

The symbiosis of product and experience

11 July 2018

Author: Birger Maekelburger

Explore more insights **365**

Moving from product to experience

Australia's major shopping centres today are a far cry from what they once were, having evolved from a collection of stores mapped together for the convenience of shoppers to an entertainment venue pertaining to the needs of young and old. They boast discount department stores to high-end retailers, quick take-away food to exclusive dine-in restaurants, classical nail salons to lavish day spas. State-of-the-art movie cinemas and special attractions like Legoland or the Sydney Tower Eye add to the attraction.

This discernible shift from plain product shopping to personal experience commenced in shopping centres and is increasingly taking hold in department stores and individual retail outlets. In an attempt to keep consumers coming through the doors and claim back market share from the continuously growing online competition, retailers are looking to offer more than just plain shopping.

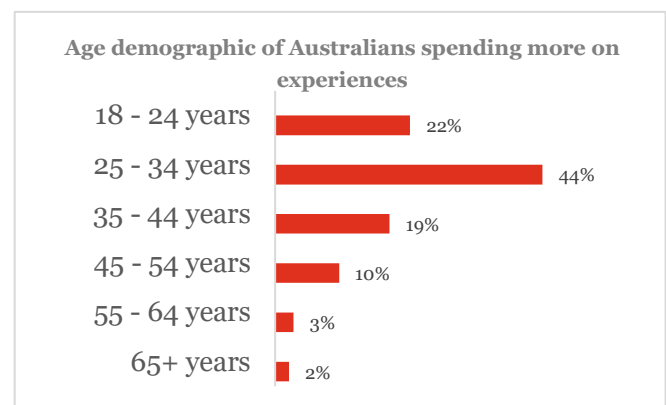
New technologies like in-store shopping apps or smart mirrors, events like running clubs or wine tastings, and added services like the sushi bar in your local grocery store or the obligatory barista in your fashion outlet are gradually becoming standard features.

Shifting consumer preferences

PwC's recent [Global Consumer Insights Survey](#) reveals that the expectation towards experience in Australia is real. Australian consumers spend 55 per cent of their disposable income on products and 45 per cent on experience – with an increasing tendency.

As main reason for spending more on experience, Australian consumers named time with friends and family (39 per cent), change in priorities (38 per cent) and the specific stage of life (29 per cent).

The stage of life indeed seems to play a vital role in the relevance of experience. Of those spending more on experience throughout the last 12 months, 44 per cent were aged between 25 to 34 years old and 22 per cent between 18 to 24 years old.



Source: GCIS 2017, Question 25, Base: 268.

The reasons for spending more on experience differ across age groups. Among the youngest respondents, 44 per cent name investing in self as a reason to spend more on experience.

Promoting products in an experience world

In order to attract the experience-seeking younger generation, retailers and consumer goods companies have moved to more experience-driven, event-style marketing. It is increasingly important for these traditionally product-focused companies to understand how their products and experiences can play into each other to form a true symbiosis.

Examples of such experience-driven campaigns are plentiful. Australian beauty chain Mecca hosted the first Meccaland in April 2018, a beauty festival including all their brands, exclusive products, and appearances by Australian beauty influencers. Mecca created an event that brought together millennials in an environment that fulfilled their desire to experience.

At the South by Southwest music festival in 2017, Gatorade tested consumers' athletic ability in a test created for rookie athletes entering professional leagues. Gatorade partnered with Xbox Kinect and Sparta Science to bring the experience to life. Another example directed at millennials, a generation thriving off new technology and its impact on their everyday lives.

Selling products in an experience world

Promoting products in an engaging way is obviously not sufficient to operate a successful retail or consumer goods business. These businesses are still reliant on actually selling products to paying consumers. As a consequence we also see significant investments in in-store experiences. The most notable examples for selling products in an experience-driven environment are the retail outlets of sporting goods manufacturers. The flagship stores of Adidas and Nike barely look like stores anymore.

Meeting areas for running groups, big screens for product customisation, and play zones to test the latest range create a true symbiosis of product and experience. The product shopping almost becomes a sidenote and happens swiftly through a seamless omni-channel process.

Technology firm Samsung has also found new means of in-store innovation. In 2016 they opened the Samsung 837 space in New York City, including a next generation kitchen, running club, virtual reality centre and café, keeping consumers entertained for hours.

More traditional retailers are going to great lengths to keep up with both consumer expectation and competition. UK department store Selfridges has invested some £300m in the refurbishment of its Oxford Street store in London and David Jones has recently announced a AUD200m refurbishment of its Elizabeth Street store in Sydney.

Our Global Consumer Insight Survey suggests that Australian consumers are overall satisfied with in-store experiences driven by more traditional traits like the shop associates' deep knowledge of the product range (48 per cent satisfaction) and more technology supported services like the ability to check other store or online stock quickly (49 per cent satisfaction). However, there is room for improvement in areas like specialised customer events (32 per cent satisfaction) and the ability to see/order an extended range of products on screen in-store (37 per cent), straddling online and offline channels.

The takeaway: measuring the symbiosis of product and experience

While the integration of product shopping and experience is certainly not hot news to Australian retailers, many of these retailers curiously measure store performance like they always have: in sales per square foot and same-store sales over time.

In an experience-driven world, the store becomes an arena for the products, a promoter for brand experience, and a driver for all sales channels. It becomes clear that sales per square foot is indeed an old-fashioned worldview and may require a translation into something more relevant like experience per square foot or sales per experience to emphasise the symbiosis of both.

Apple is a great example that a focus on in-store experience does not necessarily contradict success in traditional measures, as demonstrated by Apple's jaw-dropping sales per square foot numbers. That said, retailers need to ascertain individually what will help drive their business, giving up floor space to an experience or event-based marketing that draws in customers or a combination of both.

Fact is, consumers' desire for experience impacts the core of retailing. The store of tomorrow allows consumers to not only buy products but rather experience them in an engaging environment, showing consumers why they need this product and how it will benefit their life – a true symbiosis of product and experience.

Let's talk

For a deeper discussion of how these issues might affect your business, please contact:

Chelsie Harris, Melbourne
+61 (3) 8603 1231
chelsie.harris@pwc.com

© 2018 PricewaterhouseCoopers. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers a partnership formed in Australia, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity. This publication is a general summary. It is not legal or tax advice. Readers should not act on the basis of this publication before obtaining professional advice. PricewaterhouseCoopers is not licensed to provide financial product advice under the Corporations Act 2001 (Cth). Taxation is only one of the matters that you need to consider when making a decision on a financial product. You should consider taking advice from the holder of an Australian Financial Services License before making a decision on a financial product.

Liability limited by a scheme approved under Professional Standards Legislation.
WL127057726