

Chapter One The Rise of the Experience

Humans are social animals.

The need to gather and share stories dates back to the dawn of man, when our ancestors met around the fire to share in the kill and documented hunts on cave walls. Over thousands of years of political and social upheaval, natural and man-made disasters, and technological achievements that have shaped and reshaped our world, the need to share has remained constant—and it defines us as a species. But while our need to share stories has not changed over the millennia, the methods by which we share them have.

As a marketer, the need to cut through noise and tell *your* story has never been more important—or more difficult. In today's tune-out culture, where the interruptive marketing strategies of yesterday have been rendered almost useless by consumers who can now tune you out, brands need more than a catchy jingle, an amusing TV spot, or a big budget to be noticed. Being flashy, sexy, or loud no longer equates to a return on investment. Marketers have no one to blame but themselves for their current predicament. For decades, brands worshipped at the altar of mass reach—using GRPs, CPMs, and other quantitative metrics for delivering the most messages at the least cost, and in the

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process bombarding consumers with irrelevant messages at the wrong time. That approach doesn't create engagement; it creates exasperation. It's no wonder that, when given the opportunity to skip or block mass media, consumers do it in droves. And if traditional media clutter isn't challenging enough, today's customers are bypassing established media altogether and consuming content, sharing, and communicating via entirely new social and mobile platforms . . . which make them even harder to reach.

Brands have two choices: (1) continue to play cat-and-mouse with customers, trying to keep up with where they're going and adapting messaging to the medium du jour. We call this the "push" option, which requires you spend money to chase your consumers to their next favorite medium and then figure out how to interrupt them with your message. Or (2) take another path—one that taps into the core of our human DNA and virtually forces target audiences to stop, take notice, and participate. We call this the "pull" approach, and it is the central tenet of experiential marketing, a powerful strategy used more and more by leading brands to create true customer engagement that delivers measurable results.

In its simplest form, experiential marketing is nothing more than a highly evolved form of corporate storytelling. But while the premise appears simple—combine a brand message, elements of interactivity, a targeted audience, and deliver it in a live setting to create a defined outcome—successful experiences are both art and science. Embracing experiential marketing requires a new way of thinking about marketing, creativity, and the role of media in the overall mix.

This may sound a bit uncomfortable for many marketers, because it requires changing some very established ways of thinking and branding methods. But those who have transitioned to an experiential marketing mindset are finding that any pains of change are outweighed by the benefits of more powerful marketing, more engaged customers, and better returns on marketing investments.

This book is the culmination of more than a decade spent working with some of the biggest brands in the world, interviewing hundreds of marketers, and documenting thousands of experiential marketing programs. Throughout our years covering the leaders of the experiential

marketing movement, we've isolated and identified key success factors that successful experience brands share. None began their journeys as highly evolved experiential marketers, but many can now claim expert status after years of trial and error. We are about to provide you with the collective insights and wisdom from the marketers who blazed the trail so you can proceed down this exciting new path.

THE EXPERIENCE R/EVOLUTION

There are four general pillars of all stories: The story, the storyteller, the medium by which the story is shared, and the listener. Eliminate any one of these and it's quite literally end-of-story.

Commercial storytelling took shape in the late 18th century as manufacturers shifted their focus from simply announcing the existence of their goods and services to using words and images that would persuade customers to buy theirs. Four factors ignited this movement toward "show and sell" corporate storytelling:

- The industrial revolution, which allowed manufacturers to generate products in mass quantities (and created pressure to stimulate mass consumption)
- An expanding transportation network that could take products to distant markets efficiently
- A growing media and retail infrastructure that could reach customers in virtually every market
- An exploding population with a voracious appetite for goods and services

Modern print advertising took off in the 1920s. Then radio lifted commercial messages off of printed pages and broadcast them into millions of living rooms. And newspapers began to work with "agencies" that called on companies to handle the process of selling, producing, and billing their ads. Over time, these agencies began understanding what made some ads more effective than others. They became advertising agencies.

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After radio, of course, came television. It combined visuals with sound, and modern consumer marketing was born. But somewhere along the way, perhaps distracted by the glitz and glamour of Madison Avenue, brands lost sight of something fundamentally important. Marketing had become less about the story and the listener and all about the storyteller and the medium. Companies outbid each other for primetime placement of messages; they bought print ads via computer programs based on demographics; they escalated the arms race of spending in order to proclaim dominance; and they became servants to the media that carried their messages. (Years ago we asked a creative director at one of the biggest ad agencies whether he ever saw a marketing challenge that couldn't be solved with a 30-second TV spot. He couldn't think of one.)

It was a time when the loudest voice garnered the biggest market share. And bigger budgets begat louder voices. But economic turmoil has a way of shaking up the status quo. The first real crack in the wall happened during the Savings and Loan Crisis in 1989, which put the country into an 18-month-long recession that ended in March 1991. The tumult jolted marketers into trying to find ways to boost sales, and it was during this period that it became clear that the two beliefs upon which marketing was based—that if people are aware they will buy and that the definition of success is reaching the most people—were both false.

This coincided with the collapse of the Soviet Union during the same year when, less than a month after Lenin's statue was pulled down, a regional root beer brand in New Orleans with a miniscule marketing budget was looking for a way to boost sales over the summer. Barq's announced it was having a "Soviet Union Going Out of Business Sale." The brand dispatched one of its marketers to Russia with \$70,000 in his pocket, which he used to fill a shipping container with two tons of Metrushka dolls, Lenin Day pins, tank commander watches, and military medals, all of which were to be offered in a promotion that gave consumers a Soviet tchotchke in exchange for proof-of-purchase from a 12-pack of Barq's root beer. It ignited the age of promotion marketing. The creative stunt received worldwide press, nearly 100 percent bottler participation, and a 30 percent bump in sales (the brand was ultimately acquired by The Coca-Cola Co.). The thinking of the day

was that advertising could change people's minds, but promotion could change their behavior.

For a decade after Barq's reminded marketers that a great story could trump a big budget, this type of promotion marketing thrived as marketers discovered that combining compelling stories with purchase incentives could help gain distribution, sell product, and combat competitive activity. During this time, the ad agency conglomerates shifted from buying each other in the mid-1980s to buying promotion agencies in the mid-1990s, combining their core creative and media buying capabilities with so-called "below-the-line" promotion services to offer clients a full suite of marketing support.

Supporting the rise of promotion marketing was a study issued at the time by an industry trade group representing retail display manufacturers that found two-thirds of all purchasing decisions were made in the store. So for all the money that marketers had been pouring into traditional advertising, consumers were making their purchase decisions within feet of checkout lanes. The findings provided support for those who were espousing the benefits of combining a brand message with an incentive to drive action and building a compelling story around the effort to create excitement.

It was the first step in the experiential marketing movement.

The marketing mix continued to expand. Advertising and promotion were joined by in-store marketing, direct marketing, and later online marketing. At most companies, each "marketing silo," as they were called, was developed on its own and operated independently. As a result, the marketing mix evolved as pieces, not as a collective, which is why until the mid-1990s, marketing portfolios were largely a collection of separate tools, rather than parts of a single engine that worked together. Each was funded independently and often managed by dedicated teams—the direct marketing department, the online marketing team, the advertising group, and so on. They each had independent goals, different brand standards, even different compensation incentives that varied from group to group. In some cases, the different teams worked together on campaigns—most times they did not. The lack of internal coordination or strategy for integrating marketing or at least aligning around common business goals created turf battles, conflicting

messaging, and enough other inefficiencies and confusion to mask the weaknesses of current marketing and the larger potential of using an experiential strategy. (Many companies today are still set up this way, but their numbers are dwindling as financial pressures have forced marketing departments to operate more efficiently.)

Throughout it all, marketers had been dabbling “off the grid” with something called “branded events.”

- The Pepsi Challenge served blind sips of soda to consumers and essentially turned millions of consumers into an army of branded spokespeople.
- Toy giant Saban launched a weekend Power Rangers family tour that turned 31 Walmarts into kid-friendly festivals. More than 4,000 fans attended each—sales increased by 400 percent.
- American Express staged a free Sheryl Crow concert in New York City’s Central Park to promote a new Blue credit card aimed at younger shoppers. The event aired via the first-ever national “trimulcast” on Fox TV stations, 60 radio stations, and blueconcerts.com. A “Blue Crew” distributed 25,000 concert tickets around New York City to drive card applications. The number of cards in force exceeded goals by 71 percent and applications by 150 percent.
- To increase sales of its Tamiflu medication, Roche sent glass-enclosed (“germ-free”) residences built on the backs of flatbed trucks into 70 cities. Each was home to an actor conducting his daily activities (sleeping, eating, working on the computer), seemingly oblivious to the commotion he caused outside his walls. The punch line was displayed on all sides of the vehicles: “One person in this town who can probably feel safe from the flu. For the rest of us flu sufferers, there’s Tamiflu.” Tamiflu outsold its competitor by a three-to-one margin and gained a 58 percent share of market.

But as successful as these campaigns were, most suffered from a lack of support, funding, and understanding—the programs were considered one-shots . . . or advertising spinoffs, as many called them. Brave marketers continued to experiment with live events to reach and engage customers who were becoming increasingly difficult to reach

using traditional methods. Incremental successes bred repeated programs and a growing legion of live marketing believers. Yet marketers were telling us that without credible information—best practices, case studies, research—they were having a difficult time convincing management to approve “real” expenditures on larger-scale experiential initiatives.

Our own journey began around that time. We noticed an incredible number of major brands moving marketing budgets out of traditional media and redeploying them into face-to-face channels where they could get closer to their customers in the hopes of boosting sales. Our friends Joe Pine and Jim Gilmore were about to publish *The Experience Economy* (1999), in which they predicted that future economic growth lay in the value of experiences. Touting the merits of goods and services was no longer enough; brands were on the threshold of a new economic era in which all businesses would orchestrate memorable experiences to win customers.

RECALIBRATING THE MARKETING MIX

By the end of 1999, amid TiVo, Google, and satellite radio, it became clear that what had worked relatively well for 50 years was showing its age. Clutter was everywhere, and marketing campaigns powered by separate silos were fragmented, stepping on each other, and screaming too many things at too many people. Put another way, the different parts of the marketing mix started competing with, rather than complementing, each other.

In an effort to recalibrate the marketing mix and begin to generate more unified, programmatic campaigns, brands such as IBM, Samsung, General Electric, and Microsoft began hiring CMOs to combine their separate marketing silos, spends, and teams into a singular marketing function—reasoning that the sum of the parts would work more effectively than the independent pieces.

They called it “integrated marketing.”

But little did marketers know that combining the separate channels to leverage individual strengths would also expose weaknesses hidden for decades. We’ll get to that in a minute.

Meanwhile, what had been a small subsection of marketers testing live branded events began to grow. When Bell Atlantic became Verizon, the company tried a novel strategy for connecting consumers to the new brand. The brand installed temporary luge tracks at six ski resorts. Consumers could suit up and fly down for practice runs in the morning; in the afternoon, brave participants were split into age/gender groups for competitions. The entire time, teams from Verizon were on hand to explain the new brand, hand out information, answer questions—and above all else, have a conversation. “You have to be there to see it. People are going crazy for it,” Verizon director of corporate sponsorships Pat Hennebry told us in 1999. “We’re giving them something they would never get to experience on their own and no ad could provide.”

One by one, other companies followed. When Lincoln signed a then-historic five-year, \$20 million U.S. Open tennis sponsorship, the carmaker went beyond standard sports signage and ticket packages by converting an unused building at the USTA Tennis Center in New York City into an interactive Lincoln American Luxury Immersion. The structure’s interior featured soundstages, faux docks with real water, and images of tennis through the decades. Some 30,000 leads were collected from visitors strolling through the structure. “It’s something very new for the consumer to be able to interact with a brand this way,” Andrea Memenas, Lincoln’s head of marketing communications, told us in 2000. “This new type of marketing is starting to permeate our entire marketing mix.”

More and more, brands got in on the action. Anheuser-Busch unveiled a multi-million-dollar Bud World road show, billed as “the ultimate Budweiser experience,” that unfurled from a 53-foot tractor trailer that was part school, part museum, and part Hollywood extravaganza. It toured 120 cities and attracted 130,000 consumers with three “experiences.” In the “World of Budweiser,” guests took an historical tour of the beer maker’s 136-year history. A “BudVision” theater, complete with stadium seating and widescreen booming surround-sound effects, took them on a sensory ride through the brand’s vast consumer reach, from hop fields in Idaho to NASCAR races. Guests then headed to the “Bud Brew House,” where Anheuser-Busch brewmasters taught them about the brewing process. Visitors touched and smelled ingredients, discussed

a variety of topics, tasted (where legal) the frosty stuff, and received personalized “Certified Beer Master” wallet cards. “We’re trying to create more than an impression,” Karen Branding, A-B’s vice president, told us in 2000. “We’re trying to create a memory.”

Despite the increased activities, these types of experiential campaigns were given a variety of labels—alternative marketing, branded events, non-traditional marketing, grassroots marketing, presence marketing, lifestyle marketing, and so on. But those labels failed to properly define the programs and made it difficult to see that a new marketing discipline was forming.

At the same time, that act of integrating the separate pieces of the marketing mix provided newly installed CMOs with the first accurate portrait of their company’s marketing performance. Ever. Finally, these new heads of marketing around the world could watch, manage, and measure their marketing functions as a single engine after five decades of the pieces operating independently.

Enter *Event Marketer* magazine, which we launched in 2002 to serve the information needs of corporate marketing executives hungry for information they could use to make their campaigns more effective and to sell-in programs to management. Our mission was not just to provide information to practitioners, but to facilitate the formation of an experiential industry—one that would be seen not as a part of some other marketing discipline, but as a discipline in and of itself.

At an industry conference in 2003, Coca-Cola Co. chief operating officer Steve Heyer stood before a room of marketers from the biggest brands in the world and proclaimed in a keynote heard around the world: “We’re thinking about marketing in a radically different way. And I’d suggest that those of you here today who aren’t yet thinking this way ought to start right now. Economic and social developments demand a new approach to connecting with consumers.”

He noted seven factors that were changing the marketing paradigm:

- The economic landscape around media cost-efficiencies
- The escalation of marketing costs
- The trifecta of media fragmentation, media ownership consolidation, and wholesale unbundling

- The erosion of mass markets
- The empowerment of consumers who “have an unrivaled ability to edit and avoid advertising”
- A consumer trend toward mass customization and personalization
- And last but not least, those seven little words that would trigger a global marketing revolution: “The emergence of an experience-based economy.”

“Corporate marketers will [no longer] reflexively turn to TV advertising when what we [want] is powerful communications and consumer connections,” he said. “We’re moving to ideas that elicit emotion and create connections. Do we need reach and frequency? No. We need connections with our targets.”

We were there. You could have heard a pin drop. “Experience-based, access-driven marketing is our next frontier.” He called marketers still buying reach and frequency “lost,” and said the new marketing mix had to be used to “create an ever-expanding variety of interactions for people that—over time—build a relationship.”

The use of live experiences began to accelerate. Pepsi-Cola Co.’s Fruit Works invaded Spring Break with a “Free Ride” bus cruising busy strips picking up and dropping off party-minded college kids (who often can’t rent cars because of their age) at clubs and hotels. Passengers received free drinks, played games for prizes, rocked to music, and had their pictures taken—back at school, they could access the photos and e-mail them to friends. “We were interacting with consumers exactly where *they* interacted,” Robin Kaminisky, Pepsi’s director of alternative beverages, told us. “Experiential marketing is about showing customers that your brand wants to be a part of their lives.”

Unilever’s Slim-Fast turned New Year’s resolutions into reality with one-day Slim-Fast Challenge events inside 3,500 Walmart stores that had consumers signing up for a 12-week program, meeting with dieticians, and purchasing three months’ worth of product. Elsewhere, Levi’s deployed a 10-city Style@Work program, where stylists invaded white-collar districts to offer fashion tips and wardrobe makeovers. Sales jumped 30 percent in each market visited.

By 2010, Heyer's predictions had become a reality. Product by product and brand by brand, the consumer had assumed control of every marketing channel—limiting reach, changing functionality, and dictating effectiveness. The balance of power shifted from brands to their customers. And the marketing blueprint used for decades by companies such as McDonald's, AT&T, Nike, and Kraft was in need of significant triage.

- *Advertising.* Above-the-line advertising was changed forever by the onset of satellite radio and the DVR. For the first time ever, consumers could opt out of advertising—a decision, it turns out, they'd never reverse. Upwards of 85 percent of consumers skip commercials today.
- *Promotion.* Customers became so accustomed to discounts that many wouldn't buy without one. The average discount used to "incent" shoppers grew so large that some companies compensated with top-line price increases, forever compromising the original premise of promotion (a small discount to drive a purchase). Today, 20 percent is the average discount used to generate a measurable swing in unaided purchase intent, up from 5 percent two decades ago.
- *Direct Marketing.* Printing and postage costs surged over the years. Changing direct mail rules and regulations added extra logistics and even more costs. Rising consciousness of eco-friendliness put pressure on brands to use recycled materials. And the ability to reach consumers where they lived and worked was eventually overshadowed by the realization that they were literally labeling direct mail as junk. More than 55 percent of all direct mail is thrown away.
- *e-Mail Marketing.* The proliferation of spam filters and server guards sent e-mail click-through rates plummeting to around 3 percent as customers began to block unsolicited e-mails. Any marketer celebrating a 3 percent open-rate success should really be lamenting a 97 percent failure.
- *Online Advertising.* What for years offered unprecedented reach, pay-per-click affordability, and the most measureable form of marketing in history, was struck down by pop-up blockers, ad tracking limiters,

cache wipers, and the ability to simply turn off cookies in web and mobile browser preferences—yet another marketing channel that customers had the power to turn off.

- *Social Media.* Marketers relished the ability to attract unlimited “followers” who “like” their brands, using their social media pages as platforms for creating dialogs like their corporate homepages never could. But getting somebody to like a brand turned out to be much easier than getting them to love one—or even use or purchase it. Studies show that only 3 to 6 percent of a brand’s social media followers actually engage them. And a large percentage of social followers eventually “unfollow” a brand.

Throughout it all, a new discipline was evolving. From HP, Intel, Adidas, and 7-Up to Kraft, Nissan, Rolex, and Target, companies embraced experiential marketing as the new mainstream, initially funding live events out of ineffective above-the-line marketing budgets. *Mobile marketing tours, sponsorships, pop-up stores.* What was once something a few brands were testing became something a lot of brands were using, and many even created dedicated experiential marketing departments and teams. *Trade shows, proprietary events, street marketing.* The same programs that had been mere advertising add-ons quickly became the campaigns that advertising was being added onto. *Mall marketing, nightlife events, PR events, road shows.* And experiential programs once considered unmeasurable were returning some of the best ROI spikes in decades. *Sales meetings, sampling tours, guerrilla marketing, in-store experiences.*

Today, what was long labeled “non-traditional” marketing has become the new traditional. And it has a name: Experiential Marketing.

Virtually every major brand on the planet has adopted an experiential marketing channel into its marketing mix, and many of them have positioned experiential as the lead discipline—with advertising, online, direct, and the rest of the mix playing supporting roles behind live events. Globally, more than \$100 billion (USD) is spent annually on experiential programs by tens of thousands of companies. It is the fastest-growing form of marketing in the history of, well, *marketing.*

People frequently ask us why experiential marketing grew so quickly, almost out of nowhere, and why so many companies use it. We don't have a single answer. We have seven:

- *It Carries the Strength of Many.* Experiential marketing allows marketers to combine the best parts of the marketing mix into a single channel—leaving behind each silo's weaknesses. The best experiential programs benefit from the impact of advertising without wasted reach; the motivation of promotion without a deep discount; the targetability of direct marketing without the junk mail reflex; the mass connectivity of social media but with real engagement; and so on. Like a great chef can combine unique ingredients to make a stunning dish, experiential marketing takes the best qualities of the marketing mix and accomplishes in a single channel what for 50 years required six. Webster defines a mutation as: “a change in the genes . . . that causes physical characteristics that are different from what is considered normal; a new form of something that has changed.” Often we refer to experiential marketing as a mutated marketing mix—an evolved form of a blueprint that needed added strength and resilience.
- *It's Unstoppable.* Experiential marketing represents the last marketing channel customers don't have complete control over. They can skip commercials and block ads. They can toss mail, tag e-mails as spam, and unlike a Facebook page. But the face-to-face connection is undeniable, unbreakable—and unblockable. There is no live DVR. The human connection cannot be tuned out. In an age of customer-controlled tune-out, experiential marketing represents that last “pure” marketing medium for brand-to-customer dialogs.
- *It's the First Singular Converter.* Gone are the days when marketers used different marketing channels (and budgets) to push consumers through the purchase funnel. Advertising was used for the awareness stage, promotion used for the consideration stage, and so on. What we've learned is that experiential marketing gives brands the ability to stop connecting disparate disciplines and instead use a single marketing channel. When used correctly, experiential marketing can turn prospects into aware customers who understand the product, have interest in buying it, and actually make purchases.

- *It's an Accelerant.* Experiential marketing can affect how quickly customers move through the purchase funnel. When we've compared a traditional multi-silo marketing campaign to an experiential program, we see that more often than not, experiential marketing converts consumers into customers faster than any other form of marketing.
- *It Drives Lifetime Value.* Live experiences are hard to forget—and that's the point. Experiential marketing creates a more immediate bond with consumers and generates a more substantive relationship with them. Relationships, as we'll discuss in Chapter 2, form the building blocks of brand loyalty, which dictates purchase frequency.
- *It's an Engagement Multiplier.* Experiential marketing flips the passive model of traditional marketing into an interactive platform on which brands have actual conversations with customers and can put actual products in their hands. Consumers are more engaged with brands during experiences. They share their experiences with more people. Preference and intent spike. Brand affinity rises.
- *It's the Marketing Mix's Charger.* One of the biggest benefits of experiential marketing is the impact it has on the rest of the marketing mix. Integrated campaigns that lead with experiences are seeing the other marketing pillars actually benefit from the alignment. Ad recall, website traffic, social media connections, incentive redemption—all show remarkable increases when connected to experiential marketing strategy. And the live event has emerged as an incredible feeder of content . . . *for the rest of the marketing mix.* Trade show booths are serving as recording studios for YouTube videos. General session keynotes at business-to-business events are being captured and redistributed as investor briefings, sales overviews, and employee messages. Bud Light's 2015 Super Bowl TV spots were filmed entirely at its events.

THE NEW BRANDING FRONTIER

Does experiential marketing represent an evolution or a revolution? Both. Live experiences have ignited a marketing revolution in which brands around the world have committed to upgrading their marketing strategies, budgets, and platforms. And that revolution has driven

a much-needed evolution of the marketing channels and silos used by brands for more than 50 years. Use of experiential marketing has exploded as more marketers invest in building programs that create true customer engagement and real business results.

We have been chronicling this evolution for over a decade, and along the way we built the world's largest portfolio of content and community around the subject of experiential marketing, including our Experiential Marketing Summit, the world's largest annual gathering of experiential marketing professionals; our Ex Awards, the preeminent recognition program for experiential campaigns; our Event Marketing Institute, from which we conduct research and provide business training; and *Event Marketer* and its website, which provide more than a million marketers each year with content. We have consulted and trained hundreds of the world's largest brands on experiential marketing trends and hosted more than 10,000 of their marketers at our training events.

It's from this perspective that we've written *Experiential Marketing*, to provide a roadmap for those who are considering transitioning to an experiential strategy—and for those already well along the path, to prepare you for what's next.

REFERENCE

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