

INNOVATION AND CHANGE

LIVE VERSUS DIGITAL

THREE SCENARIOS FOR HOW COVID-19 WILL
CHANGE THE EXPERIENCE INDUSTRIES



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The experience industries include a multitude of businesses such as hotels, theaters, museums, sport clubs, casinos, and event organizers (1). A common characteristic is that these industries are heavily dependent on the senses in order to create strong experience offerings. As many countries chose to ban or limit public gatherings, the consequences of these decisions have sent shockwaves throughout the industries and created a state of considerable turbulence. However, the decisions have also forced businesses to start to experiment and innovate to successfully shift live experiences into digital experiences. Here we will address three key questions for the experience industries:

- + *What are the key challenges in making the shift from live to digital experiences and why are live and digital experiences evaluated differently?*
- + *What will the experience industries look like post-COVID-19?*
- + *Which key issues are important for managers to address to handle the turbulence that COVID-19 entails on a short and long-term basis?*

Key components of experiences – strong experiences are multisensory

Experiences give rise to a multitude of values for the experiencer. Two of the main values are that experiences contribute to the experiencer's identity and sense of belonging. A visit to an art museum may give the visitor a feeling of being part of the art community and strengthen the feeling of being a person interested in culture. As such, experiences therefore create social relatedness which is a basic need for psychological well-being (2). In addition to these values, experiences also generate other values such as learning, esthetics and escapism (3) which to different extents are part of experiential offerings.

The impact of social distancing is that it diminishes people's potential for social relatedness and ultimately their well-being (4). When the art museum closes, it removes an opportunity to feel connected with the

art community and actively pursue one's cultural interests. As a result, the ability of businesses to be the platforms for and create social relatedness was considerably diminished. The reason is not simply social distancing per se, but also due to the fact that social interaction live and digital interaction are substantially different.

Many live experiences are designed to heavily immerse consumers in a specific physical setting. One of the most extreme examples is to be found at well-renowned restaurants around the world. More specifically, a chef's table experience often takes place at a table located inside of the actual kitchen of the restaurant in question. Tasting menus that continuously are adapted to the seasons are often served by the head chef of the restaurant. This experience not only offers an entire gastronomic and culinary journey of impressions that are highly multisensory. The experience also creates an intimate, playful and relational dining experience due to the interaction between the chefs and the guests that this particular kind of experience enables.

Other illustrative examples range from concerts, sports games but also other kinds of experiences such as travel to specific places or going to the theater. All these kinds of experiences are challenging to digitalize. The main reason is that only the visual and auditory senses can be engaged digitally which highlights a considerable limitation of digital experiences as truly immersive experiences are multisensory and involves haptic feeling, smell and taste in addition to seeing and hearing.

When multisensory experiences take place in a physical space, they give rise to atmosphere and ambiance which contribute to the holistic experience of being immersed in a crowd atmosphere and ambience (5). Atmosphere and ambience are key drivers of satisfaction from live experiences which have been validated in numerous satisfaction studies of live events around the world. As emotions are contagious, being packed together and experiencing the same excitement, hopes and sorrows together with others create strong, vivid and memorable experiences. In other words, the ambience and atmosphere of being among other people at a full stadium—or as participants in a large sports

race—is currently impossible to fully mimic digitally. As many quickly notice when attending digital events, a number of aspects that are part of human communication in a live setting get lost and is not the same in a digital space. Prime examples are body language, eye contact as well as reading small facial movements which are essential in understanding other people. These cues are normally picked up by our mirror neurons in the brain. This process essentially makes us mirror the person we are listening to by, in effect, creating the same state internally as we are observing, and thus understanding the other person better. As these small human communication signals do not transmit digitally, we lose communication granularity and ultimately quality and value in these interactions.

Moreover, the signaling value of meeting physically has been an important way to evaluate credibility in professional and private contexts. In fact, the effort connected to sending a message stands in direct relation to its perceived importance. In other words, if you get on a plane to go to a meeting, it signals commitment. COVID-19, however, has forced us to re-think and re-evaluate this key feature of human interaction and to look for other ways to credibly signal commitment.

Abundance and scarcity – why live and digital experiences are evaluated differently

Due to its inherently low marginal costs, digital content has been perceived as having lower quality than the corresponding physical version. A podcast does not cost more to produce if it is streamed 10 million times as opposed to 10 times. Moreover, there is a learned practice and perception that online content should be free of charge or at least affordable. YouTube videos, newspapers and social media which all rely on advertising funded business models have helped shape these practices. Nonetheless, the potential of reaching more consumers through digital experiences constitute a considerable upside in terms of the leverage it entails. This upside has become successfully exploited by a number of digital platforms offering digital experience ranging from Netflix and

HBO to Hulu.

In stark contrast, and perhaps so fundamental that it is often overlooked, is the fact that a live experience entails scarcity. This particular characteristic makes the live format more valuable as it means not everyone can take part in the experience, get a ticket and manage to travel to the geographical place in the world in which the experience takes place. All these aspects are value enhancing, and also add strong signaling values to physical experiences.

In contrast, when an experience is provided entirely digitally, the competition for attention is inevitably enhanced as there currently exists a strong perceptual divide that separates digital and physical experience offerings from each other and the way they are evaluated. Consider a webinar as an example. Webinars tend to be compared with other similar formats where the question of quality tends to become whether or not a specific webinar is better than all the other webinars, TED talks or other online lectures available on the topic. If not, why should anyone choose to attend the webinar at hand? Therefore, online competition can in many aspects be regarded as much harder to manage and navigate due to the abundance of competing alternatives. The live version of for example a seminar, however, offers other unique benefits such as social relatedness through face-to-face interactions between the participants, (e.g. between clients and suppliers), and must therefore not always be on the same competitive level as a webinar content-wise.

Three scenarios for the future of experiences industries

Based on the key challenges in making the shift from live to digital experiences that the experiences industries are facing, we see three potential scenarios for the future of the experience industries post-COVID-19.

- *The nostalgic scenario* essentially entails that the wide range of physical experiences which have been made impossible during lockdown will be valued much higher, at least temporarily, post-COVID-19. One illustration of this scenario and how live experien-

ces can increase their attraction, is the Roskilde Festival in Denmark. The festival was cancelled this year, for what would have been its 50th anniversary. However, the festival already in May 2020 managed to sell out the 2021 festival, totaling 80 000 eight-day tickets.

- In contrast to the nostalgic scenario, *the hyper-digital scenario* entails that the experiences industries reach what can be understood as a tipping point which means that as much as possible of the experiences will stay and also continue to be developed for digital contexts. One illustration of this scenario is the tremendous success of American rapper Travis Scott. During five events in the online video game Fortnite, Scott performed for 27.7 million unique players who live participated in-game. In doing so, Scott smashed the previous record for concert tour attendees held by Ed Sheeran's '÷ Tour' that totaled 8.8 million attendees.
- *The hybrid scenario* essentially means that the experience industries enter an era post-COVID-19 in which the available experiences formats, both physically and digitally, have become heavily expanded but co-exist throughout different sub-sectors such as sports and culture. In this scenario, experiences which do not render that much of unique benefits particular to the live format will be kept digital. Experiences that indeed create strong values of social interaction, however, will in such a scenario not only be organized physically but also be higher valued both in the immediate aftermath of the pandemic as well as in the years to come.

Key issues for managers to address

Regardless of which scenario will be one characterizing the future of the experience industries, new practices related to social distance and hygiene will most likely remain even after the pandemic has faded, especially in the context of experiences that involve close physical proximity between people. Therefore, it will be critical for managers

in the different subsectors of the experience industries to address the following key issues.

- Consider what scenario the individual business and the specific sector might end up in, both on a short-term and long-term basis.
- Analyze value enhancing components of the experience offering in question when shifting from live to digital and keeping in mind the concepts laid out in this article including scarcity, signaling, sensory input, social relatedness and identity.
- Assess the extent of changes in consumer attitudes and behavior on a long-term basis and identify consumer segments in which these changes are particularly pertinent.
- As with any new challenge, carry out market research and testing in order to find the most value creating way in which to design future live and digital experiences.

In some industries, such as the example of restaurants which offers chef's table experiences, the experience offering will be almost impossible to mimic digitally. This implies that this particular subsector of the experience industries is likely to remain relatively stable post-COVID-19 as there is simply not a digital substitution experience that can take its place. In other industries, such as the case with record-breaking artist Travis Scott and his five events in the online video game *Fortnite*, more turbulence is expected post-COVID-19. The main reason is that the success of Scott in this particular subsector of the experience industries illustrates that there indeed exist digital substitutions to live concerts that other artists are likely to want to explore as well. A striking feature of emerging digital experience industries, such as e-sports, is how invisible they have tended to be for certain decision makers. Taken together, the future structure of the experience industries is likely to rapidly evolve in coming years which emphasizes the need for managers to keep abreast of current developments and also invest in competences on how to manage future shifts in the industries.

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