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Innovation in the experience sector

Abstract

This paper presents the first general investigation of innovation in the experience sector based on a survey. Experience firms are very innovative. Their innovation rate is significantly above other sectors'. The characteristics of the innovative experience innovations and innovative firms are similar to those found in services (and to a large degree in manufacturing). The paper also deals with measurement problems in innovation surveys applied to the experience sector and argue that the experience sector should be included in general surveys such as the CIS.

1. Introduction

Pine and Gilmore's book *The Experience Economy* which was published in 1999 is generally regarded as the source of a new paradigm or discourse within business economics. It proclaimed the existence of a new sector with its own logic –the experience sector. We might suppose that innovation in this sector is as important as in any other, however, given the newness of the discourse no research has been undertaken to confirm this. Thus this article presents the first general investigation of innovation in the experience sector based on a survey undertaken by the Centre of Experience Research at Roskilde University and The Leisure Management Research group at CEUS, Denmark.

The survey was carried out in Denmark in 2007. The questions asked and the results obtained can be compared to the European CIS surveys (Eurostat 2004) since many questions from the CIS survey were included in the Danish survey. The use of surveys for measuring innovation in this sector is not unproblematic, and, therefore, this article includes a discussion of the problems which were encountered.

Experience can be defined as a mental journey, which leaves an immaterial impression – a knowledge or a psychological sense (cf. Sundbo 2009). Experiences can be amusing, though they do not need to be so. They can be educating, but do not need to be so. An experience can be an aspect of all types of production, such as an addition to goods and services (for example design of cars and furniture and authors reading poems in the coffee shop in a bank branch). Experience has also been defined as a particular economic sector composed of firms that have production of experiences as their core activity. This sector includes enterprises within, for example, culture, sport, tourism, ICT-based experiences such as computer games and cartoons sent to mobile phones, and town festivals. The experience sector is more comprehensive than culture. It has been called creative industries (Caves 2000, Department for Culture, Media and Sport 2001), but this term may be misleading since other sectors may be creative as well (for example the pharmaceutical industry where innovations require much creativity) and the term connotes art; however, the experience sector is more than “just” artists (for example it also includes hotels and amusement parks).

2. Aim of the study

The survey on which this article is based investigates innovation in the experience sector, i.e. firms that have the production of experiences as their core activity. The industries included in the population are listed in appendix 1.

Experiences is a business activity that traditionally has been classified as a service activity and included in the service sector. The production and delivery of experiences may be characterised as being similar to other service activities such as cleaning, insurance and IT-services: They cannot be stored, the consumer is a co-producer and so forth (cf. Grönroos 2000). However, in recent years there has been a tendency to consider experience as a particular category with its own characteristics which separate it from the service sector. As stated previously, this tendency started with the book "The Experience Economy" by Pine and Gilmore (1999). It has been an aim of this study to discuss innovation in experiences and measure the innovativeness in the experience sector. The results of both the theoretical considerations and the empirical measure will be compared to the ones that studies of services have obtained.

The research questions raised here are, therefore: Is innovation in experiences different from that in (other) services, and, can innovation in experience be measured in the same way as has been done in (other) services?

In trying to answer these, we have only measured innovation in firms that have experiences as their primary products – what can be called the primary experience sector (cf. Sundbo 2009). This sector includes, for example, restaurants, travel agencies, publishers of discs and CDs, cinemas, theatres, amusement parks and museums. The exact description of the industries included in the study can be found in appendix A.

3. Theory

Before we answer these two questions empirically, we will discuss, briefly, the first question theoretically, thus providing a preliminary framework for understanding the character of experience innovations, and an evaluative framework for understanding the empirical results from the survey.

Within the last decade, a theory of innovation services has been developed (e.g. Gadrey et al. 1993, Sundbo 2001, Andersen et al. 2000, Gallouj 2002, Aa and Elfring 2002, Tidd and Hull 2005). Several empirical studies of innovation in services have been the basis for the theoretical conclusions which have been reached (e.g. Gadrey et al. 1993, Brentani 1993, Finch et al. 1994, Sundbo 1996, 1998, Evangelista and Sirilli 1998, Gallouj 2000, Vermeulen 2001, Fuglsang 2002, Gallouj 2002, INNO-Studies 2004, Howells 2004, Hipp and Grupp 2005). As a consequence of this work, a common theoretical understanding of service innovation has developed.

In our research we asked the question: Does this common understanding of service innovation equally apply to the experience sector, or are there particularities of the experience sector that distinguish them from other services? This is primarily an empirical question, however we start with a theoretical discussion of what might distinguish experiences and innovation in experiences from other services. Some characteristics of the experience sector suggest that they are different from other services (cf. Pine and Gilmore 1999, O'Dell and Billing 2005, Sundbo and Darmer 2008). As a point of departure one may assume that our understanding of innovation in the experience sector will develop in much the same way as was the case with services: The innovation theories that have been developed from studies of other sectors may be applied, but they must be adapted. This was the case when the innovation theories developed from studies of

manufacturing was tested on services (Gadrey et al. 1993, Sundbo 1998, Gallouj 2000). We assume the same situation when we attempt to apply service innovation theory to the experience sector. One indication of such as similarity is the case studies of innovation in tourism that have been carried out recently (Morrison et al. 1999, Hjalager 2002, Orfila-Sintes et al. 2005, Sundbo et al. 2007, Fuglsang and Sørensen 2008). Tourism is classified as part of the experience economy. These case studies confirm that service innovation theories and models can be applied to tourism, but there are special conditions in tourism that make the innovation processes slightly different.

Theoretically, we assume that innovation in experiences in general has similar characteristics to those in other services: The innovation process is rather unsystematic, based on ideas derived from practice (particularly coming from employees and customers), a very small R&D-basis, incremental innovations, traditionally including little technology, however increasingly doing this, strategic and including the whole firm organisation and so forth (cf. Sundbo 2001, Gallouj 2002, Aa and Elfring 2002, Miles 2004). However, from case studies we know that experience firms can be even more characterised by factors such as unsystematic innovation activities, the non-awareness of innovation and others that point to a low degree of innovation, or at least that the innovations are very incremental (e.g. Sørensen and Sundbo 2008, Sundbo and Hagedorn-Rasmussen 2008, Fuglsang and Sørensen 2008). More systematic investigations have also earlier shown that tourist firms are not very innovative and some of the barriers to innovation include the lack of systematisation and professionalism in innovation activities and low degree of networking (Sundbo 1998, Orfila-Sintes et al. 2005, Fuglsang and Sørensen 2008). Based on these results, we assume that the experience sector will be less innovative than other service sectors.

However, other factors specific to the experience sector point in another direction, namely towards a greater amount of innovativeness. These factors are also the basis for the modification of the theoretical understanding on innovation in the service sector. Thus we need to engage in a theoretical discussion of some features that are supposed to be special for the experience sector. Among these characteristics are the following:

- The creative artists

Artists are normally assumed to be creative. They are a special feature of the experience sector, however they are only a part of the experience sector. One might ask the question: Even if artists are creative, does that mean that they are innovative? One may argue that the answer is no (cf. Sundbo 2008). Creativity and innovation should be distinguished as two different phenomena although they are related. Creativity is the ability to get new ideas or solve problems. Innovation is the implementation of a new business idea. Creativity can lead to innovation but does not need to do so. To get many ideas (= being creative) does not necessarily mean that one is able to carry them out as business projects that are successfully accepted by the market. Therefore, this feature may provide better prerequisites for innovation in the experience sector than it does in other sectors, however, artistic creativity does not automatically entail more innovation. The answer to the question of whether innovation can exist without creativity is more open. Probably not, but the creativity does not need to be of an artistic kind.

- More push and laboratories

The artistic tradition means that experience firms are often more push-oriented than the average service firm. Artists traditionally want to express their meaning and not listen to the audience to please them, which contrasts with recommendations for the service sector management tradition (Edvardsson et al. 1994). The artist's atelier is a kind of a laboratory

where new ideas are born. All other factors being equal, this increases the possibility of getting innovations. Among these, other things being equal, is the ability to convert the artistic idea into a marketed business project, which our case studies show is difficult for many artists. How the push and laboratory factors influence innovation trends in the experience sector is not clear.

- Entrepreneurship

Entrepreneurship (establishment of new firms) is widespread in the experience sector, which is also the case for other services (particularly retailing and consultancy). However, in this sector there is much informal establishment of firms, for example in the form of artists who are just themselves (but not registered as a firm) and local festivals and other events organised by volunteers (also not registered as firms). We know from studies that the experience entrepreneur-firms have great difficulties in growing. Thus, although the entrepreneurship rate – and therefore the number of innovations – may be high in the experience sector, it does not necessarily lead to more economic growth.

- Total concepts

It has been observed that the experience firms which grow the most provide total concepts (Sundbo and Hagedorn-Rasmussen 2008). A total concept is a combined product composed of several elements, and the production and delivery process and marketing are parts of the total concept. To earn money, experience firms need to create large-scale businesses requiring many customers to buy the product. For example, if a private investor or public authority (such as a municipality) invests in a museum and does not want to pay for annual deficits, the museum needs to be a large event in itself. The Guggenheim museum in Bilbao has been a huge success and has attracted thousands of tourists to the former boring industrial city. The Guggenheim museum was created as a total experience concept: The architecture of the building is remarkable, there is a gourmet restaurant, a story about the museum has successfully been communicated to the world – besides, of course, there is the core activity, the painting exhibitions. The attempt to create total concepts leads to more radical innovation because all the elements, or at least the combination, must be new. The tendency towards total concepts may also appear in other services, however, it seems more central to experiences as far as our results from many case studies show.

- More ICT technology

Parts of the experience sector are strongly based on technology. Many experiences such as games, music and entertainment (e.g. cartoons, chat and pornography) are produced and distributed via ICT such as the Internet and mobile phones. Even though this is also the case with other services, it is probably more so in the experience sector. Technological innovation may be assumed to be more common in the experience sector. The strong representation of ICT also means that there are more employees with a technical background (e.g. data scientists), which according to earlier results (e.g. Sundbo 1998) tends to make the innovation process more systematic because the technical people (such as engineers) are used to working in that way. It is an influence of the industrial tradition.

- User driven

Although still artistic push driven, the experience sector is increasingly becoming user driven. The more growth possibilities the experience sector faces, the more the managements will attempt to act strategically to exploit these possibilities (Sundbo and Hagedorn-Rasmussen 2008). That means that in order to try to “read” the market experience firms become more focused on the experience of the audience and the users’ wants and reactions.

- Great exposure

Experience is a product that must be very visible to appeal to the customer. Experiences do not solve practical or intellectual problems such as manual and knowledge services do. They can only be sold if they are exposed to the public. The needed visibility means that the product, the production process and the marketing is integrated. For example a vacation is often combined with a pre-phase involving planning and the gathering of information about the destination, a consumption-phase where the family is at the destination and a post-phase where the memories of the vacation are told (e.g. via photos and stories to friends). This is a repeated exposure. Other events (such as a Rolling Stones concert) are exposed in the press and the exposure is almost as important a part of the consumption as the concert. The pressure for exposure leads to more marketing and integrated innovations and may be assumed to drive the experience sector towards being innovative.

To summarise, we have pointed to some specificities of experience innovation compared to the now well-known theory of service innovation. These specificities both point in the direction of less innovation in the experience sector compared to the service sector and in the direction of more innovation. The empirical analysis thus has to decide this matter.

4. Method

The survey

The web-based survey on which this article is based was survey carried out in Denmark in autumn 2007. A population of all firms in Danish experience industries with an e-mail address was contacted by e-mail and invited to answer the questionnaire on a web site. The selected industries are listed in appendix A. The survey population included 4500 firms ranging from 1 employee out of a total population of 14000 firms in the selected industries. The response rate was 29 thus 1315 firms are included in the population that is analysed. This response rate is not high, however, it may be thought satisfactory.

We have made an analysis of this selected population (the 1315 responding firms) in relation to the total population of 14000 firms to see if the selected population is representative. Tourist firms are underrepresented while firms within design, image and branding are overrepresented. Small firms with less than five employees are underrepresented (50% of the analyse-population while they are 68% of the total population). This must be borne in mind when the results are interpreted. This bias leads to a slight overestimation of innovation, since large experience firms are more often innovative than small ones. Besides this, the selected population is representative for the total population. On that basis we find that the results are sufficiently valid that they can be used for a general analysis of innovation tendencies in the Danish experience sector.

Comparison with CIS surveys

The results of the Danish survey about innovation tendencies in experience industries will be compared to the results of the European CIS surveys about innovation tendencies in services and industry (manufacturing) to get an assessment of whether the level of innovation in the experience sector is high or low. The CIS surveys, carried out by Eurostat and national agents (Eurostat 2004, Dansk center for forskningsanalyse 2004, 2006) provide representative results on innovation tendencies in industry and, for recent years, also services. In particular we will compare our results to the Danish CIS results to eliminate national variations, however, we will also compare them to European results.

There are several validity and reliability issues connected to the CIS questionnaire that we will discuss here. In the next paragraph we will discuss validity and reliability problems particularly connected to measurement of innovativeness in experience firms.

The population of the CIS surveys varies concerning the minimum size of firms included. The Danish CIS analysis about the innovation situation of 2002 and 2004 (Dansk center for forskningsanalyse 2004, 2006) includes firms with more than 1 employee. We have therefore made a comparable population of Danish experience firms with more than 1 employee. This population of 1050 firms will be used in the comparisons with CIS results.

Another issue is the kind of innovations that are included. The latest CIS surveys measure four types of innovation: Product, process, organisational and market. We have only asked about product and process innovation in the experience innovation survey. This means that we only compare to the CIS results where the two types: product and process innovation can be separated from the other two types.

A further problem is the way in which one asks about innovation in surveys. As was observed in the first attempts to measure innovation in services (SIC 1999, Djellal and Gallouj 2001), one can not just ask: Have you innovated? Many service and experience firms do not know what the word means. And if they know, they often associate it with industrial R&D and will answer that “we do not have such thing here”. Therefore the practice asking the firms if they have improved their products or production process – even in CIS surveys – has evolved. This may on one side catch innovation activities in service and experience more, but on the other side it leaves us with a more “fluffy” measure. The measure does not really solve the problem of what is an improvement and what is an innovation in experiences (and services)? It is not completely sure what we measure, but it is until now the best way of measuring innovation in services, and also experiences, that we have found. This indicator may in some respects measure the awareness of and intention to innovate instead of the degree of marketed innovations that have contributed to the economy of the firm. However, even if we only measure intentions, this is not bad. Sociological research tells us that people normally do as they say they will (this is for example the reason for why opinion polls about voting are so relatively valid).

If the respondents answer the question from a more “ideological” than a real standpoint, this may, however, create a reliability problem in time series. If one compares the innovation level in different time periods and there has been an increased focus on innovation as a positive form of behaviour (which probably has been the case the last two decades), one measure perhaps more a reflection of this societal “ideology” than the real innovation activities. In the following analysis, we need to compare different periods because CIS results are published with delays, and we can not yet find CIS results about the period 2004-6. This possible bias must be borne in mind when we compare different time periods. However, this factor may not be very strong. One indicator that this factor is not strong is that the results of Danish firms’ innovativeness, defined as the introduction of product and/or process innovations in the following periods, as can be seen in table 1:

**Table 1: Introduction of product and/or process innovation
Per cent**

| | 1998-2002 | 2000-2002 | 2002-2004 |
|----------------------|-----------|-----------|-----------|
| Industry | 45 | 36 | 45 |
| Retail and wholesale | 34 | 31 | 33 |
| Knowledge services | 39 | 33 | 50 |
| Finance | 27 | 35 | 30 |
| Other industries | 21 | 20 | 35 |
| TOTAL | 37 | 33 | 42 |

Dansk Center for Forskningsanalyse 2006 Table 2a (CIS4)

The table shows that there has not been a constant increase in innovation, which indicates that a continuous, increasing “ideological” factor does not influence the results heavily.

Further, there is an issue of how the innovation act is defined. The CIS survey questionnaire presents a definition of innovation to the respondents. This definition includes statements such as “An innovation is an act that consciously is directed towards improving the enterprise’s products, processes, sales or production flow”. One may claim that the expression “consciously” is conceived within the framework of the rational industrial top-down R&D planning paradigm. It excludes corporate entrepreneurship where innovation comes from below (Kanter 1983, Sundbo 1996) as a result of employees’ entrepreneurial activities and not from above as a planned activity. In our survey of experience firms we have asked “Has your enterprise introduced new or improved products/processes?” so as to include the bottom-up initiated innovations. This factor might bias the results. The formulation to the respondents in the CIS questionnaire may limit the respondents’ interpretation of what an innovation is. In comparisons, this different formulation of the question could lead to experience firms seeming to be more innovative in relation to other firms (which are measured in the CIS surveys) than they really are. However, it might also be that this factor is not very strong. One can argue that even ideas coming bottom-up must be developed in the organisation and therefore can be categorised as part of a “conscious” process.

5. Measurement problems in experiences

Measuring innovation in experiences raises new problems. Experiences are in some respect different to other services and even more to industry. The measures that have been developed to quantify industry innovations can not directly be applied to experiences. This observation was already made when the first attempts to measure service innovations were made (Djellal and Gallouj 2001, Drejer 2004): Innovation in industry were measured by using research, R&D and investment indicators while service firms innovate via social processes, and the involvement of customers and employees and strategies. It is not even sure that the service measurements of innovation that have recently been developed and used in the latest CIS surveys are the right ones to measure experience innovation. We have therefore discussed the measurement of experience innovation.

As a point of departure we have assumed that the innovation process in experience firms is similar to that in service firms and we can use the same measures as applied to service innovations. Until recently experience firms were considered part of the services sector thus this is a reasonable view. However, as mentioned in section 3, we have in case studies also found experience specificities that suggest that measures should be different. One specificity is the artistic creativity and atelier. This could point to the necessity of particular questions about creativity. An indicator of how much this factor

means is a question that we have included: Which part of the management task is in your opinion the most important? The answers were:

Table 2: Most important part of the management task

| | Percent |
|---------------------------------|---------|
| Management of "creativity" | 27 |
| Management of other employees | 10 |
| Strategy and general management | 54 |
| Economy and administration | 10 |
| TOTAL | 101 |
| Own results | |

This result indicates that the management of creativity is of some, however not enormous, importance. We have decided to include some extra questions about artistic creativity within the innovation process, but not to change the general innovation measures developed from studies of service innovations. As argued earlier in section 3, creativity is a matter that belongs to the first idea phase of an innovation process and there is no evidence that creative artists should be better at developing ideas into marketed business projects than others.

Another specificity is the huge use of ICT in parts of the experience sector. In contrast to the other service industries, technological laboratories (e.g. multi-media labs) exist in the experience sector. We have therefore, as done in other surveys on service innovation (SIC 1999, Djellal and Gallouj 2001) (but not in the CIS surveys) asked about whether the innovation was technology based or not. This is a necessary question since many innovations in services and experiences are not technology based, but are social (e.g. a new type / piece of consultancy advice or a theatre play).

We also have added questions about specific conditions that are interesting to experience firms. These questions concern the character of the innovated experiences (e.g. whether they are entertaining, educating, focused on social being together) and whether the innovations have been carried out to eliminate seasonal fluctuations, which is a problem to the tourist and leisure industries. Other relevant questions outside the CIS questions have also been included. On the other hand we have not included some of the classic industry innovation measurement indicators such as R&D activities, investment in research and innovation and similar questions. These types of questions are not relevant to experiences because the questions follow an industrial technological R&D logic that can not be found in experience firms – just as they can not be found in other service firms.

We have in our survey included questions about the economic development of the firm. We ask about the general economic development as well as whether the concrete innovations are assessed to have improved the economic situation of the firm.

6. Results. Innovation in the Danish experience sector compared to other sectors

In all surveys, innovation has been measured in a simple way by asking if the firm has innovated within a two year period. As mentioned, we have in the experience sector asked about product and process innovations. We have compared our findings to the CIS results about these two forms of innovation. The results concern different time periods since the latest CIS results have not been published yet. Further, the CIS surveys distinguish between innovation activities and successful innovators. The latter are firms with production innovations that have been successfully launched on the market or process

innovations that have been implemented). In our survey of experience firms, we have only asked about innovation activities. This makes comparison more complicated. However, the differences between firms with innovation activities and firms that are successful innovators are not large. For example, 44% of all firms in Europe have undertaken innovation activities in the period 1998-2000 while 41% were successful innovators (Eurostat 2004 p. 18).

In the tables in this section we compare the type of innovation (product and process) between sectors. The results are not completely comparable because the CIS results concern successful innovators while we measure innovation activities, but we may assume that the differences are very small (cf. the statement above).

In table 3 we compare the main results of our survey to the experience sector with results of CIS surveys.

Table 3: Firms with innovation

Percentages

| | Our survey Denmark Experience 2004 -2006 | CIS3 Europa All firms 1998 -2000 | CIS3 Denmark All firms 1998 -2000 | CIS3 Europe Industry 1998 -2000 | CIS3 Denmark Industry 1998 -2000 | CIS3 Europe Services 1998 -2000 | CIS3 Denmark Services 1998 -2000 |
|--|--|---|---|---|---|---|--|
| Firms that have innovation activities | 69 | 44 | 44 | 47 | 52 | 40 | 37 |
| Successful innovators | n.a. | 41 | 42 | 44 | 49 | 36 | 34 |
| Only product innovation | 16* | 10 | 16 | 10 | 18 | 11 | 14 |
| Only process innovation | 9* | 7 | 5 | 8 | 6 | 5 | 5 |
| Product and process innovation | 44* | 23 | 21 | 25 | 26 | 20 | 16 |

* Percentage of firms that have innovated 2004-2006
Eurostat 2004 and own results

According to this comparison, the experience sector is clearly more innovative than other sectors. In particular, experience firms combine product and process innovations more. As said, different time periods are compared thus one should be careful when making conclusions. In table 4 we have compared the innovativeness of the experience sector 2004-2006 with Danish CIS results about the innovativeness of other sectors.

Table 4: Firms that have innovated, Denmark, 2002-2004

| | Product-innovation | Process-innovation | Product- and/or process innovation | Organisational innovation | Market innovation | Min. one of the four types innovation |
|-----------------------------|--------------------|--------------------|------------------------------------|---------------------------|-------------------|---------------------------------------|
| Industry | 29 | 35 | 45 | 53 | 16 | 70 |
| High technology | 41 | 37 | 51 | 56 | 15 | 71 |
| Medium technology | 21 | 28 | 35 | 52 | 17 | 69 |
| Low technology | 26 | 39 | 47 | 51 | 18 | 69 |
| Retail, wholesale | 27 | 18 | 33 | 58 | 21 | 70 |
| Knowledge services | 41 | 37 | 50 | 63 | 25 | 77 |
| Finance | 20 | 20 | 30 | 52 | 24 | 68 |
| Other industries | 21 | 24 | 35 | 58 | 14 | 65 |
| Total | 31 | 30 | 42 | 58 | 20 | 72 |
| Experience 2004-2006 | 62 | 53 | 69 | n.a. | n.a. | n.a. |

Dansk Center for Forskningsanalyse 2006 (CIS4) and own results

Even this comparison, which is closer in respect to time periods, shows that experience firms are more innovative than other firms. In the theoretical discussion above, we stated that some arguments suggest that experience might be more innovative than other firms; they are more characterised by artistic creativity, push and laboratory, entrepreneurship, total concepts, ICT technology and exposure. Other arguments suggested that they could be less innovative: the management are supposed to be less professional, more characterised by artists that are not professional businessmen or managers, who do not want their new business to grow. The above results support the arguments that the experience sector is very innovative despite possible managerial and entrepreneurial incompetencies and ambitions. We can not on the basis of these data conclude anything definitive about the reason why experience firms are on average more innovative than other firms.

7. Innovation in experience sub-sectors

One hypothesis could be that a creative, and perhaps a particular entrepreneurial, spirit in the experience sector leads to more innovation. Another might also be that the management of innovation and entrepreneurship in experience firms has become more professional and is more oriented towards innovation than in other sectors. These two hypotheses could be investigated by looking at different sub-sectors within the experience sector. Some sub-sectors are characterised by “exotic” managers and entrepreneurs – the creative artists and entrepreneurs - while other sub-sectors are not. In the latter sub-sectors a high innovation rate can only be explained by professional managerial competence.

We will therefore, in table 5, compare the innovation activity in different experience sub-sectors based on the results of our survey. The sub-sectors are described in details in appendix 1.

Table 5: Innovation in experience sub-sectors
Percentage of firms that had innovated 2004-2006. Denmark

| Sub-sector | Have had innovation activities |
|----------------------------|--------------------------------|
| Tourism | 68 |
| Art and culture | 73 |
| Entertainment and leisure | 78 |
| Design, image and branding | 59 |
| TOTAL | 69 |

Own results

The different sub-sectors have different levels of innovation activities. Entertainment and leisure (sport, amusement parks, museums, fair organisers and so forth) is the most innovative sub-sector and design, image and branding the least. This might seem a little surprising since entertainment and leisure might not traditionally have been considered the most creative sub-sector. The least innovative sub-sector, design, image and branding might on the other hand traditionally have been considered *the* creative part of traditional industry.

7. Innovation characteristics

In the quantitative research of innovation in services (e.g. SIC 1999, Djellal and Gallouj 2001, Drejer 2004, Eurostat 2004) a few characteristics of new products or processes have been much emphasized. These are characteristics that are special to service firms compared to industrial ones or are those that correlate most with the degree of innovation. When we now enter the experience sector, which in many respects is close to the services sector, it is natural to see if the same characteristics are central to understanding innovation in the experience sector. In this section we will emphasize a few of these main characteristics. We will further emphasize a couple of characteristics that are supposed to be special to experiences.

How new are the innovations?

The definition of innovation has been discussed, particularly in relation to the operationalisation of the concept of innovation in surveys. How new should a new product or a new process be to be called an innovation? Should it be new to the world (never seen anywhere before), or is it satisfactory that it is new to the enterprise (as the CIS surveys define)? One could also define innovation as being new to the domestic market. It is difficult to reach conclusions concerning such theoretical questions. Here, we have followed the CIS definition that the product or process only needs to be new to the enterprise because we wanted to compare our results with the CIS results. However, to get an idea of how new the experience innovations are, we have asked whether the new experience products are new to the world, the enterprise's market or only to the enterprise. We can compare the results to a result from the European CIS survey, this is done in table 6.

**Table 6: To whom are new products new?
Percentage**

| | Our survey Experience Denmark 2004-2006 | CIS3 Industry Europe 1998-2000 | CIS3 Services Europe 1998-2000 |
|------------------------------|--|---|---|
| To the world | 15 | n.a. | n.a. |
| To the enterprise's market * | 71 | 51 | 47 |
| Only to the enterprise | 14 | 49 | 53 |

* For the European results this includes innovations that are new to the world

Eurostat 2004 table 1.1.4 and own results

Table 6 shows that the innovations in experiences are “newer” than innovations in industry and services: A large number are new to the market. This result again underlines the conclusion referred to earlier: The experience sector is significantly more innovative than the industry and services sectors, even when we define innovation as business projects.

Technology

In contrast to industrial innovations, service innovations are rarely technological (Sundbo 1998, Gallouj 2002, INNO-Studies 2004). However, service innovations seem to increasingly becoming technological, particularly because of the increased use of ICT (Miozzo and Soete 2001, INNO-Studies 2004). Experience firms have also traditionally been characterised as being non-technological (e.g. art and sport), but is increasingly becoming technological, particularly as ICT presents possibilities for providing experiences on the Internet, mobile phones etc. Are experience innovations more technological than service innovations? We can not answer that question. In table 7 we show the results of a question concerning how much technology means to the experience products. This gives an indication of how much technology means to innovation in experiences.

**Table 7: Importance of technology for experience products
Percentage**

| | |
|-------------------------|----|
| ICT | |
| Very much | 45 |
| To some degree | 34 |
| Not very much | 14 |
| Not at all | 6 |
| Other technology | |
| Very much | 20 |
| To some degree | 46 |
| Not very much | 25 |
| Not at all | 9 |

Own results

Technology means something to experiences, particularly ICT, but also other technology. ICT has some or much importance to about 80% of the experience firms, and other technology has some or much importance to about 65%. One may presume that this is reflected in the product and process innovations in experiences, which thus may be assumed to be rather technological or at least based on technology.

Enterprise size

The size of enterprises is the factor that most clearly correlates with innovation in services (SIC 1999). The CIS surveys also demonstrate a correlation between size and innovativeness in service and industry. In table 8 we have compared our results about innovation in the Danish experience sector with the CIS results about services and industry.

Table 8: Enterprise size and innovation

| Percentage of enterprises that have introduced product and/or process innovations | | | | | | |
|---|---|---------------------------------|---|---------------------------------|---|---|
| Size: Number of employees | Our survey* Denmark Experience 2004 -2006 | Size: Number of employees | CIS4 Denmark All firms 2002 -2004 | Size: Number of employees | CIS3 Europe Industry 1998 -2000 | CIS3 Europe Services 1998 -2000 |
| 2-9 | 66 | 2-9 | 38 | | | |
| 10-49 | 73 | 10-49 | 43 | 10-49 | 40 | 36 |
| 50+ | 86 | 50-249 | 47 | 50-249 | 63 | 54 |
| | | 250-999 | 64 | 250+ | 80 | 69 |
| | | 1.000+ | 68 | | | |

* Only enterprises with 2 and more employees included
Eurostat 2004 figure 2.1.2, Dansk Center for Forskningsanalyse 2006 table 2b and own results

The different surveys have slightly different size categories, however, the trends may be compared in table 8. For all sectors it is a clear that the larger the enterprise is, the more innovative it tends to be and experience firms are no exception.

Types of experiences

In the discussion of experiences there has been a focus on the nature of experiences: Whether they are always entertaining or can also be educational (Pine and Gilmore 1999, Sundbo and Darmer 2008). Some experiences (e.g. rock festivals, Sundbo 2004) seem – although they have one obvious aim (e.g. music) – in reality to satisfy the social need to gather. Keeping this in mind can be important when working with innovation in experiences and how they are developed in experience enterprises, both in understanding the innovation process and in working with prescriptive models for experience innovation. This factor concerns the aim of new experience products – which needs in the customers they should satisfy. In the survey we asked about what characterises the experience products and in table 9 we present the results.

Table 9: Characteristics of experience products
Percentage

| How much do you agree in the following statement: Our experience products are: | Entertaining | Learning | Improve social gathering |
|---|--------------|----------|--------------------------|
| Agree | 61 | 65 | 75 |
| Neither agree, nor not agree | 18 | 16 | 12 |
| Do not agree | 21 | 19 | 13 |
| Own results | | | |

The experience products are generally entertaining, learning and improve social gathering. The last factor seems to be the most important. This result suggests that experience products are complex and must satisfy several of the customers' needs. This multi-dimensionality of experiences must be taken into consideration when one innovates new products. The strong emphasis on the products' social tasks should particularly be borne in mind when firms develop new ICT-media based experiences such as computer games, TV-series and amusement products for mobile phones.

Public support

In discussions about the experience sector, it is sometimes claimed that this sector to a large degree lives on public economic support. It has for example been argued that theatres, TV-companies, town festivals and even film production and concerts only exist because they are support by the government or municipalities. The next argument is that this makes them less innovative. They may be creative, but they are not pressed to develop market sustainable business projects – they can always ask the government for more support. It is therefore important to see whether experience firms in general receive greater public support than others. We have asked about public economic support in our survey and can compare our results to the public economic support of other firms (as measured in the Danish CIS4 survey, Dansk center for forskningsanalyse 2006) in table 10.

**Table 10: Public economic support
Percentage**

| | Our survey Denmark Experience | CIS4 Denmark Industry | CIS4 Denmark Retail and wholesale | CIS4 Denmark Knowledge and financial services | CIS4 Denmark Other firms |
|--|-------------------------------------|-----------------------------|--|--|--------------------------------|
| | 2004 -2006 * | 2002 -2004 ** | 2002 -2004 ** | 2002 -2004 ** | 2002 -2004 ** |
| Firms that have received public support | 27 | 19 | 6 | 10 | 18 |

*All types of support

** Support to innovation activities only

Dansk Center for Forskningsanalyse 2006 table 25.a and own results

The questions were different. In the CIS survey they only asked about support for innovation activities while we have asked about all support. Therefore, the percentage of firms having received support should be larger in the experience sector. However, one may argue that the difference is of a size that indicates that the experience sector does not receive significantly more public support than other sectors. If we had measured support to innovation activities only, the experience sector might probably be the least supported sector. The results in table 10 at least show that the experience sector is not on average a particularly strongly supported sector.

We have also analysed whether public support makes the experience firms less innovative. The result is presented in table 11.

Table 11: Experience firms that have received public support distributed after whether they have been innovative (have introduced innovation in the period 2004-6)

| | | Have received public support 2004-2006 | | | |
|-----------------------------------|-------|--|-----|-------|-----|
| | | Yes | No | Total | |
| Have introduced innovation 2004-6 | Yes | Number | 193 | 452 | 645 |
| | | Percentage | 75 | 68 | 70 |
| | No | Number | 65 | 218 | 283 |
| | | Percentage | 25 | 33 | 31 |
| | Total | Number | 258 | 670 | 928 |
| | | Percentage | 100 | 100 | 100 |

Chi square = 4,739 P= 0,029
Own results

Table 11 shows that a large number of experience firms that have received public support, 75%, are innovative, in contrast to only 68% of those that have not received public support. This result does not support the assumption that public support should make experience firms less innovative.

8. Conclusion

Experience firms are very innovative. Their innovation rate is significantly above other sectors'. The innovations are more often new to the market. The experience sector is not only populated with creative and artistic people (however, this is only the situation for parts of the sector), the enterprises also have the ability to transform the creative ideas into business projects. This conclusion may be a little surprising since many assumptions have been that there are not many businessmen in the experience sector and those who are, are not very professional. This survey demonstrates that whether the latter is true or not, the firms are fully able to innovate in terms of launching new products on the market or implementing process changes in the organisation. Experience firms need to be market and innovation oriented, they do and can not live on public support.

The characteristics of the innovative experience innovations and innovative firms are similar to those found in services (and to a large degree in manufacturing). Not all innovations are technological, but an increasing number are becoming so. Large firms are more innovative than small ones. Innovation in experience firms thus is similar to innovation in services, which has been investigated, however, with some particularities that make it different. One should be aware of these specificities: The demands on experience firms' innovation are high. The experience products seem to necessarily satisfy a multiplicity of needs for the customer: They should be simultaneously entertaining, learning and improve social gathering and perhaps satisfy other needs as well. This is a great challenge to experience innovation, however, the experience firms seem to be able to meet the challenges, at least in Denmark.

The experience sector is an important and increasing part of the economy (about 8-10% of GNP and employment (Department for Culture, Media and Sport 2001, KK-Stiftelsen 2003), thus it is important to measure and follow innovation in the sector. The experience sector should therefore be included in general surveys such as the CIS – just as services became included some years ago. Our attempt to create a survey of experience firms in Denmark demonstrates that it is possible to measure innovation in experiences with

general measures that are also suitable for measuring innovation in the industry and service sectors. We have discovered particular measurement problems, of which, however, many are also problems when measuring industry and service innovations.

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Appendix A The experience sector and sub-sectors

Experience industries included in the survey:

Tourism

Hotels
Conference centres
Youth Hostels
Camping sites
Other facilities for leisure
Restaurants
Cafeterias, grill bars etc.
Banqueting rooms
Pubs
Discoteques and night clubs
Cafes
Catering
River transport
Land passenger transport
Tourist information
Travel agencies
Tourist guide enterprises
Holiday residence renting bureaus
Marinas

Arts and culture

Publishing companies
Book editors
Publisher of discs and CDs
Publishers of other kind
Gold and silver smiths
Producers of music instruments
Picture and video production
Picture and video wholesale
Cinemas
TV companies
Radio companies
Theatres and concert organisers
Independent artists
Culture houses

Entertainment and leisure

Producers of sport equipment
Producers of toy and games
Fair organisers
Amusement parks
Other amusement enterprises
Museums

Botanical and zoological gardens
Sport and swimming-pool installations
Other sport installations (stadiums etc.)
Sport clubs
Other sport activities
Lotteries
Beauty salons
Sun, motion and health care centres
Other leisure activities

Design, image and branding

Development of software
Architects
PR and advertising agencies
Photographers
Industrial design