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The Experience Economy

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Abstract

The healthcare system is going through a natural evolution. Similar to the automobile or the airplane industry, healthcare providers are understanding the value of delivering a memorable experience to patients. Understanding the elements of a positive experience is critical for providers. In this paper we discuss the difference between satisfaction and experience and the components required to deliver a good experience.

While shopping through a grocery store, a customer smells the rich aroma of the bakery diffusing through all the aisles. While getting his/her shoes shined, a shoe valet dressed in a white jacket with a bowtie snaps his white cloth in a distinctive, musical fashion. While eating at the Rainforest café you see and feel the mist of the jungle throughout the store.

These are all examples of services that have increasingly recognized the value of creating a memorable experience beyond the delivery of that service. As healthcare continues to evolve to a value-based system, providers increasingly need to understand the evolution of the experience economy as a means of maintaining a competitive advantage.

Traditionally health care providers have been able to survive by just having a presence within the community. Delivering medical care was sufficient enough as there were no competitors in a region. With an increased supply of providers, competition is rising such that now a spine care provider has to differentiate their offerings from other similar providers. The risk of providers not differentiating themselves can result in a commodization of their service. As market forces such as competition are playing a larger role in shaping the future of the health care industry, maintaining a competitive advantage through the delivery of an exceptional experience will become more important for providers to survive.

Delivering higher quality health care is multi-dimensional. As providers our major focus has been on delivering better clinical outcomes for each disease. Hospitals have understood that although delivering great outcomes is important, *how* that care is delivered is equally important. In 2008 Don Berwick published his landmark article outlining his vision for the Triple Aim ^[1]. Beyond improving the health of the population and reducing costs, he discussed the value of improving the experience of care. As the healthcare system evolves, providers should understand what are the elements required to deliver an exceptional experience.

Service vs. Experience

To understand the experience economy, it is helpful to understand the different types of economic evolution that an industry goes through. Initially the challenge of making an automobile was so great that having a functioning car was good enough. Henry Ford succeeded because he was able to produce automobiles that fulfilled a particular function, transportation, in a reliable and consistent manner. Alfred Sloan and GM eventually rose beyond Ford by making a “different car for different customers”. The Model T and other cars soon became commodities. While Henry Ford continued to make the same Model T, GM came out with five different types of vehicles. Understanding that value represents the premium a customer is willing to pay above the cost of producing that good, automobile companies further differentiated themselves through offering more services with the car. ^[2] Some of these services include Sirius Radio, GPS, and using a Yelp directory. Automobile companies are no longer competing on the basic functions of a car; instead they are competing on the services around the car.

A *service* is a set of intangible activities that a customer goes through in purchasing a product. In healthcare, services are formally measured through questions such as “How long did you wait in the ER?” Experience represents the **emotional** and **spiritual** feelings surrounding the service. The success of an experience can be measured through the personal connection an individual feels to the service. Progressive health care providers understand that an experience represents the memorable events associated with that service. Achieving a memorable experience for a service often leads to an “A-ha moment” such that

the patient tells their friend or relative. Health care providers that are able to deliver this memorable experience are increasingly able to differentiate themselves and maintain a competitive advantage.

As providers are evolving to understand how to deliver greater value it is helpful to understand what are the elements required to deliver an exceptional experience.

How to Design a Memorable Experience

In the July-August 1998 issue of Harvard Business Review Pine and Gilmore wrote a landmark article on “The Experience Economy”.^[3] In it they discussed the five elements critical for designing a memorable experience.

1) Theme the Experience

When creating an experience, it is helpful to create a central theme that is consistently displayed as the experience. In Las Vegas, the Forum Shops are themed around a Roman marketplace. Every storefront has Roman columns and statues of Caesar are placed around the mall. This consistent experience has led to increased sales for the stores in the mall when compared to other malls.

In healthcare, providers have to begin asking themselves what type of experience they want to deliver for their patients. Many new clinics are being designed around delivering a peaceful and comfortable experience for patients. Newer hospitals and doctor’s offices have open architecture that allows a lot of sunlight to enter. Often calm music is played and art displaying peaceful scenes

are present creating a calm and comfortable environment. These new clinics look similar to spas than traditional doctor's offices. One Medical and Forward are two new types of practices that are redesigning their offices to reflect the themes of comfort and calm.

2) Harmonize Impressions with Positive Cues

Once the theme has been established then positive cues should be created that supports the theme. The takeaways that form these positive cues are called impressions. Many healthcare facilities create waiting rooms designed for comfort and peace. The chairs are at a comfortable height and spaced apart so that patients can wait in a relaxed manner. Employees at the registration desk add to the experience with positive greeting cues, instead of ignoring the patient at the desk. As the goal is to create a welcoming impression all behaviors of the staff should support the intended theme.

3) Eliminate Negative Cues

In an effort to provide good service, businesses will often over service customers that can lead to a negative experience. Currently the attention to the parking lot or repainting the walls of the hospital are examples of this. Many hospitals will redo the look of the walls but do not train their staff on how to deliver a memorable experience. As a result, patients often remember dealing with a difficult employee instead of the appearance of the building.

4) Mix in Memorabilia

To reinforce the experience for customers, businesses will often sell memorabilia. These mementos continuously reinforce the positive cues of the experience. When an individual goes to a rock concert, they will often buy a T-shirt of the band for a premium price. Although the cost of making the T-shirt is negligible customers want to remember the music and the experience they had. Customers are willing to pay a premium to remind themselves of their experience.

Providers do not typically sell memorabilia of their office visit. Instead patients go online and report a positive experience. This becomes a surrogate for the memorabilia. As providers begin to think about reinforcing the experience of an office visit, soon they will have to develop a method to reinforce the memory of the visit through perhaps a handout or a mobile app.

5) Engage all Five Senses

When attempting to reinforce an experience engaging all five senses can reinforce the positive cues. The Rainforest Café enhances the experience by not only spreading the mist that customers can feel but also making a sound when the mist is released. The more senses that you appeal to the more likely the customer will remember that experience.

Professor Ashish Nanda of the Harvard Business School has defined value in the experience economy with the equation:

$$\textit{Value} = \textit{Experience} - \textit{Expectations}$$

Managing the experience as well as expectations is a natural evolution in the transition to a value-based system. Patients who receive an exceptional experience are more likely to tell their friends and relatives. Many businesses that are able to deliver an exceptional experience have high net promoter scores.

With the advent of technologies that make it easy to spread information about an experience, healthcare providers will soon have to compete based off the experience. Providing quality care and service will be critical to sustain a practice; making the delivery of care a memorable experience will ensure that a provider maintains a competitive advantage.

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