

The UK's Experience Economy: Towards a Working Definition from the supply perspective in the Context of the Covid-19 Pandemic

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Abstract

This paper revisits the concept of Experience Economy (EE) as initially defined by Pine and Gilmore in 1997, with specific reference to the UK context. It identifies the core components of 'experience', using the lenses of supply and demand. It goes on to define the UK 'industries' (by SIC code) that sustain the EE ecosystem, and it proposes a rationale for recovery across sectors of the UK economy that support the creation of experience activities. Using insights from the Arts and Humanities Research Council funded (AHRC¹) **Digital Regeneration and Experience Economy modelling (DREEm²)** research project led by University of the Arts London³, it provides a means through which to assess the size and value of experience industries at local, regional and national levels, whilst also developing a framework through which to understand the 'ecosystem' that is essential to support and sustain regeneration of the EE post-COVID. This framework will support places in engaging with digital, physical and hybrid experiences to create resilience and support economic recovery.

1. Context

The shift in consumer desire to purchase 'time' or 'experiences' rather than physical products or things was first formalised in 1998 by Pine and Gilmore. At that time, they claimed:

"... consumers unquestionably desire experiences, and more and more businesses are responding by explicitly designing and promoting them. As services, like goods before them, increasingly become commoditized ... experiences have emerged as the next step in what we call the progression of economic value".

(Pine & Gilmore, 1997, p. 97)

By the early years of the millennium, evidence was emerging that consumers were eschewing material goods in favour of experiences (Silverstein & Fiske, 2003). Businesses were also accelerating growth in economic value by exploiting consumer demand for experiences, the phenomenon described by Pine and Gilmore and indicated in Figure 1. The EE burst into the consciousness in the UK, however, in 2016 with the declaration by IKEA that consumers had reached the point of 'peak stuff' (Steve Howard, Head of Sustainability for IKEA, quoted in

¹ <https://www.ukri.org/councils/ahrc/>

² DREEm (Digital, Regeneration and Experience Economy Modelling) is an AHRC Covid-19 rapid response award led by Principal Investigator, Professor Jane Harris, the University of the Arts London (UAL), in partnership with the University of the West of England and RHP Ltd (award reference AH/V00882X/1)

³ <https://www.arts.ac.uk/>

Hutton, 2016). By 2018, Barclaycard claimed that 52% of UK consumers would rather spend their discretionary income on a good experience than material possessions such as clothes and shoes (Barclaycard, 2018). Euromonitor International (2017) used global consumer expenditure data to confirm a growing preference for experiences over things, predicting growth in the value of consumer spending on experiences from US\$5.8 trillion in 2016 to US\$8.0 trillion in 2030.

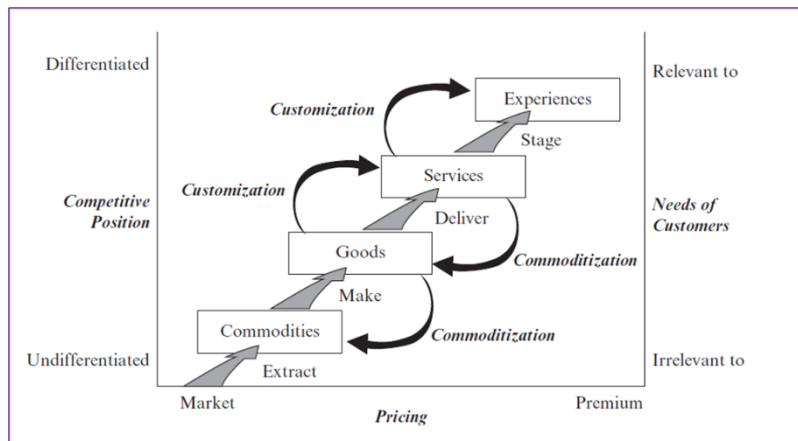


Figure 1: The progression of economic value
Source: Pine & Gilmore, 2011.

The creative, leisure, cultural and tourism sectors have provided the core competencies to support EE growth. Post-March 2020, we can add the digital sector to this list in recognition that the Covid-19 pandemic greatly shifted the location of experiences and their staging. Once seen as a way for consumers to disconnect from the Internet and ‘switch off’, experience stagers have adapted to use the Internet as an essential platform to allow consumers to ‘switch on’ to experience: supporting a social presence while physically distant. This switch from the physical domain demonstrates that people are not relinquishing their experiences, “they’re just shifting them from public to familial, from out there to in here, from physical to digital” (Pine, 2020).⁴ This switch from the physical to digital was already occurring pre-pandemic. For example, Pricewaterhouse Coopers (PWC) predicted that £1.39 trillion would be added to the global economy through immersive technologies and IDC estimated that consumer spending on augmented/virtual and mixed reality (AR/VR/XR) would rise by 52.2% in the next five years (International Data Corporation, 2019). There is evidence, however, that the pandemic has hastened the pace at which this has occurred and there is speculation about the long-term impact it will have on experience taking in general, and experience making. Research by Deloitte, for example, indicates that one-third of consumers have watched more streamed content over the course of the pandemic and 45% expect their change in behaviour to sustain at least until 2023 (Calugar-Pop & Lee, 2020), albeit many will not be willing to relinquish physical experiences altogether.

See also the commentary that can be found <https://www.europeancitiesmarketing.com/the-future-of-the-experience-economy/> and <https://www.rightpoint.com/thought/articles/2020/05/04/experience-led-transformation-in-todays-experience-economy-part-1>

There are, however, concerns that the rapid emergence of digital modes of experience has overtaken the current capacity of the technical and creative skills pipeline to sustain growth and manage cost. Bennett & Murphy (2020), for example, estimate that 22% of companies operating in experience generation are focused on Media and Arts, making the sub-sector a key player in the 13,000 jobs currently engaged with immersive technologies (Immerse UK, 2019). They go on to note that “A successful talent pipeline will rely on cross-fertilisation between the arts and traditional sciences: Science, Technology, Engineering, Arts and Mathematics”, abbreviated to STEAM (Bennett & Murphy, 2020, p. 9).

2. Significance

The UK has world-leading creative, cultural, tourism and digital sectors. As such, it has been well placed to benefit from the growth in the Experience Economy pre-pandemic. This project values the UK’s Experience Economy at £300bn (this figure is the combined value of arts, cultural, creative, digital and tourism sectors – rounded up to the nearest £ billion). Alongside their economic value and continuing growth, experiences have also provided the foundations for some of the soft power exerted by the UK politically; created opportunities for economic regeneration in urban, rural and coastal towns; enhanced health outcomes and supported community cohesion. This is affirmed by the recent inward investment from Amazon Studios, which is moving the production of the *Lord of the Rings* TV show to the UK (Sweney & Corlett, 2021) and Netflix, which has doubled its investment in UK production over the past year (Wilson, 2020).

Due to Covid-19 governments have to made short term trade-offs between health outcomes and activities that depend on in-person social interactions, most notably physical experiences. The result has been a growth in creative digital media platforms, perceived early in the pandemic as an existential threat to many of the organisations that make up the rich fabric of physical experience creation and staging.

There are also concerns among many physical providers and audiences about the quality of experiences delivered across digital media platforms. Data from the early stages of the pandemic indicate that as many 65% of consumers feel that digital online experiences have failed to live up to expectations (CMO Council, 2020). The ramifications of these combined issues cannot be overlooked when considering post-COVID recovery strategies across the variable regional landscapes of the UK. Up until 2020, the creation and delivery of physical experiences had not only been a valuable economic activity in its own right, but also an essential component of town centre regeneration strategies. Many town centre managers are now grappling to understand the role for experiences and how the digital may complement the physical to create safe, social and fulfilling encounters.

“The future high street’s purpose will be so much more than just shopping. With clear communication between communities, local authorities and the private sector,

new attractive spaces will be designed for communities to meet the demand for safe and social experiences.”.
(Powell, 2021)

Research by Kantar answers the question about resumption of experience activities, predicting that it is unlikely to decline, but “[it is likely that] ... we are entering a different type of Experience Economy. Certain aspects of experiences (memorability, transformation, sustainability) are becoming more important” (Kantar, 2020). It is the vehicles through which experiences are accessed (most notably digital) that have changed in the short term. Jo Morrison, for example, states that digital now has a role in town centre revitalisation, by “... boost[ing] the social, cultural, environmental and economic value of places by using location-specific digital technology to foster deeper relationships between people and place” (Morrison, 2021). These digital interventions now need to be contextualised within the broader Experience Economy landscape. This contextualisation will play a fundamental role, both in evaluating the ecosystem of experience-providers across the UK and their interactions and analysing the role that experience can play in town-scape regeneration.

The challenges around stimulating economic recovery to towns in particular are significant in the immediate post-pandemic phase. Habits that formed during the pandemic, such as the switch to online shopping for essential goods and homeworking, are predicted to decline somewhat once the immediate threat from the virus recedes but they are unlikely to return to pre-Covid levels. As a result, it is likely that there will be a further reduction in demand for traditional high street office and retail units, whilst the high street as a place may persist as a desirable site for experiences. Towns seeking regeneration post-COVID, therefore, will need to provide consumers with a compelling reason to visit and planners are focusing on experiences as a means of fulfilling this function (Stansfield, et al., 2020). The role of digital technology, platforms and practices in these regeneration efforts remains poorly understood.

3. Defining experience economy

To date, definitions of Experience Economy have mainly emerged from the perspective of the consumer and how consumers define value (i.e. demand side). These reduce the Experience Economy to a set of consumer benefits, thereby failing to differentiate it from any other market product or service. More limited attention has focused on the activities or specialisms that are required to create experiences (i.e. supply side). The limited supply-side research undertaken thus far focuses on the activities of service sector businesses (Bao, et al., 2021). Thus, many organisations use the creative, cultural or tourism sectors as a proxy for experiential industries. In their initial treatise, however, Pine and Gilmore (1997) did not associate the concept with specific sectors and they definitively differentiated the Experience Economy from the service sector *per se*, using the key characteristic of experiences (the staging of memorable, personal and sensory experiences that are revealed over time) as a justification – see Figure 2. The temporal element is particularly important here: within experiences, the item a consumer purchases is

defined as ‘time’ rather than a commodity. Pine and Gilmore define this as ‘time well spent’ (Pine & Gilmore, 2021)

Economic Distinctions				
Economic Offering	Commodities	Goods	Services	Experiences
Economy	Agrarian	Industrial	Service	Experience
Economic Function	Extract	Make	Deliver	Stage
Nature of Offering	Fungible	Tangible	Intangible	Memorable
Key Attribute	Natural	Standardized	Customized	Personal
Method of Supply	Stored in bulk	Inventoried after production	Delivered on demand	Revealed over a duration
Seller	Trader	Manufacturer	Provider	Stager
Buyer	Market	User	Client	Guest
Factors of Demand	Characteristics	Features	Benefits	Sensations

Figure 2 – Economic Distinctions between commodities and experiences

Source: Pine & Gilmore, 1998

There is a recognition that shoehorning experiences into sectoral silos is stifling the ‘ecosystem’ of activities that are required to support the growth and development of experiences. For example, the Cabinet Secretary for Arts and Culture in Scotland stated in 2019 that value could best be gained by “looking for opportunities right across the different portfolios” (p. 43). A recent EU Horizons project reports that silos are a significant barrier to delivering customer satisfaction, in this case with cultural tourism experiences (Miettinen & Li, 2020). Other authors comment that a ‘silo mentality’ is impacting on the development of experiences and ultimately the longer-term competitiveness of the UK in this area (Gingiss, 2018).

4. Defining experience – the demand lens

The Experience Economy is usually defined from the perspective of the individual who engages in an experience as “a memorable event that engages each individual in an inherently personal way” (Pine and Gilmore, 2020). Thus, when viewed from the demand perspective, the key commodity that is ‘sold’ by experience economy organisations is time. The key characteristics of an experience from a demand perspective include:

- An activity in which the commodity that is sold is ‘time’, predominantly leisure time and certainly ‘well spent’ (Pine, 2020);
- Something that is enjoyable and that provides a “... prized release from the daily stresses and strains of modern living; it is a period when we pursue fun [and] indulge in passive downtime’ (Yeoman & McMahon Beatty, 2019);
- The notion that the *time spent* is used to engage in activities or things that are differentiated from the ‘norms’ associated with everyday life (Morgan, 2008; Ryan, 2010);

- The importance of social interactions, often with multiple groups, including:
 - Friends
 - Strangers
 - Audience members
 - ‘Performers’⁵ (Shaw & Ivens, 2005);
- The engagement of the experience-taker in co-building or co-creating the experience (Andersson, 2007). Some authors (including Pine and Gilmore, 2011) take this concept further, exploring the possibility that experiences go beyond the momentary and into the realm of ‘transformation’, leaving the experience-taker changed. Kantar (2020) asserts that this aspect holds the greatest potential for market growth;
- Associated with the above, the requirement that the consumer of the experience engages physically and/or emotionally with it (Stamboulis & Skayannis, 2003). Engagement is central to the concept of experience and can be via any one of four realms: passive, active, via absorption or immersion. As such experiences “occur within any individual who has been engaged on an emotional, physical, intellectual, or even spiritual level” (p. 17 2011);
- The significance of place as an element of experience, i.e. experiences are usually produced and consumed simultaneously in the same place (which may be digital). As such, the experience stager ‘curates’ notions of space as the ‘theatre’ in which the experience takes place⁶ (Gupta & Vajic, 2000; Yeoman & McMahon-Beatty, 2019). In some instances, experiences are so powerful that they become synonymous with place (e.g. festivals such as the Edinburgh Fringe Festival) and in others (most notably tourism) it is the place that inspires the consumer to engage in the experience;
- The distinctive nature of experiences, which means that they “cannot be mass produced according to the normal rules of commercial endeavour. In essence, each experience is unique to the individual consumer, [hence inherently personal] with the outcome being memories or stories”. (Yeoman & McMahon-Beatty, 2019, p. 431). These stories become stores of social and cultural capital.
- The sense of ephemerality associated with experience, making it “something that cannot be quantified or valued, ... [but which] signifies authenticity, individuality, and solidifies personal positioning in the realm of the fascinating” (Foresight Factory, 2020).

In all these contexts, experiences are characterised as valuable to those consumers who engage with them; immersive, individualised and highly perishable. These characteristics are useful in refining what an experience is, but they do not help us to define the types of organisations that come together to create experiences. Nor do they enable us to understand the competencies required by these organisations and the interactions between them and other actors engaged in experience creation and staging.

⁵ Performers in this context can include those who perform as their routine work (e.g. actors, musicians) or those who populate place and form the backdrop for the experience (e.g. community members).

⁶ This is also true for city centres as performance or event venues.

5. Defining experience – supply lens

Given that the offering purchased is ‘time (well) spent’, there are inevitable challenges in defining the range of industries engaged in the creation, development, production and staging of experiences. Pine and Gilmore state that “experience offerings occur whenever a company instinctively uses services as the stage and goods as props to engage an individual.” (p. 15 in 2020, p. 17 in 2011).

6.1 The components of the Experience Economy

Much of the thinking about the components of experiences and their economic value comes from commercial consultancies. Whilst these report on spend across categories of ‘experiential’ activities (e.g. eating out), most do not provide detailed information in the public domain about what they actually measure nor the approach they take. Deloitte makes the most comprehensive data available in the in their *Passion for Leisure Report* (see Figure 3), issued annually and spanning the period 2016 – 20. This focuses upon what are termed leisure experiences, defined as “how consumers spend their free time enjoying themselves...seeking experiences that enrich or add convenience to their lives” (Deloitte , 2016, p. 1) and is therefore compatible with this report’s defined characteristics of the Experience Economy listed above. The Deloitte reports bring together data about:

- Demand for leisure experiences including information from the annual household survey (Office for National Statistics, 2020) and a regular consumer index survey (undertaken by YouGov, consisting of around 3000 British adults);
- Experience supply, including estimates of the number of the scale of specific sectors produced by trade associations, for example, the Travel Association (ABTA) and Office for National Statistics (ONS).

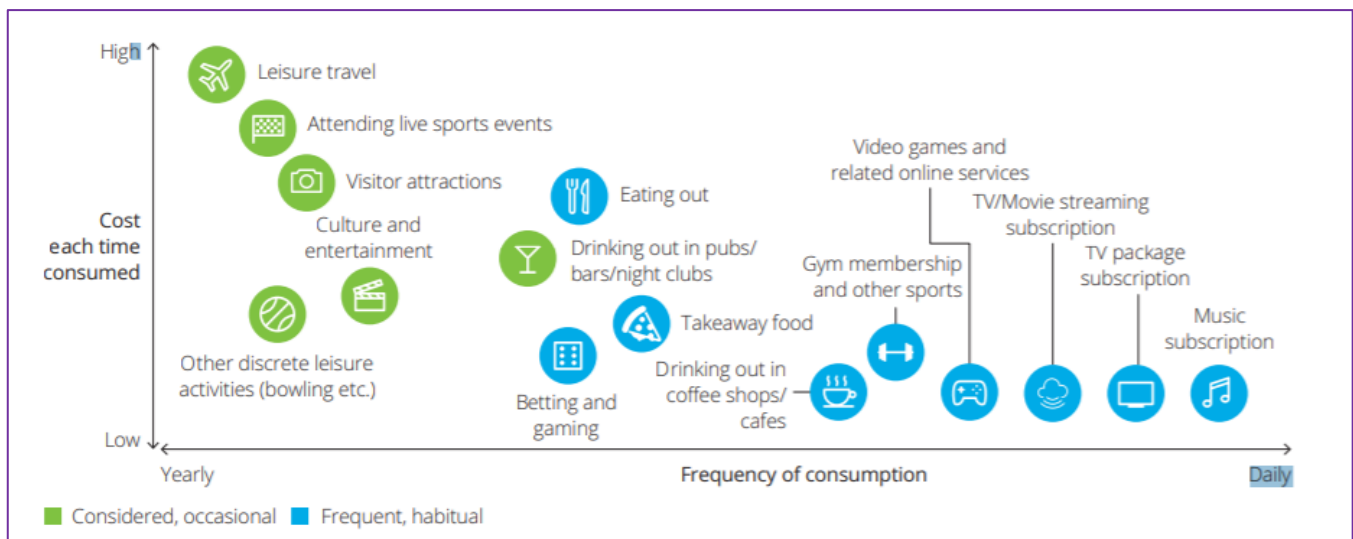


Figure 3: Deloitte classification of leisure activities

Source: Passion for leisure| A view on the UK leisure consumer – Deloitte, 2016
<https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/consumer-business/deloitte-uk-cip-leisureconsumer.pdf>

Other definitions vary from that used by Deloitte. Barclaycard, for example, defines the Experience Economy as comprising entertainment and events activities. PricewaterhouseCoopers, on the other hand, views the Experience Economy as something that crosses all sectors and refine the elements of digital technology that are within scope including immersive, virtual and augmented reality providers (PWC, 2017). Ek et al (2008) among others recognise that the Experience Economy includes tourism within its scope (rather than the narrower definition of leisure travel included within the Deloitte reports).⁷ Van Vliet (2012) builds on this to add events as a specific sub-sector of tourism that is essential within Experience Economy definitions.

The discourse about tourism and the Experience Economy is complex and adds new dimensions when seeking to understand the scale, scope and interactions within and between Experience Economy organisations and consumers. Tourism is, however, one of the most significant areas of ‘experiential’ spend for most consumers. Tourism and package tourism in particular (through which two or more components of a holiday are sold to a customer as a part of a single purchase), comprises a complex array of experiences. Embedded within the macro experience (the package holiday), the consumer may also engage in other experience vignettes such as an evening observing cultural dance or even casual street performers engaged in a local celebration from the nearby café. This embodies the final dimension of the Experience Economy that is ignored by many of the commercial consultancy reports on the phenomenon: the concept and significance of place. Sentiment studies emerging from the tourism sector in particular point to the perceptions of the vibrancy of place as an essential pre-requisite within the decision to travel. Figure 4 demonstrates that restrictions on opportunities to experience place by socialising or interacting with residents is the largest deterrent to re-engaging in travel as restrictions are lifted for those in the 45+ age group in the UK. Thus, the spatial location in which performance occurs, whether physical or digital, needs to be recognised within any exploration of the Experience Economy. Moreover, those places seeking to recover will need to understand the capacity to create and deliver fulfilling experiences as they begin to emerge from the restrictions associated with the pandemic.

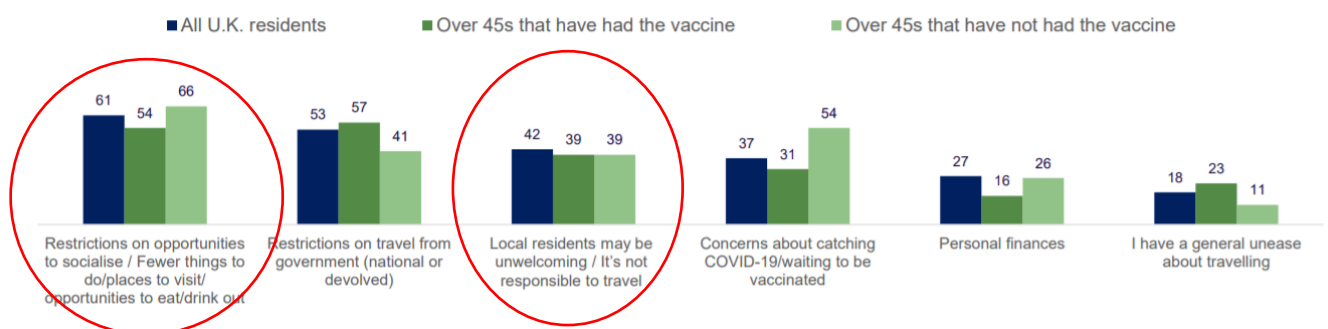


Figure 4: Reasons for not being confident about travelling from April to June by retiree vaccine status, Percentage, Waves 27-28, UK

⁷ Tourism is perhaps the most obvious part of the Experience Economy, although the way in which it is measured within many GVA studies include offerings that are mere services (for example, taxi hire).

Source: BVA/BDRC, VisitBritain, Visit England *Covid-19 Consumer Profiling Report*, Report 7 Waves 26-28. VisitBritain, UK.

6.2 Measuring the value of experiential activities

As explored above, Experience Economy activities do not fit neatly into the conventional sectoral definitions that are used when seeking to understand industry groupings and measure the economic significance of different activities. Broadly speaking the activities associated with developing, creating, curating and selling the commodity of ‘time (well) spent’ reside mainly (although not exclusively) within the creative, cultural, tourism and hospitality, sport and digital sectors. In the UK, these sectors lie exclusively within the remit of the Department for Digital, Culture, Media and Sport (DCMS). They are listed in Table 1.















Experience activity	Generally included within definitions of:
 Leisure travel	Tourism
 Visitor attractions	Tourism, creative, culture
 Eating out	Tourism
 Attending sports events	Tourism, sport
 Drinking out in pubs, clubs & nightclubs	Tourism
 Drinking out in coffee shops & cafés	Tourism
 Culture & entertainment	Tourism, creative, culture
 Gym membership & other sport	Sport
 Other recreation & leisure activities	Tourism, creative
 Hotels & other accommodation	Tourism
 Video games & related online entertainment	Digital
 Television & movie streaming subscription	Creative
 Music subscription	Creative
 Betting and gaming	Sport

Table 1: Mapping experience activities against recognised industry groupings.

6. Refining the industrial activities that come together to create Experience Economy activities

Each of the sectoral groupings identified in Table 1 comprises a wide range of individual ‘industrial’ activities, each of which bears a standard industrial classification (SIC) code). Some of the SIC codes that come together to form the Digital Sectoral Grouping are shown in Table 2.

Digital sector sub-sector	SIC07	Description
Manufacturing of electronics and	26.11	Manufacture of electronic components
	26.12	Manufacture of loaded electronic boards

computers	26.2	Manufacture of computers and peripheral equipment
	26.3	Manufacture of communication equipment
	26.4	Manufacture of consumer electronics
	26.8	Manufacture of magnetic and optical media
Wholesale of computers and electronics	46.51	Wholesale of computers, computer peripheral equipment and software
	46.52	Wholesale of electronic and telecommunications equipment and parts
Publishing (excluding translation and interpretation activities)	58.11	Book publishing
	58.12	Publishing of directories and mailing lists
	58.13	Publishing of newspapers
	58.14	Publishing of journals and periodicals
	58.19	Other publishing activities
Software publishing	58.21	Publishing of computer games
	58.29	Other software publishing

Table 2: Selected individual industry activities and SIC codes that are included in the Digital Sector Grouping.

There is significant overlap between the SIC codes within each of the five sectoral groupings identified as responsible for developing, creating, curating and selling experiences (for example, tourism and culture both include Museums – SIC code 91020 - within their scope). Moreover, not all activities included within each of the sector groupings are essential to delivering experiences. For example, the activities included under SIC 46.51 and 46.52 in Table 2 are essential for those wishing to access experiences inasmuch as they interface between the audience and experience. They do not, however, contribute directly towards creating the experience. Other activities that play an important role in supporting experiences, especially those that are consumed in physical places, are provided by a range of public sector agencies and trade associations and these are often excluded from evaluations of the five sub sectors that comprise the Experience Economy. In many instances, this support includes:

- Owning the buildings in which performance takes place (as is the case for Made in Dagenham film studios, owned by a specific private sector vehicle established by the London Borough of Barking and Dagenham⁸);
- Finding lessees for the venues through which food is served (for example, many seaside concessions are owned and let by local authorities and either operated directly or leased to commercial businesses);
- Ensuring the safety of experiences (for example via the services delivered through the Food Standards Agency and or police service);
- Promoting experience activities (as is the case for Destination Marketing Organisations, such as Visit County Durham, that are mainly funded by the local authority⁹);
- Ensuring that the UK transport or digital infrastructure is operating effectively to allow audiences to physically access experiences; and

⁸ London Borough of Barking and Dagenham is a partner on DREEm (award reference AH/V00882X/1)

⁹ Visit County Durham is a partner on DREEm (award reference AH/V00882X/1)

- Supporting access to experiences that are considered to deliver a social benefit, whether free access to museums which is funded via DCMS and in some cases the Department for Education, or subsidies for specific types of performance/venues and which are paid for directly by Arts Council England (ACE) and its regional hubs.

The public sector agencies that support delivery of these and other services that support the Experience Economy are included with SIC codes 84.1, 2 and 3¹⁰ and those of membership associations in SIC 94¹¹. However, these codes cannot be disaggregated to refine the experience-specific elements.¹² This difficulty in disaggregating data is acknowledged by a range of international agencies (including OECD, 2020), and it means that the value and employment contribution of the sectors involved in the development and staging of experience activities are typically under-represented in official data sets. This omission is not only a function of a mismatch between the SIC codes and many of the activities engaged in by experience stagers, but also a reflection of the fact that the official data record only primary job roles (and, therefore, ignore the many people who engage in experience industries as a second job), fail to account for volunteering, do not report on very small businesses and freelancers (including many social enterprises); these actors received very little, if no financial support during the pandemic. Under-recording means that many of the closures seen over the period of the pandemic are likely to go unreported and unrecorded (it is anticipated, for example, that as many as 90% of grassroots cultural venues across London may close as a result of lack of official recognition and resultant under-funding over the course of Covid-19) (OECD, 2020). These factors make it difficult to evaluate the capacity for experience organisations to rebuild post-pandemic.

As acknowledged above, there are limitations in using the SIC system to map the network of organisations that develop, create, curate and sell experiences (see section 12 for a more expansive list of these). Despite these challenges, the SIC system is universally adopted.¹³ It is the source of data used by the Office for National Statistics (ONS) to report on economic activity and forms the primary data source for most Gross Value Added (GVA) studies.

The alternative to the SIC system is the Standard Occupational Classification (SOC) system. Also universal, this divides the workforce by job title (actor, for example, carries the designator 3413 and hotel receptionist 4224). Whilst data for turnover and business units is not available via this system, it does include freelancers¹⁴ and solo operators (some of which are also excluded from the SIC). As of 2020, the SOC

¹⁰ These codes are applied to the range of activities associated with Public administration and defence; compulsory social security.

¹¹ Activities of business, employers and professional membership organisations

¹² Gross Value Added (GVA) studies do attempt to make up for this by attributing a percentage of activity/consumer spend across these 'support' sectors into their calculations. These percentages are often derived from relatively small scale surveys and/or are calculated nationally and divided proportionally between sub-regions.

¹³ Although it has largely been replaced in the USA and Canada by the North American Industrial Classification System (NAICS) which is similar but more granular.

¹⁴ Freelancers are a subsection of the solo self-employed and are usually working in highly skilled managerial, professional and technical occupations.

system was being extended on an experimental basis to change the current four-digit descriptor system into six digits (allowing for more disaggregation of the data). Once complete, this may make a combination of the SOC and SIC classifications a more effective way of measuring the value of the Experience Economy from a supply perspective. In the meantime, this project uses SIC codes to begin the process of defining the value of experiential industries economically.

7. Evaluating the value of experience industries pre- and post-Covid-19

Value chain analysis has traditionally been used to map the process of value creation. Developed by Porter (1985), this seeks to understand business activities in terms of costs and contribution, pursuing the optimisation and sustaining of value creation and value capture via sequential, linear logic. Value chains are categorized into three distinct groups: as a set of activities, a set of actors and as strategic networks (Donovan, et al., 2015). Interactions between linked actors are shaped by governance, or formal and informal rules and agreements that determine the cyclical and recurring actions of shared interest carried out by the individuals and the networks they populate. Flows of activity follow well-determined paths, and the position of upstream suppliers and downstream buyers remains fixed (Adner & Kapoor, 2010). Within the Experience Economy, connections between organisations are neither formal nor fixed. They are characterised by their dynamic nature, defined by OECD as:

"... an interconnected and interdependent network of freelancers and micro-firms which provide creative content, goods and services. This 'ecosystem' is vital to the sector and now faces bankruptcy due to a sudden and massive loss of revenue opportunities"
(OECD, 2020)

This report concludes, therefore, that value creation within an experience context is neither purely economic nor linear and so a different approach is required.

8.1 The concept of value

Value creation implies both the emergence of something valuable that did not previously exist, and the provision of new use value resulting from the application of organizational resources and capabilities (Lüdeke-Freund, et al., 2020). Recent literature observes that current business model discourse receives its legitimacy and urgency from its focus on value, which is proposed, created and captured through the business model's representational framework for mapping strategic and operational practice (Massa, et al., 2017; Richardson, 2008; Stubbs & Cocklin, 2008; Upward & Jones, 2015; Zott, et al., 2011). In this context, the commercial logic of value exchange maintains that the customer benefits in exchange for monetary payments, with value creation converting to transactional value for both customers and the company providing economic offerings. This interpretation of value is limited in its implication that value has only a monetary dimension (Upward & Jones, 2015, p. 104).

Lüdeke-Freund et al (2020) map a theoretical framework for sustainable value creation (figure 5). Within this, each of the segments defines value, its sources, beneficiaries, means of creation and capture. They argue that this approach

embraces broader notions of value creation that reflect stakeholder theory in considering the needs of the wider spectrum of stakeholders, and connect these more comprehensive notions of value creation, beyond the limited transactional definition, to include further social and environmental benefits, to business models and systems thinking.

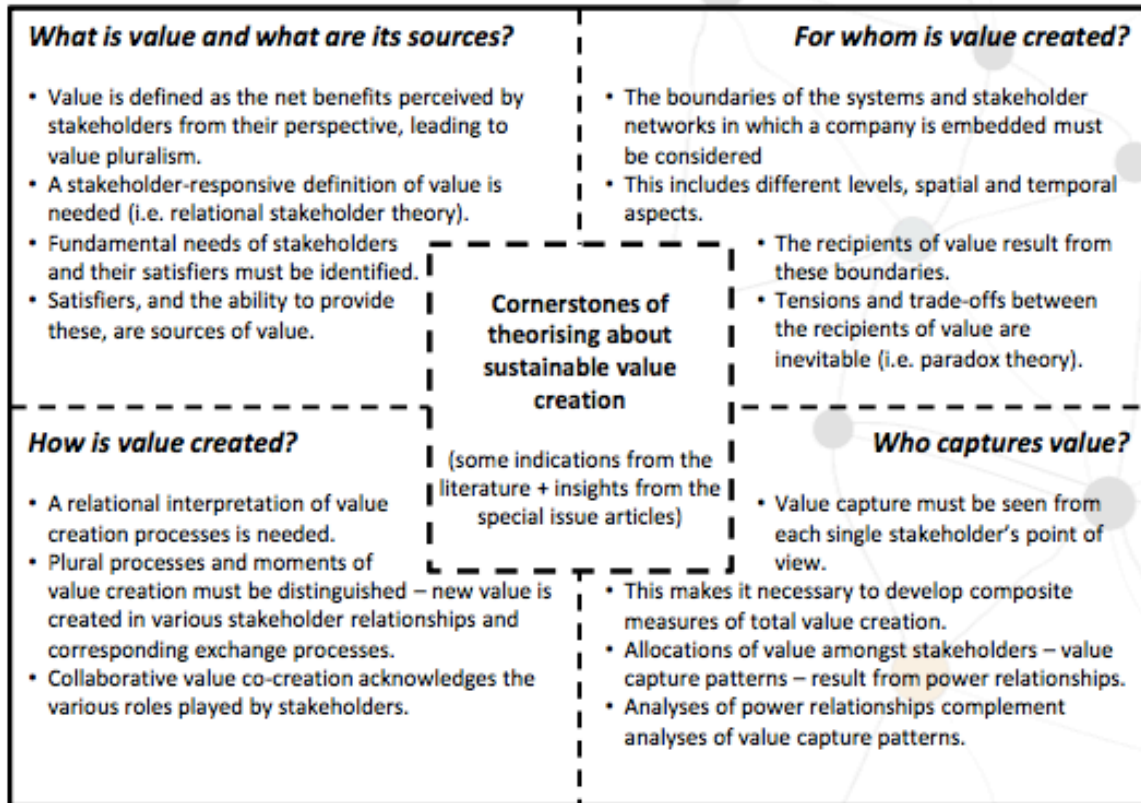


Figure 5: Theoretical framework of sustainable value creation

Source: Lüdeke-Freund, et al., 2020, p. 81

In this way, the “total value created” (Lüdeke-Freund, et al., 2016) by a company is a function of the boundaries of the value creation system under consideration (e.g. in terms of time, space and actors), which also determines which stakeholders are directly or indirectly involved and affected (Baumgartner & Rauter, 2017). When considering the resulting variety of stakeholders, different value creation processes and forms of value at different levels warrant inclusion. This pluralistic, relativistic approach to defining value creation acknowledges multiple stakeholders (Brennan & Tennant, 2018) and so forms a core of this report. Applying a systems approach to the definition of value, and the beneficiaries of this created value (Starik, et al., 2016; Stubbs & Cocklin, 2008; Upward & Jones, 2016) is especially relevant to the business ecosystem and complex value creation that the DREEm research project seeks to map¹⁵.

¹⁵ DREEm is one of 83 research projects funded by AHRC under its Covid-19 rapid response scheme. Data available at: https://strategicfutures.org/TopicMaps/UKRI/research_map.html

8.2. Value capture

Value capture is traditionally interpreted through the lens of the individual for whom the value is created. For customers, it means realizing new use value, which is subjectively assessed. For companies, it means obtaining exchange value and financial profit realised at the point of sale (Bowman & Ambrosini, 2020). For labour suppliers, it means being paid wages; for capital suppliers and shareholders, it means receiving interest and dividend payments based on a share of the exchange value created by the company (Freudenreich, et al., 2020). At an operational level, value capture is defined as the process of securing profits from value creation and the distribution of those profits among participating actors such as providers, customers and partners. Thus, successful value capture calls for the design of appropriate governance mechanisms to ensure that value creation is greater than the cost of realizing that value, and that the value surplus is distributed fairly among partners (Chesbrough, et al., 2018; Dyer, et al., 2018).

In contexts involving a multiplicity of stakeholders, consideration of wider non-financial needs and interests indicates that value capture cannot be restricted to the dyadic company-customer relationship alone. Rather, a systematic and collaborative perspective considers value capture to be viewed as a multifaceted interchange that exists within an ecosystem, in which concepts of customer value require other offerings to be 'consumed' alongside the experience itself. This more inclusive stakeholder-responsive interpretation of value requires consideration of the specific forms of value capture sought by each stakeholder, as well as the power relationships amongst constellations of various, modular stakeholders and their impact on the distribution of value created (Lüdeke-Freund, et al., 2020; Bowman & Ambrosini, 2020). Hermes et al (2020) have undertaken mapping analyses of complex healthcare ecosystems to capture visualisations of how and with whom economic value may be exchanged. The diagrams indicate the clustering of the market segments, and the component organisations' simultaneous occupancy of multiple market segments, within a complex and intertwined field of reference. Hermes et al (2020) use the healthcare sector to observe a degree of connected, network-based value delivery, emerging as a consequence of the leveraging effect of platform-based business models.¹⁶ Platforms for engagement, searching, reviewing and communicating have enabled the evolution of passive patients (i.e. consumers of healthcare services), into prosumers: customers who produce as well as consume in order to transform to achieve their health/wellbeing aspirations (Ritzer & Jurgenson, 2010). As such, they co-create value with healthcare providers.

The same applies to the Experience Economy now operating in a digital age. Value in this context cannot be effectively represented nor measured within a linear value chain approach that models value capture according to traditional financial systems, rigid structures and rules. It is instead best viewed as an ecosystem with multiple feedback loops and connections in which audiences are not consumers but

¹⁶ There are some who would define the modern healthcare system within the realm of Experience Economy.

rather prosumers, engaged in the process of value creation and exchange, and where the value of time is under constant competition and flux.

8. The UK experience economy ecosystem

Ecosystems are characterised by interdependence (cooperation) and coopetition (Adner & Kapoor, 2010) within a dynamic network of continuous interaction (Gummeson, 2008). The DREEm project has begun to determine a provisional model of the UK Experience Economy ecosystem, provided in Figure 8. This will be further developed via UK-wide workshops in three key case study places¹⁷ that explore the connectivity between key players and evaluate the concept of value and its transfer.

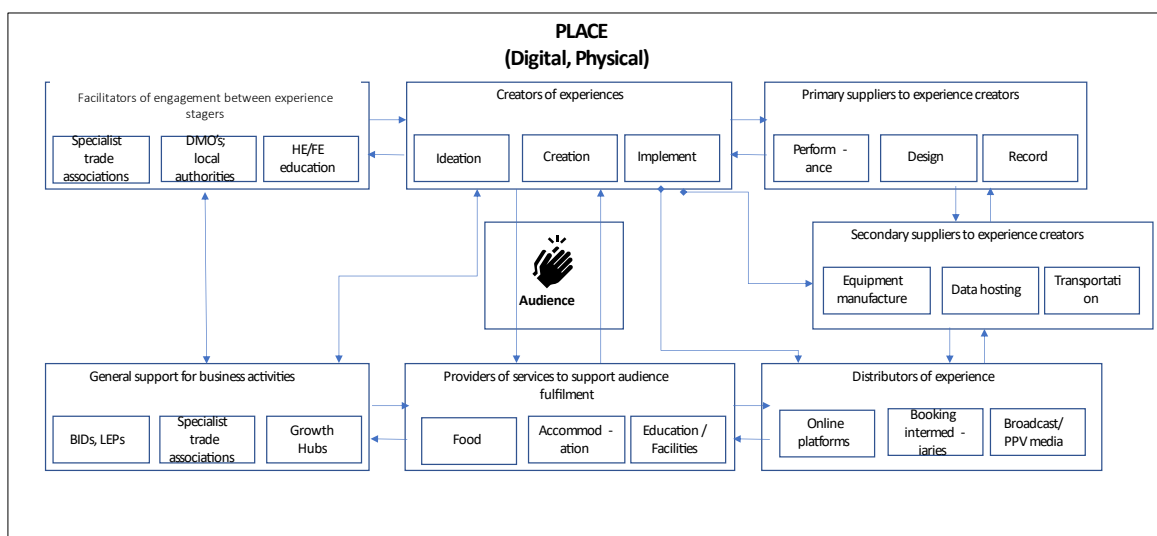


Figure 8: Representation of the DREEm taxonomy of the Experience Economy ecosystem.

Customers are central to this model of the UK Experience Economy. In this context, a customer may be a traditional paying customer, for example an individual attending a theatre performance. A customer could also be individuals attending non monetised experiences, whether tourists engaged in observing street dance, members of a club for the elderly engaged in a therapeutic art class or individuals attending a dinner party. Whatever the context, the customer is the focus of all Experience Economy activity. The experiences in which they engage may be micro (e.g. a meal composed of local ingredients that tells the story of place) or macro (a theatre performance or holiday). The critical point is the fact that all experiences are conceived by experience creators and delivered via an ecosystem that comprises a range of other actors as follows:

Primary experience economy organisations: These organisations, working with partners, take the initial idea and develop it into a clear project proposal with a plan for the staging of the experience, producing it, marketing and selling it to

¹⁷ London Borough of Barking and Dagenham, Durham and Dundee.

customers. In the case of a physical theatre performance, Primary Experience Economy Organisations could include writers, costume designers, producers, stage designers, sound technicians, actors and staff for the bar that is open during the interval for example. In the case of an online game, they will include computer programmers, script writers, graphic artists, musical technicians and post-production services. Some experiences may be created and consumed in the geographical location in which they are conceived. Others (and especially digital experiences) will be enjoyed away from their place of origin and in some instances take place in a virtual rather than physical world. No matter which of these circumstances is true, nearly all experiences will include a range of Primary Experience Economy organisations in their creation and delivery. Value is exchanged throughout this process and takes the form of financial reward, but also potentially improvement in wellbeing and community belonging. The DREEm research project has been guided by a Working Group that includes a range of stakeholders from across Primary Experience Economy sectors and the measurements that are provided in our UK Experience Economy Dashboard indicate estimates for the size of the Primary Experience Economy for each UK local authority. Primary experience economy service providers are coloured green in Figure 8.

Secondary suppliers of goods and services to the Experience Economy: These do not create the initial experience concept but supply the physical goods and services required to fully stage the experience. They include within their scope activities such as SIC code 26.11 manufacture of electrical components in the case of Table 3 without which digital experiences could not be consumed, but that service a wider audience base than experience takers alone. The DREEm UK Experience Economy Dashboard provides estimates of primary + secondary activity sub-divided into the five sectors that comprise most Experience Economy activity. As such, these data include within their scope the activities of organisations that enable individuals to access experiences, but also have a much wider purpose. Their activities are clear in Figure 8.

Outside of those directly involved in Experience Economy staging, there is the network of organisations that **facilitate engagement between Experience Economy stagers** and also provide **business support activities**. These are often categorised using SIC Codes associated with local authority administration and cannot be identified and associated with the Experience Economy. They are significant and include the sectors below, but are for the most part excluded from our UK Experience Economy Dashboard and other measurement activity:

- Networks and dedicated Experience Economy organisations that interface between experience providers (e.g. trade associations and Destination Management Organisations and those charged with policy development); and
- General business support networks and advice and critically, the range of government agencies, trust funds and charities that support the activities of experience sectors and often directly commission their services;
- Local authority activities that support Experience Economy Providers, whether through marketing, provision of waste collection or other services.

9. Next steps

Appendix 1 begins the process of evaluating the scale and composition of the Experience Economy in specific geographies. The regional workshops outlined aim to provide insights into connectivity within and across the experience ecosystem. They will start the conversation around the concept of value which will be the focus of future research.

The outcomes of these and other project activities should enable us to:

- Evaluate how the UK's Experience Economy ecosystem has changed over the course of the pandemic;
- Create insights about the characteristics of the UK Experience Economy in different geographies;
- Assess how UK and international audiences engage with digital content and platforms and evaluate the capacity for digital adaptation in key locations;
- Categorise potential UK Experience Economy opportunities/risks in specific geographies
- Understand the how UK economic inputs permeate through the Experience Economy regionally and locally and how these convert into value;
- Pave the way to build on this knowledge to create tools to support businesses and places to analyse the risks and create strategies to build resilience and support regeneration.

10. Limitations of approach and areas for future research

It could be argued that an experience can only be judged as 'time well spent' from the perspective of the individual consumer. A hotel stay for one consumer may be a pleasurable experience – and thus fit within this categorisation, whilst for another it may be a functional and necessary part of a business trip and lacking in pleasure. That interpretation, however, implies that the primary purpose of experience should be enjoyment (a notion not explicit in demand-side definitions of the term). We have taken the approach that an experience is characterised as something in which the commodity purchased is time spent.

The taxonomy created here differentiates between activities for which the 'experience' is their core business activity and those that provide the wider 'theatre' in which the experience takes place – something acknowledged as important in Pine and Gilmore's initial (1997) interpretation of the term. It is noted, however, that it also excludes from scope some of the more incidental experiences that were referenced within early interpretations by Pine and Gilmore. For example, retail is excluded (something that is included in the original concept for those businesses that explicitly engage staff in performance as a part of the sales process).

Perhaps the most significant limitation of this approach is its use of the SIC codes as a core data set. The SIC code system is widely used to quantify sectoral inputs within economic GVA studies. It has been noted by others (NESTA, 2018; OECD, 2020) that the SIC system has limited applicability for wider creative and cultural sectors. Limitations of the system include:

- The age of the SIC system, which was initially introduced in 1948. Although there have been subsequent updates (2007), many of the codes are more suited to an economy focused on manufacturing rather than service industries, complicating the identification of organisations engaged in the delivery of services (such as the development of AI technologies) much less experiences;
- The fact that SIC codes divorce the goods and services created by businesses from the public administration and support activities that are often essential to the delivery of those goods or services;
- SIC codes allow only for the measurement of economic inputs/outputs rather than value;
- SIC codes are typically self-selected by company directors at the point at which they register a business with Companies House, the Charity Commission and/or HMRC. Businesses make a judgement on the best fit for their operation and can select up to four codes¹⁸. Thus, a company that operates both a bar and food takeaway service may enter the SIC code for both of these activities. It is important to note here that a business that changes operating mode (e.g. that starts operating as a hotel and then switches to self-catered apartments) may not update its SIC code;
- The coding system captures data for all legally constituted organisations (including the self-employed), but excludes those who fall below the personal income tax threshold - up to £12,570 in 2021/22 (HM Government, 2021).
- The SIC system includes 74 codes (within specific business sub-sectors) classified as 'Other' activities not elsewhere classified¹⁹. This lacks specificity.
- The system is not well equipped to capture the nuance between what might be considered a service and an experience. For example a board-games café might be registered as 55302 -Coffee bar, room or saloon (unlicensed) or 55302 - Tea room or shop (unlicensed) but not be identified as 93290- Other amusement and recreational activities n.e.c. (Not Elsewhere Classified).
- SIC codes do not have obvious and logical categories to include the following: The activities of organisations tasked with the management of place. This includes within its scope Destination Marketing Organisations, Local Enterprise Partnerships, Growth Hubs; the activities of consumer facing booking platforms including Eventbrite, Airbnb, Booking.com; the activities of those engaged in innovative digital development, including VR and AI.
- There are notable exclusions from the classifications – especially organisations that operate in the informal economy or those that are units of businesses registered overseas (and pay neither VAT nor PAYE salaries in the UK). These are significant and can include large swathes of activity e.g. operators of Airbnb-style accommodation.

Despite these limitations, the comprehensive nature of the data combined with the fact that SIC codes can be viewed for specific geographies mean that it is the best

¹⁸ As of 2021, 84% selected only one SIC designator.

¹⁹ Abbreviated to NEC in the nomenclature of the SIC system

proxy currently available to provide a baseline of the range of the UK's Experience Economy activity. Therefore, the approach taken within this project overcomes the critiques of the concept of Experience Economy that largely relate to a lack of frameworks through which it can be operationalised at a policy level. By defining which industries play a role in Experience Economy delivery and analysing their connectivity, meaningful policy interventions can be designed and a new lens provided for use by UK industry when evaluating the skills required to sustain businesses that have experiences at their core.

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APPENDIX 1 – Sectors in Scope

There are 615 primary SIC codes that classify the activities of all UK registered business organisations (plus an additional 191 subclasses). The SIC codes that are relevant to the five sector groupings (tourism, cultural, creative, digital and sport) are listed below. It should be noted when reading the Appendix that some SIC codes are included in more than one of the five sectoral groupings.

		Categorisation for place based case study workshops							Primary experience economy	DCMS sector				
SICCode	SIC title	Creators	Primary suppliers	Secondary suppliers	Distributors	Providers	Facilitators	Business support	Included as Primary Experience Economy https://www.dreem.org.uk/resources/uk-experience-economy-dashboard-intro/	Creative Industries	Digital sector sub-sector	Cultural sector	Tourism sector	Sports sector
18201	Reproduction of sound recording				Y				Y			Y		
26110	Manufacture of electronic components			Y							Y			
26120	Manufacture of loaded electronic boards			Y							Y			
26200	Manufacture of computers and peripheral equipment			Y							Y			
26301	Manufacture of telegraph and telephone apparatus and equipment			Y							Y			
26309	Manufacture of communication equipment (other than telegraph and telephone apparatus and equipment)			Y							Y			
26400	Manufacture of consumer electronics			Y							Y			
26800	Manufacture of magnetic and optical media			Y							Y			
30120	Building of pleasure and sporting boats												Y	Y
32120	Manufacture of jewellery and related articles			Y						Y		Y		
32130	Manufacture of imitation jewellery and related articles			Y						Y				
32200	Manufacture of musical instruments		Y						Y			Y		

		Categorisation for place based case study workshops						Primary experience economy	DCMS sector				
32300	Manufacture of sports goods												Y
46510	Wholesale of computers, computer peripheral equipment and software			Y						Y			
46520	Wholesale of electronic and telecommunications equipment and parts			Y						Y			
47630	Retail sale of music and video recordings in specialised stores				Y	Y		Y			Y		
47640	Retail sale of sporting equipment in specialised stores											Y	Y
49000	Land transport and transport via pipelines			Y								Y	
50000	Water transport			Y								Y	
51000	Air transport			Y								Y	
55100	Hotels and similar accommodation	Y				Y		Y				Y	
55201	Holiday centres and villages	Y				Y		Y				Y	
55202	Youth hostels	Y				Y		Y				Y	
55209	Other holiday and other short stay accommodation (not including holiday centres and villages or youth hostels) n.e.c.	Y				Y		Y				Y	
55300	Camping grounds, recreational vehicle parks and trailer parks	Y				Y		Y				Y	
55900	Other accommodation	Y				Y		Y				Y	
56101	Licensed restaurants			Y		Y		Y				Y	
56102	Unlicensed restaurants and cafes			Y		Y		Y				Y	

		Categorisation for place based case study workshops						Primary experience economy	DCMS sector				
56210	Event catering activities			Y		Y		Y				Y	
56290	Other food service activities											Y	
56301	Licensed clubs				Y			Y				Y	
56302	Public houses and bars				Y	Y		Y				Y	
58110	Book publishing		Y					Y	Y	Y			
58120	Publishing of directories and mailing lists			Y					Y	Y			
58130	Publishing of newspapers				Y	Y		Y	Y	Y			
58141	Publishing of learned journals		Y		Y		Y	Y	Y				
58142	Publishing of consumer, business and professional journals and periodicals		Y		Y		Y	Y	Y				
58190	Other publishing activities			Y					Y	Y			
58210	Publishing of computer games	Y	Y		Y			Y	Y	Y			
58290	Other software publishing			Y					Y	Y			
59111	Motion picture production activities	Y	Y					Y	Y	Y	Y		
59112	Video production activities		Y					Y	Y	Y			
59113	Television programme production activities	Y	Y					Y	Y				
59120	Motion picture, video and television programme post-production activities		Y					Y	Y		Y		
59131	Motion picture distribution activities				Y			Y	Y	Y	Y		
59133	Television programme distribution activities				Y			Y	Y				

		Categorisation for place based case study workshops						Primary experience economy	DCMS sector					
59140	Motion picture projection activities		Y		Y				Y	Y	Y	Y		
59200	Sound recording and music publishing activities	Y	Y		Y				Y	Y	Y	Y		
60100	Radio broadcasting	Y	Y		Y				Y	Y	Y	Y		
60200	Television programming and broadcasting activities				Y				Y	Y	Y	Y		
61100	Wired telecommunications activities				Y						Y			
61200	Wireless telecommunications activities				Y						Y			
61300	Satellite telecommunications activities				Y						Y			
61900	Other telecommunications activities				Y						Y			
62011	Ready-made interactive leisure and entertainment software developmen	Y	Y		Y	Y			Y	Y	Y	Y		
62020	Computer consultancy activities				Y					Y	Y			
62030	Computer facilities management activities				Y						Y			
62090	Other information technology and computer service activities				Y					Y	Y			
63110	Data processing, hosting and related activities				Y						Y			
63120	Web portals				Y	Y	Y		Y		Y			
63910	News agency activities				Y						Y			

		Categorisation for place based case study workshops						Primary experience economy	DCMS sector				
63990	Other information service activities n.e.c.			Y						Y			
68202	Letting and operating of conference and exhibition centres			Y		Y		Y				Y	
70210	Public relations and communication activities			Y					Y				
71111	Architectural activities			Y					Y				
73110	Advertising agencies			Y					Y				
73120	Media representation			Y					Y				
74100	Specialised design activities		Y	Y				Y	Y				
74201	Portrait photographic activities		Y					Y	Y		Y		
74202	Other specialist photography (not including portrait photography)		Y					Y	Y		Y		
74209	Other photographic activities (not including portrait and other specialist photography and film processing) n.e.c.		Y					Y	Y				
74300	Translation and interpretation activities			Y					Y				
77110	Renting and leasing of cars and light motor vehicles			Y								Y	
77210	Renting and leasing of recreational and sports goods		Y	Y				Y				Y	Y
77220	Renting of video tapes and disks		Y	Y				Y				Y	

		Categorisation for place based case study workshops						Primary experience economy	DCMS sector				
77291	Renting and leasing of media entertainment equipment		Y	Y				Y				Y	
77341	Renting and leasing of passenger water transport equipment			Y								Y	
77351	Renting and leasing of passenger air transport equipment			Y								Y	
79110	Travel agency activities	Y			Y	Y		Y				Y	
79120	Tour operator activities	Y			Y	Y		Y				Y	
79901	Activities of tourist guides				Y	Y		Y				Y	
79909	Other reservation service and related activities (not including activities of tourist guides)				Y	Y		Y				Y	
82300	Organisation of conventions and trade shows	Y			Y		Y	Y	Y			Y	
85510	Sports and recreation education						Y	Y	Y				Y
85520	Cultural education						Y	Y	Y	Y		Y	
90010	Performing arts	Y	Y	Y	Y				Y	Y		Y	Y
90020	Support activities to performing arts			Y	Y	Y	Y	Y	Y	Y		Y	Y
90030	Artistic creation	Y			Y	Y			Y	Y		Y	Y
90040	Operation of arts facilities				Y	Y	Y		Y	Y		Y	Y
91011	Library activities		Y						Y	Y		Y	
91012	Archive activities		Y						Y	Y		Y	
91020	Museum activities	Y			Y				Y	Y		Y	Y
91030	Operation of historical sites and buildings and similar visitor attractions	Y	Y		Y				Y			Y	Y

		Categorisation for place based case study workshops						Primary experience economy	DCMS sector				
91040	Botanical and zoological gardens and nature reserve activities	Y			Y			Y				Y	
92000	Gambling and betting activities	Y			Y	Y		Y				Y	
93110	Operation of sports facilities	Y				Y		Y				Y	Y
93120	Activities of sport clubs	Y				Y		Y				Y	Y
93130	Fitness facilities	Y				Y		Y				Y	Y
93199	Other sports activities (not including activities of racehorse owners) n.e.c.	Y				Y		Y				Y	Y
93210	Activities of amusement parks and theme parks	Y			Y	Y		Y				Y	
93290	Other amusement and recreation activities	Y			Y	Y		Y				Y	
95110	Repair of computers and peripheral equipment				Y					Y			
95120	Repair of communication equipment				Y					Y			

Table 3 – A taxonomy of experience economy activities subdivided by SIC codes included within experience economy sectors

Sources:

Office for National Statistics (2016) DCMS Sectors Economic Estimates – Methodology downloaded from

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/829114/DCMS_Sectors_Economic_Estimates_-_Methodology.pdf [Accessed 14 Nov 2020];

Oxford Economics and World Travel and Tourism Council – Economic Impact Assessment Methodology (<https://wttc.org/Research/Economic-Impact>)

Government of Scotland (2018) Tourism in Scotland: the economic contribution of the sector (<https://www.gov.scot/publications/tourism-scotland-economic-contribution-sector/pages/7/>)