Territorial development in the experience economy

*an evolutionary approach*

Lorentzen, Anne

*Published in:*
EUNIP 2008

*Publication date:*
2008

*Document Version*
Publisher's PDF, also known as Version of record

*Link to publication from Aalborg University*

*Citation for published version (APA):*
Territorial development in the experience economy. An evolutionary approach.

Anne Lorentzen
al@plan.aau.dk, ph: +4596358303
Dept of Development and Planning
Aalborg University
Department of Development and Planning
Fibigerstraede 13, DK 9220 Aalborg OE
Denmark
**Introduction**
For decades now many cities have been suffering from job loss in the traditional industries, while they have had only little potential to attract knowledge based activities, as these tend to concentrate in large metropolitan areas. A number of cities in Europe struggle against these trends by investment in tourism, attractions and activities, and by branding themselves as hosts for global events. They do so with considerable success. What they do is to exploit the potentials of the experience economy. This contribution intends to lay the foundations for understanding the possibilities which the experience economy may offer cities outside the centres of growth. The article sets out to present an understanding of the experience economy which focuses on its place bound dimensions. The article then develops an evolutionary approach to understanding the particular spatial characteristics of the experience economy, and it suggests that the experience economy can be understood as a particular techno-economic paradigm the economic geography of which is different from that of the foregoing paradigms. The article then turns to the discussion of what the experience economy may imply to the development of cities. It is argued that the experience economy represents a window of opportunity for cities which in other economic paradigms have less favourable or even peripheral positions. Finally the article discusses how this window of opportunity can be addressed by urban planning, and it is argued, that there are important differences between what is known as culture planning on the one hand and planning for the experience city on the other.

**What is the experience economy?**
Experience economy is a notion which intends to conceptualise a new trend in economic development in general in which the driver is people’s search for identity and involvement in an increasingly rich society. The notion is more encompassing than just the market for entertainment and culture, or tourism, which are just aspects of the experience economy. The occupation with the cultural aspects of spatial or city development is a related new trend in urban geography, which tries to grasp the role of entertainment and culture in city development (Freestone & Gibson, 2006) and the impact of creative industries and culture economy (Scott, 2004; Scott, 2006). However, it is the business economists Pine and Gilmore (Pine II & Gilmore, 1998; Pine II & Gilmore, 1999) which have become known for their notion of the ‘experience economy’. The notion of the experience economy has gained a role, not so much among private managers as it has among urban planners, among whom the notion has achieved the role of staging new discourses of urban development. In Denmark several cities have embarked on experience projects, investing in festivals of the Vikings,
of the Middle Ages or of Tordenskiold, or investing in experience rich harbour front environments, multi purpose arenas or concert halls. The Danish government has even launched a programme with a focus on the experience economy (Regeringen, 2003). This section will present the notion of the experience economy as it has been used in the literature until now. Based on this review the article develops the notion of the experience economy further with a particular view to its place bound dimensions. The place bound dimensions are considered particularly important to urban planning and development.

The notion of experience economy is in the outset related to a particular way to compete on the global market. To Pine and Gilmore (Pine II & Gilmore, 1998; Pine II & Gilmore, 1999) an experience can be a competitive advantage of products. The experience economy is the latest stage of an evolution aimed at extracting as much value from the market as possible. From this perspective the agrarian economy offered raw materials for the anonymous market, while the industrial economy offered manufactured standardized goods to the users. The service economy offers customized services to clients, while the experience economy offers personal experiences to the guests and customers (Pine II & Gilmore, 1998:98). Today, the success of a product thus depends on the experience that the product creates for the customer. Each stage represents a particular dynamic of value extraction, which is being out-competed by the following dynamic. It can be argued, that entertainment businesses creating experiences is nothing new as we have known circuses and theatres for centuries and cinemas for many decades. The new evolution, according to the authors, is that experiences today become integrated in activities and products that were earlier trivial. Restaurants organize their services around particular themes (eatertainment). Shops and malls organise shows, events or expositions (shoppertainment). Mundane services like transportation are also being connected with experiences. Truly, the possibility of having individual experiences has always existed. With new technology, however, the scope has considerably broadened. For example can interactivity be built into many services and products, and the ability to create experiences for customers has become a value for the company. The experience content increases the value of services or goods on the market. In sum, the core of the experience economy is the still more generalized strategy of economic actors to capitalise on experiences.
The notion of experience products

According to Pine and Gilmore ‘an experience occurs, when a company intentionally uses services as the stage, and goods as props, to engage individual customers in a way that creates a memorable event’ (Pine II & Gilmore, 1998:98). The experience derives from the interaction between the staged event and the individual’s state of mind. Therefore the experience is basically individual, although many individuals may have comparable experiences.

An experience can be considered a product, since it must be produced or staged to be available. Experiences are connected to the consumption of goods and services, by using them, by participating in activities and events, or by visiting or by living in vicinity to places and attractions. Experience products are thus very varied and can be consumed in different ways. The common denominator of the experience products is the particular relation between the customer and the experience product (Pine II & Gilmore, 1999). The customer may participate passively, as when enjoying a movie, or actively, as participant in activities, such as hiking, or attending a football match as supporter. The customer may further just absorb an experience being presented for him/her, or the customer may be part of the experience as participant. There are many combinations possible in the staging of experiences (Pine II & Gilmore, 1998:103). Experiences thus result from the design, development and introduction to the market. With a reference to marketing research it can be argued that in this process the quality of the involvement and even co-production of the consumer is important, as it was formulated by Bateson (2002) in relation to services. In this so-called relationship marketing the consumption of the service product is seen as a process rather than as a consumption of an outcome. A capability of the experience producers therefore is to be able to manage the prolonged relationships with the customers carefully (Grönroos, 2004). Rephrasing Grönroos (2004:103) this means to know the value system (the expectations) of the consumer that guide the need fulfilling and value generating process of experience product consumption.

The notion of ‘experience’ can be qualified in different ways. For example some of the experience products have the experience as its core (theatre). Other products have the experience as an add-on to known products (cell phones with game facilities). Some experience products have a high experience value, others have a low such value. High or low value refers to criteria of novelty, repetition, unpredictability and personal involvement. This differentiation has been developed by
Lund et al (Lund, Nielsen, Goldschmidt & Martinsen, 2005) and can be illustrated as an ‘experience compass’.

Experiences are enjoyable. This means that they create emotions with the person experiencing it. The emotional stimulation of experiences can be said to represent a stimulus for the individual to seek them (Jantzen, 2007; Vetner & Jantzen, 2007). This again may lead to identity formation at the individual as well as at the group level. This explains the drive toward experience consumption in today’s ‘hedonistic’ society (Schulze, 2005).

Pine and Gilmore suggest that the value of experiences is connected to the personal memory of experiences people have already had. This means that it is only an experience, when it is being told. The demand for and use of experiences is part of the creation of identity, because the particular experiences used by someone are signals of the person, someone wants to be (Lund, Nielsen, Goldschmidt & Martinsen, 2005). The value of the experience from this perspective is connected to

---

**Fig 1. The experience compass** (Lund et al., 2005)
the experience as communication and narrative. This also means that the experience need not be unique. The visit to particular places is often repeated. Entertainment as shopping is neither unique nor very personal. It is connected to daily life experiences, and become part of the identity of persons and of groups of persons.

In Danish language there is a useful distinction between experience understood as a result of learning (‘erfaring’) and experience understood as a thrilling experience, as for example an adventure or an artistic experience (‘oplevelse’). It is the latter, which is in focus in the experience economy, while the former is in focus in the learning economy or the knowledge economy (Lundvall, 1998).

From experience products to an experience economy
It can be stated that not all experiences are marketed, and that many experiences are free. Such experiences are not experience products and they are not part of the economy. Examples could be religious ceremonies, which are part of other social institutions (churches) than the market. Even marketed experiences are not new as a phenomenon. It is neither the existence of experiences in society as such, nor the production of experiences for the market that are new. I suggest that the basic difference between then and now is the structural context and role of experiences in consumption, employment and production.

The profitable trade with experiences requires a mass market. A mass market is established through two types of economic development. One is the growth of income among large population groups, particularly on the northern part of the globe, which allows many people to spend money for luxury consumption. Large segments of people are today wealthy enough to focus on consumption which goes beyond the lowest levels of the Maslow pyramid of needs. They are willing to pay for the highest level of consumption, which is self realization (Maslow, 1970). Self realisation is activities that persons undertake because they like it, not because the need to. Already in 1970 Alvin Tofler foresaw a situation in which the economy would be geared towards the provision of ‘psychic gratification’ (Tofler, 1970). These activities are most often connected to the leisure time.

Andersson and Andersson show how available leisure time has grown in the OECD countries (Andersson & Andersson, 2006:45). Rich people may be willing to pay higher prices for experience rich products than they would have paid for trivial products. Disposable incomes have grown in the OECD countries leading to an increasing share of the consumption dedicated for leisure activities,
due to the high elasticity of luxury consumption (Andersson & Andersson, 2006:42). See also Lorentzen and Hansen, this issue (2008).

While material well-being is one of the pillars of the experience economy, the sociology of the modern society seems to be another. The second pillar is the emergence of the modern society, in which people plan their lives individually and in which there is an orientation towards the future. People orchestrate their future lives and thus their identities by planning to purchase particular experiences (Lund, Nielsen, Goldschmidt & Martinsen, 2005). The trend towards hedonism has already been mentioned above. These two megatrends, the economic and time surplus and the role of hedonism and identity creation, represent the structural foundations of the experience economy.

In a more narrow sense the reason why it is justified to talk about the emergence of an experience economy and not just about the growth of specific experience branches is according to Pine and Gilmore (1999) that the experience strategy has got relevance as a strategy of innovation and marketing for most branches. The reason for this is that all goods and services can be staged, and new experience stages can be designed. It is not primarily, what is sold – the content of the product or service that defines the experience based strategy of businesses, but much more the way it is sold by involving the customer, as described above. This view contrasts with the use of the word experience economy to cover the so-called ‘creative industries’ as e.g. in the policy of the Danish government (Regeringen, 2003). Similarly the branches producing culture related products and branches representing a high degree of creativity have been in focus in research (Scott, 2004; Scott, 2006). The creative branches include tourism, fashion, visual arts, radio/television, publishing firms, toys/entertainment, sports, architecture, design, film/video, advertising, edutainment, events, television, film, computer games and cultural institutions. However, the creativity, innovativeness and culture content of the products do not make them experience products. To be an experience product there must be a certain relationship between the customer and the product. The drinking of milk from a friendly cow named Martha is an enjoyable and identity creating experience just like the attendance of an exiting theatre play is. To put it simple focus in the creative economy discourse is on the innovativeness of the products. Focus in the experience economy discourse is the customer, his/her expectations and involvement, sometimes even as co-producer, with the product. In sum thus the experience economy involves the growth of leisure consumption and the development of customer relationships.
Place-bound versus footloose production

It can be argued that in the experience economy ‘place’ has a particular role to play. Places are for example often part of the identity connected with products and services. Examples abound in food, fashion and design. However places are also being produced as a something in themselves, as when nice squares or parks are constructed and launched as places of sociability or recreation, shopping or entertainment. Places are thus being produced and marketed, because in the experience economy, it is more than ever possible to capitalise on places.

In comparison culture industries and the creative industries are footloose. Their products can be produced everywhere, where the general conditions of production are fulfilled. They can also be sold to customers on the global market without any particular requirement to the location of consumption. In terms of location requirement there is hardly any difference between the cultural and creative industries and any other knowledge based industrial activity. They need a density of creative and innovative people.

Looking at the location requirements of the experience economy an important difference can be found between the creative industries and the experience production. The experience production is widely place bound, because of its particular characteristic of arousing feelings and expectations, forming identity and involving the customer in a more or less absorbing experience. The consumption of experience products is often place bound, and so is much of its production. If we return to the experience compass Fig.1 we will find many place bound experience products in the upper left field (theme restaurants, regional gastronomy, theme parks, spectacular museums of art, performances and events). As it could be expected new branches struggle to get access to this upper left field of the experience compass. For example in Denmark local banks have started to stage the visit of customers as complete experience for soul and body with drinks, nice design and sociability. The examples represent experience productions with high experience values and are at the same time pure experience products. In the opposite lower right field we find products with a low experience value, which are products with the experience as an ‘add-on’. Here we find more trivial products and services, where the experience is a bonus or an extra gift on top of the purchase. Many products have for example narratives printed on the packing. Likewise mobile phones on top of their use as telephone provide entertainment. Such products and services are seldom dependent on the location of their production or consumption. They are, or in other words, ‘footloose’.
Place-bound experience products can be divided into the following categories:

*Events* such as music festivals, historic festivals, sporting events, lectures by highly prestigious people are place bound in a double sense. The final production of the event (organisation, the playing of music, speaking) takes place in a particular place, an arena. A number of famous music festivals such as the Salzburg Festspiele (Austria) or the Roskilde Festival (Denmark) are certainly place bound. In order to consume such events as a full experience the customer has to be present in the same arena where the event takes place. *Activities* such as shopping, hiking, participation in sport, handicraft production or artistic activities are on offer on particular locations. The location hosts such activities because of particular characteristics attached to the location as e.g. its history, local traditions, competences or the quality of the build or natural environment. In order to participate in the activities the consumer has to be present on the location where the experience is being offered.

*Services* involving experiences include for example the serving of particular foods in theme restaurants, wellness services, exhibitions and art galleries, performances in theatres and cinemas. In Copenhagen ‘Madelain’e’s food theatre’ offers a complex combination of food and show. The food, design, light and performance of the staff produce experiences for all senses. The final production of the experience service takes place on particular locations and they have to be consumed on the same location in real time.

*Places* are more than just containers or ‘stages’ for the production and consumption of experience services or goods, however. Places can be seen as experience products in themselves, or they may constitute part of experience products. Places are here understood as the built and the natural environment on different scales. The production of places involves the physical planning, construction and maintenance of buildings and natural resorts. It also involves the creation of attention, or *branding* of the places. Communication is a very important part of the production of experience places (Frandsen et al., 2005). It involves the production of the place in people’s minds. Places like castles, squares, parks, woods, beaches, malls, museums, as well as parts of towns or whole cities need to be made positively known for their particular attractions. In order to make people relate to the place planned communication processes are required to support the development and enhancement of the place brand, quite in parallel to relationship marketing of services (Grönroos, 2004:102).
Tentatively it is suggested here that the role of place in the experience economy is to increase the experience value of the products on the market. The place constituent increases the experience value by means of identity creation and the involvement of the consumer. The relationship between place and experience value is illustrated in fig 2.

![Fig 2. Place and the experience compass](image)

The important role of place in the production of pure and high value experience products does not mean that the production is always limited to one particular place. The production of an experience product may be planned in one place, developed in another and staged for consumption in a third (O'Dell, 2005). The production chain may thus be geographically dispersed, as in relation to the development and planning of major events involving international artists, the preparation of food in a restaurant or the exhibition of art in an art gallery. It is the final production and the consumption of the experience product which need to be collocated. In this way place-bound experience products have got similarities with services which are being produced in the same time as they are produced. The customer therefore in many cases needs to be present at the place of service production in order
to consume it, even if some services can be consumed at a distance by means of communication
technologies. In the marketing of experience products you see the role of place as when the
providers try to create a wish of the consumer to ‘be there’. This all means that experience products
are often place bound, and that the role of place is to increase the value of the product. Let us
consider some examples of pure high-value and place bound experience productions.

In his discussion of the role of places in the experience economy, O’Dell (2005) suggests the notion
of ‘experiencescape’. By ‘experiencescape’ the author understands places in which experiences are
being staged and consumed. The notion of experiencescape is not far from Pine and Gilmore’s use
of the word ‘stage’. In addition to the understanding the place as stage it is suggested here, that
place as such is even being consumed by tourists (Urry, 1995) and citizens (Glaeser, 2001). Places
are not only spaces of entertainment and pleasure, and meeting ground of diverse groups with
overlapping or conflicting interests, as O’Dell (2005) suggests. Places are consumed by people
enjoying the atmosphere, the sociability and even the identity which can be created by being present
there. Places, are strategically planned, laid out and designed by urban planners to meet such a
demand for atmosphere and sociability. A subgroup of experiencescapes is ‘nostalgiascapes’
(Gyimóthy, 2005), which are places representing historic identity and lifestyles. The power of
experiencescapes in producing feelings of identity is sometimes very strong. Special buildings
connected to experiences may even help redefine the whole identity of towns. Well-known
examples are the Guggenheim museum in Bilbao, which changed people’s perception of the city,
which again lead to economic growth of the region. This is now known as the ‘Guggenheim effect’.
Minor examples can be found in for example Århus, Denmark, where the House of Music had a
comparable impact.
The close connection between place and experience production and consumption will be developed
in more detail below where the role of experience economy for local development will be discussed.

An evolutionary approach
The significance of the experience economy for local development and planning can best be
analysed as compared to other types of economy. Pine and Gilmore’s historic approach is rather
sketchy, and related only to the strategy of businesses. From a developmental perspective it seems
useful to embark on a more comprehensive approach as an outset for discussion. For this purpose
the notion of techno-economic paradigms, introduced by Perez (1985) has been chosen. According to Perez, drawing upon Schumpeter (1939) and Kondratiev (1935) among many others, the economy develops in long waves, each characterised by particular key factors, such as coal, steam power, oil, or microelectronics. It is characterised by specific cost structures, investment patterns, location geographies and inter-branch relationships. Each wave is also characterised by particular socio-institutional frameworks, involving relative proportions and character of public and private responsibility, the provision of education and training, the distribution of income, the organisation of workers and major interest groups among other things. The paradigms and institutions evolve historically, but coexist for long periods of time. Each paradigm has got a life cycle, beginning with the generation of innovations, which are diffused in the economy. This is the point of departure for prolonged periods of growth, based on high profits and increasing productivity. Limit to growth are found, when applications are fully exploited and incremental innovations have been developed to the frontier. The next wave will take its point of departure in a new innovation (Perez, 1985:443). This general approach is today approved by many and called evolutionary and institutional economy (Perez, 2004). In the context of this article it is particularly interesting how Perez suggests that each techno-economic paradigm has got its own specific geography. Places may therefore loose or win with the change of techno-economic paradigms.

When developing the geographic characteristics of the experience economy and in particular its implications for the development of cities, the notion of techno-economic paradigms represents a promising approach, which can be used to develop an understanding of the logic and dynamism of the experience economy, and in particular its implications for local development. This choice of approach does not imply, however, that the experience economy is actually suggested as a well defined techno-economic paradigm. Analysed as a techno-economic paradigm the experience economy is connected with the production and consumption of experiences, as defined above. Experiences are becoming increasingly constitutive in the economy, as people use still more money for experience based consumption. In Denmark expenses related to leisure, communication and transport thus constituted 22 per cent of the consumption in 2003 (Danmarks Statistik, 2007). Investments in experience based production and landscapes are equally growing. New locations emerge as economically dynamic places of experiences, while old (industrial) locations offer new attractions. The change in geography is supported by the still lower costs for transport and communication, which enables high mobility and high mobility can be considered a key ingredient
of the experience economy. Information and communication technologies (ICT) is a key technology in the experience economy, but rather than defining technology related innovations as the starting point for the techno-economic paradigm of the experience economy, a bundle of socio-economic trends serve as basis for it, of which increasing affluence, increasing mobility and the globalization of competition of products (Dicken, 2003) and places (Brenner, 2004) are most important.

On the institutional level, the experience economy also offers new developments. New actors, networks and interdependencies emerge, resulting in new strategic alliances promoting the production and consumption of experiences. New educations emerge focussing on e.g. tourism, leisure and culture management (Kultur og Kommunikation, 2007). Thus today most Danish universities offer experience related Master educations.

In terms of geography the experience economy seems to be less amenable to concentrate in large metropolitan areas than the knowledge economy. Part of the experience production and consumption is place-bound, as we have seen. Places representing and hosting experiences are at a first glance quite diverse. Experience products, activities and places are thus connected to places like villages, beaches, mountains and cities of different sizes and history.

**Urban development and techno-economic paradigms**

Urban development among other things results from the location of economic activities, and it is interesting to consider the role and function of cities in different techno-economic paradigms. From the perspective of location and urban development it seems justified to consider three principally distinctive paradigms of development. The industrial, the knowledge and the experience based paradigm. In the following these paradigms will be discussed in terms of space.

In the *industrial* paradigm firms have clustered in cities in order to reduce costs by being proximate to markets, supplies and labour (Hayter, 1998). In terms of consumption people located in cities because they wanted to socialise and benefit from different facilities and services (Glaeser, 2001). In the knowledge economy firms tend to locate in cities with access to specialists, research and decision making centres, preferably in very large metropolises (Simmie, 2003). The specialists and the creative classes have tended to locale in large cities with a varied offer of culture, and interesting jobs (Florida, 2002; Florida, 2005; Scott, 2006). The metropolises have grown to the
detriment of smaller cities, reinforced by the intensified competition among cities (Brenner, 2004; Simmie, 2003; van den Berg et al., 2005; van den Berg, Pol & van Winden, 2004). In the experience economy, on the contrary, small cities and peripheral places have begun to produce events, places, activities related to culture, heritage and authenticity (Bell & Jayne, 2006; Bradley & Hall, 2006; Meethan, 1996; Wilks-Heeg & North, 2004). In Denmark there are numerous examples of small cities gaining new roles based on events (e.g. Skanderborg, Nibe, Ringe, where annual Rock Festivals are promoted) and innovative branding (e.g. Horsens and Frederikshavn, where strategic branding is developed) (Frandsen, Olsen, Amstrup & Sørensen, 2005; Frandsen, 2005; Løkke, 2006). The implication is that, in the experience economy, the location of people and economic activity may potentially de-concentrate as the centres of gravity become redefined. The forces of globalisation, which have reinforced the concentration of people and economic activities during the industrial and the knowledge based paradigms seem to support de-concentration in the experience economy when peripheral places become integrated in the global flow of people, money and information. From a perspective of place quality smallness may even represent an attraction (Bell & Jayne, 2006). The matrix presented in fig 3 contrasts the economic geographies and dynamics of the three economic paradigms.
### Fig 3. Location and techno-economic paradigms

<table>
<thead>
<tr>
<th>Techno-economic Paradigm</th>
<th>The industrial economy</th>
<th>The knowledge economy</th>
<th>The experience economy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dimension</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Production/location</strong></td>
<td>Concentration in advanced regions</td>
<td>Concentration in metropolises of the advanced regions</td>
<td>Many locations in central and peripheral countries and regions</td>
</tr>
<tr>
<td><strong>Consumption/location</strong></td>
<td>Concentration in advanced regions</td>
<td>Concentrated in metropolitan areas</td>
<td>Attractive places (big and small) in developed and less developed places</td>
</tr>
<tr>
<td><strong>Globalisation</strong></td>
<td>Separation and dispersion of production International trade Direct investment</td>
<td>Flow of knowledge, goods, people and capital between the metropolises of the advanced regions</td>
<td>Integration of different experience places in the global flow of information, people and money</td>
</tr>
<tr>
<td><strong>Role of the centre</strong></td>
<td>Advanced industrial production and services Research and Development Decision making</td>
<td>Knowledge production Research and development Decision making</td>
<td>Magnet of inhabitants and visitors Big and specialised offer of experiences based on variety and history</td>
</tr>
<tr>
<td><strong>Role of the periphery</strong></td>
<td>Raw materials Simple industries Low cost labour</td>
<td>Simple industries Global services</td>
<td>Tourism based growth Experiences based on authenticity and natural environment Activities, events</td>
</tr>
</tbody>
</table>

Fig 3 illustrates how economic geographic development in the experience economy is characterised by patterns and dynamics that are different from those of earlier techno-economic paradigms. This is because in the experience economy, it is possible to capitalise on a greater variety of places and the resources attached to them. Experience consumers are mainly people from highly developed places. Their experience consumption is not geographically restricted. Both central and more peripheral places are thus places of consumption. Globalisation integrates all sorts of locations in the global flow of information, people and money in the experience economy. Central places are magnets of inhabitants and tourists, because they offer a wide array of experience products. Alone the variety of experiences is attractive to customers, but also the specialisation of them may attract many costumers. The peripheral places cannot provide diversity and specialization of experiences, but offer in stead particular experiences rooted in authenticity and natural environments. Experience
Based growth in the periphery is possible based on tourist flows, or on the inflow of additional population as e.g. retired people such as in southern Spain and in small coastal towns in Denmark. The matrix is admittedly quite simple and open for refinement e.g. of the dichotomy of centre and periphery.

**Planning for the experience city**

The city is increasingly seen as a social space in which cultural activities and events can develop. The city is also seen as a place, a build and a natural environment, which can be made attractive to citizens, visitors and firms. In an interesting and attractive city, traditional economic activities are also likely to develop, and to nourish from the creative atmosphere (Lund, Nielsen, Goldschmidt & Martinsen, 2005).

A functional approach is helpful to understand the increased focus on culture and leisure in urban planning. It can be shown how city functions change along with the change in techno-economic paradigms. A distinction between different economic paradigms in relation to urban development has been suggested by Peter Hall (2001) who sees a development from an ‘industrial economy’ towards an ‘informational economy’ and today a ‘cultural economy’. The three paradigms correspond grossly with the three paradigms illustrated in fig. 3 above. There are resemblances between our ‘knowledge economy’ and Hall’s informational economy, but not between our ‘experience economy’ and Hall’s ‘culture economy’. Below it shall be argued why this difference between cultural economy and experience economy is important.

In the cultural economy, according to Hall the role of the city is to provide advances in transport and communication, quality in residential and environmental terms, and high levels of cultural and educational offering. Particularly important in urban interventions is to make strategic use of cultural resources. There are many examples of cultural planning, aiming at local economic development. It has critically been noted that there need not be any link between the strategic use of culture assets on the one hand and culture policy on the other (Vaz & Jaques, 2006:243). Culture and capital has been linked strategically, leading to what David Harvey calls a commodification of the city (Harvey, 2000). In comparison, in earlier planning paradigms culture has been in focus in its own right, not as a means of economic development. Cities have been seen as works of art, or culture flagships have been developed as part of welfare policies (Freestone & Gibson, 2006). Cultural planning in the strategic sense of the word has been recorded since the mid 1970’s in big
cities of Europe and North America. Its rationale has been to create attractive locations for individual and collective consumption. This again is seen as a precondition for the attraction of wealthy people to visit towns and reside in them, and also for the attraction of investment and production (Evans, 2001).

It can be argued that ‘cultural planning’ for local development is connected, not to any specific ‘cultural economy’, but to the techno-economic paradigms of late industrialism, and particularly to that of the knowledge economy. The connection between the knowledge economy and culture is what Richard Florida describes in his popular books in which he provides documentation supporting the close relationship between the location of high-skilled labour, technological innovation in industry and growth on the one hand, and a varied supply of culture on the other (Florida, 2002; Florida, 2005). Following the Florida hypothesis, Clark (2004) discusses the increasing focus on urban cultural amenities as a lever for urban growth.

In his more detailed analysis Evans (2001:141) is getting closer to an understanding of the city in the experience economy, as he makes a distinction between different approaches and functions to leisure and work in cities. Evans suggests five different approaches. The ‘culture city’ has a focus on museums, galleries, theatres and concert halls. The ‘historic city’ has an offer of museums and monuments, plus the offer of the culture city. The ‘night life city’ has an offer of theatres, concert halls, night clubs, red-light districts, cafes, restaurants. The ‘shopping city’ has an offer of cafes, restaurants, shops and offices, while the ‘tourist city’ has it all.

These five city types may inspire the search for ‘the experience city’. Each of the ‘cities’ represents aspects of the place-bound consumption of pure experiences (fig. 2 above). The cities invite citizens and visitors to enjoy plays, to identify with the historical past, to eat typical food, to shop typical products. It is however important to note, that all the ‘model cities’ that Evans deals with need to be relatively big, diverse and centrally located to fulfil these functions. The role of city size is supported by Andersson and Andersson, who point at the agglomeration economies in cultural production and the role of clustering in artistic production (Andersson & Andersson, 2006). The cities in focus are ‘culture capitals’, world cities and metropolitan areas (Scott, 2004; Scott, 2006). This big city bias is seems to be due to the conventional concept of culture applied. Against this big city bias speaks the fact that culture consumption and production constitutes only part of the
experience consumption and production. Experience cities need not be based on traditional culture provision. They may have many other attractions to offer.

This means that cities need not be big to be attractive for leisure and tourism. Centralisation is thus not a precondition for the development of all sorts of experience production and consumption. In relation to cities this means that both small and big cities can be part of the experience economy. An ‘experience city’ need not be fully equipped with amenities. The important characteristic of an experience city is its attractive atmosphere, which comes from place-bound activities, events and services, nice places and diverse social spaces, which make visitors and residents feel inspired, involved and connected to the place. These characteristic imply that the city need not be big. Experience city atmosphere can be developed in smaller cities as well (Bell & Jayne, 2006).

Experience based city growth
The geographic characteristics of the experience economy make it attractive for urban developers to consider in connection with strategies for urban growth and development in the periphery. They consider experience growth a ‘window of opportunity’ for small cities and cities in industrial decline. But what are the preconditions of success for strategies of experience based urban growth? Is it possible to develop a more structured approach to the question, taking a point of departure in the paradigmatic perspective on economic development?

The question of urban planners is what the potential of the city is to attract and develop experience based consumption and production. For the sake of clarity the three techno-economic paradigms will be compared. Each of the paradigms can be briefly described with relation to the factors of location (requirements) of firms and people and their possible correspondence with the actual conditions of location (resources, amenities) (Hayter, 1998). In the context of this article the location considered is the city. The requirements that cities fulfil in the three paradigms can be characterised in functional and economic terms. It is however also relevant to consider the particular mobilities, and the different forms of governance that characterise the economic dynamic of the three paradigms.

The role of the city for production is different in the three paradigms. The labour pool, transport node and provision of physical facilities characterise cities in the industrial economy, while the city must be able to provide highly skilled labour, information and communication networks and
proximity to knowledge providers in the knowledge economy. The amenities and resources needed in the city in the experience economy can be deduced from the preceding sections. Tentatively it can be suggested that in the experience economy the city must provide a wide array of labour skills to be able to produce experiences. The city must be accessible for outsiders and exposed on the market by branding and information, so that the attractions become known. The resources needed for the production of experiences are related to the history, culture and nature and inherited competences of the city.

Knowledge is a key resource, also in the experience economy. Let us take the example of a rock concert. To produce a rock concert the high skills involve logistics, acoustics, lighting as well as artistic skills of the object of the concert. Information and advertising activities require knowledge of communication and media. The whole infrastructure of the event needs to be produced. Here practical skills are needed related to construction, maintenance, organisation, parking services, the serving of customers and cleaning, just to mention some. Relational skills and artistic creativity is also required.

There is a major difference between the roles of the city in the knowledge economy compared to the experience economy. While few cities provide resources sufficient for knowledge based growth, many cities provide the basis for the production of marketable experiences. Small cities may have few special cultural and natural resources and the basis of which they can produce attractive experience products, while big cities may develop a bigger variety as well as a more specialised offer. The labour demand of the experience economy fits with the labour supply of small cities, where low skilled labour often abounds. Thus there seems to be potentials of experience based production in both small and big cities.

*Consumption* in the industrial economy is based on large scales and low prices. The industrial city provides supermarkets, cheap housing and welfare services and infrastructure. In the knowledge economy consumption is a more individualised issue, and the requirements for urban quality and entertainment increases due to the demands of the creative class, which large cities compete to attract. In the experience economy the consumption becomes a driver of growth, and urban quality development becomes the means to attract consumers. People consume sociability, partake in activities, and they develop identities and individualities based on their urban living. Both visitors and residents are part of the experience space of the city. They make the place interesting and
sociable. Different cities are attractive to consumers, not because of size but because of their individual qualities. Both small and big cities are potentially able to attract citizens and tourists.

The three paradigms are different in terms of connectivity and economic and social mobility. The industrial economy is characterised by localised, material intensive and labour intensive activities in relatively fixed places. In the knowledge economy knowledge is produced and shared in fluid spaces among experts and scientists working globally, while the location of activities often depend more on aesthetic than on functional qualities connected to the city. The experience economy is connected with high individual mobility. People choose their residence due to individual quality criteria and commute to their job if necessary. People are also willing to travel far to consume experience products such as theme parks or festivals in weekends and on holidays. Places are constructed by branding, placing them on the global market. Branding is the way the city competes with other localities to attract consumers by creating and communicating narratives about its attractions. This phenomenon has been labelled ‘the catwalk economy’ (Löfgren, 2003). It has been studied how this task of communication is being done in the Danish city of Horsens (Frandsen, Olsen, Amstrup & Sørensen, 2005). Horsens used to be known for its state prison. Today it is known for its concerts with international stars. The change of the city narrative of the city of Frederikshavn has been studied by Lorentzen (2007). This city changed it reputation as a violent and sad city in industrial decline with high levels of unemployment into a creative provincial environment, and even an experience city. In this way cities embark on strategies of ‘glocalisation’ (Brenner, 2004).

Mobility can thus be seen as an important basis for the development of experience based development in cities. Infrastructure and strategic communication (‘branding’) create the experience city. This implies that remote and little known places have a disadvantage in the experience economy.

Also actors and governance structures differ between the three paradigms. While the industrial economy is characterised by stable, hierarchic structures in firms and planning, clear authorities, and the state as provider of welfares, the knowledge economy is connected with the dissolution of these structures. Networks structures among firms and authorities develop, resulting in complex interdependencies, in which the state is facilitating private initiatives more flexibly (Healy, 2007). In the experience economy many actors emerge in the development and production of experience
products. They include small service producing firms, networks of firms, multinational corporations, urban planning authorities, civic organizations and fiery souls (Hjorth & Kostera, 2007; Lorentzen, 2008). The variety of experience products means that they are developed and produced in different kinds of networks. Unique events like a rock show for example require temporary and often extra-local networks, while the production of attractive tourist accommodation may be integrated in stable global production chains. In any case networks are important in experience production because of the need to source different types of knowledge to produce and market innovative and unique experiences. While big cities have the advantage of being well networked globally, small cities may have the advantage of small distance and many bonds between the local actors (Lorentzen, 2008). Small cities thus have a particular ease of networking which is beneficial for the creation of experiences.

The ideas presented in this section are summarized in fig. 4. The figure organizes the key requirements to cities in each of the three techno-economic paradigms. The figure distinguishes between the requirements related to production, to consumption, to mobility and to governance.
### Fig. 4. Role of cities and techno-economic paradigms

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Industrial economy</th>
<th>Knowledge economy</th>
<th>Experience economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>Labour pool</td>
<td>Pool of skilled labour</td>
<td>Supply of low skilled and high skilled labour</td>
</tr>
<tr>
<td></td>
<td>Transport node</td>
<td>Information and communication network</td>
<td>Accessibility</td>
</tr>
<tr>
<td></td>
<td>Physical facilities</td>
<td>Proximity to universities</td>
<td>Exposure, branding</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Research institutions</td>
<td>History, authenticity</td>
</tr>
<tr>
<td>Consumption</td>
<td>Mass consumption</td>
<td>Individual consumption</td>
<td>Sociability, activity, identity, individuality</td>
</tr>
<tr>
<td></td>
<td>Stores and supermarkets</td>
<td>Attractive malls</td>
<td>Experience products, services, places</td>
</tr>
<tr>
<td></td>
<td>Transport of persons</td>
<td>Attractive housing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cheap housing</td>
<td>Leisure space</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Welfare services</td>
<td>Culture supply</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobility</td>
<td>Place (fixed)</td>
<td>Space (fluid)</td>
<td>Construction (‘branding’) of places</td>
</tr>
<tr>
<td></td>
<td>Functional qualities</td>
<td>Functional and aesthetic qualities</td>
<td>Accessibility</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>High individual mobility</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Consumption based identities</td>
</tr>
<tr>
<td>Governance</td>
<td>Hierarchy</td>
<td>Network</td>
<td>New entrepreneurial forms and networks</td>
</tr>
<tr>
<td></td>
<td>Authority</td>
<td>Polycentric</td>
<td>Temporary networks</td>
</tr>
<tr>
<td></td>
<td>Mono-centric</td>
<td>Tailored to context</td>
<td>Changing stakeholders</td>
</tr>
<tr>
<td></td>
<td>Welfare</td>
<td>Facilitation</td>
<td></td>
</tr>
</tbody>
</table>

### Conclusion

The experience economy is a notion which originates in business economics, and which seems useful to denote the new trend in economic development in which the driver is leisure consumption. Today places compete on the ‘global catwalk’ to attract citizens, tourists and firms and they do so by developing their qualities. Place-bound experience production and consumption seems to be of particular interest to local development because of the implications for employment and for the quality of place. Based on an evolutionary approach, the article develops the geographic perspectives of the experience economy and compares the location requirements of this economy with those of earlier techno-economic paradigms. It is argued that in the experience economy, the
location requirements are such that central as well as peripheral places, small as well as big cities may embark on experience economic development. A high degree of concentration in big cities provide the critical mass of consumption for the development of a large variety of specialised experience products related to culture, shopping and dining, while small cities and peripheral places build their experience production on the local culture and nature resources. A common requirement to all places embarking on experience economic growth and development is that they are accessible and known, or in other words that they are integrated in the global flow of people and information. This integration can be quite costly, of course. New actors are involved in the development of experiences where civic initiative may produce experience events. The field of actors in the experience economy is dynamic, and the networks often temporary. The governance is often quite blurred, as voluntary, public and commercial experience projects evolve and merge, making the place interesting and attractive.

Because of these characteristics it could be argued that the experience economy may represent a ‘window of opportunity’ for small cities, which tend to be marginalised in the knowledge economy. Small cities have an opportunity because they hold resources like natural beauty, historic urban cores, traditional production, tranquillity, intimacy, local networks and civic initiative, and because of the enabling global transportation and communication possibilities. This does not mean, however, that the magnetism of big cities no longer represents a threat to small city development. It only means that small cities may find niches in the global demand for experiences.

References


Hayter, R. 1998, The dynamics of industrial location. The factory, the firm and the production system John Wiley & Sons Ltd, West Sussex.


Simmie, J. 2003, "Innovation and urban regions as national and international nodes for the transfer and sharing of knowledge", *Regional Studies*, vol. 37, no. 6&7, pp. 607-620.


van den Berg, L., Pol, P. M. J., & van Winden, W. 2004, *Cities in the knowledge economy*, The European Institute for comparative Urban Research (EURICUR), Rotterdam.


Ref Type: Newspaper

---

The article is based on a paper presented on the Regional Studies conference ‘Regions in Focus’ in Lisbon 2nd-5th April 2007 in Lisbon, and is a contribution to the research programme on the City in
the experience economy at the Department of Development and Planning, Aalborg University, Denmark.