry. The newspaper needs to be able to maintain its worldwide grip and provide outstanding content and service.

The company could eventually totally shift to the phygital era by using augmented reality, virtual reality, or 3D visualization tools as readers will no longer read and mentally imagine by absorbing the information but virtually live and feel all the emotions contained in the articles’ stories. The readers would directly and actively be involved by being at the center of the story. They would see themselves in a specific virtual setting.

Augmented reality, virtual reality, or 3D virtualization tools might only be used on demand, for example, readers would choose to either read or to “live” the articles. Or the technologies might be made available for stories that provide excellent opportunities for readers to experience the situation virtually. Thus, sensitive news articles covering topics that could, say, offend the audience’s sensibilities might not utilize these technologies. However, stories about world travel, exhibitions, or visits to monuments could be alluring. Moreover, adding these cutting-edge digital features would answer the four realms of the customer experience by taking into account educational, entertainment, aesthetic, and escapist elements. Readers would be immersed in an enjoyable phygital sphere.

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Questions for discussion

1. Define the *Times'* experiential marketing strategy and briefly describe how the company is designing the reader experience to enchant audiences both online and offline while offering emotional and exclusive reading experiences. Discuss the role digital devices and technology play in the design process.

2. How has the *Times* modified its marketing strategy to focus more on the customer experience? Are these changes in line with today's readers' needs in the media and communication sector?
3. Describe how the *Times* can increase its market share by attracting millennials and postmillennials. What kind of reader experience should the *Times* offer to reinvent itself and innovate in the digital and experiential era?
4. Describe the difference between the journalist experience and the reader/audience experience with the *Times*.
5. Discuss how the *Times* might create a future e-commerce news website. What elements should the *Times* integrate with an experiential mix marketing strategy to increase its revenues?

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) at the *Times* to enhance its online presence by rethinking its social media content and strategy. How would you go about identifying online and offline experience touchpoints and connecting them to deliver a satisfying online reading and shopping customer experience?

Company case 23: CNN transforms the media experience

CNN (Cable News Network) has grown from a small channel to one of the leading information channels in 20 years. The company's growth has been fueled by the diversification of the network's activities, the enhancement of its international status, and by CNN leveraging its digital technology. Although it started out as 24/7 news channel, the network has also diversified its activities with online news and a smartphone app to elevate the customer experience. Also, to attract new audiences, CNN has diversified its targeted customer segment from highly educated Americans to educated people, millennials, and teenagers all around the world. It is then interesting to learn more about the story behind CNN's success as well as its challenges and the way it is adapting to the emerging needs of different market segments.

How did it all start? The story and strategy of CNN

In 1970, Ted Turner purchased a failing TV station in Atlanta, Georgia. In three years, the businessman had succeeded in making the station profitable. TBS, Turner Broadcasting System, quickly became a cable TV channel watched nationwide. Following the purchase, Turner decided to create a 24/7 television news channel. The news would not be reported at the same time every day but continuously. Thus, CNN, the Cable News Network, was launched on June 1, 1980. It was the first 24-hour television news network. At the time, the main TV news broadcasts appeared on CBS, ABC, and NBC. All

three networks aired 30 minutes of news each night. But on CNN, people see the news on TV as soon as it happened.

To meet an essential consumer need, CNN was founded to allow people to know what happened immediately and to be the first to know it. What if a catastrophe were to happen or if a war were to break out? People could not wait until the daily news broadcast to learn about it. Therefore, each American citizen was a potential CNN customer. CNN could reach almost everybody. For example, soldiers' families could get continuous information during battles and know whether an attack had happened.

Even though the idea was innovative and potential customers were numerous, during the first few years of CNN's existence, the channel lost much money, and was even derided as the "Chicken Noodle Network." As hard as it is to believe today, the launch of one of the world's most famous TV channels was a failure. But Turner was not dissuaded. The businessman continued to invest in the company and bought facilities worldwide so the channel's employees would be at the right places at the correct times.

In 1983, Turner bought the Satellite News Channel from ABC. By doing so, he eliminated his main competitor, and CNN became the leader in the TV news market. Thanks to the purchase of facilities all around the world, CNN reporters were successfully able to cover the most important events before the other channels. People understood that CNN covered events faster and provided more and better information than other channels.

As a result, CNN grew. Its live coverage of the Persian Gulf War in 1991 also helped it grow. The war was necessary for Americans because the United States was leading a coalition to defend Kuwait from Iraq. CNN efficiently covered the war. Any time information about the war broke, CNN was there to show it to the public. The war was indeed a landmark event that led to CNN's popularity. At the end of the war, CNN's audience kept growing, thanks to the increase in cable's TV popularity. It also became the world's most honored cable news network.

In 1996, the network was bought by Time Warner and CNN Sports was created. In 1998, CNN slightly changed its positioning from an American 24/7 media channel to an international channel. Its director, Morgan Almeida, decided to change its graphical charter from a U.S. channel to a worldwide brand. Since 1998, the network's motto has been "go beyond borders." The company now owns CNN/U.S., CNN Airport Network, CNN USA in Spanish, CNN International (CNN Europe/Africa/Middle East, CNN Asia Pacific, CNN South Asia, CNN Latina America, CNN North America), CNN+ CNN Turk, CNN, CNN Chile, CNN Business, and CNNMoney Switzerland. CNN International adapted its programming to appeal to the European market. The channel faces intense competition in the American market from the BBC and FoxNews but is still unbeaten. As people began using more smartphones, CNN diversified its activities. The channel's website has U.S., International, Spanish, and Arabic editions as well as a downloadable app that is also available on the Apple Store and Google Play.

The first aspect of CNN's marketing and communication strategy is the way it treats information. As an American news channel, the first and perhaps the most challenging way to prove to viewers that they are watching the best channel is to be the first to cover and analyze the most important events. As noted, CNN established a solid reputation because it was the first TV channel to provide nonstop coverage of the Gulf War and the events of September 11, 2001.

CNN reports the most important news as soon as possible. Its specialized journalists and experts are always ready to analyze an event, and a large number of

people external to the network (e.g., politicians, economists, and CEOs), are willing to take part in the analysis and be interviewed. This activity aims to ensure that CNN remains the most reliable source of information, with specialized committees in charge of the topics covered (e.g., American/foreign politics, law, ecology, the military). CNN knows that viewers need to be reassured about its sources of information. Social media, which can help spread fake or skewed information, has intensified this need for a news source to demonstrate the integrity of its journalists and information reporting in general.

CNN is also well known for its “Breaking News” feature. It alerts viewers that the information being reported is crucial and that they need to watch its coverage. The functionality also enthralls viewers: the more dramatically the news is covered, the longer viewers will watch it and return to see more of it. This method of capturing larger audiences seems to work well for many news channels. The process nonetheless has its critics. For example, it can lead to anxiety among the viewers.

Even though its viewers are loyal, CNN still has to attract new potential viewers, or “customers.” Its marketing mission is about showing the quality of the information it provides – information that is reliable, unbiased, and based on facts. CNN’s ads about its coverage are sober and calm. The advertising is designed to communicate to viewers that CNN values integrity, reliability, the constant search for truth, and honesty.

CNN’s ads look like what some technology companies use to promote their brands as a whole rather than just their products. Apple often uses images of everyday life, without even showing any iPhone or iPad, just to “inspire” people and make them associate specific values or emotions (e.g., happiness, creativity, openness). CNN does the same with “clarity,” “unity,” and “truth.”

As CNN has expanded its coverage to become a comprehensive news source, it has had to adapt its communication. Its website changes depending on the location of the audience. For example, if someone who doesn’t live in the United States searches for “CNN,” that person will be directed to the “CNN World” website and not the “CNN U.S.” website. The user’s experience is still the same because the website’s design doesn’t change. Likewise, the presentation of news topics is still unambiguous, complete, and easy to access.

How is CNN transforming the media experience?

The first thing noteworthy about the media experience of CNN users is the multiplicity of platforms the network can provide: TV channels, websites, a mobile app, and a newsletter. Moreover, except for its TV channel, CNN’s content is free. Many free CNN videos are posted on platforms like YouTube and Twitter. In contrast, some news services and journals use their apps and websites to tease readers with small free articles, pushing them to buy longer ones or to subscribe (and thus pay) for the media.

With its concept of 24-hour information, CNN changed the news market. Today, CNN has created a new way to inform people. The daily news is no longer communicated only on primetime shows. Now, because of technological changes, information is diffused faster than ever. When crucial news breaks, people do not want to wait until the next news broadcast to hear about it. This information needs to be ready and complete whenever they watch TV.

CNN differs from other channels in terms of how it covers events. As the American public saw on CNN, the coverage of the Iraq War was 24 hours a day and relayed images never before seen on TV. CNN changed current affairs and major events into a spectacle,

playing on emotions, images, and testimonies. People are no longer passive TV viewers but can live an immersive experience. Special correspondents are now real heroes, and every news channel is obliged to have special reporters cover every field (e.g., war zones, political candidates, sports).

To promote its product, CNN has to be active on every platform. CNN was the first network on Twitter, which helped attract a new community of viewers to the network's main channel. In 2012, the Shorty Awards, which honor organizations for producing short content on social media, designated CNN the best "social media for news." Traditional ways of informing people are no longer enough.

As a primary source of information amid fake news and rumors on social media like Twitter or Facebook, CNN had to adapt its offer. A crucial step is by helping people participate in the experience. And there is no better place to do this than on social media. On social media, people can ask questions and get answers, comment on news posts, and then discuss them with CNN's editorial board. What also differentiates CNN from its competitors is the global dimension of its offer. Not every news channel can offer such a large scale of programs and articles freely available to anyone with an Internet connection.

Finally, people are attracted by more than a channel's offer or marketing. Consequently, each news channel's political orientation is crucial in terms of the type of viewers it targets. For example, FoxNews now has a substantial base of Republican and conservative viewers and generally defends the actions of President Donald Trump. In contrast, CNN's viewers are mostly Democrats, and the channel tends to criticize President Trump. In other ways, each channel has become more partisan and attracts different kinds of viewers.

CNN's consumer-centricity and viewer experience touchpoints

CNN has ambitious plans to offer the best service possible to viewers all over the world. Today, CNN is more than merely a TV channel; CNN is a media experience. With digital devices, CNN provides people around the world with a new way to follow the news, whether it is on a big TV screen or a smartphone.

CNN's unique media experience relies on reliable technological means. First, a viewer can choose to watch a random program broadcast on CNN. If they want to watch other programs related to what they just saw, they can search for additional news on CNN's website, or view even more programs on CNN's mobile application. The goal of the app is to offer a qualitative service to the viewer based on their preferences. Thanks to the app, the viewer can watch hundreds of programs and discover even more movies, TV series, and documentaries of interest. More than only offering simple services, CNN tries to create customer loyalty among its viewers.

The best way for a TV channel to be chosen over another is to be as close as possible to the viewer and provide the most qualitative stories. That's why CNN relies on newsletters and smartphone notifications to inform its customers of the newest releases, breaking news, programs, etc. The tremendous advantage of having this proximity to the viewer is that all notifications and newsletters are again offered based on a person's preferences and geographical area. The aim of the brand is to get close to viewers by giving them what they need and what they want at each moment of the day. If a brand can't do that, it runs the risk of the user leaving the platform for a competitor's. That's why channels like CNN must also be current on the trends of the moment.

Nowadays, it would be unwise for media companies like CNN not to have a presence on social networks. People who have a problem or a question frequently turn to online forums or social networks. Because more than 2 billion people are social media users, creating a relationship with clients also requires being present on networks like Facebook and Twitter that display information 24/7.

A website is no longer sufficient when it comes to providing customers with information and earning their loyalty. Users want the information while surfing on networks and reading other content. Therefore, being close to the user is an essential step toward growing a brand like CNN. More than just being present on TV screens, CNN has succeeded in being the media people need to follow to learn what is happening in our modern-day world.

Leveraging digital technology and data to offer the ultimate news and media experience

Like every company, whether it produces cars or television programs, CNN has competitors. Companies that have a monopoly on a market are rare; we can count them on the fingers of one hand. Therefore, the aim of CNN is to present diverse content that corresponds to every type of profile. This means that it should provide content designed to satisfy all kinds of people, whether they are baseball fans, nature lovers, or someone who follows politics.

To stay ahead of its competitors, CNN recently developed new objectives: the network is betting on numerical data to help better understand viewers and offer them the best content linked to their preferences. For example, when downloading the CNN app, viewers are asked to choose some of the things that interest them, first in general, and then more precisely. Then, depending on the person's preferences, CNN can offer viewers the content that best fits their preferences, which will likely lead to them spending more time on the app.

CNN believes that millions of people are capable of spending several hours on the app, rather than zapping through channels on TV. In France, Canal Group and other TV channels showed that releasing smartphone apps was a vital customer loyalty factor; based on what viewers have been watching for the past few days or hours, the apps analyze the data to offer people other content linked to their preferences. This is what CNN is betting on.

The rise of social media has also caused a tremendous change in how information is released. What CNN noticed by studying its customers' behavior is that people today rely a lot on social networks like Twitter or Facebook to learn important news. By typing two words into Twitter's search bar, people can usually find the answer to their questions in less than five seconds. Therefore, like other major media companies, CNN has to consider social networks as allies it must work with if it wants to keep broadcasting information.

However, useful analysis of social media has to be done because all social networks do not have the same impact on different consumer segments. For instance, displaying content on Snapchat and Facebook will have a different effect, first because the number of users they have is not the same (Facebook has six times more users than Snapchat). Besides, how people use the networks differs as do their interests and geographic regions. For example, people use Snapchat primarily to communicate with their friends, post

photos and videos, and write messages with gifs images. Therefore, displaying news articles or information on Snapchat will not be very useful for CNN.

Moreover, in most regions in Europe, people do not use Snapchat extensively, except people in France. In contrast, many people in the United States use Snapchat. All of this shows that if CNN wants to display information using technological means, it must analyze beforehand all the characteristics related to a specific audience given its media. If CNN does not do that, there is a risk the channel will post articles and information on the network that do not match what users want. For a news organization like CNN, Facebook and Twitter are the most appropriate media. People on those networks want to use them to find out what is happening in the world instead of using them to communicate with their friends. Therefore, CNN tries to offer the ultimate media experience by crunching numbers about what users want and what their preferences are.

CNN's challenges in the future: what's next?

As you probably know, television is becoming more and more obsolete. Millennials, teenagers, and even adults tend to spend way less time in front of their TVs and a lot more time in front of their laptops and tablets. In mid-2019, Netflix had more than 139 million subscribers around the world. After being launched only recently, Disney+ has more than 50 million, and it is not yet available in many countries. Those figures show how massive streaming services are and how quickly they can succeed in reaching millions of people.

Moreover, Netflix now produces its own talk shows, which is having a significant impact on TV networks that used to be the only talk show providers. However, if the talk shows on streaming services are not successful, does this mean TV still has a lot to offer? Keeping up with streaming platforms is one of the main challenges CNN will face in the future. To compete, CNN has to crunch the numbers and continue the direction it has taken with its website, smartphone, and tablet apps. A real opportunity for CNN to compete with its TV peers but also with streaming services would be if Warner Media were to launch a streaming platform the same way Disney did with movies, HBO series, and CNN's media broadcasts available every day.

However, an advantage of a news channel such as CNN has over streaming services, particularly over other TV networks, is that it does not offer the same content as they do. Indeed, if most TV channels offer series that are severely impacted by Netflix or Amazon Prime Video, CNN has nothing to fear because it provides news. At least for now, the streaming services do not. However, people are still watching less TV and news. Consequently, CNN still has to compete with streaming services. If it doesn't, its competitors will probably capture more market share in the future.

Thus, the key challenge for CNN is to adapt to new technologies the best way it can. Most millennials are losing interest in TV and are more interested in their smartphones and laptops. Following this idea, CNN needs to embrace new technologies as it continues to refine its TV interface for tablets, smartphones, and laptops.

Another challenge is for CNN to be quicker than its competitors in terms of all the future possibilities that TV will offer the company. Technologies change fast. By embracing innovations that can improve its offer before its competitors do, CNN may gain market share. Likewise, if it falls behind its competitors, it will lose market share. Thus, its challenge is to embrace technology and data better than its competitors can.

Finally, in a world where information is critical for citizens, and people always want and need to be informed, CNN is challenged by the way it delivers information. Journalists must be on every front and must have adequate tools to achieve the most qualitative and quantitative news they can in the shortest amount of time. Therefore, they must have the necessary digital tools to outperform their competitors.

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Questions for discussion

1. Describe CNN's viewer journey and experience touchpoints. What kind of emotions does each touchpoint generate? If a negative experience occurs, how can CNN fix it?
2. How has CNN evolved its marketing strategy to integrate the customer experience within its digital strategy? Are these changes in line with today's audiences' needs in terms of information and news?

3. Describe how CNN can challenge Google and Facebook by using Big Data to improve the overall news experience of its audiences before, during, and after viewing.
4. Explain how CNN can create a news experience that responds to the cognitive, social, and emotional needs of its audiences.
5. Discuss how CNN can implement the 7Es of the experiential marketing mix presented in the book by Wided Batat, *Experiential Marketing* (Routledge, 2019) to design a satisfying and profitable news experience and reinvent the media sector.

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) at CNN. Your job is to create a new experiential physical concept store targeting millennials and allowing them to live the news experience for real. How would you use the tool of the 7Es of the experiential marketing mix to design the ultimate CNN store experience?

Company case 24: Net-a-Porter offering the new magazine experience

Net-a-Porter is a well-established online luxury magazine and fashion retailer that offers a phygital format to maintain communication with its audience members. The company does so through a global, multichannel ecosystem by providing its customers with a seamless digital shopping and reading experience. Net-a-Porter takes a customer-centric approach, and the digital landscape is its natural environment. The fundamental philosophy for Net-a-Porter is to put its customers first. With its online shop at the core, the brand's website follows a magazine format. It showcases trends, style updates, interviews, and even catwalk tips. The company is a compelling case to study. The layout of its website creates a holistic experience for its audiences online and offline. The site does so by leveraging technology to improve the customer experience. To explore the experiential strategy of Net-a-Porter and the way it uses technology to enchant its customers, we first need to understand its origins and how it evolved; second, we need to analyze the customer experience logic that sits at the heart of the company's global marketing strategy, and finally the challenges faced by the brand in the future.

How did it all start? The story behind Net-a-Porter's marketing strategy

Net-a-Porter is a London brand, founded in 2000 by Natalie Massenet. Massenet was working in the journalism industry when she decided to launch a business. Her revolutionary idea of being able to purchase a piece of clothing online was, at first, not clear to potential customers and suppliers.

Net-a-Porter, unlike other brands, provides its customers with high-end and luxurious products from well-known designers. The brand describes itself as the “world’s premier luxury fashion destination.” Net-a-Porter targets only women. Another brand, named Mr. Porter, which is owned by the same group, was created 11 years later to target men using the same model as Net-a-Porter. Using its magazine and website, Net-a-Porter targets people around the globe interested in luxury fashion by giving them online access to designer brands.

The brand currently competes with other online fashion retailers, such as Asos, Farfetch, and Zalando. Nowadays, the Internet is full of companies and brands trying to sell their clothing or other brands’ clothing online. In the early days of Net-a-Porter, online clothes shopping was revolutionary. Many people didn’t understand how it worked. Today the market is more competitive than it used to be.

From the start, Net-a-Porter positioned itself differently. As one of the first companies to sell clothes online, it was ahead of its time. This position gave the brand a first-mover advantage in the fashion retailing market. With its many designer brands available for sales, such as Gucci, Balenciaga, Prada, and even Saint-Laurent, the brand focuses on differentiating itself based on the high-quality products and a wide variety of them it sells. A customer can purchase anything from a Christian Louboutin pair of pumps to a Dolce & Gabbana camisole, and a Burberry candle between the two.

In 2007, Net-a-Porter was the first brand to launch same-day delivery, making it even more advanced than its competitors. The service allowed the brand to gain market share. In 2008, the brand launched “See Now, Buy Now,” a new concept that made online shopping “available directly from the runway.” In other words, via Net-a-Porter, women were able to buy clothing they liked as soon as they saw it on the runway.

In 2009, the brand launched a mobile application, making it one of the first clothing brands to have one. The company offers a wide variety of products and even developed a sustainable clothes-selling platform to sell more ecological and conscientiously made clothing. Called “Net Sustain,” it was launched in June 2019. This addition enabled the brand to improve its image and offer its customer a more ethical way of purchasing. Net Sustain now has more than 500 products ranging from clothing to skin-care products. The Net Sustain brand also improved the website’s traffic by attracting people who wish to live ethically and ecologically.

In 2015, Net-a-Porter merged with the company Yoox to create the Yoox Net-a-Porter (YNAP) group. The merger increased the sales of both brands and enabled the new company to grow. Net-a-Porter has become a specialist in luxury Web marketing and the logistics flows and contact centers that manage customer relationships for luxury fashion brands. The brand has pioneered many marketing and communication strategies over the years. In 2009, the company launched its first online magazine for tablets with its magazine *Porter*, which became associated with Mr. Porter’s brand more recently.

Net-a-Porter’s marketing strategy is well developed. As an online clothing retailer, the brand is present only in a digital way. Therefore, online and digital marketing has to be predominant for the brand. The brand has a strong online presence and is said to offer “unrivalled customer care,” which gives it a competitive advantage. Branded as a “pioneer of innovation,” the brand sees itself as revolutionary and presents itself that way to its customers.

Furthermore, the brand is widely present on social media. It has more than 4 million subscribers on Instagram, 1.6 million on Facebook, and 800,000 followers on Twitter.

This digital presence enables the brand to be more present every day in the minds of consumers and creates a sense of community among its followers.

Net-a-Porter has succeeded in obtaining associated brands, thanks to an affiliate program it started. Fashion-forward websites can join through an invitation-only program by featuring the Net-a-Porter brand. With this program, the brand ensures good publicity from its affiliates. Magazines that decide to join the affiliate program can earn a 6 percent commission on the sales created through their advertising.

Regarding its communication strategy, Net-a-Porter is using a more customer-centric approach. The brand communicates its product and content to its audience through multiple platforms, such as websites and mobile apps. With its high count of followers on the three leading social media platforms (Instagram, Facebook, and Twitter), the brand communicates easily with its followers.

Moreover, the brand has created a YouTube channel to interact with its customers in a more personal way. On a bimonthly basis, the YouTube channel communicates with Net-a-Porter's customer base about current fashion and beauty trends. Every month, the company's magazine, *Porter*, is released in print and online. The magazine has been part of the brand's communication strategy for a decade. It reminds customers that the brand exists and is there for them in case they want to purchase a high-end fashion or beauty item.

The magazine experience: what did Net-a-Porter get right?

Net-a-Porter's website offers consumers multiple ways to buy products and feel immersed in the high-luxury fashion market. An emotional connection is formed through the service excellence, product, and content delivered by Net-a-Porter's various digital platforms. This aesthetic is achieved through a sensory experience as consumers actively appreciate online fashion content. Platforms such as WeChat, WhatsApp, and iMessage became the primary entry point to e-commerce due to the relationship the company has with shoppers. A valuable digital customer experience occurs as a result of Net-a-Porter creating an emotional connection with the women it targets. The content aligns with their interests and ideologies. Consequently, a relationship is fostered between the brand and its customers.

Via its digital customer experience model, Net-a-Porter fulfills its objective of offering "incredible fashion for incredible women." Buyers who shop with Net-a-Porter describe their styles as "classic, sophisticated, contemporary, or elegant." The highest net-worth segment of purchasers is referred to as "Extremely Important People" (EIPs). On average, EIPs spend £6,800 per transaction and make at least one purchase every ten days.

The *Porter* magazine appears on the brand's website and ultimately leads to consumers feeling immersed in the Net-a-Porter experience. Likewise, the brand's homepage ensures a positive browsing and purchasing experience. With its magazine-style content, Net-a-Porter's mobile app stimulates shoppers' senses. A "24/7 Shop" with a global team of fashion advisors is available to provide a customer experience on a phygital level. The personalized recommendations and outlay of the website generate positive feelings during the browsing experience. Consumers also experience a social aspect with the company's 24/7 Porter Concierge service.

As *Forbes* puts it, in comparison to its competitors, Net-a-Porter "is a pure e-commerce retailer that controls the entire value chain, from the customer relationship, the product inventory and fulfillment, and the digital presentation of the brands." Net-a-Porter

operates under an omnichannel distribution model as a digitally native company. Its largest competitor, Farfetch, partners primarily with independent retailers. In contrast, Net-a-Porter operates online flagship stores for many Kering brands, including Bottega Veneta, Balenciaga, and YSL.

Net-a-Porter relies on searches to gain more online traffic. The company seeks to provide a platform where consumers can engage with the content, view products, as well as speak with a personal shopper. The objective is to do what is best for the customer. The company is transforming the customer experience by using data to personalize the experience for individual customers. Besides, Net-a-Porter plans to integrate artificial intelligence (AI) to merge data between a customer's purchase history and fashion trends to offer them personalized recommendations and ideas.

Net-a-Porter's consumer-centricity and customer experience touchpoints

Net-a-Porter uses a multitude of digital tools for communication and its main touchpoints. As a result, the company emphasizes mobile app touchpoints. A unique and hybrid model combines content and commerce using print, digital, and mobile touchpoints. Net-a-Porter utilizes a 360-degree campaign method across various touchpoints in order to reach different stages of a customer's journey to evoke an experiential shopping process.

As noted, Net-a-Porter has become the ultimate global partner with millions of followers on various social media platforms. The company also has 1.9 million highly engaged email subscribers, and more than 6.1 million women read, watch, browse, and shop every month on its website. The company's three main touchpoints are social media, email, and web browsing. Net-a-Porter currently has 4 million followers on Instagram and is highly active with online communities.

Recently, iconic celebrities such as Margot Robbie, Kim Kardashian, and Priyanka Chopra have commented on Net-a-Porter's treatment mask on social media. Social media influencers such as these create a touchpoint for consumers by giving them an emotional connection with the brand. Consumers see their favorite celebrities wearing different clothing brands, and it affects their desire to purchase these same brands to feel like EIPs. The brand's website is also a powerful touchpoint that attracts email subscribers. Once a Net-a-Porter customer subscribes, her average spending on the site increases by 24 percent, and her average number of orders increases by 86 percent. This shows the significant impact emails can have. The emails also lead to new subscribers who aren't yet Net-a-Porter customers but who fit the profile to become customers.

The Porter App, an online version of the magazine, has a scan-to-shop function. This is a touchpoint that connects readers to the point-of-purchase immediately. An additional primary human touchpoint is Porter Concierge, a customer care team. It is available 24/7 in 18 languages. Because the company operates on a digital basis, its 24/7 service allows customers to feel confident when purchasing Net-a-Porter products. Customers know they won't have to wait to get answers to questions they might have. Since 2015, there have been over 500 purchase inquiries using the concierge service. The service also extends to a global fashion team that is readily available to assist consumers with their purchase decisions. EIPs consider this service a significant touchpoint during the buying journey because Net-a-Porter does not offer traditional customer service compared to other luxury brands.

Nonetheless, the customer experience is highly pleasant, with useful interaction occurring between Net-a-Porter and its customers. The company's attempt to create the physical customer experiences that traditional retail stores offer in the digital realm has been successfully executed. The approach is global and occurs on a digital scale with mobile devices, laptops, and tablets using apps such as WhatsApp, iMessage, WeChat, Net-a-Porter Shopping, and Porter. Likewise, Porter Concierge meets the need customers have for social, intra-, inter-, and extra-personal services, just as if they were speaking with employees to resolve their inquiries.

Leveraging digital technology and data to offer a perfect magazine experience

Net-a-Porter was the dream of a very creative, intelligent, and visionary woman. Massenet's vision of the future changed the way we shop today. In the early 2000s, companies like Google were creating goods and services we never thought were possible. Many people told Massenet her business would be a big failure, but she kept trying. Today Net-a-Porter is a leader in the online luxury-clothing market.

The big key to Massenet's success was that she knew exactly how the process of luxury shopping works and how to combine it with new technologies. For example, she paid particular attention to how her products were packaged and how customers received them. All products are carefully and perfectly packed, and every purchase comes as a gift. "The box is what gets them," she has said. With great packaging, she managed to combine online shopping with the experience of a luxury boutique. But Massenet's story does not end there. Once she reached the market, she kept pushing forward and adapting her website to new technologies and her clients' unique and emerging needs. She used her experience as a journalist to provide customers with a complete experience by creating an online magazine. The magazine enables her clients to read about new fashion trends, their favorite designers, and browse many other articles. Thus, Net-a-Porter wasn't only for shopping anymore.

"My targets are women like me; I'm my own target," Massenet has said. Her customers are busy women who work and have families, barely have time to socialize, but love to look good and always make a great impression. Consequently, Massenet put everything they needed to make the products easy to buy: "We offer a way of saving time; shopping on Net-a-Porter is fun. You can go there for entertainment, fashion, inspiration, and shopping."

Today, Massenet keeps doing the same thing: betting on innovation and creativity, just like Google did. She pushes all of her employees to think outside of the box. The company's offices are modern, and employees are allowed to work in different ways to perform their best. Today, Net-a-Porter's app users benefit from a smoother, faster content and commerce experience, featuring even more precious product pages. An all-new shoppable editorial platform gives digital readers access to signature content – including travel tips and "what to wear" recommendations from the company's dedicated "style council."

The Yoox Net-a-Porter Group focuses on offering customers a personalized experience via mobile by renovating the company's digital platforms. According to the company, the new app incorporates an in-house-developed design system called Hive to create a highly visual and seamless journey. Hive is enabling the company to rapidly introduce

new features to further enhance the user's experience. The Porter app aims to give the same experience to male customers. Over time a new data analytics layer of the app will result in more exceptional personalized content tailored to the individual customer.

Net-a-Porter's challenges in the future: what's next?

The Net-a-Porter Group faces different challenges in the future. For example, due to new technologies and the digital era we are living in now, people's lifestyles have to change; the way brands and companies interact and communicate with their clients is completely different, as is the way we consume everything (e.g., content, information, products).

Absolutely everything is adapting to digital, so too must luxury brands like Net-a-Porter. Most, but not all, brands already have their own channels or platforms clients can use to buy directly from the brands without intermediaries. So now it is not only about one's customers but about one's suppliers. What's going to happen if clothing suppliers don't need Net-a-Porter's services anymore because they can sell them directly to their customers? What will Net-a-Porter offer to increase its value? How will it compete?

Another challenge the company may face in the future is that customers' expectations are getting higher. Because the market is saturated, customers will quickly find what they are looking for with other competitors. One of the biggest challenges for Net-a-Porter's brand is that it needs to be on top of its game in all facets of the business to stay competitive and keep customers happy and satisfied. One of the ways this can be done is by analyzing customer data and adequately researching its competitors and the market. The brand is already doing this, but its efforts must continue. It must continue to study what customers are buying and decide where it can expand its offerings. Listening to customers' feedback and implementing changes based on what they are commenting on can be a challenge but also an opportunity. Net-a-Porter should also study what its competitors are doing and learn from that.

Online shopping has boomed over the past few years because it makes it easy for customers to get what they want without leaving their homes. Also, the coronavirus's proliferation in 2020 has been a big boon to online shopping. But customers will not wholly ditch the brick-and-mortar shopping experience. The fact that customers cannot try on the clothes immediately makes it likely that some clothing will be returned. Or, because customers can't try on items before buying them, they'll intentionally order the same product in multiple sizes or different colors and then return some of them.

Dealing with returns from online shoppers has become one of the top challenges for online retailers. Some online retailers offer free returns to compete, which can be a good and bad strategy because it considerably increases the number of returned products. Consequently, there's much work to do in combining physical retail experience with the online shopping and magazine experience.

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Questions for discussion

1. Describe the components of Net-a-Porter's customer and magazine experience. How can Net-a-Porter improve the customer's journey before, during, and after a sale?
2. How has Net-a-Porter changed its marketing strategy to integrate the customer experience? Are these changes in line with today's consumers' needs?
3. Describe how Net-a-Porter can use Big Data, mobile shopping, and extended reality technologies, such as virtual reality (VR) and augmented reality (AR), to elevate the customer experience. What are the advantages and disadvantages of each technology? Can you think of another form of technology Net-a-Porter should use to improve the customer and magazine experience? If so, at which stage should it be used, and how would it add value?
4. Explain how Net-a-Porter can adapt its magazine and website to kids by offering them a suitable experience.
5. Discuss how Net-a-Porter can design a satisfying and profitable customer experience and reinvent the magazine-shopping experience to attract older male consumers.

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) at Net-a-Porter. Your job is to design a new experiential offer called the "Net-a-Porter Online Streaming Channel Experience." How would you design this new offer? What kinds of marketing research could you use to learn more about the needs of potential consumers? Who would be your target?

PERSPECTIVES ON THE SECTOR



Ava Seave, Principal of Quantum Media and Adjunct Faculty at Columbia Journalism School, Columbia University, New York

Customers in the publishing and media sector are part of a two-sided market in most cases: the readers/viewers/users, on one side, and the advertisers/sponsors, on the other. Depending on the economy and the sector's specialization, both parties pay for access to the "market," which is the media and information product. The readers/viewers/users will pay for the content through subscription and one-time fees or even just by giving the publisher access to the reader/viewer/user for future contact. And the advertisers and sponsors pay the publisher for access to this group of customers. Customer loyalty and satisfaction are directly related to the utility of both sides of the equation derived from the media property. Publishers have significant ways to enhance customer loyalty and satisfaction:

First, cost/supply – If companies can keep their costs LOWER than other companies, then they enhance the value to their customers (in whichever camp). This is done primarily through "proprietary technology," such as patents and "learning" by generating relentless production improvements. Google is an excellent example of a company that does both very well.

Second, revenue/demand – Companies can LOCK IN revenue better than other companies through creating "Customer Captivity."

- This means that they make their product a habit for their users by encouraging frequent usage and reinforcing product consistency. Think about how you set up your email box and your morning reading of news sources – it's likely pretty identical every day, and, if you are like me, you get annoyed if something has changed.
- You can also increase your customers' switching costs to move to an alternative product. Think about how Contently, the native content creator and distributor fits itself into the back end of its customers, integrating with their CMS (content management system), their legal and financial systems, and social media distribution and creation. Other companies could do this work, but it would be very costly in time and training to move. If publishers focus on becoming embedded in their customers' core processes, they can benefit from switching costs.

- And the search costs of finding a company that could do just this and more are also very expensive. Companies such as Bloomberg that have collected and analyzed specific information over many years have invested in quality, complexity, and comprehensiveness to make the search for a substitute very difficult.

Network effects occur when the increase in the number of customers in itself increases the value of the service provided. The iconic example is eBay: additional buyers on the platform attract more sellers, and the more categories of sellers that are on the platform attract a broader and more significant group of buyers. Whereas distribution in traditional publishing (text, photos, or video) was typically done by outside organizations such as the post office, general retailers such as supermarkets for books and magazine or cable companies for TV production, with digital becoming so central to the success of publishing products, the cost and the responsibility for distribution are mostly the responsibility of the media property itself. Figure 8.1 details these channels:

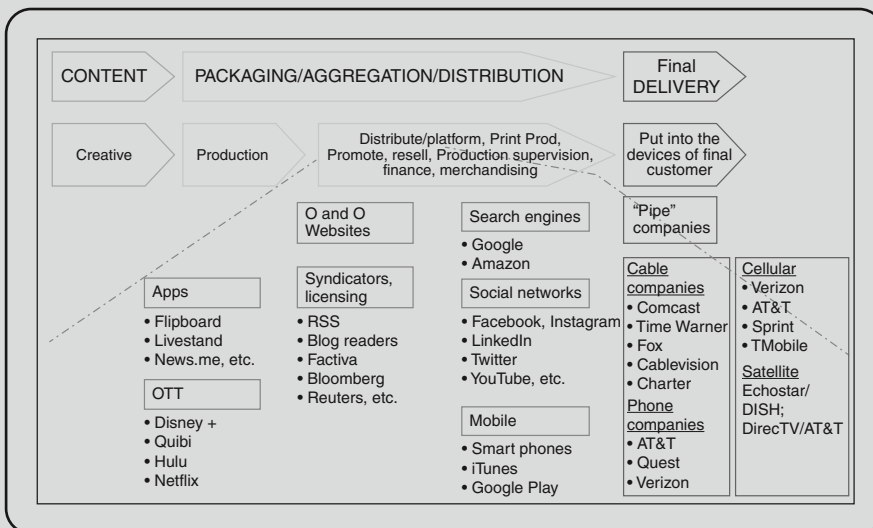


Figure 8.1 The media distribution channels

Managing digital distribution is not necessarily profitable:

1. It adds tasks to media organizations and so raises costs.
2. It requires many more make/or buy decisions and tech integrations so it increases management time.
3. It adds potential channel conflict for ad revenue.
4. It creates infinitely more "inventory," so it lowers revenue.

Fully digital entrants into publishing text and video are likely not to be encumbered with expensive physical infrastructure, valuable (experienced, older, unionized) workforce, and the other cultural baggage that legacy publishers have. The owner/developer of a new, nimbler product design, or marketing approach can exploit the incumbent's inability to move quickly. However, the ability to harm an incumbent does not translate into the ability to sustain an attractive alternative. If all potential new entrants share the same advantages vis-à-vis the incumbent, but no such advantages vis-à-vis one another, none have any sustainable benefits. In other words, the entrant will always have other new entrants to worry about. Whose friend is the Internet and digital distribution? Not the friend of the incumbent media company. Temporarily the friend of the new entrant. Only the consumers' friend!

Author's perspective on experiential marketing

Online video "Introducing concepts & tools"



- Access the link www.youtube.com/watch?v=QydM2lWRO-0&t=38s or flash the following QR code to view a short video featuring the author, who introduces and explains the concepts and tools companies can use to implement a successful experiential marketing mix strategy.



The customer experience in the transportation sector

With every train, bus, or plane, the transportation sector is gradually transforming the customer experience and enabling smarter transportation thanks to the use of technology and data. The aim is to satisfy the emerging needs of travelers and improve their experiences by reducing their waiting times, provide them with a simplified end-to-end journey, tailor-made support, and more comfort in transit and onboard. The leading transportation companies are nowadays collaborating with digital actors to create a unique traveler experience by combining digital and physical experiences and connecting online and offline offerings. The customer experience then becomes “phygital.” In this chapter, I introduce three company cases that leverage technology and digital to create the perfect customer experience in the transportation sector: Amtrak, American Airlines, and Newark Airport. I will first explore the story and the marketing strategy behind each company. Then I will focus on how these companies are implementing customer experience strategies, both offline and online, and present their key challenges.

Learning outcomes

After solving the questions and challenges presented at the end of this chapter, you will be able to think critically about how transportation companies are fulfilling customer experience strategies and using experiential marketing. Also, in the online video provided, “Introducing concepts & tools,” you will learn more about the customer experience and experiential marketing mix provided by the author, their foundations, and how transportation companies can use them to design the ultimate travel experience both online and offline.

Company case 25: Amtrak, a new rail train experience

Nowadays, many companies offer good transportation services. To stay competitive, gain customers, and stand out from their competitors, transportation companies are starting to use new technologies. Amtrak is no exception. Even if Amtrak is not making an enormous profit, it decided to invest in technology to attract more customers and provide them with the greatest possible experiences. It is then interesting to understand Amtrak’s experiential shift. However, first, we need to understand the story behind Amtrak and how it has adapted to consumers’ new travel expectations.

How did it all start? Amtrak's success story and strategy

Before the existence of railroads, it was challenging for people to travel, especially long-distance travel, from the East Coast to the West Coast of America. Other travel methods took too much time and were dangerous. Then, railroads started to be built in the 1880s. Private companies owned nearly all of them. Later, with the arrival of airplanes and automobiles, these private companies focused on transporting goods and merchandise and neglected the transportation of people. Confronted with this fact and under pressure to resolve the problem, President Richard Nixon signed the Rail Passenger Service Act in 1970. It created the National Passenger Railroad Corporation, also known as Amtrak.

"Amtrak" is a contraction of "American" and "track." Amtrak began its services on May 1, 1971. It required the cooperation of 18 different railroad companies: the Baltimore & Ohio; Burlington Northern; Chesapeake & Ohio; Chicago & North Western; Delaware & Hudson; Grand Trunk Western; Gulf, Mobile & Ohio; Illinois Central; Louisville & Nashville; Milwaukee Road; Missouri Pacific; Norfolk & Western; Penn Central; Richmond, Fredericksburg & Potomac; Santa Fe; Seaboard Coast Line; Southern Pacific; and Union Pacific.

Quasi-public, Amtrak provides accessible transportation service. Its customers range from intercity travelers to people traveling across the United States. Amtrak also eventually began offering international service from America to Canada and back.

The airplane and automobile industries are the main competitors of the railroad passenger transportation industry. Some people prefer traveling by train because it is safe, they enjoy the ride and the views of the landscape, and it's not expensive. Other people prefer traveling by plane as it is quicker than the train and they find it is more convenient, even if they have to pay more. Amtrak offers a travel service connecting the cities in the United States. It operates in 43 states, 3 Canadian provinces, and stops at more than 500 destinations. We can see that Amtrak has evolved and tries to use the latest technology and the best equipment possible. Amtrak ridership went from 6,450,304 in 1971, to 31,300,000 in 2016. In other words, in 45 years, the rate of ridership has grown by 4.85 percent. But this is not a huge increase. In 2002, it was about to go bankrupt, although Americans love the idea of having an alternative to airplanes. In 2019, Amtrak's ridership hit a record high, but it lost about \$29.8 million. Even if the railway loses money every year, it will remain in existence thanks to the subsidies it receives from the government.

Amtrak's marketing and communication strategy is based on different points. All these points are essential for the company to meet its goal and reach a broader market. Amtrak's strategy mostly focuses on the use of storytelling, its partners' effectiveness, its close relationship with its customers, and its attractive website. Regarding its storytelling: Amtrak is very focused on presenting the history of the company. On its YouTube channel, you can learn a lot about the story of the company. Some videos focus on the creation and history of the company and others the services it offers now. Many of the videos compare Amtrak's services to other travel services. Amtrak uses this type of communication to show the advantages of using its trains versus flying and traveling by other methods.

The company is not only focused on storytelling but also creates "story doing," which includes the participation of its customers. For example, on the brand's YouTube channel, the video "Adventure West" puts the customer at the center of the story. By watching these types of videos, users experience emotions that make them want to live the Amtrak experience for real.

Then, the company tries to establish a close relationship with its customers. The brand is focused on “being present” to answer the questions and meet potential customers’ needs. Amtrak is also active on social media, especially Twitter. Amtrak frequently updates the news about the company and answers customers’ questions. This is one of the primary means of communication between the company and the users of the railroad, and, in part, how Amtrak deals with customer service. Amtrak also uses Instagram to communicate with travelers and provide them with information and travel tips.

On the company website and the different social networks, people can get rewards from Amtrak to encourage them to travel more using the railway system. Amtrak focuses on the quality and the attractiveness of its website. The website is designed to sell tickets but also to inform people about the company’s comfortable service, where the railway travels to, and at what prices. The communications on the site are unambiguous and efficient, giving people all the details they need to know about the company. Via the website, some riders also provide feedback about their Amtrak experiences.

Partnerships also help the company improve the quality of its services. For example, Amtrak launched a collaboration with Google to create an interactive map, presenting the train company’s railways to users. This digital platform, an easy-to-use tool, attracts many people who utilize it to prepare for their trips. Amtrak has also partnered with companies like United Airlines and Allianz Global Assistance, which provides trip insurance.

How is Amtrak designing the ultimate rail train experience?

As a train company, Amtrak’s customer experience occurs in an aesthetic realm. Although passengers enjoy their train rides, they do not affect or alter the nature of them. To redefine the customer experience, the company considers the three components of the traveler’s need: functional, emotional, and social. Hence, the service provided should be comfortable, convenient, accessible for everybody, and, most importantly, efficient.

In the context of the globalization era, time has become one of the most valuable resources: customers want their transportation to be fast and want the time (as short as it is) to be productive. Moreover, safety is also a key functional need of customers. Customers (as well as the company and its employees) want their travel to be safe. Furthermore, Amtrak considers its customers’ emotional needs by encouraging them to relax on their trips and discover what they see around them. Then, social comes into play as Amtrak’s trips enable passengers to meet new people, socialize, or have a pleasant time with one’s co-traveler, whether it is friends, family, or one’s colleagues.

How is Amtrak implementing new services to improve the customer experience? The company is currently working on high-speed train technology. Its Acela train will travel at speeds of up to 150 miles per hour. Before the launch, five customer experience elements were redesigned to transform the customer experience:

- *Cognitive*: Amtrak only has two classes, business or first class, whereas other market actors usually have at least three classes. For Amtrak, contrary to many of its competitors, the customer experience doesn’t start on the train but in the train station. As soon as passengers arrive, they can access facilities such as a lounge, conference rooms, and a luggage deposit area. The communication process inside

the station is designed to provide customers with all of the information they need, such as the location of the track, gate, platform, their seat number, at what time passengers must board, and the safety information. The information is provided understandably and clearly via information panels and announcements to ensure the passenger is not lost. The introduction of digital technology has allowed the company to provide a very reliable schedule, and that is a more efficient service. The trains are also faster (e.g., it takes less than five hours to go to the White House from Central Park, versus about six hours by bus), more available (there is nonstop service between New York and Washington, DC) and accessible for everybody, thanks to facilities for the disabled.

- *Sensory*: The new trains' inside design enhances the five senses of the customer and improves the journey's comfort and convenience. First, the cars have large windows, which allow passengers to enjoy the view during the trip. Second, new technologies provide a smoother and quieter ride. The train also has a "quiet car" with a library-like atmosphere. The service also includes food delivery at travelers' seats to allow them to savor a meal during the trip. Finally, the large spacious seats of the train enable passengers to sleep if they want to.
- *Social*: For Amtrak, the train is not just a means of transportation; it is also an opportunity to meet new people and socialize. Therefore, common areas are provided. Lounge cars allow passengers to socialize, have a drink, or even a craft beer. Moreover, passengers can have a good time with their co-travelers, whether their partners, friends, or children. The ample space inside the cars and the freedom to roam around let customers engage in many activities.
- *Affective*: A journey with Amtrak aims to generate positive feelings for the passenger with a combination of the quiet ride, a relaxing seat, and windows offering a considerable view of the landscape to be explored, which according to Amtrak, is a strong point of its service. In this way, the customer experience perfectly illustrates Robert Louis Stevenson's quote: "It's not the destination that's important, but the journey."
- *Phygital*: The Acela train will put new technology in the spotlight: from updated Wi-Fi to USB ports, the train will offer many "gadgets" to improve passengers' convenience and, therefore, the customer experience. Furthermore, the introduction of e-tickets has allowed the company to solve the most common problem passengers experience: saving time and the FLTS (Frequent Lost Ticket Syndrome). Plus, e-tickets are a green alternative to paper tickets.

Amtrak's consumer-centricity and passenger experience touchpoints

Aware that technology is essential for the company's success, Amtrak has invested more than \$110 million in technology and a mobile app. That app helps customers book and manage their travel more comfortably and faster through different touchpoints. To ensure its customers have the best experiences possible, Amtrak wants them to be able to socialize with their friends and families and other people while they are traveling. Furthermore, customers want to be entertained. Consequently, for customers' convenience, Amtrak installed and expanded its Wi-Fi network by constructing a private, track-side wireless network. Apart from that, the railway's Acela train will provide faster travel for customers with fewer stops, superior comfort, professional services, and upscale amenities. So, people will be at ease and feel like they are at home.

Leveraging technology and digital to offer the perfect train experience

Amtrak's app and website also allow the company to collect customer preference data to adapt its strategy and keep individual customers satisfied and give them a great experience. The app and website are used to get feedback from customers. Asking some questions through the app and/or website will make the customer feel like he or she is a priority, which is the desired result. In other words, the goal is to offer the customer the ultimate experience.

Amtrak also intends to modernize its train stations in New York and Washington, DC, and upgrade its infrastructure. Lastly, data is hugely important to Amtrak because it can use the needed information to improve the customer's journey. With all of the collected data, the railway can enhance its existing services and add new amenities and make better decisions.

Amtrak's challenges in the future: what's next?

Many challenges remain for Amtrak. Competition from airline companies seems to be the biggest challenge the railway company faces. Despite the advantages trains offer, when it comes to long-distance travel, airline companies have the advantage. Their prices are often more competitive as well. However, environmental awareness could give Amtrak an advantage over planes and cars, which tend to pollute more.

Second, and this is the main threat to Amtrak today, is the aging infrastructure. Many U.S. railroad tracks have not been upgraded in decades. High-speed trains will soon be the latest technology possible, but the nation's railroads must first be improved for the trains to run on them. This situation presents a real risk for passengers and the employees traveling on the trains Amtrak uses today, especially when trains are traveling over railroad bridges and through tunnels. The safety issue is a major one for Amtrak, and it can affect the trust of its customers and have a major impact on the company's sales if there is a train accident. Moreover, aging tracks require trains to go at a really slow speed when traversing them, which adversely affects the company's efficiency.

To face this challenge, Amtrak will need more support from the U.S. government. However, the task won't be easy due to a conflict about who should bear the cost. President Donald Trump believes some of Amtrak's funding should be provided by the individual U.S. states Amtrak serves. Solving this dispute will be a challenge for Amtrak. Another challenge for Amtrak is to grow its market share among people traveling between New York and Boston. Amtrak currently serves more than 50 percent of travelers on this line but wants to serve more of them.

Another major challenge that should be mentioned is innovation. Nowadays, new technologies appear every month, and old ones are upgraded. "Keeping the rhythm" is essential for a company like Amtrak that aims to be a top technological company, especially with its new product, the next-generation Acela train. Finally, the Covid-19 pandemic that struck in 2019–20 may be the most significant short- and long-term challenge for Amtrak. In the short term, quarantines prevent people from traveling, which negatively impacts the company's revenue. Moreover, the uncertainty of the situation will make it difficult for the company to anticipate its actions. In the long term, experts believe the tourism sector, which is closely related to the transportation sector, will be one of the most affected by the pandemic and will need more time to recover.

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Questions for discussion

1. Define the experiential marketing strategy of Amtrak. Describe the types of experiences that are designed to enchant travelers before, during, and after their trips. Discuss the role digital devices play and the technology used by Amtrak to improve the traveler's journey from online to the train station and vice versa.
2. How has Amtrak changed its marketing strategy to focus more on the traveler experience and remain competitive within the transportation sector? Are these changes in line with today's travelers' needs?
3. Describe how Amtrak can increase its market share by attracting new types of customers who usually do not use public transportation. What kind of travel experience should Amtrak offer to reinvent itself and target this segment?
4. Describe the difference between the employee's experience and the traveler's experience when it comes to Amtrak's stations.

5. Discuss how Amtrak can expand its offerings to cover the market by leveraging data and technology. What elements should Amtrak integrate to achieve this objective?

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) at Amtrak. Your job is to create a new travel experience for luxury travelers. What would be your starting point? What kind of experience would you envision for them? How would you identify online and offline luxury travelers' experience touchpoints and connect them to offer the ultimate luxury travel journey?

Company case 26: How is American Airlines elevating the flight experience?

American Airlines has quickly met the need to redefine the customer experience, whether digital or physical. American Airlines was founded many decades ago. It must continuously reinvent itself to satisfy the needs of its customers, which are always evolving. American Airlines has had to adapt its marketing by transforming it from functional to experiential. The company understands that the customer experience must be the center of its approach. Thus, it is interesting to study the emergence of American Airlines and its story, which is often linked to American culture. Read on to learn more about the challenges American Airlines faces and how it is leveraging technology to improve the flight experience by adapting to the new traveler's expectations.

How did it all start? American Airlines' story and marketing strategy

American Airlines (AA) was founded in 1930. Today, the airline is the result of the acquisition of more than 80 smaller airlines, including Trans Caribbean Airways in 1971, Air California in 1987, Reno Air in 1999, Trans World Airlines (TWA) in 2001, and US Airways in 2015. At first, the airline operated under the American Airways brand. The following independent carriers used this name: Southern Air Transport in Texas, Southern Air Fast Express (SAFE) in the western United States, Universal Aviation in the Midwest, and Thompson Aeronautical Services as well as Colonial Air Transport in the Northeast. Americans also used to transport mail for the U.S. Postal Service.

By 1933, American Airways operated a transcontinental route and served 72 cities across the United States. In 1934, the company was purchased by Errett Lobban Cord, who renamed it American Air Lines. Cord hired Texas businessman K.R. Smith to run the company. Smith worked with Donald Douglas, an American plane designer, and builder, to develop the DC-3 aircraft, which American Airlines began using in 1936. The airline was the first one able to make a profit on the plane solely by transporting passengers. Other carriers that weren't transporting mail were unable to do this. With the DC-3, the company began to create its own brand, using nautical terminology: aircraft became

known as “flagships;” similarly, the company’s loyalty program, launched in 1936, was named the “Admiral Club.”

On February 16, 1937, the company transported its millionth passenger. American Airlines is also one of the world’s largest airlines in terms of total passengers served and kilometers traveled, passenger fleet size, revenue, passenger flow, and the number of destinations it serves. American Airlines flies both domestically and internationally. It operates more than 6,200 daily flights to 356 destinations in more than 50 countries.

American Airlines was also the first company to support New York Mayor Fiorello La Guardia’s efforts to construct an airport in New York. American Airlines is headquartered in Fort Worth, Texas, which is located 30 miles east of the Dallas/Fort Worth International Airport. It is located in two office buildings of the CentrePort complex, an area that is 130,000 square meters.

American Airlines’ main competitors are Delta Air Lines, United Airlines, Southwest Airlines, JetBlue Airways, and Virgin America. Things have not always been easy for American Airlines. Launching the company was difficult initially, and it has weathered various crises over the years, including some in the last decade. Today the company has put in place a flawless marketing and communication strategy designed to regain its stature among competing airlines. The American origin of the company is essential and represents the footprint of the brand. “Fly American” is ingrained in its marketing. AA also focuses its marketing on the premium aspect of the brand. Its loyalty program reflects the superior character of the brand and represents a big part of its marketing strategy. The program allows loyal customers to benefit from advantages such as upgrades and baggage allowances, and customers earn air miles after each ticket purchase.

Moreover, the diversification of American Airlines reinforces the brand’s image. In addition to offering passenger flights, the company transports cargo. Due to the drop in passengers due to the Covid-19 pandemic, AA highlighted its cargo service and the measures it is taking to bring home American citizens stranded abroad. This enhanced the company’s brand image. The international aspect of American Airlines is also crucial in terms of its marketing. One of American Airlines’ mottos is as follows: “The world’s greatest flyers fly American.” The company must be visible no matter where it is and should offer the same services. That’s why it has developed international websites in more than 23 countries.

American Airlines is also active on social networks, such as Facebook, Instagram, and Twitter. On Twitter, the company encourages people to use the hashtag #GreatestFlyers, when they have a great experience. The company uses the platforms to communicate news about AA, its events, and promotions. For example, in 2020, American Airlines used the platforms to communicate about safety conditions during the Covid-19 pandemic and the airlines’ cancellation policies.

YouTube is another way American Airlines is creating a discussion with its customers. The company has 70,700 subscribers on YouTube. It posts lots of videos on YouTube to communicate about the company and its activities. For example, the company’s passenger safety briefing delivered before every flight is on YouTube. The video has a more powerful impact, and customers are more likely to remember the information. Also, to raise awareness to actual customers and reach new customers, AA has developed some storytelling tools delivered via video. The videos recount the heroic efforts offered by AA’s employees and some of the remarkable journeys of its customers.

How does American Airlines improve the customer experience and journey?

To understand how AA redefines the travel experience, keep in mind that it hinges on what happens to a person before, during, and after his or her flight. First, AA redefined the customer experience by focusing on its international websites and upgrading them. The company needed to create a better correspondence between its international sites and its domestic website, so its customers would have a consistent experience, no matter where they were flying to.

American Airline's international sites are hosted by Amadeus e-Retail DX, and AA can change the look and feel of each site independently to suit its target market. Thanks to AA's consistent website experience in 23 different countries, it can offer its customers the same level of customization about their trips as the company can on its domestic site, as well as roll out new products more efficiently. The customer experience depends on how the company displays its product to would-be flyers, and through all the services offered to customers via its digital tools.

The company has redefined the flight experience by making a vast number of services available. The booking process, which can be done online on the company's mobile application, is also more straightforward, as is the cancellation process. Customers can also book cars, hotel rooms, and activities using digital tools. American Airlines' digital tools offer travelers advice and suggestions to enhance their trips, much like a travel agent would.

The wide range of services offered during trips is also a part of AA's efforts to transform the traveler's experience. Wi-Fi is available on board for everyone, and it is free for first-class passengers. Passengers in other classes can pay for it. To facilitate this experience, American Airlines has partnered with GuestLogix, which provides onboard retail and payment technology.

Besides, AA has made massive progress in terms of its mobile application. The application can be used to scan travelers' passports and check their flight details. American Airlines is the first airline to enable customers to scan their passports in advance of their trips; the information is then transferred to the crew and security personnel. Thanks to this improvement, the customer's travel experience is more fluid and pleasant, and customers have less to worry about.

To support its customers before and after their flights, AA considers all of their travel. For example, the company has developed a partnership with Uber to help make passengers' trips more seamless. Customers who use Uber can also get a \$25 discount depending on their loyalty status. Compared to other airlines, AA wants to create real differentiation in terms of offering a premium customer experience; AA also wants to be more than an airline, a travel companion.

Compared to low-cost airlines, there is a considerable gap. American Airlines emphasizes its premium travel services, whereas low-cost airlines emphasize lower prices and less customer service; the companies do not have the same objectives and targets. In other words, American Airlines differs from its principal competitors by focusing on all aspects of its customers' trips before and after their flights. In contrast, Delta and United Airlines concentrate more on the flight experience itself and not the travel experience. To sum up, American Airlines transforms the travel experience using digital tools and viewing its customers' travel from the beginning to the end. All of this is part of the flight experience.

American Airlines' consumer-centricity and customer experience touchpoints

American Airlines' websites are one of the primary and most important touchpoints of the brand. The brand is continuously updating the aesthetics and functionality of all its websites to offer a unique user experience adapted to the customer's culture and expectations. The brand's goal is to ensure its stability and consistency on the Internet. The company wants all customers to have a positive user experience that they will remember, no matter where they are and where they go while ensuring the localization of each market.

Of course, American Airlines' customers can access the company's mobile app on their Apple watches, if they like. Free of charge, the app accompanies them before, during, and even after their trips. Travelers can buy tickets on the application, change them if they have to deal with an unforeseen event, or make an immediate reservation if their flights are delayed or canceled. The app also allows customers to access their boarding passes and passports on their mobile devices with just one click. This makes boarding more straightforward and faster. During their flights, the application gives passengers access to thousands of free entertainment offerings from their phones. Finally, finding one's luggage is no longer a complicated process with the app. Passengers can follow the route of their bags and schedule their delivery if it is late or lost.

In a digital era like nowadays, companies need to be present on social media. As previously mentioned, American Airlines is present on Facebook, Twitter, and YouTube, as well as other platforms such as Instagram, Snapchat, and LinkedIn. The company was a forerunner in the use of social media. It had a strong presence on social media as early as 2012. Since then, the company has become highly engaged and active with customers on the platforms. In 2014, AA responded to more than 35 percent of its overall mentions on social media, whether the remarks were related to customer service concerns or any other topic. That brand's availability on social media makes for a reliable and sincere relationship with its customers. This approach, in turn, creates a positive and personalized experience for the company's customers.

Even if being part of a digital revolution is indispensable for companies nowadays, for some of them, like American Airlines, they also need physical touchpoints. The company has check-in counters in each airport in which it operates, with approximately 350 counters in more than 50 countries. Via the counters, AA can manually check-in travelers as well as reach out to customers who do not use social media, AA's websites, or apps for travel purposes. American Airlines also partners with travel agencies, which allows it to reach different types of customers, some of whom might not use digital devices very much.

Leveraging technology to offer the ultimate flight experience

To continue its efforts to improve its travel experience, American Airlines launched a technology platform. The platform's goal is to deliver "digital self-service" tools to quickly and easily create value for customers. To reach this objective, American Airlines has teamed up with IBM.

IBM migrated American Airlines' on-premise servers to the IBM cloud-computing site. IBM and AA also worked together to develop a "cloud-native app." The application finds new seats and flights for customers if cancellations or disruptions occur and analyzes all the alternate options.

Because not all of AA's customers are millennials and don't know how to use digital tools, the company developed 200 user stories to motivate customers to learn how to use the application and explain how dynamic rebooking works. Moreover, IBM provides 24-hour support and management services to AA. By developing a cloud-based customer-facing app, American Airlines demonstrates to customers that it is always looking to find more innovative ways to satisfy their requirements.

AA offers live TV channels in flight as well as online programs via Wi-Fi or applications. The use of technology is crucial for the travel experience and used by passengers. Says Venkata Pilla, AA's manager for Machine Learning & Data Science, "Our primary goal is actually to make sure that we run the airline, but that doesn't mean we throw the innovative part out." To develop the innovative part, many airlines, including American Airlines, use tablets so flight attendants can see the loyalty status of passengers, their food preferences, their buying habits, and their travel itineraries to inform them if a problem arises.

AA also has approximately 4,000 employees in its information technology department. Without qualified employees, all the technological improvements AA has achieved would not have been possible. American Airlines is going to stay ahead in terms of innovation and intends to bet everything on digital and Big Data for years to come, says Pilla. "Once we started that, my team was slowly growing, and we wanted to show more."

American Airlines' challenges in the future: what's next?

Improving the customer experience is always a challenge and a necessity for companies. Providing the best travel experience for the consumer is at the center of American Airlines' concerns. However, everyone knows that when you fly economy class, you can barely extend your legs, and you are more "intimate" with the person in the next seat than you are with your best friend. Here is a challenge for American Airlines: it could try to redesign its planes, so that customer comfort is improved or make a choice between convenience and profits.

To avoid losing customers who can't afford a coach or economy class, American Airlines could acquire a low-cost subsidiary, such as Air France has done with the low-cost airlines, Hop. People could buy tickets from American Airlines' low-cost company and expect less in terms of the customer experience than American Airlines' customers do.

Technology is another critical challenge. Indeed, the airline industry has developed enormously, thanks to considerable advances in technology. However, the industry is not immune to technical problems, which can completely paralyze airline traffic. For example, in April 2018, more than 500,000 airline passengers were stranded for several hours at airports and on planes when an air traffic control system malfunctioned. To avoid those potential issues, American Airlines, along with air traffic control organizations, have to continually upgrade their equipment, which can be expensive. Nonetheless, American Airlines should continue to improve to save money and reduce costs in the long term.

Moreover, all this technology and data point to another challenge American Airlines will have to deal with – data security and hacking: first, for its data – by encrypting it, reinforcing AA's system and keeping it up to date; second, for its customers' data. When customers buy tickets, they provide a great deal of sensitive data to airline companies, such as their passport and credit card numbers, home addresses, and so forth. Therefore, the airlines implement a strict confidentiality policy, to secure its clients'

private information, and thwart potential security breaches that would expose their customers' data.

Nowadays, there is a shortage of airline pilots all across the world as well. To face that challenge, American Airlines could set up its own pilot school and training. Finally, there are some challenges to which no one has yet found solutions. The worldwide outbreak of Covid-19, along with climate change, has led to an increasing number of storms, hurricanes, and natural disasters. All these crises have a considerable impact on the profitability of airline companies such as American Airlines.

The protection of the environment is also a real challenge in the airline industry. No viable solutions have been found to the pollution emitted by jet engines. Although the pandemic drastically decreased airline flights and pollution, when the outbreak is over, airline companies are going to resume their flights, and the pollution will be back.

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Questions for discussion

1. Categorize all of American Airlines' flight experience components. Identify the painful touchpoints in American Airlines' customer experience. How can American Airlines improve painful experiences before, during, and after a trip?
2. Describe how American Airlines can use Big Data, mobile phones, and extended reality technologies, such as virtual reality (VR) and augmented reality (AR), to elevate the flight experience. What are the advantages and disadvantages of each technology? Can you think of another type of technology that American Airlines should use to enchant the customer and increase its sales?
3. Explain how American Airlines can develop its employees' empathy to improve the experience of its travelers.
4. Do you think American Airlines should offer a different travel experience for postmillennial travelers (Gen Z)? Describe this experiential offering targeting young people.
5. How does American Airlines communicate and share value through its social media platforms? Explain how American Airlines uses each social media platform. How does the content create a positive image of the company?

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) of American Airlines. Your job is to boost the online presence of the company and create a gaming app. How would you design a highly experiential app that allows the company to sell more products and provides customers and online users with useful, engaging, and entertaining app services to prepare for their trips?

Company case 27: Newark, the airport experience

Newark, New Jersey's Liberty International Airport, recently underwent a series of changes designed to offer the best travel experience to the people using it. Working on remodeling an existing airport allows the facility's managers to analyze what needs to be improved. Providing an efficient and modern terminal was the main goal for the project's managers. It is then relevant to explore the story behind the Newark Liberty International Airport and its marketing and communication strategy to offer the ultimate customer experience as well as the challenges related to it.

How did it all start? Newark's story and strategy

The Newark Liberty International Airport, or Newark Airport, was initially built in 1928. It was the only airport to serve the New York area for 11 years before LaGuardia Airport was built in 1939. During WWII, Newark Airport played an important role. The U.S. Army requisitioned it for logistic operations, which allowed its competitor LaGuardia to develop. In 1948, the Port Authority of New York and New Jersey took control of the New Jersey airport and invested massively to build new terminals, runways, and towers for the facility to make it more competitive.

In the 1970s, thanks to the development of air-traffic control, Newark Airport started to accept international flights, which allowed it to gain the name of Newark International Airport. After that, Newark Airport started to expand continuously. In 1996, a mono-rail was built to connect all terminals, parking, garages, and rental facilities. Then, on September 11, 2001, United Airlines Flight 93 left Newark and was hijacked by terrorists, as part of the World Trade Center attack. Their target was the White House, but the passengers took over the plane and crashed it in Pennsylvania. In honor of the passengers, the airport decided to rename itself Newark Liberty International Airport. Today, it is the busiest airport in the United States.

Most Newark travelers are American citizens boarding domestic flights. The destinations most frequently served by the airport include large cities like Los Angeles, Portland, Miami, etc. Newark Airport also focuses on foreign travel. Many international airline companies fly in and out of it, including Air France, Air China, Air Canada, and Ethiopian Airlines.

Newark Airport's main competitors are LaGuardia and John F. Kennedy International Airport. They are two of the busiest airports in the world, and they both serve the New York and New Jersey areas. Although Newark Airport is the oldest of the three, it lost

its first-mover advantage during WWII. Today, JFK International is the busiest airport in the area. It has an advantage over Newark because it is closer to New York City. However, LaGuardia is less competitive than Newark because it handles only domestic flights. Consequently, it can only receive smaller aircraft. Nevertheless, it's a very attractive airport, thanks to its proximity to Manhattan (it's 11 km from the famous island).

Because Newark Airport is a long way from New York City compared to its competitors, it has had to develop a transportation service to help passengers get to and from the Big Apple. Newark's monorail allows passengers to reach Newark's train station quickly and with ease. Of course, rental cars and taxicabs are available to travelers who fly in and out of Newark as well. Newark is also served by public transportation, including bus lines, subway lines, and so forth.

Like other large airports, Newark has restaurants, hotels, shops, ATMs, currency exchange facilities, worship spaces, charging stations, and so on. Newark also has a robust and efficient website that allows passengers to track their flights, to know the wait times at the airport, taxi wait times, and walk times from one terminal to another.

The airport's website also allows passengers to find out if there are parking spaces available. If not, they can take public transportation. The airport's website also indicates the wait times to get boarding passes and go through security. Communication such as this allows passengers to be more relaxed and approach their departures with peace of mind.

Newark Airport is also developing partnerships with brands to offer as many services as its customers would like to have while waiting for their flights. For instance, the most beneficial collaboration and digital tool for the airport are the 6,000 iPads placed all around terminal C. The iPads allow passengers to play games and find different services at the airport such as restaurants, shops, etc. The airport has also partnered with companies to develop banner ads and murals for brands that appear around the airport and capture travelers' attention.

In terms of its marketing strategy, Newark Airport tends to invest more in Terminal C, dedicated to domestic travelers. They are the airport's primary users. The airport has invested \$120 million to renovate the entire terminal to help Liberty International become "the airport of the future." Indeed, the airport wants the terminal to be futuristic.

To do so, Newark digitized many functions that used to be physical, such as the cashier and bartending functions. Restaurants are designed with daring colors and shapes that light up the whole terminal and plunge the passenger into a futuristic atmosphere. Also, the airport partnered with shops that only sell local products.

Through its marketing and communication actions, Newark Airport wants to make passengers as autonomous as possible by giving them all the services they need without asking for help or recommendations from staff. This is why iPads are provided throughout. The iPads help people avoid unnecessary and time-consuming interactions with staff that they can figure out themselves more quickly. As a result, passengers are likely to be less bored, not lose patience, and travel in relatively more tranquility.

How does Newark Airport elevate the customer experience and consumer journey?

Not only did the airport do extensive research on the customer experience before Terminal C's overhaul, but it also did so afterward. The airport's managers wanted to know if the newly implemented aspects had been successful. A remodel of the entire airport is slated to be done in 2022. However, Terminal C has already been tested out by travelers. So,

what are the results? Based on a report published in *Business Insider*, the entire experience provided in Terminal C can be defined as a phygital experience that connects online and offline spaces. In addition to the airport's iPads, various restaurants were introduced as a whole new target-to-be experienced for travelers where they have time to decide on a specific craving for food and are able to find it in a small enclosed area of the airport. Thus, the use of iPads brings a more travel-like experience for those who desire to concentrate and do things quickly in an airport. However, extroverted travelers might want to take their time to relax and enjoy multiple hours at the airport before their flights depart.

Newark's consumer-centricity and customer experience touchpoints

As noted, one key device that is being used in Terminal C and also all over the world in restaurants and other service industries is the iPad. iPads are one of the key devices taking over airports in many aspects. Entertainment is essential, even though most travelers have smartphones. That said, when places such as airports provide easier access to these tools, it makes the experience more fun and friendly. iPads can help you track your flight while you browse the Internet. Or you can use an iPad to order food while you're at a restaurant in the terminal. The monitors around the airport are not always numerous enough for travelers to keep track of delayed flights, on-time flights, as well as gates for boarding. The iPad helps facilitate this function.

Leveraging technology and digital to offer the ultimate airport experience

In most airports, the customer experience is not emphasized. Indeed, frequent fliers who spend a lot of time in airports are usually stressed and anxious. Most passengers don't like spending time at an airport. Many of them dread going to airports for fear of being late, getting lost, of forgetting or misplacing their airline tickets. Moreover, airports often do not make an effort to enhance this customer experience. For example, it's not uncommon to find a single game console in a boarding lounge that seats 200 people. Newark Airport learned from these drawbacks and put technology and the use of data at the heart of its service to improve the customer experience. How did it do so?

First, as mentioned, the airport used technology to replace cashiers in fast-casual eateries and convenience stores. Passengers pay on their own using kiosks by swiping their credit cards. That way, they spend less time waiting in line. As noted, the other technology that significantly improved the customer experience at the Newark Airport is the 6,000 iPads placed all around the Terminal C. No longer do passengers have to walk around searching for a particular restaurant, restroom, or shop. Instead, they can check an iPad to get the answers to the questions immediately. Thanks to these iPads, everything has become more comfortable and faster, which is a great way to counteract passengers' fears of running out of time. The iPads also add an entertaining aspect to the customer experience. People can play video games on them, and there are enough for the entire airport. Parents can use the iPads to keep their children entertained and remove an additional source of stress.

Thanks to the use of data and Newark's iPads, passengers can access their flight information in real time. All they have to do is use iPads to scan their boarding passes. Passengers also don't have to try to stay focused on the PA (public address) announcements to get flight information, which again removes an additional source of stress. They can just scan their tickets on the iPads, and they will be able to access their departure times, boarding gates, and so on.

Restaurants also have iPads on their tables and counters. The iPads, once again, are used to make customers' lives easier. Passengers can order and pay on them. Besides, United Airlines customers can use their frequent flyer miles to pay their checks. They just need to connect to their United accounts to do so. With all the tools at their disposal, passengers can enjoy all the services available to them and especially the restaurants. Newark Airport has made an attempt to create a kind of "food museum" within the airport. As David Rockwell, one of the new Terminal C designers said, "If you can see where you are going, you're able to take the 30 minutes you have to relax and get a bite to eat."

Newark Airport's challenges in the future: what's next?

One problem the experts and architects involved in the Terminal C project have cited is that the airport infrastructure today is very old. There are plans to invest almost \$2.7 billion in rebuilding the terminal, but there is not enough time to rebuild it from the ground up. The project is designed to provide easier access for travelers who rely on using public transportation rather than arriving by taxi.

The use of public transportation will be a crucial aspect of the renovated terminal, but the 20-year-old railway system that serves the airport needs to be upgraded to make this happen. The cost of doing so is approximately \$20.5 billion. Modern and developed airports like the Changi Airport in Singapore have created a high standard for many other airports worldwide. The Singapore airport has been open for a few years, whereas the Newark Airport project is not slated to be finished until 2025. Newark Airport's new features will also require its personnel to be retrained.

In conclusion, the Newark project aspires to be revolutionary. It is in process, and investments have been made to see it to fruition. It might face some severe time-and-money challenges, but given the number of travelers the airport attracts, bet on it being a game-changer.

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Questions for discussion

1. Describe Newark Liberty International's experience touchpoints. What are the emotions generated by each touchpoint before, during, and after a traveler's journey? Compare the role different digital devices play in terms of improving the experience the airport has to offer both online and offline.
2. How has Newark Airport changed its marketing strategy to better integrate the customer experience with digital technology?
3. Describe how Newark Airport is leveraging the digital customer experience to differentiate itself from its competitors in the marketplace.
4. Explain how Newark Airport can create an airport experience that responds to the functional, social, emotional, and environmental needs of the new green and paradoxical traveler who is also in search of pleasurable and responsible travel experiences.
5. Discuss how Newark Airport can implement the 7Es of the experiential marketing mix presented in the book by Wided Batat, *Experiential Marketing* (Routledge, 2019) to reinvent the airport experience.

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) of Newark Airport. Your job is to create a green and sustainable airport experience. How would you use the 7Es of the experiential marketing mix to design this experience?

PERSPECTIVES ON THE SECTOR



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In the transportation sector, the SERVQUAL model can be applied to understand the ways in which an airline customer's travel experience can be enhanced. While some of these dimensions have taken on new meaning, given the changes in the external context (e.g., need for greater travel security, handling larger passenger volumes), the fundamentals have stayed the

same since they collectively define the essence of providing a service. However, the opportunities to customize, differentiate, and elevate the customer experience are a matter of identifying the unique strategy that a company adopts in carving out its market position.

Along every single dimension, the company has to make choices that collectively define the overall customer experience it seeks to deliver. *Tangibles* can easily enhance a customer experience. Airline companies distinguish themselves based on their airport facilities, lounges, in-cabin appointments, and comfort. *Reliability* of the service they offer, which is translated into metrics related to on-time performance, baggage handling, and efficient operations all through the value chain, can make a substantial difference to user experience. *Assurance* that signals to a customer that their travel experience will be dependably superior is yet another avenue to positively impact customer loyalty. This element has become increasingly important in today's world of changing travel conditions, security protocols, etc. Staff who reflect trust, confidence, and expertise can go a long way in assuring the customer that they are in safe hands. *Empathy*, both at the individual as well as organizational level, can be crucial in creating a positive impression of customers.

In the harried world of today, where passenger volumes have exploded, showing emotional resonance with the traveler can enhance the experience. Airlines routinely employ customer service professionals, roving ambassadors, or ombudsmen to provide help and support to passengers on an as-needed basis. These voluntary steps can have amplified benefits because they can beneficially impact the assurance dimension as well. Lastly, the level of responsiveness that an organization reflects in the manner in which it deals with issues ranging from customer complaints, lost baggage, delayed flights, or any breakdown in service delivery or quality can be instrumental in defining the customer experience. A lousy service encounter is bound to leave an indelible mark in the mind of the customer; reflecting the right level of responsiveness is therefore critical.

For instance, airline companies, just like their peers across other industries, have been in the midst of a significant digital transformation that seeks to leverage technology to provide a superior customer experience while optimizing costs. It goes well beyond digitizing routine functions but attempts to identify new products and processes that were impossible to consider in the past (e.g., extremely fine-grained customization, harnessing AI and Big Data to perform predictive analytics, behavior shaping). The ubiquity of digital technology has opened several new ways to exceed customer expectations with minimal investments. These digital enhancements could range from run-of-the-mill services such as providing the customer easy access to ticketing, making changes to their itinerary, choosing seating, meals, and other in-flight services, all are examples of ways in which a company can amplify the customer experience positively. Providing timely gate change information via smartphone messaging in real-time, updating passengers on delays, and connections are additional ways to build tangible value for the traveler. While many airline companies provide the basics, the real differentiation happens when a company meets these expectations and exceeds them. Singapore Airlines offers essential details about its inflight meals and allows passengers to “book the

chef” with an eye on nutritional needs and dietary preferences. By allowing the passengers to complete control over their meal choices, the company essentially co-creates the customer experience. In doing so, it positively engages the customer and ensures that the passenger is delighted at the end of the journey. Using a digital interface to accomplish this is an essential differentiator in today’s world.

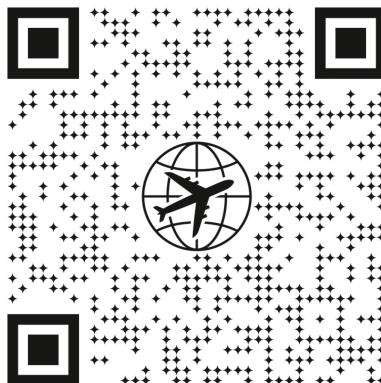
Nowadays, in a post-COVID world, airlines will be hard-pressed to win back customer loyalty. The cornerstones of superior service quality, such as assurance, responsiveness, and empathy, will distinguish winners from losers. Tangibles that contribute to a better, healthy, and safe in-flight experience will become extremely vital. Passengers might be reluctant to travel in fully-packed planes that have been optimized more for passenger revenues than traveler comfort. The successful airlines of tomorrow will have to completely rethink their operating and business models starting from the routes they fly, the equipment they will use, the customer focus they will maintain, and the price points that they can charge for the value they have created. In essence, nothing short of a total transformation will be necessitated by the monumental changes that are underway in the external context.

Author’s perspective on experiential marketing

Online video: “Introducing concepts & tools”



- Access the link www.youtube.com/watch?v=macrQk50EjY&t=10s or flash the following QR code to view a short video featuring the author, who introduces and explains the concepts and tools companies can use to implement a successful experiential marketing mix strategy.



10 The customer experience in the healthcare sector

In the healthcare and medical sector, many companies recently have started to pay attention to the patient's experience and satisfaction. The patient's satisfaction is an essential measurement today in assessing the quality of the healthcare provided to people. The satisfaction of patients can affect their future behaviors and, in particular, their desire to comply or not comply with their healthcare protocols. The positive or negative experience lived by patients also impacts how they view a healthcare establishment and how loyal they are to it. Thus, beyond the quality of the care, the systematic examination of the different stages of the healthcare experience and the interactions with patients must allow companies in the sector to offer the highest quality healthcare experiences and anticipate the needs of their patients. In this chapter, I introduce three company cases: Pfizer, the Circle Medical Group of California, and Essilor. These companies are nowadays leveraging technology to improve the customer experience in the healthcare sector. I first explore the story and the marketing strategy of each company. Then, I examine how these companies are improving the customer experience in the healthcare sector. Finally, I present the challenges these companies are facing as they try to reinvent the healthcare experiences they offer.

Learning outcomes

After solving the questions and challenges presented at the end of this chapter, you will be able to think critically about how healthcare companies are implementing the customer experience and the challenges they are facing to develop a successful experiential marketing strategy. Also, in the online video provided, "Introducing concepts & tools," you will learn more about the experiential marketing mix and how companies in the healthcare sector can use it to design the ultimate healthcare experience and thus create a definite competitive advantage.

Company case 28: Pfizer, customer experience as innovation

The pharmaceutical company Pfizer has moved on from the traditional way of delivering a "good" customer experience and has now adopted advanced, customer-centric, and tailored designs to reach out and engage its customers. The company has identified the needs of customers, has gone above and beyond to deliver better products to them, improved the quality of its services, and utilized customer segmentation and targeting. In the last couple of years, Pfizer has implemented many changes that have redefined the

experience of its customers. These changes consist of various initiatives. The company analyzed the business and the marketplace (the healthcare industry) one or two times a year to identify how to improve and adapt efficiently. Thus, it is essential to understand Pfizer's story and the shift in its marketing strategy to meet the new experiential and emotional needs of customers living in the digitized medical era.

How did it all start? Pfizer's beginnings

Pfizer's story began in 1849 in New York City, when two German immigrants Charles Pfizer and Charles Erhart, decided to found a firm involving both of their professions: chemist and confectioner. Their goal was to produce Santonin, a drug that paralyzes parasitic worms, without its unpleasant taste. Thanks to their combined talents, they managed to do so while giving the drug the taste of toffee.

Due to this breakthrough and the American Civil War, the demand for their drugs (mostly painkillers) increased significantly. This situation gave business the initial boost it needed to become the company it is now. Upon the death of Charles Pfizer in 1906, the company had approximately 200 employees and became the U.S. pharmaceutical market leader. The company would later expand to the entire world.

Since its start, Pfizer's market has been relatively broad because the company does not target people of specific genders, ages, or social classes. Pfizer's essential products are not truly specific. For example, its drug Xanax alleviates anxiety, which can affect nearly anyone. The exception to this strategy is the relatively recent development of Sildenafil, otherwise known as Viagra. Viagra was originally designed to treat pulmonary arterial hypertension. Only more recently has the drug been used to treat erectile dysfunction. Today, the company targets older men with the product.

If you look at the overall market for pharmaceutical products sold in 2018, Pfizer was the market leader. Its total revenue was \$45.3 billion. The revenue of Roche, a Swiss pharmaceutical company, was \$44.55 billion. The revenue earned by Novartis, also a Swiss company, was \$43.5 billion. The rest of the top 10 pharmaceutical makers are Johnson & Johnson (USA), Merck & Co. (USA), Sanofi (France), Abbvie (USA), GlaxoSmithKline (UK), Amgen (USA), and Gilead Sciences (USA).

Global spending on research and development (R&D) is another interesting statistic to look at. In 2018, Pfizer was fourth in this area. Its total R&D budget was \$7.96 billion. The top three R&D spenders were Roche (\$9.8 billion), Johnson & Johnson (\$8.45 billion), and Novartis (\$8.15 billion). They were followed by Merck & Co. (\$7.91 billion), and Sanofi (\$6.23 billion).

Pfizer sells a wide range of products covering all parts of the pharmaceutical market. In addition to Viagra, its best-known products are:

- Lyrica for epilepsy, neuralgia, neuropathy, and fibromyalgia treatment.
- Celebrex for arthritis and joint pain treatment.
- Enbrel for rheumatoid arthritis and spondylitis treatment.
- Prevnar to prevent pneumococcal infection.
- Xanax to prevent anxiety and panic attacks.
- Lipitor to reduce LDL cholesterol levels.

Pfizer produces generic and branded products. A branded product is one that a company still has a patent on. After a few years, the patents for branded products expire, and the

drugs become generic. Any pharmaceutical company can legally make and sell them, reducing the overall cost of production and prices of these drugs.

Even though no other company can sell them, Pfizer still markets its branded drugs, so consumers hear about them and ask their doctors to prescribe them. This helps create brand loyalty to protect the company from the threat of new entrants. For branded products launching in already existing markets, Pfizer's goal is to highlight the differences and advantages of its products because they will almost always be more expensive than competing generic products.

For generics, it is difficult to pursue a differentiation strategy, as all firms already standardize most processes. When it comes to generics, Pfizer implements a cost leadership strategy in both the areas of production and marketing. However, because the market has a minimum quality and price ceiling, Pfizer still needs to maintain its R&D and keep its quality control at a higher level than if it were to pursue a cost differentiation strategy for the product.

Pfizer had to evolve its marketing strategy during its long history and position itself with the globalization of the firm and the overall economy. At first, Pfizer only had one main competitor, and the companies' combined production did not meet total U.S. demand. Consequently, Pfizer did not need to position its products strategically. Moreover, the companies didn't have the twentieth-century insights they do now about marketing and consumer behavior. These insights have forever changed the company's strategy as it transitioned from a small firm to the global market leader it is now.

Pfizer's overall mission and marketing strategy are fully described in its reports and on its website:

We are thus committed to promoting our products responsibly and reporting about our business practices in a fashion that promotes transparency. We believe that it is important to educate patients and providers about health care treatments so that physicians who prescribe our medicines can make decisions rooted solely in the patient's best interests. Pfizer adheres to all applicable laws and regulations as well as to industry standards. To ensure our communication and marketing approaches uphold the highest standards, Pfizer has an extensive mandatory, company-wide training on these standards of communication and conduct.

Also, as Pfizer is conducting business in the pharmaceutical market, it must adhere to the specific ethical rules for medical institutions, either on a national or international level. For foreign policies on pharmaceutical marketing and communication, we can cite the following:

- EFPIA (European Federation of Pharmaceutical Industries and Associations) Code on Promotion of Medicines;
- IFPMA (International Federation of Pharmaceutical Manufacturers & Associations) Code of Pharmaceutical Marketing Practices.

The EFPIA code regulates all marketing and communications activities in the European Union and must authorize the promotion of pharmaceutical products. Moreover, once granted, an authorized promotion can be rescinded if a company does not make certain information available to the public (e.g., a product's price, components, and conditions

of reimbursement by social institutions). Additional rules forbid the indirect promotion of a product at nonmedical-related events as well as promotions that encourage the overuse of a product. This significantly reduces the possibilities of advertising and other types of marketing in the industry because only professionals (doctors, for example) can be targeted.

IFPMA is involved all around the world. The organization requires that any materials related to advertisements be transparent, show the company's name, and list the major side effects of the drug. Moreover, a national permit must be obtained before any kind of promotion is launched in a country. These rules are designed to ensure that the pharmaceutical industry remains ethical. However, the rules significantly reduce the impact of Pfizer's marketing campaigns (mainly product launches) and prohibit tools like sponsorships, distributing samples, or in some cases, perks for healthcare professionals. In 2005, Pfizer adopted a global policy that applies to its interactions with healthcare professionals. The strategy guides Pfizer's interactions with healthcare professionals worldwide, including the company's marketing, medical, sales, and R&D operations. This kind of initiative is common in the pharmaceutical industry and serves mainly as a basis for the training of all the employees of a company to follow special rules and ethical principles.

Pfizer's global policy statement is designed to educate consumers about a drug's risks, effects, and cost, among other things, before actually attempting to sell the drug. Moreover, the sales cannot be accompanied by any significant value or perks to the people who prescribe Pfizer's medications. According to Pfizer's website, the company's marketing activities aimed at healthcare professionals must convey full and substantiated information about the side effects and the safety profile of medicines. Also, the company's sales representatives cannot offer items of "significant value as an inducement for a medical professional to use, prescribe, purchase, or recommend a product or to influence a clinical trial."

As a result, Pfizer's overall marketing strategy is based on the consumer's trust due to a fully transparent and scientifically approved advertising system that adheres to national and international laws as well as the company's guidelines. The company's website states the following:

Responsible consumer advertising has proven value in helping patients engage in more informed conversations with their healthcare providers, leading to better health outcomes. In all of our consumer advertising worldwide, we adhere to applicable FDA (U.S. Food & Drugs Administration) regulations and guidance.

How does Pfizer leverage the customer experience to improve its revenues?

Pfizer has moved away from past practices and has worked to create a new set of experiences online (via websites and digital devices) and offline (via face-to-face contact with doctors' offices) that are pleasant for customers. Instead of it being a burden, it is a pleasure for customers to work closely with Pfizer, which also offers engagement programs that include much more than the call centers, mail, or texting customers.

Pfizer's interactive Internet sites, social media, and mobile apps have been vital in making the redesign possible. They have also helped the brand improve its position in the market and retain satisfied customers. Different digital transformations created

with artificial intelligence have allowed the company to come up with tools to improve the customer experience with helpful devices (see the next section) that provide extra support and benefits. These tools have also helped Pfizer gather data as to what should be delivered next to customers, such as products (medicines) and extra services.

Companies that have not adapted to the new needs of customers focus on their products' development. Customers are placed in the background. Slowly, competitors are starting to understand the relevance of the customer experience, which generates loyalty, retention, lifetime value, satisfaction, and all the factors a company needs to be successful and profitable in such a market. Pfizer quickly adopted this change, shifting from a strategy that concentrated on selling goods to one that focused on engaging customers, developing the right skills and knowledge in the appropriate teams, and having specialists who can tailor their approaches to specific targets and identify new leads.

Many of Pfizer's competitors still depend on traditional ways to engage customers (via phone calls and mail, for example), do not provide a personalized service, or even solve customers' needs. In contrast, Pfizer taps different resources to connect with its users as they implement a more customer-focused business strategy in the healthcare industry. In other words, market actors are still not engaging in meaningful actions with their users, which mainly differentiates Pfizer from its competitors.

Thus, Pfizer has been able to transform the healthcare experience because it can "place its customers in the center of the brand storytelling when creating successful experiences," says Lianne Mann, Pfizer's director, and Global Congress Lead in the company. With its new devices (e.g., robots, apps, drones) and ways of fulfilling the needs of its customers, Pfizer is innovating to advance the patient care it delivers. These newly introduced technological tools have been useful. Formerly customers were never part of the cycle behind the development and success of products but are now crucial and work hand-in-hand with Pfizer to transform the healthcare experience.

Pfizer's consumer-centricity and customer experience touchpoints

Pfizer's main touchpoints with its customers take place in different digital and physical environments. The combination of these places the brand within a "phygital" setting, in which physical and digital atmospheres are mixed. Pfizer's goal is to combine traditional and new digital transformations to improve the experience of its customers and their outcomes, obtain useful insights from data, and deliver a more integrated experience for those who choose and trust the company. These touchpoints happen mainly in the form of apps, online platforms, technological devices (such as robots), and in physical ways too, as Pfizer adapts to the needs arising in the always-changing healthcare industry.

Pfizer has integrated different devices that have created a new and improved customer experience. The main one is Mabu, an artificially intelligent robot that is a wellness coach and is used for patient engagement. Mabu can be used by both patients and doctors and deployed in different ways to deal with different kinds of diseases. The robot's primary purpose is to answer questions customers may have and generate data and key points that are later helpful for clinicians and caregivers. The robot's goal is to improve the way patients' symptoms are managed and it can answer questions anytime.

"The LivingWith App" is another Pfizer device. The app targets cancer patients. They can use it to connect with oncology support systems and easily access the key points

and takeaways from their past doctors' appointments in a convenient and always accessible way.

Pfizer's latest technology is its drone pilot program, which was launched in the Dominican Republic. The drone's main purpose is to deliver medications in a timely way to people in remote and hard-to-reach areas. Using the drone, Pfizer has been able to deliver medicines over mountains 2,500 meters high in a matter of 12 minutes. The drones fulfilled the needs of more than 100 patients in a matter of six weeks. Given the drone's success in the Dominican Republic, Pfizer is considering launching it in other locations. However, to do so, the company will need to get support from local governments.

As Pfizer implements these tools, its principal goal is to improve not only its customers' experience but also the experience of those working behind the scenes. The company wants to come up with the necessary initiatives to uncover the actual "blind points" that are currently part of its customers' journey. Pfizer is looking at how customers interact with these devices and where in the customer journey they do so. The company wants to know where its patients are most likely to get the most value out of the tools with the medications that solve their problems (in other words, Pfizer's products). The primary purpose of the devices is to help improve how patients deal with their health issues. As mentioned before, providing this type of service makes customers feel supported, protected, and safe. The service helps build trust and improve retention rates, a key feature for success in the healthcare industry.

Pfizer's interaction with its clients as they use Pfizer's functional devices (Mabu and the LivingWith app) can make users feel part of an escapist realm, whereby they immerse themselves and actively participate with the technological devices to solve their problems or assuage their doubts.

At the moment, Pfizer is developing "Babu," a robot for people with chronic diseases. Babu's purpose is to answer questions about their treatments in real time, help patients better understand their symptoms, and deliver insights into their preferred pharmacies. As one C-level executive at the company put it: "Digital technology is a critical component in the development of our medicines, from drug discovery and development to manufacturing and distribution." Applying digital transformations to its business model has helped Pfizer deliver great outcomes in terms of the medications it develops to guarantee customer satisfaction, which is a vital component of the strategy.

Leveraging technology and data to improve the customer experience

Nowadays, technology and digital innovations are disrupting almost every industry. The pharmaceutical industry is affected by these disruptions as well. Companies these days need to adapt to stay relevant. In terms of Pfizer's business execution, the company pursues a digital strategy and constantly innovates in terms of products and services.

The first point of contact that allows customers to interact with Pfizer is its website. This digital tool is not only important because it connects the customer and the company, but it is also responsible for positioning the brand in the minds of customers. On visiting the website, it can be observed that the educational aspect is dominating. The site is primarily designed for customers to gain access to relevant resources.

As seen before, Pfizer is actively operating in the field of research. Therefore, the company is shifting this core competence online and making it accessible to its customers. Overall, the website is visually appealing, well-structured, and interactive. Visuals, which are part of the sensory dimension, are essential and a central element of Pfizer's website.

The website has a search function and a zoom function, and its pictures are colorful and insightful.

Moreover, customers can make use of “interactive web hosts,” that help and support them. All these tools make for a smooth and effortless experience when browsing the website and searching for specific information. Pfizer also leverages the customer experience by gathering user data from its website to offer more relevant and personalized content to individuals. Pfizer collects data from two primary sources: the data users provide and data from external sources.

The data on users can be gathered through registrations or surveys on the website, purchases made, or a person’s general browsing behavior. Pfizer works through cookies and tracking pixels, which are used “to better understand, customize, and improve the user’s experience with our websites, services, and offerings, as well as to manage our advertising.” Data from external sources such as publicly available information from social media or similar sources are used to associate and augment the information individuals provide to get insights into a customer’s preferences and interests.

Pfizer’s intensive data collection methods are employed to target customers and potential clients most effectively. Data provides valuable insights into how people think, their actions and reactions, and what people prefer. Therefore, Pfizer gains useful knowledge that can be applied to its marketing campaigns and advertising strategies to provide customized content through newsletters. Furthermore, the data helps provide more accurate customer service and develop products and services to guarantee a suitable and relevant customer experience for every individual. Data is also used to execute the sharing technology implemented on the website, whereby customers can share content with their peers and interact with each other.

In addition to its online presence, Pfizer uses new research and development practices to improve its products and services and thus continually maximize customer satisfaction. The company executes the strategy by collaborating with different firms all over the world. One recent collaboration with the AI biotech firm Insilico is an example of how Pfizer constantly is looking for opportunities to innovate in the field of digital technologies. This collaboration allows Pfizer to use Insilico’s artificial intelligence technology to identify drug targets. The effort also involves using machine learning to support drug research and significantly improve the speed of new drug discoveries.

Pfizer has also launched 15 “Pfizer Healthcare Hubs,” worldwide. The hubs are an attempt to establish an international network to extend Pfizer’s presence in the digital world. The basis of this concept is Pfizer’s collaboration with startups and digital innovators to provide digital patient solutions. These digital solutions go “beyond the pill” with various projects that support the therapy and care of patients and offer them fast and easy access to medications. These and many more innovative tools help the company provide a unique customer experience, which is a key factor in the company’s global success.

Pfizer’s challenges in the future: what’s next?

The research and development (R&D) department was identified as a significant core competence of Pfizer. Currently, the company is one of the leading organizations in the pharmaceutical industry. Nonetheless, it can be observed that Pfizer is not spending the

bulk of its revenues on research and development. As the 2018 numbers show, 34 percent of Pfizer's revenues were spent on selling, general and administrative expenses. In contrast, only 19 percent of its revenues were spent on research and development. This indicates that Pfizer relies significantly on the selling and marketing of its products, which is crucial to guarantee an excellent customer experience. However, in today's digitalized world, Pfizer will be challenged if it lags behind its competitors in terms of innovation and disruptive technologies.

The threat of competitors is and will always be a challenge for businesses. In an industry like the pharmaceutical industry, where time advantages and patents can determine a company's success, it is crucial to implement creative and innovative solutions. Pfizer has taken some useful approaches to innovation with its various collaborations, especially with startups, such as the startup it joined forces with to develop its healthcare hubs. Despite that, technology can and does disrupt entire industries. Pfizer is successfully collaborating with medical schools "with the purpose of developing new, innovative drug candidates for testing in patients." A benefit of this model is that new drugs can be tested and developed in a shorter amount of time. Nonetheless, this model or similar ones could be replicated by Pfizer's competitors and pose a threat to the company.

Another significant challenge for Pfizer will be to shift its existing strategy entirely into the digital world and transform it in a way that it can sustain digitally. Customers nowadays are demanding the digitalization of businesses, which must meet their needs to stay relevant. Pfizer has to execute its digital strategy and do so in the different countries it is currently operating in. This requires the company to adapt its strategy to the respective cultures of every country and region. There can be various cultural differences related to how healthcare and insurance are provided and the legal regulations related to advertisements.

General behavioral patterns and customer preferences can also be difficult to discern in different countries. One culture may react differently to price changes than another country. Pfizer needs to take all those cultural divergences into account when implementing its digital strategy. Thus, the challenge is to serve its customers in the right way by getting to know them, their preferences, and their culture. Pfizer also needs to take into account a country's existing infrastructure as well as the fact that digitalization can be on different levels in different countries.

Moreover, the adoption of a digital strategy goes hand-in-hand with the expansion into e-commerce. Customers will continue to demand drugs and medications online and want them delivered as fast as possible. The challenge for Pfizer is to supply products and services as efficiently and effectively as possible. Therefore, Pfizer needs to invest further in digitizing its supply chain, which it has already started doing. Pfizer should combine the benefits of the physical world with the digital space to guarantee a unique phygital experience. This can then become a source of sustainable competitive advantage for the company.

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Questions for discussion

1. Define Pfizer's experiential marketing strategy and briefly describe the components of its customer experience.
2. How does the company implement its customer experience strategy online and offline? Discuss the role digital devices and technology play in this process.
3. Describe how Pfizer is creating an uninterrupted customer journey. Analyze the touchpoints along the journey and the way each affects the customer experience.
4. How does Pfizer create shared values with its customers? How are these values communicated online? Compare Pfizer's digital storytelling components on its different platforms: its website, Facebook page, Instagram, and LinkedIn.
5. Discuss how Pfizer could use empathy capital as a component of its experiential marketing mix to strengthen its relationship with its customers (both doctors and patients).

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) at Pfizer to enhance its phygital experience. What would be your starting point? How would you go about identifying online and offline customer experience touchpoints and connecting them to deliver a coherent experience and a satisfying customer journey?

Company case 29: How Circle Medical Group of California is bringing experience to the healthcare industry

The Circle Medical Group of California is a relevant healthcare company case to explore. The company, which was founded as a startup, takes a customer-centric approach. It focuses on its customers' needs to give them the best experience in fulfilling their healthcare needs. Circle Medical concentrates not only on the care provided but on delivering an entire experience through on-demand services and personalized interactions. The company enhances the experience of its customers (patients) by combining the use of physical and digital technologies and their touchpoints. Therefore, it is interesting to investigate the rise of the Circle Medical Group of California and the challenges it is facing to adapt to the emerging needs of its customers.

How did it all start? The story and strategy of the Circle Medical Group of California

Circle Medical Group is one of many companies rethinking the patient's experience and using technology to improve the quality of the service its patients receive. The company was founded as a startup in 2015 in San Francisco, California, by three tech entrepreneurs: Brent LaRue, George Favvas, and Jean-Sebastien Boulanger. The three wanted to create a patient experience around what a patient needs instead of building a health system to constrain care.

Circle Medical's targets are people with disabilities, people who have difficulty getting around, who are often sick, have trouble managing their health, or are often too busy to see a doctor. Full medical service is facilitated with a mobile app. It allows patients to scan their insurance cards, find and make appointments, see doctors, and receive summaries of their visits. The doctors all work full-time and are available from 8:00 a.m. to 8:00 p.m. seven days a week at no additional cost.

The company handles everything from urgent care to annual checkups, flu shots, blood tests, etc. The mobile app also profiles the company's doctors and their backgrounds. Patients can use the app to pick doctors who can care for them. The company provides a service that can be used not only in emergencies or at the last minute but also regularly. Each doctor prepares a personalized plan for the patient after each visit, including his or her diagnosis, recommendations, prescriptions, and resources for additional reading. The company's main competitors are:

- *Pager*: A mobile healthcare technology company. It developed a mobile app that connects healthcare providers and patients with different types of urgent-care services.
- *MDLIVE*: A vast network that is accessible online and provides fast, efficient, and high-quality consultations. Appointments are scheduled online, by phone, with the help of a mobile app, which facilitates a doctor's visit in a few minutes.
- *HealthTap*: A service that's available via the Web. The service allows people to ask doctor's medical questions and get quick answers. HealthTap is a technology company that offers a suite of connected health apps. Its clients are health systems, insurance companies, and employers.

Circle Medical has achieved its goal of transforming the primary care experience for people and businesses. It is considered in-network for over 97 percent of patients in California who have private insurance. Thanks to Circle Medical, people don't have to leave their homes to go to the doctors, which was useful during the Covid-19 pandemic.

One of the primary purposes of Circle Medical is to expand high-quality primary care options for patients in the United States. However, the company also employs specialized physicians, who are also profiled on Circle Medical's website. By doing so, the company has adopted a customer-centric approach using a strategy based on digital marketing. Circle Medical saves patients time and helps them find good doctors easily.

Hence, the company is focused on creating a "patient experience," focusing not only on the care provided but on delivering an entire experience through on-demand services and personalized interactions, in addition to seeing doctors, patients can use the company's website to chat with physicians, pay their bills, and handle their insurance co-pays and deductibles. This procedure allows the company to deliver patients what they want when they want it and where they want it.

The marketing strategy of the Circle Medical Group is focused on delivering quality services with ease for all of its patients. The company's physicians are board-certified in either family or internal medicine. They have years of clinical experience and work full-time and exclusively for Circle Medical. This allows patients to see their primary care doctors when they need to, and to benefit from personal follow-up care with the same physician.

Circle Medical can deliver high-quality care, thanks to a national referral network and its affiliations with major medical institutions and insurance companies, such as Anthem, Aetna, United Healthcare, BlueCross BlueShield, and Medicare, along with pharmacies such as CVS or Walgreens. The company fully integrates and highlights its multiple partnerships in its marketing and communication strategy to reassure patients of the quality and seriousness of its service. Recently, Circle Medical did so by signing an agreement with the University of California San Francisco Health, with which it has worked closely since 2019. A partnership between the co-medical directors from the UCSF Department of Family and Community Medicine and Circle Medical has been formed to improve the patient's experience.

The marketing and communication strategy of Circle Medical is centered on several values: empathy, diversity, transparency, accountability, simplicity, focus, and alignment. The company aims at offering its services to any patient, even uninsured ones. It uses different networks to penetrate its target market. The company is featured by its partners on their websites and has an online presence on social networks such as Facebook, Twitter, and LinkedIn. The company also posts articles on its official blog regularly. Additionally, the company provides incentives for new patients to register by offering them free annual wellness exams, no matter their health insurance plans.

Finally, Circle Medical's digital strategy allows the company to avoid a physical facility's overhead costs. The company can, therefore, pass the savings along to its customers. Circle Medical directly bills a patient's insurance company. The patient only incurs a co-pay or deductible for the service and can do so directly through the app using a credit or debit card or online payment methods such as Apple Pay.

How does the Circle Medical Group of California redefine healthcare and the patient's experience?

Circle Medical is a modern primary-care practice that treats patients via telemedicine and in person. Its goal is to provide a service that can be used regularly and not just during an emergency or last-minute situation. Doctors bring their medical kits with them and privacy blinds and can meet patients in their homes or offices. The company also offers primary care via telemedicine.

Circle Medical and other healthcare startups are primed to disrupt the healthcare industry because they design the patient experience unlike how different types of companies design the customer experience. Circle Medical considers patients to be the most powerful actors in the system because their health is why the entire healthcare system exists. The company has adopted a customer-centric approach to put patients at the center of its operations.

Like other companies, Circle Medical segment patients into groups to better understand their needs and expectations and design care and solutions to improve their lives. The company learned that it is not only about the care provided but also about the consumer's entire experience. Providing excellent services at a fair price is no longer enough; people take that for granted. They expect more, demand seamless solutions, intuitive interfaces, on-demand services, and personalized interaction. Circle Medical also recognized that its service delivery depends on an ecosystem of organizations, technologies, devices, and other stakeholders. Thus, the company takes responsibility for the

patient experience across the entire ecosystem and works hard to integrate and standardize all of the moving parts.

The main difference between Circle Medical and Pager is that Pager connects people and healthcare providers that are part of the Pager network, but it doesn't hire doctors who can visit people in their homes or offices. Pager also offers other services, which are provided by coordinators or customer service personnel, like finding the nearest pharmacy or the nearest dermatologist for a patient.

HealthTap uses artificial intelligence to "interview" people, classify, and prioritize their symptoms. HealthTap's AI results can be used by customers themselves or one of HealthTap's doctors through a virtual consultation that can happen via text, audio-only, or video with audio and text. The doctor provides a treatment plan and the next steps for follow-up. All the information from HealthTap's AI, notes from the virtual doctor's consultation, the patient's treatment plan, prescriptions, and all the data is saved. The patient can easily access the information from any digital device, 24/7. The main difference is that HealthTap does not hire doctors who can visit people in their homes or businesses.

The Circle Medical Group of California is thus transforming the customer experience by delivering three benefits. The first is convenience as the company makes it easy to find a doctor, book an appointment, and navigate the insurance system. The second benefit the company delivers is transparency; doctors explain everything to patients, and the information and summary are available on the Circle Medical's app. Lastly, the experience is meant to be thorough: both doctors and patients would agree that the typical 7 minutes a doctor usually spends with a patient are not enough. Consequently, Circle Medical's appointments last half an hour.

Circle Medical's consumer-centricity and patient experience touchpoints

As noted, the Circle Medical Group of California has a mobile app and a website where patients can look for and find primary care doctors as well as specialists and book medical appointments with them. The app can also be used to directly chat with physicians, making the process hassle-free and quick.

Because the doctors work exclusively with Circle Medical, patients benefit from real personal care and follow-up with the same doctors over time. This direct communication between the patients and their doctors adds a social dimension to the phygital customer experience. As a result, patients develop closer relationships with the company's doctors and, more generally, with Circle Medical.

Besides allowing patients to save time by making their medical appointments online when they want and where they want, the service eliminates the stress often associated with waiting rooms, thus enhancing the customer's medical care service. The mobile app also integrates follow-up appointment summaries and medical prescriptions, so that patients can find all their medical information in one place. Finally, the app integrates the insurance patients have and enables them to pay for their medical services through the app directly. This process eliminates several inconvenient methods related to healthcare.

Circle Medical's customer experience is also enhanced by the company's website. The website features each doctor. It outlines his or her medical credentials and specialty areas, and sometimes videos are used for this purpose. In these videos, the doctors introduce themselves by highlighting their personal and family backgrounds, career paths, and know-how, which creates a complete storytelling dimension. This allows Circle Medical to create emotions for its customers, build relationships with them, and increase their

trust and loyalty. The videos also improve Circle Medical's image and lead to positive word-of-mouth.

Circle Medical Group of California is present on social media and platforms, such as Facebook, Twitter, and LinkedIn, where the company can directly connect with its customers. Circle Medical provides patients with the best experience possible by easing them through the healthcare process, from booking appointments, seeing doctors, and making payments, thanks to digital devices and touchpoints.

Leveraging technologies and data to offer the ultimate patient experience

The company offers both in-person and virtual visits and leverages its mobile app to provide additional services, such as appointment summaries after visits to make the customer experience as smooth as possible. A phygital customer experience allows customers to combine physical aspects and digital ones to obtain a complete experience that can be personalized according to the needs of each patient. For example, a person may prefer to do the visit physically with a doctor and only use the app to get his or her summary, whereas another person may prefer to do the visit virtually and leverage more online resources.

The digital experience is mainly based on the company's mobile app, which provides primary care via telemedicine, allows for follow-ups, and also handles a patient's insurance and possible co-pay. Telemedicine is a quick and convenient way to receive medical care without physically going to a doctor's office. By booking a video appointment with the Circle Medical, people can meet with a primary care provider directly from home to address their day-to-day medical needs, like getting their prescriptions refilled, managing their chronic conditions, and scheduling annual checkups, and so on. All video appointments are conducted through Circle Medical's app. About 10 minutes before the appointment, the patients receive a message on the app, reminding them to find a quiet, private location where they will feel comfortable speaking with the doctor.

When it's time for the appointment to begin, the company will send patients another message with a link they can use to open the secure video call with their provider. A dedicated team solves any technical issues. Moreover, Circle Medical collaborates with trusted providers and practices across many specialties that offer telemedicine. Consequently, it is possible to consult with a specialist via a video visit. After each visit, the doctor will prepare a detailed and customized plan for the patient, including diagnosis, recommendations, prescriptions, and additional reading resources. There is also a chat function that allows people to talk with Circle Medical's care team, and ask the team members questions about clinical and nonclinical issues, like their insurance coverage.

Although Circle Medical's app is the primary tool used to interact with patients and deliver the service, the company's website has an informative purpose, showing the personal profiles of doctors, the scope of their care, illnesses and diseases they treat and other information, such as the insurance providers the company partners with. The social dimension is enhanced through the company's presence on various social media, like LinkedIn, Facebook, and Twitter. The company uses these platforms to further increase its interaction with patients and attract new potential customers by sponsoring activities. Twitter also can be used as an information tool. For example, during the Covid-19 pandemic that broke out in late 2019, Circle Medical used Twitter to share tips about healthy behaviors, including ways to help people maintain their mental health.

Analyzing the digital experience elements can be interesting to highlight the critical characteristics of Circle Medical's service. The four items are:

- *Cognitive*: Circle Medical service responds to a fundamental need, which is the provision of healthcare services. The company also responds to a more articulated need: the request for on-demand services and seamless solutions. Simply providing healthcare is no longer enough to satisfy patients. They want and expect more.
- *Sensory*: The service mainly involves sight and hearing during a virtual visit.
- *Affective*: The experience is designed to be pleasant for patients, make them feel at ease, and help them with any health issue they are experiencing. The ultimate goal is to generate positive feelings among patients by putting them at the center of the entire process.
- *Social*: The social interaction is a fundamental part of the service because patients need to interact with their doctors, even if the interaction is only virtual. They need to feel that they have someone whom they can trust. Patients can be worried or anxious because of their illnesses. Finding someone who will listen to them, help them understand their health issues, and what they can do about them is essential for a smooth experience.

Circle Medical Group of California's challenges in the future: what's next?

Digital healthcare is a growing and promising market facing many new competitors. I have mentioned some of them, but many others are emerging. Due to this rise in competition and the increasing offers on the market, Circle Medical is likely to face many challenges in the future to keep its competitive advantage. Hence, one of the main challenges for Circle Medical will be to create a sustainable competitive advantage that will distinguish the company from new competitors by offering patients more value.

The increasing use of artificial intelligence and machine learning offers the Circle Medical Group opportunities to take the digital healthcare experience even further. Such tools could allow the company to create more adaptive and immersive services for patients that enhance their health. Another challenge is to provide products that improve the efficiency and effectiveness of the treatment both for the patient as well as Circle Medical's healthcare personnel. The company needs to continue to meet the requirements and desires of its customers by continuously improving its service quality. What customers want is often a more powerful driving force than what they need. It is essential to learn from the customers' behaviors to anticipate their needs and create better services. Designing and utilizing innovative, technology-enabled customer programs that take behaviors and preferences into consideration to deliver the right experience at the right time can strengthen the company's relationships with its customers.

Technology is making consumers more active when it comes to their healthcare decision-making processes. Circle Medical should capitalize on this trend and improve its communications and the patient's experience lifecycle (research, diagnosis, treatment, and follow-up). Another challenge for the company is to continue promoting its product via social media marketing and Web marketing and maximize its mobile app visibility.

In other words, Circle Medical should generate earned media, which includes traditional and modern channels such as print, radio, television, social media, blogs, email, etc. All of these are powerful tools that can augment the brand's image, attract potential customers, and keep the company at the forefront in their minds.

The evolution of digital and online tools raises many issues, such as the issue of data privacy. Companies connecting with customers through online platforms have to process a pool of data every day, most safely and securely as possible. At the same time, patients' medical information is highly sensitive. Hence, one of the main challenges for Circle Medical in the future is to ensure the privacy of its patients. To do so, the company will need to strengthen the infrastructure of its mobile app and its online platform overall.

However, as a startup, Circle Medical is on the right track. Nonetheless, the healthcare company can do a lot to improve its offerings, such as integrating it with other services, devices, and suppliers. The group's main challenge in the future will be to build a sustainable competitive advantage. The company will need a good digital strategy and artificial intelligence to provide more products and to improve the quality of its existing products and services. Finally, Circle Medical has to continue to prioritize the following goal: always try to know better its customers' functional and emotional needs.

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Questions for discussion

1. Analyze the experiential marketing of the Circle Medical Group of California. What types of digital and online strategies has the company implemented to improve its knowledge about its customers, along with their healthcare experiences?
2. How does the Circle Medical Group of California link the online experience with the offline healthcare experience? What are the main experiential touchpoints? And what are the emotions generated by each touchpoint? If a patient has a negative healthcare experience, how can the company fix it?
3. How has the Circle Medical Group of California evolved its marketing strategy to integrate the customer experience within its digital, marketing, and communication strategies? Are the changes in line with today's patients' expectations in terms of healthcare?
4. Describe how the Circle Medical Group of California can challenge other hospitals and clinics by improving the overall healthcare experience of its patients before, during, and after their online and offline visits.
5. Discuss how the Circle Medical Group of California can implement the 7Es of the experiential marketing mix presented in the book by Wided Batat, *Experiential Marketing* (Routledge, 2019) to design satisfying and profitable healthcare experiences.

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) at the Circle Medical Group of California. Your job is to diversify the company's activities to incorporate hospitality services. How would you design an experiential hotel that would provide guests with hospitality services along with healthcare services, both online and offline?

Company case 30: Essilor, the sight experience

Essilor is an international maker of eyeglasses that operates in an extremely competitive market. To adapt to the new emerging needs of customers and differentiate its offer from competitors, Essilor has shifted to a more experiential approach to capture new customers. This company case focuses on the strategy implemented by Essilor to increase its market share and remain a market leader. Also, how Essilor is leveraging digital technology to improve the customer experience and increase its revenue will be presented.

How did it all start? The story behind the rise of Essilor and its global strategy

It is the story of a unique human, industrial, and commercial adventure that began in Paris in 1849 when craftsmen created the eyewear company. Commonly known as Essel, the company quickly became a crucial player in the visual correction. The company

expanded very early in the east of France in 1867 and opened up to international markets the following year (notably the United Kingdom). Essilor also has its roots in the entrepreneurial spirit of Georges Lissac, a visionary optician who opened the first optical department store in Paris in 1938.

In 1959, Essel and a competing company called Silor both revolutionized the optical industry with new lenses. Thirteen years later, the two companies merged to become Essilor. The company went public in 1975, above all, to expand internationally. From its dual origin emerged an entrepreneurial spirit, diversity, respect, trust, and innovation. Essilor places innovation at the heart of its strategy. Today the company does business in five continents and more than 36 countries.

Essilor stands out for its know-how and the commitment of its teams. Nearly one-quarter of its employees are shareholders and thus involved in major corporate decisions. The company's influence is worldwide, and it has formed many partnerships with brands that are also recognized worldwide.

The consumers most likely to be interested in Essilor lenses are adults whose ages range widely. People's visual acuity tends to decrease more when they reach the age of 40. Consequently, a small majority of customers will be in this age range, which can be described as "mature." Essilor has a website that is easy to access and understand, with many practical features for a digital beginner. As a result, the experience can be enjoyable, even for older people who are not used to going online to shop for glasses.

Essilor is one of the best-known lens brands today. It invests heavily in advertising (between \$6 million and \$10 million annually). The company's main competitors are Bausch + Lomb, Zeiss, and Hoya, a Japanese group that produces protective and progressive lenses and is becoming a serious competitor. Hoya offers high-quality lenses and is winning over more customers because its prices are lower than competitors and its quality is similar to Essilor's.

Essilor helps correct people's vision and protect their eyes with products such as Eyezen, which is a type of lens people use when they are viewing screens on their computers and mobile phones. Essilor also manufactures Varilux lenses, which are high-quality progressive lenses. Essilor's other lens products include Exceptio, Myopilux, and Transitions lenses, which offer sun protection.

Essilor continues to invest relatively heavily in advertising to assert its status and continue to expand internationally, but above all, to remain in people's minds. Many people who need lenses or know little about them will automatically migrate to Essilor, just like some people who know very little about electronic devices migrate to Apple products. These people's reasoning is as follows: if most consumers buy products that this company makes, it is because they are the best. Essilor is well aware of this.

However, Essilor does not rely solely on its reputation. On the contrary, its philosophy throughout its history has been to continually innovate and adapt to satisfy the needs of customers better. Thus, currently, the aspect to be exploited for any company is information technology and, more precisely, digital technology. Essilor has been very proactive in this regard by clearly listing on its website detailed descriptions of products, how they are superior, and finding an optician who provides them. Essilor allows its customers to test their eyesight online and provides them with advice about which eyeglass lenses to choose. Everything is done to facilitate access for customers who do not regularly use digital tools and improve the experience for digitally skillful people.

All of this contributes to any company's fundamental aspects, which is to create a positive experience for the customer. This is the most important aspect in the long

run, mainly because a customer who has had a pleasant experience will remember the brand, think positively about it, and tell other people about it. It has become an essential objective for every company to make a positive impression on its customers because it can lead to a competitive advantage. This creates a kind of monopoly that can help a company capture a large number of potential customers.

Moreover, one of the fundamental aspects of marketing today, and one that is being done in particular by luxury companies, is to awaken consumers' senses quickly. Storytelling can help accomplish this. Essilor knows that, in addition to providing marketing information about its product innovations, the company can use its 150-year "success story" to gain an advantage over its competitors. Finally, Essilor actively looks for reliable partners that are consistent with its strategy, for instance, Nikon and Kodak. Also, Essilor regularly participates in events with Google to work further and find solutions, particularly in the digital field, to attract more people.

How does Essilor elevate the customer experience?

To achieve this objective, Essilor has redefined the customer's optical experience via personalization. The brand aims to offer glasses that are ideally suited to its customers. To do this, the brand has adopted "design thinking." The technique allows the company to focus its efforts on real and tangible solutions and deliver value. The goal is to focus on the end-user and never stray from that goal.

Essilor, therefore, offers its customers products that are fully adapted to everyday situations. For example, EyeZen lenses protect people who spend much time looking at digital screens. Varilux lenses allow people to see at all distances. Exceptional lenses are designed for customers who need high-powered lenses. All these products showcase the fact that Essilor is focusing more closely on consumer needs than competitors that produce generic glasses do.

Essilor is also refining its sales process. The company tries to market its product outside of the traditional consumption channels of its competitors. For example, to transform the customer experience, Essilor has developed its own label of certified opticians, called "committed opticians." These opticians, who are approved by Essilor, are trained to use the brand's products, understand their functionalities, and determine the best products to offer to consumers. Essilor publicizes these opticians' names to show the brand's desire to respond to a personalized customer approach.

Essilor has clearly positioned itself as a company that is attentive to its customers' health and supports them throughout the treatment process. First, Essilor does so by offering tests on its website or machines for ophthalmologists to detect people's vision problems. Then, Essilor offers software to help opticians choose the best frames for customers, depending on their criteria. Efforts such as these show Essilor's desire to provide a consumer experience that stands out from the competition.

Essilor is also redefining the experience of its customers by revolutionizing how the eyewear market functions. Previously, eyewear was always sold in an optometrist's office. However, the eyewear market is perfectly conducive to new consumption methods. Today consumers are using the Internet more, and Essilor has been able to take advantage of this change to a higher degree than many of its competitors. For customers, being able to test their eyesight and choose their glasses online is very convenient for them and saves them time and travel. In this way, Essilor stands out from the competition and offers a new way of consuming its product, thanks to digital technology.

To sum up, Essilor differentiates itself from the competition by focusing on the needs of consumers. The brand analyzes their needs in terms of the products it offers and their modes of consumption. The brand uses new technologies to provide machines with innovative features and monitors what people are saying about the company on social networks. The goal is to make the customer experience intimate despite it being digital. The brand also creates trust with its customers thanks to its network of certified opticians. This strategy has allowed Essilor to differentiate itself from its competitors and capture more clientele.

Essilor's consumer-centricity and customer experience touchpoints

Thanks to technology, Essilor has transformed its customer experience by supporting patients throughout the treatment process. The brand begins by detecting problems through offering ophthalmologists the Advanced Vision Accuracy (AVA™) machine, capable of measuring people's eyes with incredible precision. Thus, patients can be advised with high precision on the type of lenses and correction they require. This very ergonomic and digital machine has an innovative interface that makes the experience of the ophthalmologist and the patient pleasant. By focusing on ophthalmologists as well, Essilor is pursuing a commercial strategy. The company hopes ophthalmologists will stock the company's products and suggest them to patients.

Today eight out of ten people use the Internet to learn about their health. Essilor, therefore, sought to take advantage of this fact by continuing to support its patients online. For this, the brand has developed MyFit, a feature that automatically selects the most suitable frame according to a patient's criteria. Convinced that the online eyewear market must be pursued, Essilor bought MyOptique Group Ltd, a leading European company that sells online prescription eyeglasses and sunglasses as well as contact lenses. This acquisition is part of Essilor's digital strategy, which revolves around three goals: (1) informing and raising people's awareness about the importance of good vision; (2) improving access to quality visual solutions for all people; and (3) supporting eyecare professionals by enabling them to take advantage of the potential for the delivery of ophthalmological products online.

More and more people are looking for healthcare information on the Internet. Essilor is, therefore, trying to capture these people during the information gathering phase on its website. With a few clicks, a person concerned about his or her sight can test it and get a diagnosis. The test is straightforward: just stand or sit 1 meter from the screen, hide one eye, and answer a few questions. Then do the same thing with the other eye. Once the test has been completed, Essilor will refer the user to an optician for an additional examination or to buy eyeglasses. Essilor, therefore, succeeds in converting people who are seeking information into patients.

The design of Essilor's website is sleek, and the images on it illustrate the information well. The site is easy to navigate, and many articles are available on it. Essilor is, therefore, careful to offer an easy-to-use interface taking into account the needs of its visitors. This shows once again Essilor's commitment to the customer experience. It is important because the length of time people will spend on a website is diminishing. This is especially when they cannot find what they are looking for readily, or the site doesn't engage them right away.

One last point, Essilor is trying to attract a younger clientele by offering content on various social networks. On YouTube, the brand takes a storytelling approach. Videos

explain how Essilor was founded, how its glasses are made, what issues must be taken into account, and the brand's objective. The customer feels closer to the brand as a result. This method allows a company to be humanized. Essilor is also present on other social networks, such as Facebook, Twitter, Instagram, and LinkedIn. By frequently offering content, Essilor improves the digital experience of its customers. They can see what is new and feel supported continuously by the brand.

How Essilor uses technology and data to offer the ultimate experience both offline and online

According to Essilor's corporate report, it has the latest in optical technology to meet its customers' demands, improve their vision, and improve their quality of life. In fact, in 2016, *Forbes* named Essilor, the world most innovative company for the sixth year in a row.

Today the implementation of BI (business intelligence) is vital to a business's success. As a consequence of this, Essilor wanted to implement a management system that could improve its service area. Essilor chose Microsoft Dynamics NAV software, which allows customers to place new orders more quickly and specify how they arrive.

To maintain its dominance in the industry, Essilor has also embraced new technologies, such as artificial intelligence (AI), the Internet-of-Things (IoT), and virtual reality. Virtual reality is increasingly expected to play a vital role in the optical industry. More than ever, businesses realize that the key to growth is engaging customers, and virtual reality does an excellent job of this. Consequently, companies such as Essilor are making significant efforts to implement new technologies to create the ultimate customer experience using the data they gather from their operations and clients. Finally, Essilor at the moment is doing a great job in terms of implementing technology in its products.

Also, as a suggestion, the company needs to apply Big Data to everything, not only to improve its customer services but also its sales, productivity, customer knowledge, and marketing and investment decisions. The company needs to keep all of its customers happy with the products and services it produces and sells around the world. Essilor is a clear example of a company that has adapted well to the technological changes it has been presented with to grow as a result. Its advanced technology, the application of artificial intelligence, Big Data, and virtual reality have positioned the brand as one of its best.

Essilor's challenges in the future: what's next?

New technologies and new competitors are continually appearing. Locating the right human capital and hiring the right employees who know how to implement new technologies are big challenges. This type of capital will be hard to identify and will be expensive to obtain. However, businesses that keep implementing new technologies will be at the head of the curve and will be able to increase their market share and sustain their growth.

Essilor has always been known for its innovation, which has made it an essential player in its industry and has led to outstanding growth in the last few years. But growth can also be a lethal weapon if it is not approached in the right way, and the customer is not the focus. Not losing Essilor's brand identity is a critical factor to it continuing on the right path. Moreover, the implementation of Big Data will affect all companies. Companies that do not focus on gathering data and using it to create better products

will suffer and be left behind. New companies will also disrupt the industry, and other companies will disappear. The optics industry is well established, but it is an industry in which a technology disruption could upend the established players. Consequently, to minimize this challenge, Essilor should continue to invest in research and development.

The consequences of the Covid-19 pandemic pose unprecedented challenges. In the short term, Essilor has halted its production line, which will delay the company's order fulfillment. Of course, the delay in the production line will make it more difficult for the company to generate revenue and pay its employees. There will be shortages in resources as well. In the long term, a recession is likely to occur. Essilor's sales are expected to fall because people will be less likely to spend money on eyeglasses.

Moreover, Essilor is a publicly-traded company. Its value depends on the price of its shares, which increases or decreases depending on demand. If the stock market faces a liquidity crisis due to an economic downturn, Essilor could have trouble finding investors willing to buy its stock. That is a negative consequence all companies that trade their shares on stock exchanges face. To ensure that this event does not occur, Essilor has canceled its stock buyback policy, which means that more shares will be available for the public to purchase.

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Questions for discussion

1. Describe and classify Essilor's customer experience components related to its customers' functional, social, emotional, environmental, and ideological needs. How can Essilor improve painful experiences before, during, and after a sale?
2. Describe how Essilor can use Big Data, mobile shopping, and extended reality technologies, such as virtual reality (VR) and augmented reality (AR), to elevate the customer experience. What are the advantages and disadvantages of each

technology? Can you think of another form of technology Essilor should use to improve the customer experience?

3. Explain how Essilor can rethink the eyeglass experience and adapt it to other segments of consumers, such as young people.
4. Discuss how Essilor can design a satisfying and profitable phygital eyeglass experience both online and offline.
5. How does Essilor provide and share values with its customers to differentiate itself from its competitors?

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) at Essilor. Your job is to upgrade its concept into a luxury phygital eyeglass experience designed to target luxury, tech-savvy consumers. How would you proceed? What kind of consumer insights and market-research tools could you use to learn more about the needs of these customers?

PERSPECTIVES ON THE SECTOR



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The healthcare sector should leverage customer experience to improve the patient experience. A plethora of patient experience definitions and measurements exist in the prior literature, without a consistent approach. Based on a review of such definitions, Wolf et al. (2014) provide themes that should be accounted for in starting to put together

a framework for a holistic definition of the patient experience. According to this review (ibid.), patient experience is:

- about a continuum of interactions rather than one (e.g., a patient may visit a clinic more than once for the same health concern/issue);
- more than standardized survey results like the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) survey. It is about the whole organization delivering the experience, not just front-line staff (e.g., management and back office); the rational and emotional experience (e.g., what and how); and intuitive perceptions (e.g., gut-feelings and subjective reality);

- about pre-visit expectations and post-visit experience (our expectations before an experience affect our perception of our experience);
- about having an emphasis on the patient (e.g., “respect, partnership, shared decision-making, well-coordinated transitions,” (ibid., p. 10);
- about what individuals want and care about (e.g., healthcare that no one wants and cares about does not result in customers);
- more than satisfaction. Its dimensions include “physiologic illness experience (e.g., rash, bleeding), customer service (not satisfaction), and the lived experience of the illness (coping/dealing with the condition)” (ibid., p. 11).

Well-being involves multiple dimensions: physical, emotional, social, environmental, spiritual, occupational/vocational, intellectual, and financial (Stoewen, 2017). Patient experience can affect all dimensions. It can affect caring for one's health, understanding the emotions of others in similar situations and appreciating others, caring for others and enjoying being with others, understanding how built environments can affect one's health, finding purpose with or without religion, how work provides personal satisfaction, growing intellectually and expanding knowledge, and managing finances for emergencies, respectively.

In the past few years, the healthcare sector has experienced a significant digital transformation, which involves the socio-technical process of using digital technologies to connect individuals, organizations, industries, and society as a whole (Wang et al., 2019–2020). Examples of such digital technologies include the “Internet of Medical Things (IoMT), artificial intelligence (AI), medical analytics, wearable medical devices, the blockchain, cloud computing, 3D/4D printing, augmented and virtual reality” (ibid., p. 1). The digitization of healthcare brings many advantages for the patient experience. For example, the sector is using robotics in surgeries to enhance accuracy and effectiveness of procedures; virtual reality learning tools for medical students and connecting medical practitioners across the world with patients; data analytics for operational efficiency in hospitals; 3D printing of organs and flying drones for urgent medical supplies; wearable technology for health monitoring and behavior change; using social media for fast dissemination of information (ibid.). This digitization spans across the patient experience journey, and touchpoints would differ depending on its dimensions, i.e., the physiologic illness experience, customer service, and the lived experience of the illness (Wolf et al., 2014).

However, the challenges for the healthcare sector are multiple. Cybersecurity, holistic patient experience in the stricter competition, Big Data and how they are leveraged, solely relying on automation and losing the human touch, and in some countries without a free national health care system: payment processing and price transparency; are some of the challenges the healthcare sector faces. Recently, with the Covid-19 pandemic, we have seen the overburdened healthcare sector struggling to continue healthcare checks and treatments, and struggling to provide

holistic care to an influx of patients. This can have detrimental effects on global health and our future and potentially have irreversible consequences. Beyond global efforts to fight the virus and save lives, finding ways to restore delivery of healthcare services and reversing the harmful effects of limited healthcare beyond Covid-19 may be difficult, but is vital now and in the future.

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Author's perspective on experiential marketing

Online video: "Introducing concepts & tools"



- Access the link www.youtube.com/watch?v=L3lOW0s1fpc&t=17s or flash the following QR code to view a short video featuring the author, who introduces and explains the concepts and tools companies can use to implement a successful experiential marketing mix strategy.



The customer experience in the arts and culture sector

The arts and culture industry is one of the sectors that is highly experiential. Technology and digital devices have transformed the sector's relationship with audiences. Although the adoption of technologies was late in this sector compared to others, museums and other cultural organizations have considerably changed in just a decade. For example, most museums today have seized the opportunity of digital to redesign the visitor's experience and improve the overall journey. In this chapter, I introduce three company cases that examine the leading arts and culture actors that are nowadays leveraging the customer experience and technologies, namely, the Museum of Modern Art, the Metropolitan Opera, and Broadway, located in New York City. I will first explore the story and the marketing strategy of each company. Then, I will focus on the customer experience and the use of digital in each company. Finally, I will summarize the future challenges for these firms when it comes to reinventing the arts and culture experience.

Learning outcomes

After studying the company cases and solving the questions for practice and the challenges presented at the end of this chapter, you will be able to think critically about how firms in the arts and culture sector are leveraging the customer experience to increase their revenues and the main challenges they are facing. In the online video provided, "Introducing concepts & tools," you will learn more about the experiential marketing mix tools and how museums, operas, and arts organizations can use them to design the ultimate experience both online and offline.

Company case 31: How the Museum of Modern Art defined its customer experience to improve the visitor's journey

The Museum of Modern Art (MoMA) in New York uses technology to leverage the customer experience. The technology is designed to relate the past with the future. Some examples of this type of technology are its Audio+ app for smartphones and the interactive touchscreens in the exhibitions, which help make a physical and emotional connection between visitors and the art they experience. Visitors can now access everything in the museum online, including exhibitions, paintings, video guides, and interviews with art critics. Each of these technologies is being used to immerse visitors in the art experience. That is why it is crucial to understand the story behind the MoMA's success as well as the

museum's challenges and how it adapts to the emerging needs of customers and new types of visitors.

How did it all start? The story of MoMA's successful marketing strategy

To challenge New York's conservative museums, rich philanthropists, Lillie P. Bliss, Mary Quinn Sullivan, Martha Baird Rockefeller, and other prominent supporters of art got together with Alfred H. Barr, Jr. to create the Museum of Modern Art (MoMA) in 1929. The museum became wildly popular. Over the course of a decade, it moved into three different and more prominent locations. In 1939, it finally settled into its current place in midtown Manhattan.

The museum's director, Albert Barr, immediately submitted a plan for the museum's departmental organization based on the different forms of visual expression offered (e.g., design, architecture, film, media, prints, and drawings). These departments remain to this day. The museum also went through expansion work in the 1950s and 1960s and a significant renovation in 1984, which resulted in double the space that the gallery previously occupied and improved visitors' facilities.

- The collection exhibited in the Museum of Modern Art grew from eight prints and a drawing received as gifts to more than 200,000 art pieces. They include sketches, photos, media and performances, paintings, designs, architecture, prints, film, and sculptures.
- The museum also has a library containing 320,000 items, a study center, and most of the research done on modern art in the world.
- The museum frequently holds exhibitions featuring different subjects, media, and periods. The organization is always rotating pieces from its collection of arts to keep the audience interested and coming back and is still finding new items to display.
- The museum is dedicated to spreading knowledge about the world of modern and contemporary art. People are offered activities ranging from exhibitions to gallery talks, lectures, and symposia.

In January 2000, MoMA PS1 (stands for Public School One), a separate branch of the modern art museum based in Queens, expanded its horizons, offering it broader opportunities. In 2006, the most significant expansion to date was when an additional 630,000 square feet were added to MoMA; another was made in 2019. The museum receives more than 1 million visitors per year.

The primary public target of MoMA is people who enjoy modern art and want to understand more about it. But mostly its visitors are young people around 25–35 years old. There are special activities for parents, teachers, families, students, preschoolers, bilingual visitors, and people with special needs. Therefore, MoMA has a target for every type of possible consumer of modern art.

MoMA's modern art competitors are mainly the following museums: the Metropolitan Museum of Art (MoMA's biggest rival), the New Hello Museum, the Guggenheim, Whitney, the Tate Gallery, the MCA (Museum of Contemporary Art Chicago), Contemporary Calgary, SFMOMA (the first modern art museum on the West Coast), the McKee Gallery, and last but not least, Danubiana Meulensteen Art Museum in Slovakia. MoMA positions itself as a way of living instead of a place of art or a museum. Additionally, MoMA is an

expensive museum but also very original compared to its competitors. The museum has a “Design Store,” which can be found online as well. The products in the store range from home items to office supplies, technology such as electronics, accessories, prints, books, toys for the kids, and exclusive decor designs.

To sum up, we can say that MoMA has evolved over the years by adding different types of departments and media as well as performance art. The museum has also started to incorporate dance into its galleries and on its website. All of these elements have helped make MoMA an influential and well-known brand. Besides, the museum’s “I Went to MoMA and...” was a popular campaign whereby visitors wrote down on cards what they thought about their MoMA experiences. More than 20,000 cards were filled out and uploaded to the museum’s website.

MoMA considers its marketing and communication activities to be crucial. The museum not only encourages visitors to come to MoMA but also to talk about their visits afterward. MoMA also runs various advertisements and promotions in magazines, public spaces, and digital marketing campaigns.

In terms of its digital communication, MoMA has a significant presence on social media, including Facebook, Instagram, and YouTube. The museum posts videos on YouTube regularly. They include “behind the scenes” videos that explain what all of the organization’s staff members do but also stories about artists exhibiting their work and their thoughts. Besides, the museum also videotapes and posts various artistic performances and dance performances held at the museum. MoMA also has an extensive and passionate community of gamers as there are video games inside the museum; MoMA also created an application for the Apple Store that allows a person to learn about the museum and understand the different exhibitions.

On Instagram, the museum highlights its online magazine and Design Store, with products and services such as “art making with MoMA,” “smush crayons,” the “writer’s block game,” and “rare books.” MoMA also adapted to the Covid-19 pandemic lockdown by using the hashtag #MuseumfromHome. The concept is based on art information sessions and discussions held virtually in each magazine issue. To remain relevant and keep people interested in arts during the crisis, MoMA’s “Museum from Home” campaign encouraged people to take the following steps:

- Read, watch, and listen to MoMA’s digital magazine.
- Teach art from home with the museum’s online resources.
- Browse more than 80,000 art pieces from the digital collection.
- Explore the museum’s history.
- Shop for games, books, and more in the Design Store (which also has a separate Instagram account).
- Register for MoMA’s free online courses.

MoMA is continually investing in new campaigns and research to reach out to consumers, get their attention, and appeal to their emotions. The museum publishes many stories on social networks. These stories are about artists, how their art comes to their minds, and their thoughts. According to the museum, this is one of the best ways to captivate and engage consumers. Art is difficult to understand, so it is essential to explain it playfully. For example, the video “Inventing Abstraction” explain abstraction and how it has evolved.

The museum's marketing strategy is to stir the emotions of visitors and potential customers to have a real impact and teach and inspire them. The approach is to reach consumers and then let them participate and immerse themselves in the museum. It is not just traditional marketing, it is about the experience of the brand and the experience of the museum.

There are cognitive elements of MoMA's marketing, such as its logo, which has not changed since the 1970s. There are also sensory elements, both visual and auditory. This dimension shows that MoMA's strategy follows a customer-centric logic by focusing on the following:

- *Using technology without losing sight of MoMA's vision:* The organization needs to balance the old and the new when introducing technology in the museum to engage audiences.
- *Building authentic connections with the audience* by telling an engaging story when explaining each art piece while always keeping in mind the balance between being entertaining and educational.
- *Creating interactive and engaging exhibits* that keep customers interested, for example, nearly all visitors own smartphones, giving them direct access to all of MoMA's information with the click of a button.
- *Using social media is a crucial strategy:* MoMA is active on social media. Through its posts, the museum makes art more accessible to people and gets them excited about the experience they are going to have when they visit MoMA.

MoMA's quest for the ultimate art experience to drive revenue

While there are many museums in different cities, MoMA needs to stand out and allow visitors to remember their visits. They need to feel involved with the museum and part of the MoMA community. Traditional museums sometimes have fun games for children and some activities. How will visitors remember what they have learned? How will they be touched by what they have experienced? How will they understand the artists and what inspires their works?

Other museums pursue different strategies. Let's take the example of the Metropolitan Museum of New York. It is less present on social networks and does not engage the consumer in its marketing actions. There are videos about the Met's artists, their exhibitions, and everything revolving around the museum itself, but very little revolves around the visitors' experience and their emotions and feelings during their visits. This is the case with many museums. Even if many of them are trying to introduce digital technology, the emphasis on the visitor's experience is often less prominent and takes a backseat, so to speak, to the art itself. At MoMA, the experience is one of the principal pillars of the museum's marketing strategy.

The "I went to MoMA" marketing campaign demonstrated how the museum is centered on the experience rather than the product. The campaign aimed to allow consumers to express themselves and talk about their experiences with the museum in general. In other words, the goal was to create public participation. It wasn't just a marketing initiative. Visitors were able to express their thoughts and feelings about art, draw and write about it, and so forth. All critiques, both positive and negative, were accepted. The cards visitors completed were electronically scanned and posted on social networks.

Furthermore, as noted, the MoMA experience not only takes place inside the museum. The museum is highly active on social media and considers online interactions as one of the most important ways to reach millennials and get people interested in visiting MoMA. MoMA posts daily on its Instagram account. Most of the posts relate to the art currently being showing in the museum: paintings, sculptures, or printed artwork. Some posted videos feature artists who speak directly to viewers about how they were inspired to create specific pieces and what their intentions were by doing so. Some posts are about famous artists – their lives, what inspired them, and their most famous art pieces.

MoMA's consumer-centricity and visitor experience touchpoints

MoMA's definition of the customer experience is that visitors should feel genuinely engaged when they visit and that their visits should allow them to feel positive emotions. The museum experience integrates an educational realm but also entertainment and ones. Visitors can learn and enhance their knowledge about art at MoMA, and they can also be fully immersed within an artistic and aesthetic sphere. MoMA redefines the customer experience by touching the customer and making his or her visit memorable. The main touchpoints of the MoMA experience are as follows:

LEARNING TOUCHPOINTS

An example of a learning touchpoint is the MoMA Audio+ device. Developed in 2013, it is essentially a virtual tour guide, that is also available as an app. The technology enables visitors not only to listen to audio commentaries and read interpretive texts about works of art, but also to see and share art-related photographs, locate works of art in the museum, and even email themselves a record of their visit. The images presented are of high quality, and the device also has a camera people can use to take photos.

Another important touchpoint is “word-of-mouth.” Word-of-mouth has resulted in the museum having 5.1 million Instagram followers, a Facebook page with 102,000 likes, a Twitter account with 5.3 million followers, a YouTube account with 332,000 subscribers, and a LinkedIn account with 130,750 followers. News about the museum and its exhibitions can be found in magazines as well as art-related newsletters. To make MoMA more accessible to people with disabilities, the museum has a program called “Meet Me at MoMA,” with wheelchairs for the disabled, a visitor's guide that is available in large print and Braille, an American Sign Language (ASL) interpreter, and CART captioning for the deaf or people who are hard of hearing.

SERVICE AND USE TOUCHPOINTS

The second type of touchpoint relates to services and their use. MoMA has instructions with subtitles in different languages to help people better understand the works of artists, MoMA also has a customer service department that visitors can contact to solve problems they face or provide feedback. The museum's loyalty program includes at least five different types of price-based memberships. They include members, contributing members, and access members.

BUYING TOUCHPOINTS

Interactive buying touch displays can be found around the museum, which better connects visitors with the artworks presented. Moreover, nearly 200,000 pieces of art are for sale in the museum; more than 86,000 are available for purchase online. In addition to the social media touchpoints discussed, MoMA uses its website for different touchpoints and services. The site is divided into several sections:

- *Plan your visit*: This function is used to buy online tickets, check the location of exhibits and opening hours, find restaurants within the museum, schedule tours, get discounts, etc. There is also a section called “Tips for Visiting.” Several touchpoints for customers are listed in this section, including how to catch live performances, attend workshops and conversations, visit the museum’s store, connect to free Wi-Fi, get access to the museum’s digital maps and audio guides, and ask the staff where to grab a bite to eat after the museum tour.
- *What’s on*: This section mainly lists the upcoming events that the museum is hosting each day. This keeps customers aware of the museum’s workshops, talks, and other events visitors can experience.
- *Art and artists*: This section is an introduction to the collections currently on display, their artists, and audio clips in which the artists and other people talk about each piece.
- *Make a donation/Become a member*: This touchpoint makes it easy for people who want to donate to the museum and become members.

Leveraging technology and data to offer the perfect museum visitor experience

In the past, people viewed museums as a place for high society. If a person lacked cultural knowledge of the arts, it was not easy to understand a museum’s exhibits and how to relate to them. On the other hand, MoMA provides people with experiences in an organic way that helps visitors feel like “they belong” in terms of the organization’s mission and values. This is possible, thanks to the museum’s audio tours, videos on YouTube, and other technologies.

Therefore, technology is incorporated into every aspect of the museum experience. During the pandemic, MoMA quickly adapted to the government-imposed lockdown and switched the museum experience to online channels. New digital technologies that MoMA utilizes to help visitors feel like they “belong” and are part of the museum include the following:

- *Free online courses*: Nine classes are available on Coursera.com. Each course ranges from 12–38 hours in length. Visitors can easily register for the courses and can complete them at their own pace. The sessions naturally focus on modern art, but are specially made for everyday people and not only for art connoisseurs.
- As noted, when guests visit the museum, they can connect to MoMA’s *free Wi-Fi and get access to a digital map and audio guide*. Everything is planned down to the last detail (the museum even has charging stations for people’s phones). The audio guides lead the way in exploring the art pieces by theme, guide them to kids’ stops, etc.

- *Videos about each piece displayed are shown.*
- *Computers, flat screens, video games, photography, and 3D printing are all utilized to present and discuss art.*

MoMA's challenges in the future: what's next?

Museums face many challenges. Visiting one is sometimes viewed as an “old-fashioned” activity. Thus, a significant problem for MoMA is to keep engaging with young people and get them interested in what the museum has to offer. Innovation is the key to these efforts. MoMA must continue to explore new digital technologies and improve its current ones.

Indeed, MoMA's competition may not be other museums but other entertainment companies, such as amusement parks, where people can move around and relax rather than just stand, look, and listen to museum information. Therefore, the challenge for MoMA will be to make the museum more active and fun while maintaining the continuity of a memorable and original experience.

As its next step, MoMA might implement virtual reality. This technology would be a big turning point for the museum and a great innovation that would attract more visitors. To stay competitive, MoMA will need to continue to develop new experiential tools to offer fun activities. Another challenge is to enhance its storytelling but, above all, to transform the story into action through involving visitors by improving their participation. For example, through virtual reality, visitors can interact and have a real virtual conversation with characters in a painting or with the artist. It is not enough to touch visitors; the museum must also engage them before, during, and after a visit.

Finally, the Covid-19 pandemic has changed the landscape for museums like MoMA. Many people will continue to try to minimize their exposure to groups of people even after the pandemic is over. It will be a significant challenge to attract these people back into the museum buildings.

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Questions for discussion

1. How does MoMA implement the customer experience? What are the drivers, the features, and the outcomes of the MoMA experience? How is MoMA connecting its physical museums with its online arts offerings?
2. Identify MoMA's touchpoints. What are the advantages and disadvantages of each touchpoint before, during, and after a visit?
3. How has MoMA taken a more experiential and digital approach to its strategy? Are these changes in line with today's visitors' expectations? How is MoMA leveraging data to understand its customers better?
4. Explain how MoMA can empower visitors and allow them to develop their knowledge about art and culture.
5. Should MoMA focus more on the physical experience of its visitors instead of the digital experience? How should the physical experience be organized and defined? What role do MoMA's employees play when it comes to delivering a satisfying and enjoyable museum experience?

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) at MoMA to redesign its website. How would you help visitors experience the virtual arts with the same feeling as in a real museum? What is your target market for this digital and/or virtual art experience? How would the new offer complement the existing one and persuade online users to visit the actual museum?

Company case 32: How the Metropolitan Opera could attract new audiences by improving its customer experience

The Metropolitan Opera (the Met) in New York is nowadays transforming the customer experience by making it a holistic one. On its website, the Met takes potential customers through the complete Met experience, from what they need to know before they purchase their tickets to how to make the most of their opera night, including different

activities they can engage in after the performance. The Met is an excellent example of leveraging technology to improve the customer experience before, during, and after a show. Hence, it is interesting to understand the story behind the Metropolitan Opera's success, its marketing and communication strategy, and how it is adapting its offerings online and offline to new audiences.

How did it all start? The story behind the Met's successful marketing strategy

For more than 180 years, the Metropolitan Opera in New York City has been welcoming artists (e.g., singers, dancers, choreographers, music directors) from all around the world to perform in one of the biggest operas in the United States. Today, the Met stages more than 200 performances per year, serving 80,000 audience members.

The Metropolitan Opera is located in Lincoln Center for the Performing Arts, but this was not always the case. Indeed, in 1833, when the opera was founded, it was located on Broadway and 39th Street. The opera was founded by a group of wealthy businessmen who wanted to have their own theater. At the time, operas were being staged only in Italian at first, followed by German. Little by little, the works started to be performed in their original languages, which is still the case now. Since its beginning, the Met was known for hiring the world's best artists worldwide (e.g., Italy, Germany, France). Today, the Met is still employing the best artists to perform on its stage.

Almost from the beginning of the Met's creation, it was apparent that its location was not right for the type and the number of performances it offered. However, it was not until 1966 that the Met decided to move to Lincoln Center for the Performing Arts. This center is the home of several New York institutions and has the finest facilities. The Met is a beautiful building with gigantic windows and arches. It also contains a museum and a gastronomic restaurant. Many of the opera world's greatest stars have contributed to the Met's stellar reputation and the image that it has today. The Met stages many opera premieres annually (78 to be exact) and, it is known worldwide for its new operas.

The Met's main customers were usually wealthy older people who went to the opera once a week for entertainment. Due to globalization and new technologies, this is no longer the case. Today, the Met seeks to open its doors to a more diversified public. Indeed, on its website, you can buy different subscriptions from a single ticket for the curious to an annual subscription for theater lovers.

The prices range from \$25 if you buy your ticket the same day of the show to \$360 if you have an annual subscription. "Rush tickets," that is, tickets you buy the same day, allow people with less money to still be able to enjoy the opera. Besides, the Met has reduced-cost tickets for students who want to go to the opera. Children's workshops put on by the Met help familiarize them with opera culture. The opera's museum also welcomes many tourists throughout the year, as does the gastronomic restaurant. In this way, the Met is trying to expand its target market.

The Met's competitors in the United States include the LA Opera, Lyric Opera of Chicago, and Boston Lyric Opera. Broadway shows also compete with the Met. Online videos of operas are also a direct threat. Furthermore, the Met is positioning itself as a high-end place yet an accessible company open to a significant and diversified audience.

The Metropolitan Opera is known for its services (performances), but it also has an online shop where you can buy DVDs and CDs of the shows as well as accessories,

jewelry, and even costumes. The shop also sells home office furniture, and there is a range of products for kids too. Over the years, new technologies began to develop, and the Met had to adopt them to stay profitable:

- In 1977, televised productions of opera began. The first one to appear on public television was *La Bohème*, which was viewed by more than 4 million people.
- In 1995, the Met created the “Met Titles,” which offered on the back of each seat real-time translations of its operas during the performances. In 1988, the Met decided to enter a new media: radio. Met broadcasts are regularly heard around the world on the Toll Brothers–Metropolitan Opera International Radio Network.
- In 2006, Peter Gelb became the new general manager of the Met. Gelb spearheaded the launch of The Met: Live in HD. This is a series of live performances distributed to cinemas around the world. This was a real success for the company. Gelb also increased the number of new performances per year. The Metropolitan Opera Radio was also launched. This is a subscription-based audio service that delivers both historical and live shows. More than 550 Met performances have been broadcast on this platform. Also, in 2006, the Met and Lincoln Center theater launched a program to help famous modern playwrights and composers create new content for the institutions.

The Metropolitan Opera does a good job when it comes to its marketing and communication. Although the company tends to communicate an accessible image, its strategy focuses more on prestigious, elite, and highbrow art. The Met uses a large number of digital tools to promote its different performances. It is also selling thousands of DVDs and CDs and digital downloads of its shows annually. On the Met’s website, you can also find podcasts and videos of different performances, orchestras, and artists. The site is very interactive, and it is an easy and rapid way to learn more about the shows.

The Met is very present on the different social media:

- It has a Facebook page where it posts new information about its performances but also the company in general.
- It has a Twitter account it uses to share information about the company.
- It has several Instagram accounts, one of which called “Last Night at the Met,” which is essentially a blog featuring the fashions worn by recent opera attendees.

Online shows and social media have helped attract new audiences and different types of customers, such as students and trendy people. Also, to keep up with the opera’s elegant image, the Met is famous for hosting galas throughout the year. In 2020, it hosted no less than four celebrations and numerous events for VIPs.

The marketing strategy of the Metropolitan Opera revolves around four major actions: advertising, building its audience, its website, and its general image. In 2016, the Met launched an advertising campaign using black-and-white ads that appeared all over New York. The campaign’s slogan was “The Voice Must Be Heard,” and the ads featured the faces of the Met’s artists.

The campaign was very successful, and the Met gained new customers. The Met is frequently launching new advertising campaigns to promote the company. As noted, the building where it is housed is an architectural work of art. It has a theater, a museum, and a restaurant. It also has several rentable rooms. This constitutes a part of the marketing

strategy itself as the building brings in new customers who are merely interested in visiting the facilities. One can also buy a ticket to visit the backstage of the opera.

On the opera's website, you can buy tickets, purchase an annual membership, view the menu of the restaurant, learn about the opera's exhibitions, watch videos and podcasts, buy related products, and learn everything you want to know about the Met. If you don't live in New York or can't go to Lincoln Center, you can pretty much see everything thanks to the opera's website. Lastly, the Met's general image is linked to its established reputation, which revolves around elegance, beauty, and art. Today, the Met is trying to widen its reputation to a broader audience (e.g., students, children, and the working class) by using new digital tools (e.g., TV, radio, and social media).

The Met's pursuit of the ultimate customer experience

The Metropolitan Opera redefines the customer experience through different approaches, but the most remarkable one is digitalizing the opera experience to expand its reach and make it available to all audiences, no matter where they are in the world. As mentioned, to achieve this, in 2006, the company launched The Met: Live in HD. According to the Met's official website: "The program was developed as a way to reach existing audiences and to introduce new audiences to opera through new technology." This program involves transmitting different performances around the world to various movie theaters. The transmission is shown live and in high definition, meaning that viewers get a very similar experience to the physical and real performance through digitalization. This initiative proved to be highly successful. During the program's second season, eight performances were streamed. They attracted 920,000 customers, generated \$13.3 million in North America, and \$5 million abroad. The number of people who attended the streamed performances completely surpassed the number of people who attended live concerts. Due to its success, the Met expanded the program to more than 2,000 venues in 73 different countries.

To further expand its reach and provide new channels for the opera reproduction, the Met offers transmissions through the Metropolitan Opera Radio on SiriusXM Satellite Radio, a subscription-based audio broadcasting service. The Met provides on-demand free and subscription-based streaming services at www.metoperaondemand.org, including Live in HD productions, classic telecasts, and archival broadcast recordings. All of these efforts made by the Metropolitan Opera go hand in hand with its mission: to make opera as accessible – and populist – as it once was.

Apart from the streaming services, the Metropolitan Opera reshapes the consumer's experience by leveraging technology in terms of stage setup and scenography. The Met has used high-tech digital video production to create a new way of experiencing the opera compared to the more static and physical stage production. Along with this, the Met has created a system of simultaneous translations of its operas, called "Met Title," which translates the performances into different languages (English, Spanish, and German for all opera performances, and in Italian for all Italian-language operas) in real time. The translations can be viewed on individual screens mounted on the back of each seat. This system further redefines the customer experience since it can be turned on or off. The displays also have a filter to prevent the dim and yellow dot-matrix characters from disturbing nearby viewers. The only other U.S. opera to offer translation is the LA Opera. However, its system is not as sophisticated as the Met's. Operas there are translated only into English and projected onto a screen near the stage.

The Met: Live in HD, superior technology and software, and the real-time languages translations are the most significant differentiators that give the Met an advantage over its competitors. For example, with the Covid-19 emergency, the Met has been the only opera house to keep providing entertainment for audience members thanks to the Live in HD. The program has also been made available for free streaming to brighten up people's lives. Three of the major opera houses in the United States, the Dallas Opera, LA Opera, and Opera Philadelphia, have canceled performances for the season and cannot provide entertainment for their audience members.

The Met has incorporated the elements of the digital customer experience through the integration of different components:

- *Cognitive*: The cognitive component is present in the cultural engagement and concentration needed when attending or watching the opera, as well in the decision-making process of which opera to attend and watch.
- *Sensory*: The sensory elements are present because the experience stimulates a person's visual, hearing, touch, and even taste (e.g., the Met offers pre-show dining, snacks, and drinks during intermission).
- *Affective*: The affective aspect is present because the Met's website is set up to create excitement about attending the opera.
- *Social*: The Met has a social aspect because it is an experience that one will most likely live with family or friends, and attendees interact with other audience members and staff.

These efforts are supported by the opera's significant social media presence and content that continually looks to engage audience members. The Met's efforts have entirely transformed the opera experience from what some people once saw as a dull or old-fashioned activity, into a culturally rich, sophisticated, and exciting event.

The Met's consumer-centricity and customer experience touchpoints

To enhance the customer experience, the Metropolitan Opera created a complete section of its website dedicated to informing its customers and guiding them through their visits to the opera.

- The first touchpoint is the guidance provided by Lincoln Center's website, which outlines the Met's different performances during the season, ticket offerings, FAQ, support, etc.
- For the ticket purchase touchpoint, the Met has various options to suit different consumers. Tickets can be bought in person or via the Met's website, where different types of tickets are available (e.g., group offers, student discounts, rush tickets, seasonal subscription).
- The next touchpoint of the customer experience is the preparation of the visit once the person has bought his or her tickets. The Met suggests that although attendees do not need to conduct market research to understand an opera they are about to see and have a great time, they can watch video clips to get familiarized and excited about the performance. The Met also suggests navigating through the website to get acquainted with any background information and checking out its social media accounts (e.g., on Facebook, Instagram, Twitter, and YouTube) to further contextualize the experience.

- The Met has another section on its website to inform people about insider tips, backstage happenings, and upcoming events. The site also has directions to the opera (facilitated by Google Maps), where to park, and what subway lines to take. By providing customers with information such as this, the company reduces the possibility of having a bad experience.
- As noted, to enrich the opera experience, the Metropolitan Opera also offers an exceptional fine dining service in its in-house restaurant, along with snacks and drinks during intermission. This touchpoint specifically complements the sensory experience and makes the experience more enjoyable.

Recall too that the Metropolitan has an Instagram account that allows people to check out the different outfits people have worn to the opera. This can help opera-goers decide what to wear, although the opera has no dress code. This touchpoint helps customers because knowing what to wear makes them feel like they “belong” at the opera. To further link the real experience to its digital content, the Met Opera invites customers to share their experiences during intermission or after the performance on social media by adding the #MetOpera to their posts. This helps to strengthen the online community and reveal to potential new customers what the Met experience is like.

For its post-service touchpoints, the Met has different dynamics that keep the overall experience and satisfaction in the visitor’s mind, such as the launch of “come back for more and take our opera finder quiz for follow-up suggestions and further operatic inspiration.” Likewise, customers can sign up for emails to receive special offers and be alerted to upcoming events. The Met also posts several articles, podcasts, synopses, and different publications on its website for opera lovers to stay updated and learn all about the opera world.

Leveraging digital technology to offer the perfect Met Opera’s experience

The Metropolitan Opera offers more online contents for its customers to diversify its offerings and enable anyone to experience an opera – even people who are staying home due to the coronavirus. Annually, the opera has a gala to raise funds and provide its donors with a unique experience. However, in 2020, the Met decided to do the gala entirely virtually. Forty performances were broadcast live on its website and social media, which was a first for the opera, one that new technologies made possible.

Thanks to its website, customers can buy Met tickets directly without having to go anywhere. As noted, the opera also has an online shop where people can buy clothes and other items related to opera as well as musical instruments for children. All age groups can, therefore, benefit from the implementation of the new technologies. The Met also has social networks to keep customers updated with all the news about the Met. These customers feel closer to the opera because it is a more direct and familiar communication channel. Everyone can, therefore, find out about or contact the opera via social networks. The customer is integrated into the opera’s communication strategy thanks to its various social networks (e.g., Facebook, Instagram, Twitter). It should also be noted that the opera house has a YouTube channel on which it broadcasts excerpts from ballets or short reports on the opera. Once again, like online streams, everyone can experience opera and live the operatic experience.

Consequently, we can see that the Met is using its digital aspects to promote itself and, above all, to offer an exceptional experience to its customers. Its social networks and website allow everyone to be involved in the opera world and feel close to it, which is a little bit special. The live and streaming platforms also will enable the opera to adapt to challenging situations such as the Covid-19 pandemic. Thanks to the new technologies, consumers can continue to attend the opera.

The Met's challenges in the future: what's next?

The main challenge for Metropolitan Opera in the coming years is to continue attracting a younger clientele and seduce millennials to widen its audience. With the advent of digital technology, opera is no longer a priority for many consumers. People go to the cinema more often than to opera. Moreover, the opera has an exclusive image. Many people think that opera is only for the most affluent. The Met is trying to break with this elitist image to broaden its audience and reach as many people as possible.

To make the transition to other age groups and social classes, new technologies will play a major role. Thanks to technological advances, the Met will continue to undergo many transformations. Today many people get tired very quickly during performances; we are used to seeing things that are novel every day. Opera has to follow this trend to be appreciated and truly valued. The Met will, therefore, have to surpass itself and demonstrate technical prowess to achieve its goals.

Incorporating synthesized or 4D images into performances could allow young people to be more interested in opera, and it could also help to create a more extraordinary experience for customers. With synthesized images projected directly onto the stage, we can bring any story to life and even create completely new worlds. In the same vein, projectors will become more powerful over time and more efficient. Some will undoubtedly have qualities that we do not yet suspect. More home automation projectors connected to the opera house's sound and light systems will help make the shows unique for people who want to see them at home. Understandably, both the content and the form of the shows are in the process of being radically modified.

Besides, new, more innovative, and modern equipment will undoubtedly reduce the cost of shows. The main benefit of this phenomenon is that if the shows are less expensive to produce, then the Met will lower the prices of its tickets and attract more customers. The two main challenges of opera are thus solved thanks to digital technology. All these transformations will then imply changes in the opera. New positions will be created, and changes in the hierarchy will be necessary. Specialized technicians will have to be recruited to handle the latest equipment as well as managers to oversee the entire technological dimension of the shows. New types of artists will also be able to perform in the opera, and, therefore, a more diverse clientele will have to be recruited.

Once again, technological advances and the latest digital performance will help solve this challenge. A lot of new websites have been created for online recruitment. For example, platforms such as Indeed.com directly connect employers and employees and allow them to participate in online interviews. New employees can be recruited from all over the world. So, we can see that the New York Metropolitan Opera is going to face many challenges. New technologies have sometimes caused these challenges, but they are also the key to solving them. The difficulties for opera are, therefore, numerous but achievable.

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Questions for discussion

1. Define the dimensions of the Met's customer experience and its touchpoints. How has the Met changed the way of attending and experiencing operas?
2. How does the Met manage its customer experience? What kind of data can be used to create the perfect opera experience? How can the Met engage its customers in a phygital experience before, during, and after the show?
3. Describe how the Met can use virtual reality (VR) and augmented reality (AR) to elevate the opera experience. What are the advantages and disadvantages of each technology? What other technologies could the Met use to create a strong competitive advantage?
4. Explain how the Met can adapt its content to become the first opera targeting millennials and postmillennials. Should the Met develop a partnership with Netflix, Snapchat, or Tik Tok?
5. How can the Met diversify its offerings to target international audiences in regions such as the Middle East and Africa? What are the key points of differences? How would you define the show experience in these regions? What obstacles might prevent the Met from providing a great opera experience in these regions?

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) at the Metropolitan Opera. Your job is to help the company shift to a phygital streaming experience that combines both online and physical services. How would you proceed? What kinds of marketing research can you use to collect smart insights about what really consumers value?

Company case 33: An inside look at Broadway's immersive show experience

Broadway has entered the digital sphere to elevate the show experience, moving the customer experience online. Besides having an app and website (Broadway.com) that serves educational purposes by allowing customers to search for shows and purchase tickets online, the market players on Broadway have also developed BroadwayHD. Broadway HD is a streaming service that operates like Netflix and Prime Video, allowing customers to stream their favorite Broadway performances digitally. The integration of digital and the focus on the customer demonstrate the ability of Broadway to adapt and rethink its business practices. Therefore, it is interesting to understand the story behind Broadway's success and its spectacular shows, its marketing and communication strategy, and how it is adapting both online and offline to retain its customers and attract new audiences.

How did it all start? The story behind Broadway's successful strategy

Broadway began to establish itself as the hub for American theater in the late 1790s after Park Theater was constructed in New York City. The massive size of the theater attracted guests and production companies to the area. Industrialization lured more impoverished citizens to the city, and these people also liked shows. Wealthier individuals attended more expensive Broadway shows for entertainment and to differentiate themselves from the lower class.

Among the most popular shows were *Babes in Toyland*, *Naughty Marietta*, and *The Red Mill*, which was the first show to have its own electric sign. In 1919, Broadway experienced lower admission rates with the boom of motion pictures. During that time, the *Ziegfeld Follies* were the most popular show. At the time, trending songs were incorporated in the shows, which focused more on the lead actors than the shows' plots. However, one show led the way back for drama: *Show Boat*.

The "golden age" of Broadway came after the Great Depression. Many blockbusters were made during that time, and the longest-running musical was *Oklahoma!* with 2,212 performances. In 1920, the series "American Playwright," – the art of crafting a play – also became popular, which revived many Shakespearean plays.

Throughout the mid-twentieth century, Broadway's target market evolved from the middle to the upper class. Today, Broadway shows have taken on their own brands, which causes target markets to differ from production to production. In general, Broadway's target market includes individuals with disposable income to spend large sums of money on tickets. The target market also includes locals, who are typically wealthy enough to pay for the high cost of living in New York City, and tourists who travel to New York City to experience all what the city offers.

Differentiated by the market price of Broadway tickets, Broadway shows are perceived as a premium form of entertainment. Compared to movie tickets that sell for approximately \$15 a piece, Broadway tickets sell for upwards of \$150. For the same reason, Broadway is differentiated from other theater industry players as a high-price and high-quality product. Consumers are willing to pay higher prices for Broadway tickets due to

the reputation and legacy of the Broadway brand, the location, and the viewing experience associated with luxuriously decorated, 2,000-seat theaters.

Broadway's indirect competitors are companies that provide entertainment unrelated to the theater, like film production companies and musicians. This is because customers can choose to attend these screenings and events instead of theater production on Broadway. Most notable are companies like Sony Pictures Entertainment Motion Picture Group and Walt Disney Studios, which produce films available at movie theaters or online. In terms of direct competition, many independent production companies compete on and off Broadway for ticket sales. For example, Roundabout Theatre Company is a large company that creates productions for Broadway. The Goodman Theatre in Chicago is also at the forefront of theater production, producing new content each season.

Each show produced is seen as a competing brand, even if the same company produces it. Each brand can be expanded to include subproducts like tickets, soundtracks, and merchandise. The shows are augmented through qualities such as the design and tidiness of the theater and the friendliness and professionalism of its staff. Today, show recordings have gone online, allowing people to stream them on BroadwayHD from the comfort of their homes. There is newfound competition in this sector as Warner Media and NBCUniversal aimed to launch their own streaming service "Broadway on Demand" in May 2020. Besides, box offices have shifted online, allowing customers to purchase tickets from home. The leading online ticket office, Broadway.com, has developed an app under the same name that supports this feature. Finally, there is also the option to order tickets over the phone by talking to real-time staff.

Regarding its marketing and communication strategy, it is always challenging to market a Broadway show, given that a single season can bring different types of theater offerings. The challenge is to understand the target audience for each performance, and how to rise above the "noise" to attract a new audience. Traditional marketing techniques are still relied upon: front-page reviews in the *New York Times* and ads in Times Square.

Traditionally, shows typically outsource their marketing to firms that specialize in Broadway marketing. These firms include SpotCo and Serino Coyne, Inc. When developing a marketing strategy, show productions are classified as their own brands and operate as such. A one-size-fits-all approach won't work because each brand is very different. Depending on the genre and plot of the show, the brand will develop a diverse audience. It is integral that marketers segment their customers and understand who comprises the target audience. To satisfy this need, marketers outsource this function to marketing research firms like Nielsen Research Group.

From a traditional lens, marketing can be viewed in terms of the marketing mix. Under the promotion category, firms like to leverage specific features to attract customers. These features include casting well-known celebrities from Hollywood, adapting popular films for theater, and hiring experienced directors who have directed hit movies. For example, Serino Coyne created a successful campaign by bundling three Disney shows being shown in one season under the name "Disney on Broadway," thereby capitalizing on the Disney name and leveraging the brand's reputation.

During the digital era, Broadway's marketing strategies became more interactive. Brands on Broadway looked to leverage "viral marketing" to gain the attention of customers. This was done through show-related bonus content that was sharable through social media. The content was free and accessible by all, which increased the opportunity for it to go viral. During this time, Broadway's marketing strategy also

shifted to become more interactive. In a campaign started by Situation Interactive in 2008, the audience was asked to participate throughout the show through text to win free future tickets.

Recently, digital technology has allowed Broadway's marketing strategy to become more experiential. For example, the show *A Gentlemen's Guide to Love and Murder* elevated its digital campaign by mailing "poison" to its cast members after being nominated for a Tony, which happened to be Kool-Aid in decorated jars. The original digital media campaign centered around tweeting similarly designed invitation cards to individuals who had bought tickets to the show. This increased the show's social engagement online in a way that was not immediately evident to the customer. The campaign was especially useful because it was done after the show had been on Broadway for a while, usually accompanied by less hype.

Another experiential digital campaign called "If/Then Stories" allowed customers to partake in the songwriting process of a Broadway hit by submitting their heartfelt, personal stories online to inspire a song. As consumer habits change, Broadway needs to continue to adapt its marketing strategy to attract targeted customers. This is most successfully done through unique, experiential digital strategies that consider who their customers are, their preferences, and how they consume media. However, it is also crucial that the company does so in a way that does not confuse a show's brand image. Strategies like the one adopted by *A Gentlemen's Guide to Love and Murder* are examples of how to incorporate phygital tools to attract customers.

To sum up, we can say that Broadway's marketing and communication campaigns for performances begin early in the process – as early as when the writing is still being done. Many methods are used to market shows: TV, radio, print, Web announcements, direct mail, and online marketing. This is crucial since the success of a certain show solely depends on how many tickets are sold. Consequently, a key strategy is generating buzz about the upcoming shows as early as possible and keeping the public aware of the show throughout its lifecycle.

How is Broadway elevating the customer experience?

BroadwayHD is a new concept that is facing limited competition as of now. There is only one theater streaming service currently available, meaning this is a unique offering that other market actors are not participating in. The idea for BroadwayHD stems from the fact that customers cannot repeatedly visit shows; entertainment outlays are non-essential expenditures, and Broadway shows are priced high from the perspective of most customers.

BroadwayHD, allows customers to experience a once-in-a-lifetime show and then relive the experience at home, after-the-fact. In addition, customers who do not have the luxury of physically watching a show on Broadway can now watch multiple shows wherever they are. BroadwayHD's customer experience is entertaining and escapist. It gives customers a way to break away from their real lives to enjoy a full-scale production. BroadwayHD is priced similarly to Netflix and includes an extensive catalog of shows.

While Broadway.com serves a functional purpose, BroadwayHD is more experiential. BroadwayHD appeals to customers via their emotional needs. Theater fans receive joy from watching the productions, which motivates them to utilize this platform. In terms of the cognitive element of the BroadwayHD experience, customers can stream the shows from home at a lower cost. This feature improves the accessibility of the shows.

Anyone with a subscription can get a taste of Broadway. With a BroadwayHD membership, a person can watch unlimited shows for around the same price as one live show. Some of the downfalls of BroadwayHD are that it eliminates some of the social aspects that come along with meeting individuals at the theater. You can watch BroadwayHD with your friends and family, but it is not the same as being in a theater with 2,000 other like-minded people. Some of the sensory aspects are also missing.

Despite maintaining the visual and auditory senses, customers are missing the feel of the seats, the smell of the theater, and the taste of the concessions sold. Viewers can attempt to recreate these senses at home; however, it will not be the same; experiences cannot be duplicated. Finally, the rarity of going to watch a Broadway performance brings excitement, anticipation, and joy, which elevate the experience.

Also, when performances are available anytime, anywhere, consumers lose some of the affective elements of the show experience. Broadway companies are not in complete control of the streaming experience; customers may face streaming issues at home due to poor Internet connections, and other distractions that can negatively impact the experience.

Overall, BroadwayHD is transforming the experience in terms of accessibility and flexibility. More theater lovers now have access to authentic Broadway shows due to lower prices from online, mass distribution. Customers can also choose how they consume the media; they have the autonomy to select the devices they want to use, whom they want to watch the shows with, the rooms in which they want to watch them, and what they are eating and drinking while watching the shows. Customers value accessibility and autonomy, and these two factors best describe how BroadwayHD is transforming the customer experience.

Broadway's consumer-centricity and audience experience touchpoints

In order to deliver an authentic show experience, Broadway uses a variety of touchpoints and devices. The customer experience is different in several ways. It is characterized by a desire to create a link between the Broadway brand and the consumers of musicals. A consumer must find pleasure in consuming the product. To offer a real consumer experience, Broadway has set up different points of contact:

- The first is characterized by a desire to create a link with the consumer. Indeed, on Broadway's website, the brand's various social networks are present (e.g., Facebook, Twitter, Instagram, YouTube, and Pinterest). This creates a community around the different events proposed and diversifies Broadway's communication via three types of strategies: functional, social, and hedonic.
- This approach is extended by the possibility of joining the "Broadway Fan Club." By doing so, a relationship of proximity and favoritism is created between the consumer and the brand. Members of this club receive preview information and also benefit from lower prices; this represents a real advantage for the members of this club.
- To sell tickets, Broadway has also opted for a gift-card strategy. Rather than just offering tickets to shows, Broadway has opted for a second alternative: offering gift cards. The advantage of gift cards is that at any time, the owner of the card can exchange it for a show at the time of his or her choosing. This allows consumers to enjoy an advantage not available with pre-purchased tickets.

- The consumer experience does not stop at the fan club or one's ability to buy tickets in advance via two systems: the show is an experience in itself. Its appeal is due to the history and legends of Broadway. This partly explains the price of show tickets. However, the customer is looking for a real experience; if it did not exist, he or she would be better off watching the same show on television. The various theaters are therefore looking to deliver this experience. To do this, the quality of presentations is important, but they must develop and adapt to new trends through its Broadway HD. Streaming is being developed to offer a different experience to the customer. Even if the experience is not the same, the consumer can still enjoy the dances and the choreography. However, the value of a musical does not lie solely in the dances. The aural aspect is just as important, which is why Broadway has developed an official playlist of the various shows available on the streaming music service Spotify.
- Lastly, to provide the consumer with a complete experience, the various theaters have set up virtual tours of their premises to create a more immersive experience.

The theater is still popular nowadays, especially Broadway shows. But securing tickets for hit shows can be an expensive and daunting process. TodayTix is an app that makes the process easier. The app makes unsold tickets available to potential buyers in real time. Nineteen percent of the tickets to Broadway shows go unsold.

The app was created to make sure that the public was aware that there are still seats available for specific shows and that the tickets for them are selling at discounted prices. TodayTix appeals to tech-savvy theatergoers who are almost a decade younger than the industry average. Instead of going to the box office and waiting and hoping to get tickets, the app's users can now buy their tickets with just a click. The app also provides a courier service. A runner meets customers at the theater to give them their tickets. The TodayTix app has boosted the ticket sales of Broadway shows. This app makes it easier for people to filter and choose the shows that fit their interests.

Leveraging digital technology to offer the perfect show experience

To deliver the ultimate consumer experience, Broadway uses technology and functionality. Big Data collection is encouraged and globally widespread. Through collecting this data, Broadway can identify clusters of customers with specific tastes and characteristics. Because the basis of marketing analysis is customer segmentation, social networks are a real gold mine for these different businesses.

To complement its customer data research, Broadway has developed an online mobile application that allows customers to book tickets as well as set alerts for certain performances. This allows consumers to feel more invested in their leisure consumption and enables the brand to offer content that is better adapted to the needs of customers. That way, companies can offer them specific content that meets their needs. Moreover, by collecting all of the data, customers can be grouped into larger clusters and offered things they might not be aware of, but that might interest them.

Broadway also uses this data collection in more traditional marketing campaigns. Broadway has used technology to revolutionize the customer's theater experience by offering on-demand closed captioning and audio descriptions of Broadway performances via an app. Anyone with a smartphone can now download the GalaPro app, which generates captions for the hearing impaired.

Nowadays, sophisticated technologies are being used more frequently in Broadway performances. Especially when viewers come to see Broadway adaptation of a blockbuster film, the stakes are high. Why? Because theatergoers expect to have the same experience as they did while watching the movie. So custom-designed special effects and high-tech stagecraft are necessary to meet their expectations.

The use of pre-recorded music and tracks certainly has revolutionized the industry and improved the experience. Orchestras now have smaller and smaller spaces, so pre-recordings are now an essential part of any performance. Special sound effects can also be added and will enhance the experience overall. Automation is also a big part of performances: hydraulic lifts, automated cues instead of stagehand moves, and even lighting are pre-programmed to change according to the projections and video displays.

Broadway's challenges in the future: what's next?

To remain attractive, Broadway will have to reinvent itself, not only in terms of content but also in the way it approaches the customer. As for the content of its shows, even though Broadway is known to be very competitive in terms of its art, global artistic trends are subject to fashion changes. This is why the primary challenge for Broadway remains the content of its broadcasts.

No matter what a show's marketing campaign is, digital or otherwise, if the show's content starts to lose its appeal, it will cease to exist. However, when a show's art genre continues to be appealing, the real challenges for a show will be quite different. The customer relationship will change no matter what; it varies by generation, ethnicity, or social class. For example, the baby boomers' expectations are not the same as those of millennials or postmillennials. Therefore, it appears that the main challenge for Broadway will be to capture the main expectations necessary to build a customer relationship with the generations to come. Future generations will be more affected by technological and social innovations than previous generations. And even within the same generation, social network trends differ. For example, the extensive use of the Tik Tok social network differs among those born before and after 2000.

At every level of content, a complete immersion can also be defined. The comparison with cinema is not an absurdity. The use of 4D creates a much more engaging atmosphere for the consumer. One can imagine musicals that emphasize the use of water-projecting machines to immerse the consumer more deeply in the performance. The way of buying a seat itself can also change. Compared to buying food, one can just as easily imagine a way of buying one's seat similar to the "Amazon Go" system. For example, theatergoers would just walk into a show, sit down, and automatically be billed. Also, the use of the Broadway mobile application will evolve. Air France's app offers the company's customers the opportunity to collect the different models of the planes in which they have traveled. Why not offer the customers of musicals the opportunity to receive related posters and music?

All these innovations represent both marketing and financial challenges, but each market is competitive. Even if Broadway currently seems to dominate its market, its position may be challenged in the future. However, it appears that the real challenge remains to capitalize on customer trends. People's tastes are always changing. However, despite all of these changes, to build a real relationship with its customers, Broadway must stay

competitive and remain true to itself. Its reputation has been developed based on the quality of its performances and their originality.

Finally, limited marketing budgets shorten the lives of some performances. Broadway shows exist as long as there is the word-of-mouth and buzz generated about them. With the limited resources some marketing teams have, this could limit the possibility of continuous marketing efforts and, thus, increase their promotion costs.

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Questions for discussion

1. Identify Broadway's experience touchpoints. What is the service provided by each touchpoint? Does it generate a positive or a negative show experience?
2. How has Broadway evolved its marketing strategy to integrate the customer experience? Are these changes in line with the needs of international consumers?

How does the background of visitors coming from different cultures affect the Broadway show experience?

3. Describe Broadway's customer journey online and offline. How does Broadway use technology, data, and other digital devices to offer the ultimate show experience? What are the advantages and disadvantages of each technology? Can you think of another form of technology Broadway should use to differentiate itself from direct and indirect competitors?
4. Explain how Broadway would go about defining its strategy to cope with show streaming experiences. Define the types of show experiences Broadway can develop to remain attractive, retain its actual customers, and attract new target groups.
5. How can Broadway use the EXQUAL tool presented in the book by Wided Batat, *Experiential Marketing* (Routledge, 2019) to measure a customer's theater experience?

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) for a Broadway show. How would you implement a diversification strategy that elevates the show experience to attract new groups of customers? How would you proceed to design a new experience? What components should you integrate?

PERSPECTIVES ON THE SECTOR



Mark Walhimer, Museum Planner at Museum Planning, LLC and author of *Museums 101*

Before going into the museum's details, the visitor experience would like to revisit the role of museums as the definition of museums is changing. The International Council of Museums (ICOM) defines museums as "a non-profit, permanent institution in the service of society and its development, open to the public, which acquires, conserves, researches, communicates and exhibits the tangible and intangible heritage of humanity and its environment for

education, study and enjoyment" [1].

At the ICOM's General Assembly on September 7, 2019, in Kyoto, Japan, the General Assembly postponed the vote on the new proposed museum definition:

Museums are democratizing, inclusive and polyphonic spaces for critical dialogue about the pasts and the futures. Acknowledging and addressing the conflicts and challenges of the present, they hold artefacts and specimens

in trust for society, safeguard diverse memories for future generations and guarantee equal rights and equal access to heritage for all people. Museums are not for profit. They are participatory and transparent, and work in active partnership with and for diverse communities to collect, preserve, research, interpret, exhibit, and enhance understanding of the world, aiming to contribute to human dignity and social justice, global equality, and planetary well-being. [2]

By comparing the 2007 definition to the 2019 proposed definition, there is a change in the role of “museum” to be more visitor-centric. Also apparent is the role of museum changing from one of monolithic “expert” to one of shared authority between museum and visitors as co-creators in content creation. Also evident is the change from “static history” to changing histories and museums as ever-evolving institutions, that are transparent in the evolution of facts and histories, multi-cultural, multi-person interpretation of events. The 2019 proposed museum definition is yet to be ratified by ICOM. Still, the discussion makes clear the change to a more visitor-centric museum, that is multi-cultural and representative of multiple perspectives. Besides, the museum’s role is to be future-oriented as an active participant in “aiming to contribute to human dignity and social justice, global equality, and planetary well-being.”

My expertise is in the area of interactive museums (history museums, art museums, children’s museums, natural history museums, and science centers and, to a lesser degree, art museums) so I will limit my comments to the area of interactive museums. Museums are a form of informal education [3], and their education tools are exhibitions, public programming, and public outreach. In general terms, the museum visitor experience is comprised of three stages: pre-visit, in-person visit, and post-visit, with the goal of creating a motivation to revisit the museum in the future, creating a museum visitation loop. In reality, many museum “visits” remain only museum websites and social media, often the role of the online experience is to drive in-person visitation, and the purpose of in-person visitation is to create a motivation for a future visit. This museum visitation loop is to create meaningful intellectual, emotional, and experiential value to the visitor. One tactic of creating value for the visitor is consistent messaging at all touchpoints (website, social media, museum staff visitor service, museum signage, etc.), creating a trusted bond between the visitor and the museum. This consistent messaging is called “Omni Experience” or all channels of communication.

Museums are the most trustworthy source of content [4], and the combination of trustworthiness and mission-driven communications (exhibitions, programming, and outreach) creates the “whole” museum visitor experience. There is a common perception that all museums are for everyone (for ages 1 to 101). As with any group of people, there are different points of view, and museums do present a point of view, this “museum point of view” is referred to

as “Museums are not neutral” [5]. The tools of understanding and having empathy for the museum visitor and understanding visitor motivations include:

- empathy map
- personas
- customer journey mapping
- bubble diagram
- service blueprint canvas
- system map
- content map
- stakeholder mapping
- lean change canvas
- culture map
- value proposition canvas
- business model canvas
- museum evaluation: front-end evaluation, formative evaluation, remedial evaluation, and summative evaluation.

In the end, the reason for using the tools is to empower visitors and meet the emotional and intellectual needs of the visitor.

In terms of using digital to elevate customer experience, I will limit my comments to interactive museums, mostly in the U.S., Asia, and Latin America. The majority of the 35,000 [6] museums in the United States are small local history museums [7] with one or no full-time staff. The lack of museum staff experience has made the adoption of digital technologies challenging. Often museums think that digital content creation is different because it is new to them. Still, the same process remains relevant to museum mission, educational objective, content strategy, with digital (website, social media, digital signage, smartphone apps, etc.) being a vehicle of communication. In many ways, museums have been forced to include digital experiences to enhance the visitor experience because of the experience economy [8] and the marketplace. Digital programming has become a necessary museum amenity [9] to remain competitive. If Starbucks is a part of a consumer’s day-to-day experience, it is natural to compare a museum to the Starbucks’ customer experience. The touchpoints between museum and museum visitors include websites, social media, word-of-mouth, museum outreach, in-school programs, nursing home programs, parks and recreation programs, museum exhibitions, museum events, museum lectures, and smartphone applications.

Funding models drive the significant difference between museums in the U.S. and the EU. Since the 1980s and the Smithsonian’s requirement to raise funds for operating and capital costs in the U.S., museums have changed from primarily government-funded organizations to mostly private (individual and corporate

donors) intuitions. Regrettably, this reliance on private funding will increase in the post-Covid-19 era. In the EU, museums are largely public organizations receiving public (federal, state, and foundation) funding.

The challenges are multiple. I am writing these responses on April 17, 2020, and we are in the third week of the Covid-19 quarantine in the United States. All museums in the U.S. are closed, and many museums have furloughed or laid off museum staff. As of today, the present [10] of museums is very much in flux, and the future [11] is unclear. If I were to make predictions, these would be:

- *Museum closures:* In the U.S., all museums are dependent on donations (including government-funded museums). Sadly, the damage has already been done to many museums, and a large percentage of museums will close. As of today, I would estimate that 10–20 percent of museums will close within the next 12 months, which could amount to 3,500–7,000 museums closing in the U.S. [12]. The majority of the museums that will close will be small local history museums with no staff or one or two staff members.
- *Museum staff, freelancers, and vendors:* Many freelance museum consultants (curators, art handlers, designers, registrars, etc.) will leave the museum field. Since the 1980s and Reaganomics, museums have reduced full-time museum staff to be replaced by independent contractors. Many of these people will be unable to afford to return to museum work due to student loans and personal debt accumulated during the Covid-19 quarantine. Also, many museum suppliers (exhibit fabricators, art shippers, art storage companies, etc.) will close.
- *Museum consolidation:* The impact of closed museums and loss of museum staff, contractors and vendors will be significant and will cause the consolidation of museums and museum services.
- *Reduced museum services:* Many museums that survive will be forced to reduce hours, to close galleries, and to increase online digital exhibits. Also, for the short term, “blockbuster” large-scale multi-million dollar traveling exhibitions will be put on hold.
- *Museum Board of Directors:* Many Museum Board of Directors will be reorganized to include a more significant number of “old money” members, due to the impact of Covid-19 and the loss of wealth of many younger board members.
- *Visitor need-driven:* Due to both the need for donations and civil societal needs, museums will be driven by the immediate needs of visitors (and donors).
- *Networked and digital:* The costs (both financial and staff/visitor safety) of operating an in-person experience will be higher than working digital online experiences.
- *Greater reliance on metrics:* Due to the hesitant reopening of museums, there will be a need for greater data, museum costs, museum revenue, visitor return rate, visitor dwell rate, etc.

- *Museum building cleaning*: Before and during museum reopening there will be high costs and multiple efforts to prepare museum buildings to be free from Covid-19 pathogens, including HVAC systems, water systems, and museum collections.
- *Greater need for collection care*: Before and during museum reopening there will be high costs and multiple efforts to prepare museum collections to be free from Covid-19 pathogens.
- *In the long term*: Assuming a reopening of museums in the timeframe of September to November 2020, the process will be slow and hesitant. Social distancing will remain in place, and visitors will be prevented from gathering in groups of more than ten people (stopping museum theater, lectures, and group demonstrations). Museums will open only selected galleries with reduced museum staffing, while carefully watching costs and donations. This hesitant start-stop process of reopening museums will continue for at least one year (September to November 2021).
- The second to the third year of museum reopening will continue similarly to the first year in a series of starts and stops, with limited museum events with slowly growing groups of more than ten people. There will be increased efforts to expand museum smartphone applications, museum online events and programming, and smaller new exhibitions. The third to the fifth year after museums reopening, museums will start to return to more normalized operations. However, there will be several significant changes:
 - higher “gig” museum staffing, with fewer full-time museum staff;
 - smaller, less expensive museum exhibitions;
 - more combined digital/tactile in-person visitor experiences;
 - more online museum experiences;
 - more reliance on revenue from museum membership/visitor co-creation.

Smaller, local, nimble museums will find the transition to the new museum reality less challenging. Large encyclopedic museums will be challenged with the new museum reality, as they are more dependent on corporate sponsors and high operating costs. In the end, the new fact will benefit nimble visitor-centric museums that can serve lean, artist-, scientist-, historian-focused visitor experiences.

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Author's perspective on experiential marketing

Online video: "Introducing concepts & tools"



- Access the link www.youtube.com/watch?v=I5-XOT2Br0g&t=14s or flash the following QR code to view a short video featuring the author, who introduces and explains the concepts and tools companies can use to implement a successful experiential marketing mix strategy.



12 The customer experience in the sports, events, and entertainment sector

Sports, events, and entertainment businesses are highly experiential. They have to focus more on improving the experiences they offer both online and offline to optimize the customer's journey, retain their actual customers, and attract new ones. In this chapter, I introduce three thought-provoking company cases in the sector of sports, events, and entertainment, namely, Cirque du Soleil, Red Bull Events Sports, and the Super Bowl. You will learn more about how these companies are leveraging technology to create a strong competitive advantage and enchant their customers. I will first explore the story and the marketing strategy behind each company, and then I will focus on how the customer experience is implemented and the use of digital technology in each company. Finally, I present the challenges the businesses face when it comes to reinventing customer experience in this sector.

Learning outcomes

After studying the three cases and solving the questions and challenges presented at the end of this chapter, you will be able to critically think about how companies in the sports, events, and entertainment sector are improving the customer experience. You will also learn about the challenges they are facing to develop successful experiential marketing strategies. Also, in the online video provided, "Introducing concepts & tools," you will learn more about the customer experience and experiential marketing, and how a company in this sector can use it to design the ultimate experience online and offline to create a definite competitive advantage.

Company case 34: Cirque du Soleil, the ultimate entertainment experience

Cirque du Soleil is neither a traditional circus nor a classic theater production. It merely created its own market space in the entertainment sector, which resulted in an unprecedented experience that is profitable and successful. Cirque du Soleil's offerings are different from its main competitor, Disney. Disney attracts customers by offering people the opportunity to be "happy like a kid." In contrast, Cirque du Soleil's formula of success is to provide people with a "cavalcade of theatrical delight." Whereas Disney offers an excellent service, Cirque du Soleil delivers an innovative service. By pursuing the objective of evoking the imagination and provoking people's emotions around the world with its shows, Cirque du Soleil has been able to achieve success based on

offering unique show experiences to its audiences. Thus, it is essential to understand the story behind Cirque du Soleil's success and how it adapts to the new customers' needs. Challenges facing it will also be presented at the end of this section.

How did it all start? Cirque du Soleil's successful strategy

The Cirque du Soleil was created in 1984 in a small village named Baie-Saint-Paul, not far from the city of Quebec in Canada. It was composed of a small group of artists, dancers, musicians, jugglers, and fire-eaters led by Gilles Ste-Croix. The troupe was known as the "The Stiltwalkers of Baie-Saint-Paul." One of this troupe was Guy Laliberté, a man who had the ambition to expand his art beyond Baie-Saint-Paul. The troupe traveled in the province of Quebec to attract a wider audience. The avant-garde show was a success and allowed the group to expand internationally. The group has been touring the United States since 1987, and South America, Europe, and Asia since the 1990s.

"The Stiltwalkers of Baie-Saint-Paul" were not a regular circus troupe. They were young and passionate individuals full of light and energy, which explains why the group changed its name to "Cirque du Soleil." Moreover, they completely reinvented their industry by providing spectacular entertainment laced with a strong storyline that physically and emotionally involves audiences.

Unlike other circuses, Cirque du Soleil does not target children. Their shows do not involve funny clowns or animals to make the little ones laugh or to scare them. Cirque du Soleil's shows are all about the art of circus. Mesmerizing costumes, skilled performers, incredible musicians, talented sound and light technicians, and creative scenarists immerse the public in an unknown (but beautiful) world. As a result, Cirque du Soleil's target market comprises middle-aged individuals with artistic minds who are impressed by magical adventures and are ready to pay for immersive and entertaining experiences.

This target allowed Cirque du Soleil to differentiate itself from its competitors by using what we can call the "Blue Ocean Strategy," which consists of creating a product or service with superior features relative to existing products and services. While the other circuses focus on entertaining children (like the "Cirque de France" and "Cirque Frangoni") and fight for market share, Cirque du Soleil reinvented the art of the circus and created its own market and has one of the most successful spectacles in the world. Its positioning is not only about entertainment but also about escapism. The group's shows affect audience members emotionally and engage them to the point where they live a whole new experience.

Cirque du Soleil was created before digitalization became prevalent. The group, therefore, relies heavily on traditional means of communication. Traditional advertisements for Cirque du Soleil shows can be found on the street, on buses, in subways, and on billboards. Furthermore, the company also relies on radio advertising, a powerful tool when used at the right time. For instance, people traveling by car when going to work tend to listen to the radio during their rides.

Cirque du Soleil gains customers thanks to the positive word-of-mouth. Also, by focusing on a bottom-up approach (focusing on the human being and their experiences) and by creating compelling storylines in their shows, customers feel involved and almost a part of the show itself. This strong experience of customers leads them to come back again and recommend the show to their friends, which is an incomparable competitive advantage for Cirque du Soleil.

In 2016, Alma Derricks, the Vice President of Sales and Marketing for Cirque du Soleil, stated that she was doing everything necessary “to ensure Cirque is a customer experience-led organization,” and that digital is at the heart of the group’s concerns. The marketing and communication strategy of Cirque du Soleil is based on both offline and online actions. It mainly focuses on putting customers at the center of the experience by providing them with insights and strengthening their connections and exchanges with Cirque du Soleil.

How does Cirque du Soleil redefine the circus and entertainment experience?

The conventional definition of a circus is a traveling show that is often performed in a tent, and that typically includes trained animals, clowns, acrobats, etc. On the contrary, Cirque du Soleil reshaped the meaning of “circus.” Today, Cirque du Soleil wants to include all areas that relate to the customer. It wants to create a holistic experience or a “roadmap of enhancements.” The idea comes from Cirque du Soleil fans who wanted to get more information about the people behind the masks.

Therefore, the group’s customers should be brought even closer together by merging physically and digitally aspects that use technology. To transform the experience, Cirque du Soleil has developed a new phygital offering by using virtual reality. The organization has collaborated with Felix & Paul Studios to provide a 3D 360° camera platform in the show *Luzia*, which launched in 2017. The show takes audience members to an imaginary place in Mexico, giving them the extraordinary experience of feeling like they are in a waking dream.

Cirque du Soleil’s consumer-centricity and audience experience touchpoints

Cirque du Soleil is redefining the customer experience by implementing several digital elements to form beliefs about what people see through virtual reality (VR). Also, the group wants to increase its sensory features by implementing the sense of smell and the possibility to talk through increasing the interaction with customers or providing unique experiences via the integration of 4D and extended reality technologies. Moreover, one of the most significant assets is the affective element, meaning the creation of positive emotions.

The real secret of Cirque du Soleil’s redefinition of the customer experience is to link the physical world to the digital world to create engaging phygital experiences. Consequently, entertainment and escapist aspects are implemented to offer an extraordinary experience. This can be provided by combining innovation and technology to further engage with audiences and fans. Also, Cirque du Soleil is not offering a straightforward service but an immersive and unique experience involving the 7Es of the experiential marketing mix to design a satisfying, emotional, and memorable experience.

We can list the 7Es of Cirque du Soleil’s experience as follows:

- It involves “Emphasis” because it puts particular importance on the storyline of the show.
- It integrates “Exchange” as the performers and the customers communicate among each other.

- It involves the “Emic/Etic” process because the audience has both: an external point of view by looking at the show and an internal point of view when being invited by the performers to participate in it.
- It consists of “Emotional touchpoints” because the show is so intense and immersive, which consequently affects people’s emotions.
- It involves “Empathy” because storytellers put themselves in the audience’s place to create the most impactful storyline involving both emotions and cognition.
- It also integrates “Extension” since Cirque du Soleil created a range of products extending their show, like a virtual reality app.
- Finally, it involves “Experience” as Cirque du Soleil is not a regular show, but an immersive and intense experience that places the customer at the heart of the journey, putting him or her in an unknown world so that he or she can “live” the various steps along the experiential path.

To conclude, from a small troupe in Baie-Saint Paul to one of the world’s best circuses, Cirque du Soleil has never disappointed its audience. It was avant-garde at the time of its creation and still is today. Its expansion has never altered the quality of its shows. The organization’s worldwide success permitted it to increase the tools used during its shows and provide the audience with special effects that are always more mesmerizing than the last show and in keeping with the spirit represented by its name: passion, light, and energy.

Leveraging digital technology to offer the ultimate experience

Even though digital technology did not exist when Cirque du Soleil was launched, it is now a central element of its communication strategy to provide its customers with an exclusive experience. In an interview in 2016, Alma Derricks, Cirque du Soleil’s Chief Marketing Officer, stated that the circus mostly relies on Big Data to understand who its customers are and engage in discussion with them to manage their experiences.

- Big Data allowed Cirque du Soleil to geolocate its customers and provide them with targeted messages via online campaigns. For instance, regarding the individuals’ locations, the online campaigns that they will see are adapted to the nearest show. Also, when customers book tickets online and approach the place of their shows, they are welcomed by Cirque du Soleil with a text message. In the future, Alma Derricks wants to push this even further by welcoming them with a clown sprinkling glitter on them.
- Social media helped Cirque du Soleil to highlight and promote its upcoming events, and create Facebook groups to provide a sense of belonging among its fans. Social media has given Cirque du Soleil plenty of storytelling opportunities. It has 1.2 million followers on Instagram and 4.1 million followers on Facebook. The organization continues the experience by weekly posting videos of the shows. Indeed, Cirque du Soleil is mostly about visual stories, so online content is perfect for maintaining the storytelling.
- Moreover, Cirque du Soleil also emphasizes the customer experience by building strong relationships with its online community. The circus connects its artists

(including its makeup artists, dancers, designers, etc.) with its followers. The artists communicate with Cirque du Soleil's customers by answering their questions, liking their comments, and resharing their online content.

- Finally, the growing demand for behind-the-show content has led Cirque du Soleil to create Snapchat and Periscope accounts to show the backstage of their shows, the rehearsals of the performances, previews, and other exclusive contents, which brings the audience closer to the show.

Nonetheless, Cirque du Soleil is not the most advanced company when it comes to new technologies. This can be explained by the fact that it is a show that must retain absolute authenticity. Indeed, it is an old company based on its "ancestral" roots, know-how, and, as such, the group is considered to be one of the best circuses in the world as well as very family-oriented. Therefore, to remain consistent with its brand image, it cannot digitalize everything.

Cirque du Soleil's website has several clear headings in which permanent shows are divided with the names of cities in which they take place, the group's touring shows, and demonstration videos. When you click on "Book a ticket" on the Cirque website, you are redirected to a ticket reseller's website. This website offers lodging, train, and plane tickets to see the shows. As a result, it's straightforward for a group or a person to take a trip to see the events offered and book a private event.

YouTube gives customers a taste of the shows, and the circus's posts are very regular. On Instagram, the circus posts many artistic photos, training videos, and profiles of the main troupe's members. A customer can get to know the troupe and continue to follow its adventures, ensuring a kind of loyalty even after a person has seen a show. Cirque du Soleil uses Twitter to promote its upcoming shows and share news about the circus. Lastly, Facebook is a mix of the three previous social networks. It includes promotions, videos, and photos, among other things. The circus's followers are very active with their community on Facebook.

Cirque du Soleil also relies on virtual reality to create a phygital experience, breaking the boundaries between real life and fantasies. In 2017, the company launched a virtual reality app for the virtual reality headsets Samsung Gear VR, Oculus Rift, and Oculus Go. The technology allows fans to immerse themselves in four different worlds of their choice: KÀ, an experience at the heart of a battle; KURIOS, a perception-challenging reality; LUZIA, a waking dream in Mexico; and O, an underwater experience.

Cirque du Soleil's challenges in the future: what's next?

Unfortunately, Cirque du Soleil's current financial situation is dire. The group recently had to lay off more than 4,700 of its employees because the Covid-19 pandemic forced the circus to cancel 44 shows.

To remedy this, Cirque du Soleil should use digital technology in two ways: first, for promotional purposes, and, second, to facilitate the customer experience. The company could generate some revenue by including a phygital experience. Indeed, the main issue with Cirque du Soleil is that the cost of its tickets is quite high. Many teenagers and young adults would prefer to spend their money on something more tangible than an ephemeral experience. Cirque du Soleil should, therefore, try to change the image it

has of being a costly and nonessential experience. For example, the circus could create attractions aimed at children, which would broaden its audience base.

To change its image, Cirque du Soleil will have to remind younger generations of the beauty of the circus and its shows. For instance, Cirque du Soleil could elect to do a monthly show on college campuses using virtual reality. The circus could also hold contests on its social networks or allow people to win free tickets by using a mobile phone application. Such an effort would appeal to young people and boost Cirque du Soleil's image. Cirque du Soleil could also ask its artists from the troupe to make appearances on campuses and in places frequented by 15–30-year-olds, who are the least likely to go to the circus's shows. These appearances could be accompanied by a hologram of the presenter reciting a text that would plunge spectators into the circus world and attract their attention, hence immersing them in a phygital experience.

Cirque du Soleil might also launch a campaign that would allow people to watch some of the group's training online, and at the end, potentially win a gift, such as free tickets to a live show. At the end of the show, viewers online could be sent a sharable link directing them to Cirque du Soleil's store.

As far as the show itself is concerned, the circus could, for example, do an entire show using computer-generated images. A drone could be used to "virtually" carry an audience member onto the stage and back again. Cirque du Soleil could also offer spectators a 4D experience with, for example, wild animals in holograms walking around in the audience. 4D would allow customers to see the holograms, feel the roar on their skin, and smell the animals' odors, hence having their senses affected. Finally, Cirque du Soleil could provide its customers with a more optimal experience by eliminating queueing. For example, the show's mobile app could send customers exact times for their arrival so people wouldn't have to stand in line for so long to see the shows.

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Questions for discussion

1. Explain how Cirque du Soleil has shifted from traditional marketing to experiential marketing. How does the company implement the customer experience online and offline? Discuss the role digital devices and technology play in this process.
2. What makes the Cirque du Soleil experience unique and memorable? How is Cirque du Soleil adapting to the new needs of customers? Describe the stages of the customer experience before, during, and after a show.
3. Describe how Cirque du Soleil looks at the customer's journey. Analyze the touchpoints along the journey and the way each negatively or positively affects the customer experience.
4. How does Cirque du Soleil use digital storytelling to share common values with its customers? Compare the elements of Cirque du Soleil's digital storytelling available on the group's official website, Facebook, Instagram, Twitter, and LinkedIn.
5. Discuss how Cirque du Soleil uses empathy and innovation in its experiential marketing mix to strengthen its relationship with visitors.

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) at Cirque du Soleil. Your job is to enhance its digital presence and connect the group's physical show experience with its online platforms. What would be your starting point? How would you go about identifying online and offline visitor experience touchpoints and connecting them to deliver a satisfying and immersive customer journey?

Company case 35: How Red Bull's sporting events are transforming the event sector by focusing on the customer experience

Red Bull is showing how companies in the sports events sector can create a meaningful experience for people while sustaining the benefit of increased consumption, community, and the company's brand relations. By sponsoring sporting events, the drink maker has turned its customers into fans. Since its creation, the brand has placed its customer experience at the heart of its communication. It is thus essential to investigate the story behind the success of the sporting events sponsored by Red Bull as well as explore how the company is adapting to the new consumers' needs and offering them great experiences through the use of digital technology and data.

How did it all start? Tips from Red Bull Events Sports' marketing strategy

Red Bull's sporting event effort began in 1996 with its sponsorship of Xeno Muller, a Swiss rower and Olympic gold medalist. Sponsoring more obscure sporting figures in its extreme sports niches would later become a defining characteristic of Red Bull's sporting events. For example, in 1998, Red Bull created a race involving teams of four people competing in four extreme sports (e.g., skiing, running) while racing through the mountains of Italy. The race was the brainchild of Werner Grissmann, a former World Cup skier and this extreme event captured the imagination of the community of people who compete in extreme sports. Today, the event continues to be renowned as one of the toughest races on the planet.

The Red Bull Air Race (a race that involves doing air races in which pilots complete turns through challenging obstacles) was launched in 2003; Red Bull BC, a breakdancing competition, began in 2004. Red Bull's cliff diving contest was launched in 2009. Red Bull Stratos, which was held in 2012, is perhaps the brand's biggest stunt that involved skydiver Felix Baumgartner. Baumgartner was launched via a helium balloon into the Earth's stratosphere. He then began free-falling before parachuting back to Earth. The trip took 10 minutes.

By holding such extreme events, Red Bull has established a brand myth of sorts. People have become intrigued and entertained by the extreme feats of each event, allowing the drink maker to position itself as "cool" and "extreme."

Red Bull began in the 1980s by selling its energy drinks in small communities. Today the brand earns more than \$6 billion annually, making it a real player in the mainstream worldwide energy-drink market. Its competitors include Monster energy drinks, and it shares shelf space in stores with the likes of Coca-Cola's products. Red Bull's positioning has truly evolved from a niche extreme sports drink to a mainstream drink, just like the events it sponsors have done.

Red Bull continues to target people aged 18–34 through its events. The events have a massive annual marketing budget. Red Bull has more mainstream activities, including football teams and two Formula 1 racing teams. However, the company does not merely sponsor athletes and organizations; it actively markets them as assets. This was evidenced by one of Red Bull's Formula 1 teams doing a zero-gravity pitstop in 2020. A zero-gravity pitstop is one that gets an F1 car floating in the air. As such, Red Bull has become the go-to brand when it comes to extreme experiences.

Red Bull is also a brand that sponsors a considerable number of traditional sporting events. Its sporting event marketing and communication strategy has given it great stature and is the key to understanding the success story behind Red Bull and its sporting events. Red Bull has built up an almost omnipresent brand within extreme sports, to the point where it would seem strange for extreme sporting events, such as airplane racing or extreme mountain racing, not to be sponsored by the company.

By assuming the identity of the “cool” and “extreme” brand, Red Bull projects the image of a company associated with interesting and exciting things. As a result, people also identified with the qualities of these sporting events and began to form a group of likeminded consumers who can be more easily targeted by Red Bull. That has helped the company to foster brand loyalty. Heightened loyalty means higher levels of repeat purchases, as a study by Accenture in 2018 found. The Accenture study showed that two-thirds of customers would spend more on brands if they feel a sense of loyalty toward them.

Another marketing and communication strategy enacted by Red Bull is storydoing. Storydoing “combines story and action to put customers at the heart of the story.” Red Bull events such as the now-iconic Red Bull Flugtag airshow (Flugtag means “flight day” in German) is an example. Flugtag is an event in which people build and fly human-powered machines off a flight deck before crashing into a water body below them.

Giving consumers the ability to compete and create their own stories within a setting created by the brand is a perfect example of storydoing. The experience will stay with the consumer and be associated with Red Bull more so than just watching professionals compete in their sports. As such, Flugtag is an example of experiential marketing because it creates direct connections between a brand and its users.

Overall, the marketing and communications strategy surrounding sporting events such as these is channeled through social and symbolic digital strategy methods. One of those methods involves sharing the experiences through various social media platforms, such as Twitter and Facebook, and on YouTube and Red Bull TV. Red Bull TV is a free digital channel available globally.

How do Red Bull's sporting events redefine the event industry by placing the customer at the center of its strategy?

Red Bull's sporting events redefine the customer experience as the physical interaction a customer has with a brand. Sponsoring extreme sports links the Red Bull brand with

the “entertainment” and “excitement” it gives to people. People can forget about their worries and enjoy watching athletes compete and also themselves compete in some cases. As an energy drink-focused company, Red Bull realized its tired athletes and customers need to be revved up with the company’s energy drink and to continue what they are doing and enjoy it.

Red Bull is a leading brand in the energy drink market, but it faces many competitors. Two of the best-known are Coca-Cola and Gatorade. Among nonalcoholic beverage brands, in the United States, Gatorade is ranked first, Coca-Cola is ranked second, and Red Bull is ranked thirteenth. Red Bull does an excellent job of interacting with the consumer online but lacks word-of-mouth performance when it is offline. Coca-Cola maintains a good connection with its consumers, both online and offline, but not to the extent that Gatorade does.

The two brands both sponsor the NBA, and well-known basketball players help advertise the brands. People who dream of becoming basketball players buy drinks like Gatorade and Coke because they want to associate themselves with the pros of promoting the drinks, feel what they are feeling, and become like them. However, some people are likely to view professional athletes as superstars to whom they cannot relate. In contrast, the extreme athletes shown in Red Bull competitions and videos are not well known. Consequently, young people feel like they have more in common with them.

Red Bull uses phygital to make the consumer feel engaged in extreme sports visually and emotionally. The company creates videos, blog posts, landing pages, and a variety of content for its target audience. Most of the videos illustrate high-energy and high-impact activities, and the consumer can visualize being the person taking action on the screen. An example is Felix Baumgartner’s supersonic free-fall from 128,000 feet above the Earth. Many people were shocked by the video of the jump, which has 45 million views.

Red Bull’s consumer-centricity and customer experience touchpoints

Red Bull is known to bring the audience “excitement” and to rev up its product users. The main touchpoints used by Red Bull include print, TV, digital, mobile, and other touchpoints. The consumer can also download Red Bull’s mobile apps to receive the latest news about the company’s sporting events or other activities associated with the brand. Games like “The Art of Flight” are offered as well. As noted, the company also uploads videos on YouTube and short clips on Instagram. Red Bull produces videos that get a lot of views, which leads to engagement for the brand.

The strategy used by the company is unlike others. Red Bull focuses on promoting its product and developing the brand’s identity to appeal to people with distinct lifestyles. Consumers don’t feel pressured to purchase the product; they buy it when they want to. This leads to a positive brand image of Red Bull. Besides, as noted, Red Bull focuses on its interaction with its target market and reaches out to it by hosting events and offering its energy drink to the participants.

One racing event attracted up to 30,000 spectators over a weekend of activities. It was a great selling opportunity for Red Bull. The event promoted the brand and created a positive relationship with the people who attended the event. Red Bull’s logos appear everywhere and on everything during the events, making it visible who sponsored them. Red Bull also owns several sports teams, including Red Bull Racing, Scuderia Toro Rosso, New York Red Bull, and so forth. The athletes on these teams wear Red Bull jerseys, which is another way to promote the brand globally.

Not only does Red Bull host sporting events, but it also hosts dance and film festivals and sponsors music festivals like Coachella. Coachella is a well-known, two-weekend-long music festival that takes place in the desert. Red Bull's marketers know that not all people watch or engage in extreme sports. Consequently, the company has expanded its advertising to music festivals. Today, Red Bull is considered a media company and an energy-drink brand that provides people with an opportunity to feel excitement like they have never felt before.

How does Red Bull leverage technology and data to offer the ultimate customer experience?

Red Bull has taken advantage of experiential marketing to the fullest by providing consumers with energy drinks and weekends full of experiential events that keep people on the edge of their seats. "Experiential events are an amazing soft-sell technique that, if well planned and orchestrated, can lead to great positive brand associations with great benefits eventually trickling down to the bottom line," says Daniel Ngongang, a digital brand specialist. As important as it is to offer an excellent customer experience, content creation is key to keeping the customer expecting new events and experiences. While most companies will likely outsource their content marketing efforts or hire a community manager, Red Bull took its content creation further by establishing the Red Bull Media House (RBMH). Ngongang explains further, RBMH is an in-house media department that employs more than 130 people who are directly responsible for all of the print, online, video, and TV content Red Bull creates. "RBMH has writers, content creators, graphic designers, filmmakers, and editors among its ranks." This differentiates Red Bull as a brand and also the experience it provides the customer.

Influencer marketing is also a technique that has worked very well for Red Bull. The brand collaborates with famous athletes from different sports (such as cycling, motorcycling, skateboarding, and skydiving) by having them participate in the company's events and wearing the name of the brand on their clothing and consuming the product. Influencer marketing makes consumers engage with the brand in an aspirational way because they want to be like the famous athletes featured in the events and want to get to see them and maybe take a picture with them.

Red Bull is always looking for the most creative content users share on their social media accounts and then reshapes it to make it go viral. For example, the company has created a bottle flipping trick. It requires a skateboarder to flip a bottle of Red Bull on the front end of the skateboard and land it entirely back in place. This gets the user involved with the brand, and it is very probable that people try the trick themselves and share it on their social media networks.

Throughout the years, Red Bull has made sure it is present at all the most important sporting events; this has created a link between the brand and the activities. The consumer experiences fun, joy, and happiness while at events and drinking a Red Bull. It is also aspirational because the slogan of the brand is "Red Bull gives you the wings you need." The slogan can be adapted to whatever dreams the consumer has, such as going skydiving, riding a motorcycle, or seeing a Formula 1 race. Thus, Red Bull knows that times have changed, and traditional marketing is no longer the most effective way to reach the consumer. This is why it has invested money and time creating content and experiences not offered anywhere else in the marketplace.

What Red Bull offers takes the sports to the extreme, and this is aspirational for consumers. Red Bull is a lifestyle. It has nothing to do with the product the company sells but with the idea of “living” that the brand has created throughout the years.

Red Bull’s challenges in the future: what’s next?

The main challenge Red Bull will face in the future is how to continue to offer the consumer the chance to be a part of the main event, that is, to participate in extreme activities. Red Bull could address this challenge by launching an exclusive course where customers can learn how to do different extreme events with professionals. Red Bull would still be creating relevant social media content, but this would be a new way for people to interact with the brand. No other brand offers this kind of course presently. Doing so would also be an opportunity for the company to create new products related to extreme sports.

Another challenge that the brand will run into eventually is keeping its content relevant to get the consumer excited continuously about what will happen next. The company needs to make a phygital connection with the customer. Red Bull needs to focus on the storytelling of the brand as well as on some of its most relevant influencers, so the consumer feels a connection with the brand by knowing a little more about its history.

Another way to create more engagement is to provide consumers with information about extreme sports, motorcycles, bikes, skateboards, and so on, such as tips and new tricks they can learn at home. The brand is already targeting the cognitive, affective, and social elements of the customer experience, but it still has to focus on stimulating the five senses of the consumer. Red Bull can provide more interaction with the company and the activities it creates, such as challenges where the users can participate and win a trip to one of Red Bull’s sporting events and get the chance to meet famous athletes.

Another good way to create an experience for the user would be for Red Bull to develop online games that customers can play with their friends. This is an excellent way to make consumers feel connected with the brand and socialize with their friends on the same platform. Overall, the brand has done an excellent job in the entertainment, aesthetic, and escapist realms. However, the company still has great potential in the educational sphere because it can teach consumers and engage them in activities. These activities will be beneficial for the brand because it is already substantial in terms of the content and events it creates. Red Bull not only offers an experience to the customer, but the customer identifies with Red Bull in a more profound way than just the product does. Customers not only believe in the product; they have created a whole lifestyle around the brand. Red Bull must maintain this environment and also search for new markets and sectors that may be interested in collaborating with the company.

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Questions for discussion

1. Analyze Red Bull's experiential marketing and online strategies. How does the company gain and improve its knowledge about customers?
2. How does Red Bull link its online experience with its offline entertainment experience? What are the main touchpoints, and what emotions are generated by each touchpoint? If a customer has a negative experience, how might Red Bull deal with it?
3. How has Red Bull evolved its marketing strategy to integrate the customer experience with its digital, marketing, and communication strategies? Are these changes in line with today's consumers' needs in the events and entertainment sector?

4. Describe how Red Bull can improve its customers' overall experience before, during, and after a purchase.
5. Discuss how Red Bull Sports Events can implement the 7Es of the experiential marketing mix presented in the book by Wided Batat, *Experiential Marketing* (Routledge, 2019) to design a satisfying and profitable event experience.

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) for Red Bull. Your job is to create a new, highly experiential event that integrates the customer experience and the use of technology and data. How would you use the tool of the 7Es of the experiential marketing mix to design the event and elevate it to a "must do" event?

Company case 36: The Super Bowl offers the ultimate sports experience

The Super Bowl is one of the most important events that has marked the history of sports and entertainment. The day of the Super Bowl is a highly anticipated day all over the world and plays an iconic part in American culture. To improve the customer experience of its audiences and attract new ones, the Super Bowl integrates multiple devices and touchpoints that make its success. It is, therefore, interesting to explore the story behind the Super Bowl's success and how it is enhancing the customer experience online and in stadiums by combining both digital devices and emotions.

How did it all start? The story behind the Super Bowl's successful strategy

The first Super Bowl took place at the Los Angeles Memorial Coliseum on January 15, 1967. Tickets cost no more than \$12. The first Super Bowl game between the Green Bay Packers and the Kansas City Chiefs was called the AFL-NFL World Championship. The name was formally changed to the "Super Bowl" one year later, after Lamar Hunt, the founder of the AFL (American Football League), and the owner of the Chiefs told a funny story. Hunt explained that the name came to mind after his little daughter used to call one of her toys, "Super Ball." He found it smart and modified it to "Super Bowl." The game has been called this ever since.

The Super Bowl initially was not expected to be as successful as it is today. At the time, it was only broadcast by two networks, and nearly all of the seats were available. A lot has changed over the years. Today the Super Bowl is not just a game; it has become a large franchise that offers entertainment besides just the game. It's a great show with music performed by the most famous artists, teams that have tens of thousands of fans in the stadium, funny TV commercials and ads, and emotions.

Even if you don't really like football or don't follow any teams, you can still be attracted to the Super Bowl. It is not just a game; it has become practically a holiday. In recent years, the average number of people in the United States who watch the event ranges between 100 million and 110 million. Almost three-quarters of people in the United States planned to watch Super Bowl LII, according to one survey of more than 7,000 adults. Among TV sports watchers aged 25–34, 64 percent are men and 37 percent of women.

We can say that this great event's primary target audience is American families. Each year they gather together on game day. Some people prepare for the event for months. Consumers are so loyal that they want to know who the next year's game is going to be between as soon as the present game ends.

The Super Bowl and American football, in general, are not just big moneymakers. Their social influence in the United States is very significant. The game represents the mythology of individual effort and teamwork. The evolution of the brand keeps changing each year as different trends emerge, but the main essence of family and friends gathering to watch the Super Bowl still remains.

The Super Bowl uses an interesting communication approach. For example, it runs ads before the game to get viewers' attention to ensure they watch. What the event is primarily doing is "owning the day." What does this mean exactly? It means creating a loyal community that each year is expecting the brand to do something new. As an example, in 2020, the show's half-time entertainment featured Shakira and Jennifer Lopez as the female figures and J Balvin as Bad Bunny. These famous artists were chosen not just because they are well known but also because they know that the Super Bowl provides the best entertainment and that no other event can match. That creates a hedonistic environment filled with excitement. Indeed, the NFL has loyal viewers who keep tuning in all year long.

Advertisements are a crucial part of the event. Usually, people try to avoid commercials as much as possible. But on game day, people look forward to seeing Super Bowl ads because they are among the most creative and fun ads on TV. To demonstrate how vital commercials are to the Super Bowl, consider the following: usually, a one-hour program has about 13 minutes of advertisements; the Super Bowl, which lasts about 4 hours, has about 46 minutes of ads. Moreover, brands are willing to spend \$5 million for a 30-second spot.

How does the Super Bowl redefine the sports experience?

The Super Bowl offers an extraordinary experience. The audience and fans can enjoy the game and entertainment in absolute amazement. Everything is thought through to give customers a full experience.

A downloadable Super Bowl app offers fans a variety of conveniences, from providing the cheapest ways to travel to the stadium and directions to restrooms with the shortest wait times. The stadium also provides RFID (radio-frequency identification) tags to families so parents can keep track of their children. Thus, the biggest difference between the Super Bowl and other sporting events is that they do not offer such a spectacular experience.

The Super Bowl is an event that people talk about for weeks. Millions of people watch the show and its commercials over and over again on YouTube after the game. The Super Bowl is a sports event that is transforming the customer experience to maximize its

entertainment value. Even those at home are not neglected as they can watch everything through different devices and fully enjoy the event from the beginning until the end.

The Super Bowl's consumer-centricity and customer experience touchpoints

To improve the customer experience, the Super Bowl integrates multiple devices and touchpoints. The main device used in the Super Bowl is the television or smart TV, which allows the live show to be conveniently replayed. The show can also be streamed live on iOS, Android, Desktop, Roku, Apple TV, Amazon Fire TV, Google Chromecast, and Android TV, among others. Millions of people in China watch the Super Bowl using their mobile devices, which also confirms that the event is not followed only by Americans.

The Super Bowl also has its own app called "NFL" that allows you to track all the organization's news and sports results as well as access the organization's website. The website also features an online shop where customers can buy products with the logos of the favorite teams and names of their favorite players. The NFL's online shop gets busier two days before the game; 69 percent of Super Bowl viewers start making purchases within that timeframe; 30 percent start shopping at least a week before the game.

The Super Bowl also uses social networks to interact more with its followers. The organization has accounts on Facebook, YouTube, Instagram, and Twitter. The NFL uses social media to post entertaining videos and pictures but also information about its events. On Facebook, followers can view videos about NFL athletes and their lives. These kinds of videos create a greater connection with viewers and retain fans. Some followers are active and comment on and like the NFL's posts; most followers just monitor the ongoing activities and information on the networks.

The Super Bowl is not the football game people watched accidentally if the television happens to be on. It is something much bigger. Today people are more connected to this event all year round through different devices and touchpoints.

Leveraging technology and data to offer the perfect online and offline sports experience

Nowadays, technology is an inseparable part of a company's marketing campaigns. Companies use different digital strategies to create successful customer experiences. The Super Bowl is no exception. Another critical issue for all companies is building a loyal audience. Nobody can imagine the Super Bowl experience without pizza. By collaborating with companies like Pizza Hut and Dominos and their immersive mobile marketing campaigns, it has become a custom to order pizza while watching the Super Bowl. This custom creates unique feelings in the minds of customers. And it is an affective dimension. When it comes to the sensory aspect, everybody remembers the voices of commentators. You could become a part of this tournament. You feel the atmosphere of the Super Bowl.

Also, the digital marketing campaign of the Super Bowl integrates a social dimension via exclusive contests and conversations. For instance, the Super Bowl has its own gifts for spectators. As a result, spectators also became ambassadors of the Super Bowl. The Super Bowl also motivates viewers to post photos and videos with hashtags: "Super Bowl party," "family playing sport," and "NFL world."

The Super Bowl also has a unique platform, where people try to predict the winner. Also, the Super Bowl creates exclusive games for spectators. The one that gets the most

"buzz" is "Where is Waldo?" The Super Bowl posted a "Waldo" photo in a particular place and asked the question: "Where is Waldo?" People were engaged in finding him. All of these activities create a distinctive atmosphere, like a private club for everybody, who is a part of the Super Bowl tournament. These allow all NFL customers to interact with each other and, what is more vital, to feel like they are part of the Super Bowl team.

The Super Bowl is thus like a national holiday in the U.S. It has special pre-ceremony, "SoCal" discussions during the tournament, and its own history. So, it is like storytelling. Spectators, teams, media stars become a part of this story. During the competition, fans take part in different online contests. They could win a special prize. In this way, clients become immersive.

The Super Bowl's challenges in the future: what's next?

If you look at the trends on Google, you can see how often people search for the term "NFL." What you will discover is that the popularity of football is increasing. Undoubtedly, there are no signs of the NFL losing spectators in the near future. However, the threat is real. If you look at other sports, such as hockey (NHL) or basketball (NBA), you can see that their popularity is starting to wane, for unclear reasons. The NFL is not facing such a scenario currently, but it could in the future.

Moreover, we do not know how the Covid-19 pandemic will change the behavior of consumers. People may be afraid to go to crowded places. Younger people also enjoy playing video games, and the development of virtual reality could change people's hobbies. This is a threat to the Super Bowl and the entire sports industry should pay attention to it. It should promote itself in schools. For instance, the popularity of football is waning among younger people. Many parents don't want their kids to play the game because of the head injuries associated with the sport.

Another challenge is related to the development of competitors and substitutes. There are many substitutes from different parts of the world. The Super Bowl is renowned in the United States and Europe. However, one of the biggest markets in the world is Asia. The game is not broadcast there. On the one hand, Asia could pose an opportunity; on the other hand, it could pose a threat if, for instance, soccer was to become more prevalent in Asia compared to football.

Moreover, the NFL and the Super Bowl face stiff competition from other sports leagues in the United States. For example, the MLS (Major League Soccer) is becoming more popular in the United States. The NBA (National Basketball Association) is also very popular with people all over the world. Stars such as Michael Jordan and LeBron James are familiar faces. Of course, the threat of substitutes is global too. Soccer is far more popular than football. And more people watch soccer's World Cup of soccer than watch the Super Bowl.

That said, the Super Bowl has huge potential to become one of the most famous games watched worldwide. The main idea is that the NFL should take into account the development of the football-viewing market, not only in the United States but in the world. Moreover, every Super Bowl needs to get better and better for the event to attract viewers and fans.

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Questions for discussion

1. Describe in categories all the Super Bowl's sports experience and identify the painful touchpoints in the customer journey before, during, and after the experience.
2. Explain how the Super Bowl can use Big Data, mobile shopping, and extended reality technologies, such as virtual reality (VR) and augmented reality (AR), to elevate the customer experience. What are the advantages and disadvantages of each technology? Can you think of another type of technology the Super Bowl should use to elevate the customer experience?
3. Explain how the Super Bowl can attract new viewers in Europe. What can the Super Bowl do to adapt to this culturally different target?

4. Discuss how the Super Bowl can reinvent the sports experience to attract both kids and families.
5. How does the Super Bowl provide value and engage its users through its platform? What sets of values and services should the Super Bowl incorporate to elevate its platform?

Challenge yourself

Imagine you have been hired to be the Chief Experience Officer (CXO) at the Super Bowl. Your job is to reposition the game to target luxury consumers. How would you proceed to create the Super Bowl luxury phygital experience? What kinds of marketing research can you use to know more about the needs of luxury consumers in terms of sports?

PERSPECTIVES ON THE SECTOR



Babak Taheri, Professor at School of Social Sciences, Edinburgh Business School

The contemporary society is seriously becoming a leisure society. Based on customers' socio-cultural norms, economic resources, and personal agendas, they pursue diverse forms of leisure to cope with their reality of life. Through leisure, customers may seek ways of converting their less satisfactory existing life situations, such as boredom or anxiety, into more desirable modes of being. Here, understanding consumer experience during service encounters is essential for the leisure and entertainment sector to survive and compete more effectively.

It is well accepted that customer experience can be observed from multiple perspectives, including customer, firm, or co-creation. However, the complexity of customer experiences in multichannel decision-making settings such as the leisure and entertainment sector has led to a lack of theorization and empirical assessment of customer experiences in the field of leisure studies. Here, researchers have used customer satisfaction and loyalty measurements as proxies for evaluating the customer experience. Nonetheless, a recent review of the consumer experience literature highlights several conceptual and empirical deficiencies. For example, the multidimensional nature of customer experiences has led the leisure and

entertainment researchers to focus primarily on the cognitive and affective dimensions, with few studies evaluating the social aspects. Thus, there is a venue for further investigations on antecedents and outcomes of such interactions.

Customers' growing interest in leisure is not only driven by their "instinctive desire" for entertainment. Customers are becoming more interested in leisure because their imagination is stretched out beyond the boundaries of their everyday life horizons. Customers are now more able to imagine a wide variety of new modes of being. Customers are more able to embrace leisure in different ways. With the advancement of technology, the boundaries between vicarious experience and lived experience are becoming more blurred than ever. Second Life, an online virtual world, best exemplifies this scenario. Customers immerse themselves in virtual worlds as though they are more real than real. For Facebook or Instagram, or similar social media platforms users, there may be more meaning and value to their virtual communities than to the non-virtual ones. To this end, research examining experiences can take both a process-based or outcome-based viewpoint. Recent studies argue that the major challenge in evolving an exceptional customer experience lies in creating a connection among different touchpoints within the customer experience to achieve positive outcomes. Interestingly, service organizations use "engaging stories" from their customer interactions and digital projective materials to improve their service design and offerings by managing both service touchpoints and customer experience. Yet, the leisure and entertainment sector and literature remain thin on the factors contributing to the successful management of customer experience.

Leisure activities provide customers with moments of excitement, happiness, creativity, escapism, learning, socializing, fun and play, and the like. However, the creation of such experiences depends very much on the depth and quality of "engagement." Many venues competitively put a great deal of effort into winning customers and keeping them engaged in their increasingly attractive physical or virtual environments. Shopping malls, casinos, hotels, Disney theme parks, and the like have all become "cathedrals of consumption" in which customers of goods and services are encouraged to spend long hours and, consequently, more money. With its over \$3 trillion market, the global entertainment and media industry continues to attract more and more customers in all corners of the world. In the midst of such an enormous market, one would wonder how traditional leisure and entertainment modes such as museums or heritage sites can remain competitive and attract visitors! An inevitable conclusion is that it is only through enduring and high-quality engagement that such places can accomplish their mission and remain attractive to their evasive modern audiences who demand more different, digitally connected, and memorable experiences. This is a responsive or rather passive strategy.

The ideal situation is to make them sufficiently competitive to outdo the competition. For example, augmenting playful engagement for traditional leisure platforms may not be the only, but is undoubtedly a crucially significant, way of attracting and retaining customers. Playful engagements should not be viewed as

only activities that take place within the physical leisure environment; if effectively implemented, these activities can insert their impact on society even outside the physical leisure environment. Besides, service marketers and managers should not see playful engagements exclusively as ends in themselves. They can serve a multitude of purposes that can collectively offer value to society.



Alain Decrop, Professor at the University of Namur and Director of the Center for Research on Consumption and Leisure

In the show-business sector, customer experience when attending a musical show is manifold. Of course, the experience is most likely to be driven by the cultural performance itself. Spectators come to hear the music and see the artist they love, so their ears are pricking up when the artist or band is playing on stage. The show's theatricalization (decor, screens, special effects, etc.) also plays a major role in the experience. In addition, most spectators are also thrilled in living a social experience. Communion and the "social sharing of emotions" are key to successful musical performances. Finally, shows support the expression of some ecstatic or cathartic behaviors that are often controlled or repressed in everyday life. Satisfaction and loyalty to an artist or to a band are influenced by these dimensions. But I would insist on two particular dimensions: the artist should be authentic/honest with his/her fans and give him/herself without calculation (as to the duration of the show and the framing of the tunes, for example).

The digital does not play a significant role in experiencing a musical performance as most spectators come to the show for the music, the artist, and the atmosphere. However, digital technologies have a growing importance in the show-business industry. On the one hand, they help to better manage the booking and check-in process. An increasing number of spectators no longer print their tickets but only come with their smartphone e-wallet and check in with a QR code. Besides, a growing number of venues allow them to pay uptake and merchandise cashless either directly with payment apps or with RFID reloadable bracelets.

On the other hand, technologies are increasingly incorporated in the show itself (interactive screens, special effects, etc.). For example, on his last tour, Jean-Louis Aubert, a French singer-songwriter, actually stands alone on stage but uses holograms to recreate a full band while the performance is in progress. But the digital world that invades musical shows also shows some drawbacks. Instead of enjoying the live performance, many spectators nowadays spend most of their time filming and taking photos. To avoid such damage to the artist but also to the customer experience, Jack White, an American singer-songwriter, decided to ban mobile phones during his gigs in 2018–2019.

The biggest challenge due to the current coronavirus crisis is to survive, as shows are forbidden in many parts of the world, especially if they are where massive crowds gather. When venues reopen, the social distancing measures will undoubtedly affect the cost structure of promoters, and also, the customer experience itself as wearing a mask and keeping a physical distance are in sharp contrast to expectations when attending a show. It will certainly take a few years for the industry to recover its sales level in 2019. Another major challenge is to keep reasonable prices. The digital world has disrupted artists' business model, as illegal downloading and streaming have sharply reduced their revenues on recordings' sales. They try to compensate such losses by increasing their fees and commissions on their concerts, which has led to a rise in ticket prices in the two last decennia.



Ignacio Cepeda Carrión, Professor of Sports Management at the University of Seville

I define customer experience in the sports sector as the internal and subjective response of customers to both direct and indirect contact with an organization. The customer experience has been described as the core of the service offering and service design. Creating a superior consumer experience is a key objective for firms wishing to build a true customer loyalty. From the

firms' perspective, consumer experience management requires manipulating the interactive elements of the service delivery system to elicit positive user responses. From the consumer's perspective, any sports organization must manage the sport consumer experience to (co-)create and develop value through direct and indirect contacts. Direct contact with sport consumers generally occurs when a sports service is provided and is usually initiated by the sport user. Indirect contact may involve unplanned encounters with sport center employees who offer services to sports consumers. We can state that the service (i.e., sports services) is a perspective on value creation, where the customers define based on the value in use and resulting experiences. Customers are resource integrators in the co-creation of value.

I believe that technological development is an aspect that has a direct impact on the sports sector. On many occasions, technology has become a powerful driver to be able to promote disruptive changes that otherwise could hardly be developed. It is true that as with many resources in organizations, having technology by itself is not going to make you achieve sustainable advantages in the market, but it is necessary to apply and use that technology. In this sense, it is key, as organizations must make use of their knowledge through their different processes of knowledge management, absorptive capacity, knowledge transfer, knowledge stock, and

knowledge application. Those organizations that understand this, and integrate it into their daily routines, will be able to obtain better results in their interaction with their stakeholders, including their customers. In the case of the digital experience, it is an opportunity for companies to directly, simply, and effectively offer their customers new places in which to interact with them and touchpoints that will develop these capabilities to create value together (co-creation), thereby helping the company to grow and be more competitive. These places of interaction besides the web, and direct communications, occur mainly in the digital world through the individual experience of each client, to share it with other customers, family and friends, and ultimately that the organization can create an ecosystem of relationship where customers experience things different from other services. As an example, we can highlight the case of e-sports.

The e-sports are growing in an exponential way their presence in many countries and their social-economic impact, where many private companies are reaching agreements of collaboration and sponsorship of events, teams, and gamers of the e-sports. These are digital video game competitions that have developed an entire industry with very high potential, and with millions of people who follow them and consume the services offered by e-sports organizations. Another example of digitalization is Real Madrid, a Spanish sports club known worldwide thanks to the development of its brand in the five continents. Real Madrid has focused on improving communication with its fans, and digitalization through apps and permanent interaction in social networks are making the Real Madrid brand continue to grow. Moreover, in this process of interaction with its fans, it has incorporated its sponsors so that the sponsors, together with Real Madrid, try to generate a superior experience for the fans.

Besides, the sports sector is facing important challenges. Since we are dealing with an industry within the scope of services, the client's experience is critical, and this is what will allow sports companies to grow and advance. These companies must focus their efforts on developing new ways of doing things, which will give them differential competitive advantages over competitors, and thus be able to create new products and services through several aspects to be highlighted:

- *Service experience*: Service experience is the key to business today. Customers interact permanently with organizations, among themselves, through word-of-mouth (WOM) and e-WOM processes and, therefore, what is an enjoyable experience becomes an excellent service. It is the customer who determines what a service is; thus organizations must make significant efforts to be very close and in permanent contact with their current and potential customers, to know what they want, and above all, what they will want in the future.

- *Service management*: The sports companies must be able to focus on the proper administration of their business, trying to develop and manage business models that are sustainable over time. These are above all based on dynamic capabilities and not so much on resources or operational capabilities. Those sports organizations that base their business models on developing organizational learning and unlearning capacities, knowledge management, and new ways of creating superior customer value will achieve their objectives with higher probability.
- *Service innovation*: Sports companies need the innovation process. They must innovate in a disruptive way to develop new ways of interaction with customers, apply technological innovation, and ultimately be in constant change and review new ways of interacting with customers. All the efforts in the development of processes of co-creation of value, I estimate that they go in that direction and in that new form of acting.

In summary, the sports sector is a sector with permanent changes: new sports modalities and new competitors appear, fighting to capture the attention of the clients, users, and fans. Therefore, sports organizations must always be alert to react to the challenges of the environment. We can ask ourselves, as a consequence of the Covid-19 crisis in 2020, how are sports organizations like the National Basketball Association (NBA), the French Tennis Federation, or the most relevant football leagues and teams in Europe going to plan the future, manage their resources, and make decisions? Are their business models sustainable in the face of a crisis like the one in Covid-19?

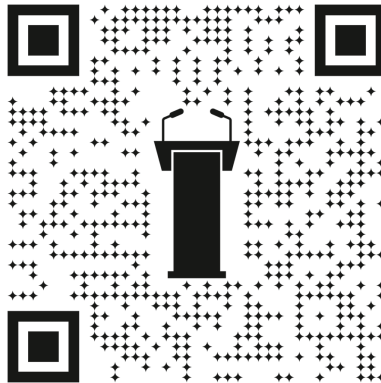
We can identify several areas where service-oriented organizations and economies have substantial challenges to face, such as digitalization, cybersecurity, corporate social responsibility, individualization, expertise, and service focus. We should not focus as a sports organization on the type of services we are going to offer, but instead on what you offer that helps customers in the commercial context or their own lives. This is the essence of competing based on experience and value.

Author's perspective on experiential marketing

Online video: "Introducing concepts & tools"



- Access the link www.youtube.com/watch?v=4ooWmEc2Vac&t=6s or flash the following QR code to view a short video featuring the author, who introduces and explains the concepts and tools companies can use to implement a successful experiential marketing mix strategy.



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