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Innovation in the experience economy: a taxonomy of innovation organisations

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This article theoretically discusses innovation in the experience economy and presents a taxonomy of experience firms according to their dynamic drivers. On the basis of the taxonomy, more principal innovation lines are suggested. Three central issues are discussed. The three issues are: society’s demand for experiences, the company’s effort to produce innovations and technology (by which is meant information and communication technology (ICT)). These issues are crucial to understanding the evolving experience economy and the role and character of innovation in this economy. Finally, whether innovation systems can be found in the experience economy is discussed.

Keywords: innovation; experience; information and communication technology; organisation

Introduction

The growing experience economy has now begun to receive much attention, especially in Scandinavia (Bærenholdt & Sundbo, 2007), the focus is both practical and scientific. Experience is a mental process; Pine and Gilmore (1999, p. 12) define experiences as intangible, sensational and memorable. The experience economy can be conceived as the next step in the development of new economically dynamic sectors, it can be added to the various theories about ‘economic societies’ that succeed one another, starting with the agriculture society followed by the industrial society, the service or knowledge society and now the experience society (e.g. Bell, 1973; Toffler, 1980). When a new dynamic economic sector comes into being, it may come to dominate, but the old sectors remain.

As innovation is crucial to growth in all these sectors, it deserves our attention. Product innovations are, of course, different in these sectors. The innovation process (the way in which innovations are developed) and the general character of the innovations may, however, be more or less similar. It is important to know how innovation activities are organised in the most successful way and researchers have therefore studied the innovation processes and the character of the innovations in every new sector to see whether the successful innovation process in this new sector is similar to, or different from, the old sectors. This was the case with manufacturing (Freeman & Soete, 1997) and later with services (Hauknes, 1998). Since the experience sector seems to be the new dynamic sector, it is natural to investigate that sector to answer the same questions: What is the innovation process in this sector like? Is it similar to or different from what is happening in the
manufacturing sector and, more likely, the service sector (which comes closest to the experience sector)?

This article represents a first step towards answering these questions. It presents a taxonomy of experience firms according to their dynamic drivers. The approach employed here to making a taxonomy when one entering a new field (to create some initial order out of the chaos that always characterises empirical research in new fields) has been used before (e.g. Pavitt (1984) on manufacturing; Miozzo and Soete (2001), Gallouj (2002b), Sundbo and Gallouj (2000) on services). It is only a first step in understanding innovation and should be followed by other types of research, however, it is a useful step. It can provide a structure on which to develop a deeper understanding of innovation. The taxonomy in this article is based on a series of case studies.

The taxonomic method is not just a descriptive approach. The issue of creating criteria for the taxonomic categories implies that one needs to consider the explanation for different types of innovative behaviour that one has found empirically. Thus theoretical issues are naturally raised. This is also the case in this article, which contains a discussion of how innovation in the experience economy can be understood theoretically.

First the article presents and discusses the theory behind experience and how innovation theory could be applied to experiences. Next, the article presents a distinction between primary and secondary experience sectors related to whether experience is the firm’s primary product or an add-on to goods or services. Then the data and method are described before the taxonomy is presented and discussed. Finally particular innovation tracks and systems within experiences are discussed.

Theory
The theoretical background for the taxonomy and the discussion of innovation in the experience economy are presented in this section. First, the concept of experience is defined and discussed. Next, three central issues are discussed:

1. Society’s demand for experiences
2. The company’s effort to produce innovations
3. Technology – by which is meant information and communication technology (ICT).

These issues are crucial to understanding the evolving experience economy and the role and character of innovation in this economy.

Experience
The industries that we are dealing with here are called the experience industries. The concept was introduced by Pine and Gilmore (1999), who see experience as a new aspect of business that has followed goods and services. Earlier, the experience industry was considered to be part of services. Pine and Gilmore, however, argue that it is a separate type of business having its own dynamics. Where the aim of services is to solve the customers’ problems, the experience industry seeks to give the customers what can be defined as a mental journey. ‘Experience’ includes entertainment, which in the extreme can be escapism, and active exertion such as sport. It can also be learning and extending one’s understanding of life and in extreme cases be existentially meaning-giving such as is the case with therapy, literature or films. Examples of experience are sport, art and culture (the theatre, film, music, TV, etc.), museums, tourism, gastronomy, design and architecture, computer games, entertainment on mobile phones and advertising. The
experience industries include activities that have been termed culture (du Gay & Pryke, 2002) and creative industries (Caves, 2000).

Experience is a form of business, sold on a market or produced and provided more or less freely by the public sector. It may be seen as a further development of the service, which is rather intangible and immaterial, and that in most cases requires the customer to be a co-producer (Eiglier & Langeard, 1988). Experiences are, like goods and services, a very diverse category. It is common that the users or customers receive a mental journey that leaves them with a memory. They might be left with a material outcome or knowledge, but this is not necessarily the case. The users must be more engaged than in services because the experience takes place in their minds. Experience is even more immaterial and intangible than services. Even the product may be individually different. People may experience the same performance in different ways (cf. Bryson, Daniels, & Warf, 2004, pp. 176–77). This is the reason why when experience delivery is systematised and industrialised (‘disneyization’ cf. Bryman (2004)) experience industries attempt to train the public to appreciate the experience. Bryson (2007) thus distinguishes between hard and soft infrastructural investment, the latter being investment in audience development.

Like services (Grönroos, 2000), experience can either be considered as a sector in itself composed of firms offering experience products, or it can be thought of as an aspect of the product that is included in all forms of production. In this sense, it can either be a particular experience product or an additional element to goods and services (such as design, advertising and storytelling).

Experience products can be compared with services and have often been included in service activities, thus the experience sector (the firms that produces experiences) has been considered a part of the service sector. However, this approach is changing due to the ascription of an independent economic dynamic within the experience industries (Pine & Gilmore, 1999).

To consider experience as part of the service sector may be reasonable, however, there are some characteristics of experience production that separate it from most services. One may argue that the customer participates in the experience production process, however this process is often more supply dominated than the service production process. The offer of the experience is often very supply determined. Artists and other creators realise their ideas and the audience (or customers) need to either accept or reject them passively (you think you might like the theatre play and go and watch it, or you think you might not like it and stay home; you watch the TV programme or you turn off the TV). This, however, does not necessarily lead to different people perceive the experience in the same way. Since an experience is a mental phenomenon, people may interpret it in different ways. Another difference is that according to classic service theory (Eiglier & Langeard, 1988), the service provider has to come to the customers (the cleaning company needs to establish a branch in a certain country if they want to sell cleaning products in that country). In the experience industry, the customers may travel to the provider as is the case in tourism. There is much technology in more experience-oriented production than in traditional services as is exemplified by the TV, computer games, experiences on web sites and mobile phones. The experiences can be stored on media such as DVDs or sent via ICT-networks. Thus, an experience can be transported over long distances and be exported. This is the basis for rational, productivity-increasing experience production, which is increasingly carried out by large multinational concerns such as SONY, Warner and SCIple (a computer game provider). Even though experience production is in many respects similar to service production, there are differences, which
are important when looking at the innovation logics and processes and are thus relevant for establishing a taxonomy of innovation forms.

Discussion about experience very easily becomes mixed up with discussions about art and culture and their roles in society. Further, the experience sector easily gets an aura of something special outside everyday consumption. The experience sector is often ascribed a particular creativity derived from a popular view of single geniuses creating new art and fundamental changes in society. The approach taken in this article sees innovation as an economic phenomenon that emphasises experience as a market factor: an element of business sold on the market. This definition includes public-provided experiences such as museums and the TV; these activities could just as well be provided on a pure market basis and increasingly they are.

Within this approach experience is seen as an everyday consumption issue and not an issue of an extreme and elite art performance. The sociological issues surrounding innovation as an aspect of social change (cf. LaPiere, 1965) and art’s function in society (cf. Adorno, 1975) are not included in the approach taken here. Innovation in experiences is thus considered an economic phenomenon in line with innovation in manufacturing and services. Elite, creative art may be an input to innovations in experiences, but within this framework it is not the innovation more than fundamental research is the innovation in manufacturing: research is also only one possible input among others. This is not to say that creativity is unimportant, indeed, this aspect of experiences are discussed in the following sections.

There is some scepticism towards the notion of the experience economy. Is experience a real phenomenon or a theoretical construction (cf. the sociological discussion of social constructivism, Bijker, Hughes, and Pinch (1987))? This article argues that it is both. The notion of experience economy finds some aspects of concrete tendencies in the society and looks at them from a specific perspective that is theoretically constructed. This may produce a deep understanding of the phenomenon and thus new scientific knowledge, but the tendencies may also be somewhat exaggerated. Experience does not differ from notions of manufacturing, industry, services or the information or knowledge economy all of which can be characterised in the same way. Thus, the use of ‘experience’ will produce new, useful scientific knowledge; however, it will neither explain all economic growth nor solve all of society’s problems.

A theoretical framework for understanding the experience economy and experience innovation

We should not just take it for granted that the experience sector is a new important economic sector and that we can apply understandings related to innovation gathered from research into manufacturing or even from services and assume that they are the same for the experience sector. Why has experience suddenly become a growth area, and why is innovation – as we know it from agriculture and industry – important in experience? And, are there any particularities of experience innovations that distinguish them from the service innovations that we know from recent research (Hauknes, 1998)? Why should it be innovation and not other forms of change mechanisms, for example critical art (as Adorno (1975) emphasises), that is important to society? Even though experience in statistical measurements is a growing sector (cf. Department for Culture, Media and Sport, 2001; KK-stiftelsen, 2003), this might be because researchers and statisticians recently have focused on the field and thus include more industries in the statistical category of the experience sector. Older analyses have, for example, emphasised shopping
as experience (e.g. Goss, 1993; Shields, 1989). Can we really talk of a new development or is it just a small growth in existing activities? The answer to these questions can establish a theoretical foundation for understanding innovation in the experience economy, and thus the foundation for a taxonomy of experience innovation. The discussion in this section is a first step towards providing that foundation.

There are three important issues that need understanding if we are to comprehend why experience becomes an important economic and sociological factor. They also determine the character of innovation in experiences. The three issues are: society’s demand for experiences, the company’s effort to produce innovations and technology.

These issues relate to the traditional economic mechanisms in innovation research: demand and technology. Supply must, with respect to innovation, be interpreted as the innovation-push mechanism. This was the case in manufacturing research and technological development; in the experience economy/sector it is the creativity of artists and similar actors and the effort of the individual company to differentiate itself on the market. We now turn to discuss these issues in greater depth.

**Society’s demand for experiences**

The significance of the experience economy and why it has appeared is important for explaining and justifying the focus on innovation in experiences. Analyses show that the experience economy is growing and gaining an increasing part of global competition (Department for Culture, Media and Sport, 2001; KK-stiftelsen, 2003). The seemingly growing demand for experiences requires theoretical understanding. It could be argued, on the basis of traditional economic theory, that the experience economy supplies people with goods they need and experiences are therefore demanded on the market, the price reflects how much they are needed related to the amount supplied. Equally, it could be argued from a functionalistic-sociological point of view that experiences are things that society needs because they have a function in integrating the society in a power system, or in other fundamental structures. However, the emerging experience economy is about luxury needs and dispensable commodities. It is at the top of the pyramid of needs (cf. Maslow, 1970). Thus, traditional economic and functionalistic-sociological approaches do not seem to be the most obvious ones to choose when explaining the growth of the experience economy.

One could advance the theory that the redundant luxury consumption of experiences has a social function, for example to signal membership in certain social groups. Through our consumption of experience we can differentiate ourselves from some and identify ourselves with others (cf. Schulze, 1992). Thus adventure tourism signals belonging to one group, opera to another, watching soap operas to a third. Experiences may be considered contemporary high-status symbols. Experience is often mediated through the mass media, and the stars of mass media – actors, sport players, participants in TV-reality shows, winners of computer games, etc., gain a high status and are admired by those that do not have that high status. Experience consumption and exposure in the experience media seem to be rising status symbols – compared with the traditional ones such as fortune, power and education (according to a recent Danish investigation – A4 (2006)). Therefore, there is a reason for the growth in the experience economy.

The social status gained via symbols like experience consumption is, however, flighty. It is discursive and experiences which are considered prestigious and become prominent may easily be changed if some groups succeed in altering the fashion. This is why innovation is extremely important in the experience economy. This must be explained within
the framework of the theory of the post-modern society (cf. Giddens, 1984). The individuals are not bound to traditional class values or common behavioural patterns, but change values and behaviour (including consumption behaviour) from time to time.

A more fundamental, or functionalistic, explanation could be based on a hierarchy of psychological needs (e.g. Maslow, 1970). Society’s production system has consequently provided the fundamental material needs that can easily be fulfilled by the industrial production system, and the intellectual needs can easily be fulfilled by the knowledge service distribution system. Fulfilment of these needs is no longer a problem, nor are these needs particularly interesting. We have time and money to be interested in realising ourselves and having an interesting life. Experiences can fulfil this need.

However, such fundamental and functionalistic universal and historically eternal explanations may not automatically be valid and cannot predict a distant future. A more prosaic explanation could be that the modern man is bored because life does not demand so much effort. Experiences could reduce the boredom. This explanation still points to innovation as crucial to the experience economy because things have to be new to be interesting. It might be that this phase of making life interesting or reducing boredom will be short. Perhaps because the next step will be that people seek the meaning of life and, for example, go back to fundamental material needs (the ‘simple life’ movement that emphasises less work, more environmental-friendly products and informal interaction with friends and family could be an indication of this). Pine and Gilmore (1999) who launched the experience economy theory have already predicted a new movement. However, as long as the experience economy lasts, innovation is still a necessity for it if the firms are to succeed in the global competition.

The conclusion is that there is an increasing demand for experiences determined by several factors: seeking social status, more meaning and less boredom in life, and psychological self-realisation. This demand is flighty. It is rooted in fundamental psychological needs and societal factors, but these are needs and factors form the luxury end of human life. The strength and character of these needs as an economic demand mechanism is capricious. The experience economy as a much emphasised phenomenon is flighty, but as long as it lasts innovation is extremely important, exactly because of its flightiness. New experiences must continuously be presented to maintain the growth rate.

The company’s effort to produce innovations: creativity as a particularity of the experience sector

Individual effort becomes very important when we look at experiences. The artist is much emphasised as an individual change agent. However, the entrepreneur, the business creator, is also an individual agent of change. The latter is more important for economic and social change than the first one (a Tardian point of view, Tarde (1895)). The real effect for society comes when the development of experiences is taken care of by entrepreneurs. And the massive effect comes when innovation is mass-organised, i.e. taken over by large organisations that can reproduce the innovations on a large scale (Schumpeter II or III, Gallouj (2002a)). The entrepreneurs come because, as argued earlier, there is a potential in society for producing and developing experiences and therefore possibilities for establishing business and earning money.

However, creativity stands as a particular feature of experience production and innovation. Former analyses of the experience sector and popular discussions have emphasised creativity leading to the notion of ‘creative industries’ (e.g. Caves, 2000). This underlines the artistic aspect of experiences and special analyses of art organisation have been carried
out just as the management of artistic organisations is seen as something special (e.g. Björkegren, 1996). This leads to the question: Is creativity a special feature of experience industries and does that special feature create a special innovation process and system in experience firms? A theoretical discussion of this issue is presented in the next section.

Creativity is a notion that has been used in many meanings and from different perspectives (cf. Runco, 2004). The notion is not unambiguous and is often used in a common sense way. In the latter use it is mostly seen as positive, however sometimes it includes slightly deviant behaviour. Mostly it is seen as an individual factor and creativity has become a core concept in psychology (Barron & Harrington, 1981; Guildford, 1968) where it is often connected to learning and education and discussed in relation to the concept of intelligence. Creativity has also been analysed as an organisational factor (Amabile, 1983), either as a more or less collective process that naturally appears in organisations so as to solve problems, or as a particular management field: a useful factor that should be managed (e.g. Ekvall, 1996; Tan, 1998). Creativity has been seen not only as a functional organisational factor, but also as a process factor that creates meaning in Weick’s (1995) sense (Drazin, Glynn, & Kazanjian, 1999). Thus creativity is a widely used notion that characterises behaviour that many people engage in every day. It is related to change, but in different ways. Sometimes creativity creates path-breaking, radical new behaviour, ideas or things, sometimes it characterises a more defensive problem-solving behaviour that has the aim of maintaining status quo. And sometimes creativity is a functional factor that is necessary to carry out day-to-day activities such as learning. Creativity has also been seen as an evolutionary-economic factor (Runco, 2004, p. 658) and as a synonym for artists (Caves, 2000).

The popular perception of artists as ‘the creative people’ is based on an individualistic view of history. Artists are creative individuals that change history, or at least our personal histories, because we become inspired to look at life in a new way and maybe change our own lives (cf. Csikszentmihalyi’s (1997), interpretation of creativity). Good artists are original and launch a new perspective on the world.

One might suggest that these many interpretations of creativity can roughly be classified into four categories based on two dimensions. On one dimension, creativity can be classified as either creating something new or problem-solving (cf. Majaro, 1988). New creation is the making of a new element or a new combination of existing elements, the sole aim being just to create the new element without knowing what it will lead to. Although the creator may often have an idea of a message, he cannot be sure that this will be understood by the receivers. This is, for example, the situation when a painter starts painting in a new way such as did those who introduced abstract painting. Problem-solving is when you have a direction but meet impediments that must be overcome. That demands that you go new ways and introduce new means, but the overall aim is still the same. This is, for example, the situation in a scientific laboratory when you have a method to develop a new drug to cure a disease. If the experiment using a combination of some chemicals fails, you replace one chemical with another. Most psychological research emphasises the problem-solving aspect as the core aspect of creativity while originality is only a part of creativity (Runco, 2004, p. 658). Another dimension could be that creativity can either be an individual phenomenon – as assumed in the popular perception of art – or a collective phenomenon. Psychological research demonstrates that creativity increases in collective situations (Runco (2004); group techniques for solving problems such as brainstorming and team-building (e.g. Osborn, 1953)). The creativity dimensions are summarised in Table 1.
Creativity is a part of innovation (Amabile et al., 1996; Ekvall, 1996; LaPierre & Giroux, 2003; Majaro, 1988). The question is, however, which type of creativity? All the four types listed above can be part of an innovation process. Maybe the new creation type can be most easily connected with product innovation and the problem-solving type with process innovation. However, in services — and maybe even in manufacturing — the awareness of the customers’ problems and how to solve them may be the basis for product innovation. Creativity is also part of entrepreneurship, but is not the only, and probably not the most important, part. The characteristic of entrepreneurs that has been emphasised in the literature is more often the drive to win and be powerful than creativity in itself (McClelland, 1961; Schumpeter, 1934). Entrepreneurs do not even need to be of the new creative type, but can be problem-solving such as that found in Kirzner’s (1973) entrepreneurship theory. Entrepreneurs can be interested in establishing business firms and not be creative at all. They use other peoples’ creative products.

The prototype of the experience sector in the popular version – the artists – is mostly creative, primarily of the type that individually and intuitively creates new experiences. They are not only intuitive and creative. To produce art also requires much routine and the mastering of a discipline (such as musicians or actors do). Artists may make some useful contributions to innovation (cf. Darsø, 2004), however this is far from enough to create innovations, not even in the experience economy. Innovation can be defined as ideas realised on the market (the product is sold on the market) or used within the firm (such as a new production process). Artistic creativity does not per se ensure that this takes place. Innovation requires entrepreneurship through which somebody struggles to realise the idea as a business idea. Some artists may be entrepreneurs, but many are not, or are bad entrepreneurs. Thus artistic creativity may be one input, or source, of innovation, but is not sufficient to create innovations. Further, the experience economy and sector is more than art. A large, and the economically important part, is rather industrialised. Many innovations are created without involving artists, for example, computer games, new types of TV broadcasting, events such as thematic town fêtes, etc.

Are artists nevertheless a special input factor in experiences that we cannot find in other types of production? Artists are such a factor, however, how important this factor is and thus how much it makes a special aspect of innovation in experiences is not sure. As will be argued in the following, the contemporary tendency seems to be that innovation in experiences is increasingly based on a more collective organisation of idea development (including laboratory work) and based on customer-oriented problem-solving (instead of artist-oriented new creation). One may conclude that artistic creativity is one input factor among others in experience innovation and should, as such, be emphasised in theories and research on innovation in experiences. Further, one may argue that this is not unique for the experience sector. For example, one can ask whether artistic creativity is also an input to goods innovation in the form of design and architecture in the building industry. Creativity, at least in the form of problem-solving, is also necessary in other sectors in order to develop innovations.

In conclusion, creativity is specific to the experience sector, however, only to some degree. Innovation in experience should not be explained by taking the point of departure
in artistic creativity and thus artistic creativity cannot be the basis for a universal innovation model for experience. It might be the basis for one type of innovation model (creative entrepreneurs cf. Napier and Nilsson (2006)), but other types also exist.

**Technology**

ICT presents possibilities for developing new types of experiences. These types are characterised by the ICT-network, which means that the experiences can be mass produced and the innovation process systematised and thus become more efficient. This again means faster growth and more profit. Some technologies are old, e.g. radio, film and TV technologies. Others are quite new, e.g. computer game technology, i-pods, the Internet and mobile phone technologies that also are used for distributing experiences. Thus, even mass distributed experience production is not a new phenomenon. However, the new network and ICT-based technologies developed in the 1990s and 2000s present a possibility for a jump in mass-produced experiences. This again calls for innovative effort.

Technology probably plays a more important role in experience production – particularly in the growth and high-profit-oriented part of it – than in services. Concerning innovation activities, experience seems to even go back to innovation forms that we know from manufacturing. For example, the laboratory, which disappeared in the service economy, has returned. Thus both within experience firms, such as computer game producers, and in universities multimedia and other types of laboratories have been established.

It has been discussed whether technology is a determining factor in itself (as in the Actor-Network Theory (ANT) tradition, Latour (2005), Law and Hussard (1999), see also discussion in, for example, Pels, Hetherington, and Vandenberghe (2002)), or a social construction (as in the SCOT tradition, Bijker et al. (1987)). We can ask whether the network technology and the use of it to develop and distribute experiences is a determining factor in itself or whether it is a social construction, for example, made by the up-going exposure strata in the society. My argument is that it is both, but there is an independent technological determinism that is not constructed by social groups. An example is computer games. Computer games are embedded in a specific social stratum consisting of young people whose identity and sometimes most of their practical life is connected to computer games. They contribute to the development of existing games. However, the computer games are developed in laboratories defined by the exploration of the technical possibilities. The psychological and social aspects of computer games are important, but the technical possibilities come first.

In the experience economy, the social aspects of the possibilities that ICT presents have a special character because ICT is used to create virtual realities. An example is Second Life, which is a virtual economic world where people trade, establish firms and consume. There is artificial money and a market. This is not just a free game. It costs real money to establish a firm and the artificial money can be changed to real money. This demonstrates that the technological possibilities can lead to the development of extensive new social practices. It also demonstrates that innovation in experiences can have many sources. Many virtual reality innovations are made by user groups and imported into the formal economy (cf. Von Hippel (2005) analysis). These innovations can be characterised as social constructions, however, they are framed by the technological possibilities.

The conclusion is that technology matters in the experience economy. The new ICT possibilities determine innovations, which are then embedded in a social context such as young computer game communities or the TV-watching family’s daily life.
The basis for and use of the theoretical framework

The conviction that the theoretical framework presented here is useful has come from work with descriptions and theories of the experience economy (Florida, 2002; O’Dell & Billing, 2005; Pine & Gilmore, 1999; Schulze, 1992), and empirical studies of experience firms and activities in society (O’Dell & Billing, 2005; Sundbo & Hagedorn-Rasmussen, 2008). Without taking the ANT tradition as either a point of departure or as a compulsory paradigm, the theoretical framework presented here and the background for using it is similar to the discussions and position of the ANT.

The theoretical framework described earlier can explain the current development of the experience sector. People seek experiences to make life more exciting and meaningful and express their social status. They are willing to pay a high price for this as Pine and Gilmore (1999) argue. Thus, demand for experiences is increasing, which calls for innovation to develop the experience industries and firms to fulfil the demand. The new situation with a huge increase in possibilities for growth calls for a more radical product and business development approaches. Further, as stated, technology has increasingly become a means of production and delivery for experiences.

This framework supplies the background for the creation of the taxonomy of innovation forms, which follows.

Innovation models

Next, this section discusses how this theoretical framework can lead to innovation models that can be expressed in a taxonomy. In accordance with the above description of experience as a business activity that emerges out of services (Pine & Gilmore, 1999), the modelling and theoretical interpretation of innovation in experiences takes its point of departure in services. Research on innovation in services is now relatively comprehensive (van der Aa & Elfring, 2002). This research has shown that innovation in services is in many ways similar to that in manufacturing, but is also different in some respects. The service innovation process is generally less systematic than in manufacturing, rarely research and development (R&D) based, more often based on quick practical ideas and employee and customer involvement. Service innovations are, on average, more incremental or just improvements and more integrated (product, process, delivery and market innovation in once) and less technology based (more new behaviour). However, the innovation process in service develops and becomes more similar to that in manufacturing (cf. Sundbo & Gallouj, 2000).

Research on innovation has been undertaken in some service activities that are included in the definition of experience, e.g. tourism (Sundbo, Orfila-Sintes, & Sørensen, 2007). This research shows that these areas are characterised by activities that are particular to services as defined earlier. Furthermore, they impede the introduction of activities found in traditional manufacturing (systematisation, R&D, innovation systems, etc.) more than do other services. Thus, one could expect that innovation in experiences is even more ‘loose’ and unsystematic. This would fit with one popular view of experiences as characterised by ‘creative artistic anarchy’.

The article in the following analysis discusses whether this is the case. The point of departure is that some systematic patterns can be identified and the innovation process in experiences is not totally anarchistic with no sociological or economic regularities. Technology also plays an increasing role. Innovation in experiences is increasingly becoming strategic and systematic and based on interaction with customers (cf. Sundbo, 2001).
This is in accordance what can be concluded as valid to the service sector, and even if the experience sector should be less systematic in its innovation activities, the theoretical statement here is that this point is fruitful to apply. The following case-based taxonomy will supply empirical evidence for this statement.

**Primary and secondary experience sectors**

Experience production is an activity that is carried out in firms with the aim to produce experiences. These are, for example, festivals, film and broadcasting companies, fitness and sports clubs, computer game companies, design and architectural firms. Some literature claims that experience is a general element that is developed in all business sectors and added to services and goods (Pine & Gilmore, 1999). Experience functions when integrated add-on to other products and marketing activities in service and manufacturing industries besides being its own industry. Experience production can be considered a general business principle, exactly as the service management and marketing principle is a production principle for the service sector as well as a general marketing principle, which is also used in manufacturing (cf. Grönroos, 2000).

Consequently we can advantageously operate with primary and secondary experience sectors (just as Porat (1977) defined primary and secondary information sectors when he attempted to measure the information economy in the 1970s). The primary experience sector consists of firms whose main aim is to produce experiences. The secondary sector consists of agricultural, manufacturing and service firms that use experiences as add-ons or marketing tools. The innovation taxonomy is accordingly divided into two, one for the primary experience sector and one for the secondary.

Experience firms are both market based and public. Many public institutions, particularly in the cultural sector, are a mixture of public–private ventures. The public experience institutions, such as museums, broadcasting companies, etc., are increasingly forced to operate under market conditions. Public actors such as municipalities even use experience as a branding mechanism. If we want to understand the experience economy, we need to focus on public institutions and the “third sector” (voluntary associations and informal groups of volunteers) as well as private firms. Innovation in public institutions and voluntary associations (the independent user groups that Von Hippel (2005) talks about) is therefore included in the taxonomy.

**Data and method**

The taxonomy has been inductively developed on the basis of case studies of Danish firms of various kinds. The case studies are from a case study database held at the Centre for Service Studies and the Centre for Experience Research at Roskilde University in Denmark. The broad selection of firms is due to the desire to have as wide a representation from as different experience industries as possible. The primary experience sector is the most represented as we assumed that we would find the most characteristic forms of organising innovation activities there. However, the secondary experience sector is represented through manufacturing and service firms in particular. The case studies have been carried out over a period of more than 15 years – from 1990 to 2007 though most have been in the last few years, 2005–2007.

Data about the cases are mainly based on interviews, but also documentary material and reports, observations and reports and narratives from seminars and conferences. Between one and 20 interviews have been carried out in each case study. Innovation in
relation to experiences was not the main topic of all case studies; however, they provide some relevant information. The cases have been examined by one researcher to find information about innovation relating to experiences in service and manufacturing firms, and of innovation behaviour and concrete innovations in primary experience firms. The information has been grouped and classified inductively to find categories for the taxonomy. Thus, while the taxonomy is empirically based, such a taxonomy is always a theoretical suggestion.

The database contains 60 case studies. Table 2 lists the firms included in the database.

Table 2. Firms included in the database for the taxonomy.

<table>
<thead>
<tr>
<th>Primary experience sector (including tourism)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Theatre</td>
</tr>
<tr>
<td>Four hotels</td>
</tr>
<tr>
<td>Broadcasting company</td>
</tr>
<tr>
<td>Attraction (crocodile farm)</td>
</tr>
<tr>
<td>Water/wellness centre</td>
</tr>
<tr>
<td>Two publishers</td>
</tr>
<tr>
<td>Professional football club</td>
</tr>
<tr>
<td>Computer game producer</td>
</tr>
<tr>
<td>Shopping centre</td>
</tr>
<tr>
<td>Local tour operator</td>
</tr>
<tr>
<td>Book town</td>
</tr>
<tr>
<td>Nature centre</td>
</tr>
<tr>
<td>Sports network</td>
</tr>
<tr>
<td>Historical experience centre</td>
</tr>
<tr>
<td>EU cultural city organisation</td>
</tr>
<tr>
<td>Two rock festivals</td>
</tr>
<tr>
<td>Film company</td>
</tr>
<tr>
<td>Artware entrepreneur</td>
</tr>
<tr>
<td>Two travel agencies</td>
</tr>
<tr>
<td>Advertising agency</td>
</tr>
<tr>
<td>Amusement services for mobile</td>
</tr>
<tr>
<td>Phones</td>
</tr>
<tr>
<td>Jazz club</td>
</tr>
<tr>
<td>Services</td>
</tr>
<tr>
<td>Three banks</td>
</tr>
<tr>
<td>Two insurance companies</td>
</tr>
<tr>
<td>Two consulting engineering company</td>
</tr>
<tr>
<td>Four cleaning companies</td>
</tr>
<tr>
<td>Two catering companies</td>
</tr>
<tr>
<td>Three management consultancies</td>
</tr>
<tr>
<td>Manufacturing</td>
</tr>
<tr>
<td>Four small food producers</td>
</tr>
<tr>
<td>Two breweries (one large and one small)</td>
</tr>
<tr>
<td>IT production and science park</td>
</tr>
<tr>
<td>Two artware firms</td>
</tr>
<tr>
<td>Textile company</td>
</tr>
<tr>
<td>Producer of sound equipment</td>
</tr>
<tr>
<td>Public sector</td>
</tr>
<tr>
<td>Four cultural and event department of municipalities</td>
</tr>
<tr>
<td>Two tourist organisations</td>
</tr>
<tr>
<td>Culture event house</td>
</tr>
<tr>
<td>Library</td>
</tr>
</tbody>
</table>
A taxonomy of experience production and innovation activities

Variation of business drivers, organisational forms and market conditions within experiences

The basis for the taxonomy, which classifies the innovation activities and the factors related to innovation, is the production of experiences. This refers to the form of production and innovation organisation and what drives the businesses. The drivers are a combination of the three elements discussed previously: market demand, innovation effort (innovation-push) and technology. Together, these determine the innovation behaviour of experience firms and are therefore taken as the basis for the taxonomy. This emphasises the business possibilities, whether these are external such as customer wants and behaviour, or internal such as artistic creativity or new technological possibilities. This is in accordance with strategic innovation theory that has been demonstrated to be adequate in explaining innovation in services (e.g. Sundbo, 2001); it is here claimed to be relevant to experience firms. The concrete categories of the taxonomy are developed inductively, namely from the cases listed in Table 2. The cases are interpreted to set up some standard categories in the taxonomy. The results of the case studies are summarised and generalised in this section and compared with the nearest type of organisation we know, the service organisation, which has been described in many studies (e.g. Heskett, Sasser, & Hart, 1990).

While the innovation driver structures the taxonomy, other aspects are important when characterising each category and the performance conditions. These aspects add to the innovation/business driver factor and include, first, the general organisational form of the firm, secondly, the form of organisation of economic activities, thirdly, the market or relation to the market or situation concerning competition (whether the firm operates in the open market or is state run). Finally, the type of technology employed is relevant.

The experience firm or institution is characterised by action being a core aspect of the product as is the case in services. This means that the delivery and consumption of an experience is an act, for example the playing of music at a concert or a theatre play. Service production and delivery are also acts, for example cleaning or a lawyer advising of a client, in contrast to manufacturing, which is the production of physical objects for a store for example. The organisation in both the experience and service sectors is based on customer interaction. However, in the experience sector the customers are not as actively involved in the production as they are in services (at least according to service management theory, e.g. Eiglier and Langeard (1988)). Technology is also involved in experience production just as in service production – although not as much as in manufacturing. However, there is more technology in experience production than in most service production.

Innovation activities are connected to the type of production and the broader production situation (market, typical technology, organisational type, etc.) in which the experience firms (or public institutions) are. Market conditions are not the only crucial conditions for the form of organisation, but they are important. To some firms the market is global and they compete on many experience activities. Others compete on a, maybe local or national, niche market. Some firms are within tourism, which means that the customers must travel over longer distances. Others are in a local market, which could be called a leisure market.

Thus the taxonomy is created as a categorisation of experience-developing firms and institutions according to their wider production situation, which also includes the ways in which their innovation activities are carried out.

The organisation and market of experience production is much more varied than we know from services and manufacturing. At one end there are technology-based, industrial,
multinational corporations such as Sony, producers of soap operas for TV, etc. This is, globally, the most rapidly growing type. Other experience productions are, although not carried out in multinational corporations, permanent and organised in well-structured firms as manufacturing and most service firms are. This is the case in most experience production, for example film and broadcasting production, museums, architecture firms, computer games firms, etc. Some experience production is events that are organised at intervals or just once. Examples are the medieval feast in a town, the annual rock festival, etc. The organisation of such events may be loosely coupled networks in which professionals, volunteers and voluntary associations, municipalities and many other actors participate. This type of organisation is also growing; people in contemporary societies are widely interested in participating in voluntary festival work. Some of these organisations – such as rock festivals (Sundbo, 2004) – have developed a professional, well-structured organisation at the same time as the loosely coupled network continues. At the other end there are voluntary associations such as amateur theatres and informal communities outside the formal economy such as Internet user communities. Many festivals are a mixture of professional activities within the formal economy and volunteers that operate outside the formal economy.

Entrepreneurs in experience industries are also more varied (cf. Andersson and Andersson (2006) on entrepreneurship in the experience economy). Besides the normal entrepreneurs that develop a firm with employees and an increasingly well-structured organisation, many experience entrepreneurs (particularly within the arts) work by themselves without employees. Many remain amateurs that perhaps sell some experience products (e.g. paintings or poems) from time to time.

Likewise innovation activities are organised in a variety of forms. We have, in the case studies, found entrepreneurs, and informal and unsystematic ways of developing innovations as in services (cf. Gallouj, 2002b; Sundbo, 1998). We have also found more systematic ways including development departments. Even technology laboratories can be found, for example multimedia-labs. Innovation organisations dominated by artists can also be found.

The demarcation between the private market-based sector, the public sector and civil society is not as clear within the experience sector as we know from services and manufacturing – particularly not when we talk of cultural activities. In many experience industries (e.g. museums and broadcasting) some actors are private firms and some are public institutions. They compete equally for the users, but under different economic conditions. The public institution gets a grant from the state or municipality, but is often obliged to carry out certain tasks, for example research or produce experiences for a defined group of users. Many public institutions are contemporarily forced to act under market conditions (e.g. municipal culture houses and museums), whereas private firms in many industries in reality exist on public funding (e.g. theatres and film production (at least in Denmark)). Even the civil society plays an important role in experience production. Amateurs, for example, within music provides experiences, sometimes even for a larger public (Finnegan, 1998). Amateurs can be important both as supplementary experience providers and as ‘educators’ of the audience thus learning to appreciate the particular form of experiment (e.g. classic music) (cf. Becker, 2008). The loosely coupled event organisations are often – but not always – entangled in the public sector (particularly in sport, culture and town festivals) and very often dependent on voluntary associations and single volunteers. Public authorities such as governments, municipalities and regions use experiences as branding tools to promote the area and business development within it. The branding includes promoting tourism as well as the export of goods. For
example, many governments use global sport events such as the Olympic Games or World Championships as a PR factor that can improve the image of the country and increase export and tourist visits to the country also after the event.

The loosely coupled event organisations may seem local and have little importance to the experience production that really matters economically. It may also be the case, however, that some events such as the Olympic Games or other global sport events generate an enormous turnover. An estimate suggests that the Danish Roskilde Rock Festival generates a turnover of more than 25 million Euros every year (Sundbo, 2004). Tourism is an economically important part of the experience sector. The events are important parts of tourist products and they contribute to the composition of destination products because tourists come for the total number of experiences they can get on a holiday (Bærenholdt & Haldrup, 2004). Innovation in the total product related to the destination is important (Mattsson, Sundbo & Jensen, 2005).

The variation of organisational forms and market conditions should of course be reflected in the taxonomy, however, the weight will be on the well-organised firms and public institutions, which are the most, and that must be considered mostly contributing to future economic growth.

The taxonomy

The above-mentioned case studies suggest a division of experience innovation activities into two parts. One part is a categorisation of firms and public institutions in the primary experience sector. The other part is a categorisation of experience activities in the secondary experience sector where experiences are additions to products and services or are marketing and PR tools. To firms and public institutions in the primary experience sector, experiences are the product and innovations are the renewal of products, processes, organisation and market behaviour – often all of them in one innovation. To firms and public institutions in the secondary experience sector experiences are either an addition to goods and services or a tool to create an image and do marketing. The latter is often the creation of storytelling (cf. Jensen, 1999; Mossberg & Johansen, 2006). Innovation may either be the renewal of products and processes (when they concern additions to goods and services) or of market behaviour (when they concern image building and marketing).

The main basis for the categorisation of the primary experience sector is related to what drives the business. This can, according to interpretation of the case studies, be considered the most crucial factor for the development of and innovation within the experience firms and institutions. Each category is characterised in relation to its organisational form, the market type, what drives competition on the market, the typical technology used and organisation of innovation. Entrepreneurial firms that are small and newly established are treated as parts of the main categories of the taxonomy since they may be considered categories-to-be.

Firms and institutions in the secondary experience sector are classified according to their formal status (ownership and aim). Experience is only a secondary activity to them and is determined by their main aim. Their form of organising experience innovation activities is characterised. These are the only ones among, probably, many different innovation activities that are relevant here.

The taxonomy is a snapshot of a firm’s or public institution’s main character. Firms may have characteristics found in other categories and may change throughout time. However, that is true of every taxonomy. Tables 3 and 4 presents the suggested taxonomy.
Table 3. Taxonomy of experience firms and public institutions: the primary experience sector (experiences are the main product).

<table>
<thead>
<tr>
<th>Drivers of the business</th>
<th>Organisational form (including entrepreneurship)</th>
<th>Market</th>
<th>Competition</th>
<th>Technology*</th>
<th>Organisation of innovation (excluding entrepreneurship)¹</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Artistic interest driven.</strong> Driven by an interest of executing artistic or other disciplinary skills (e.g. gastronomic restaurants, an author)</td>
<td>Paternal² or small top-strategic organisation³</td>
<td>Local or global niche. Leisure*</td>
<td>Market driven and publically subsidised</td>
<td>Traditional auxiliary tools (lighting and sound equipment, etc.)</td>
<td>The laboratory (science, art)</td>
</tr>
<tr>
<td><strong>Entrepreneurs:</strong> Artists</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Technology-driven.</strong> Driven by technological possibilities (e.g. computer games, amusement services for mobile phones)</td>
<td>Small or large top-strategic organisations</td>
<td>Global general. Leisure</td>
<td>Market driven</td>
<td>ICT high-tech</td>
<td>The laboratory (science, art)</td>
</tr>
<tr>
<td><strong>Entrepreneurs:</strong> Scientists or ‘IT-freaks’</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Market opportunity-driven.</strong> Driven by the opportunity to create business – in principle no matter which type of product (e.g. a publishing company, a designer hotel)</td>
<td>Large top-strategic organisations</td>
<td>Local-global, niche or general. Leisure and tourism</td>
<td>Market driven</td>
<td>All types of technology</td>
<td>The broad organisation</td>
</tr>
<tr>
<td><strong>Entrepreneurs:</strong> Business creators⁴</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Collective interest group driven. Voluntary associations, municipalities and other associations use experience as a means to create collective social events (e.g. rock festivals, town festivals).

Networks or associations:
- Local niche.
- Leisure and tourism.
- Publicly run or subsidised.

All types of auxiliary tools:
- ICT-based.
- Traditional auxiliary tools.
- General.

Entrepreneurs:
- Scientists or political entrepreneurs.
- Entrepreneurs: Social entrepreneurs organise social networks (such as community entrepreneurs, Johannisson, 1987).
- Entrepreneurs: Task-driven. Driven by a task given by a public authority. Experience is a core activity together with fixed obligations such as research or public service to specific groups (e.g. museums, broadcast companies).

Entrepreneurs: Large top-strategic organisations.

Publicly run or All types of auxiliary tools

Network

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Table 4. Taxonomy of experience firms and public institutions: the secondary experience sector (experiences are additions to goods and services or are marketing tools).

<table>
<thead>
<tr>
<th>Type of firms (ownership and aim)</th>
<th>Examples of experiences</th>
<th>Organisation of experience innovation (excluding entrepreneurship)*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-experience firms.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agricultural, manufacturing or</td>
<td>Storytelling about</td>
<td>The broad organisation</td>
</tr>
<tr>
<td>service firms developing</td>
<td>conditions for people</td>
<td></td>
</tr>
<tr>
<td>experiences as addition to</td>
<td>in developing</td>
<td></td>
</tr>
<tr>
<td>goods and services, as marketing</td>
<td>countries in advertising</td>
<td></td>
</tr>
<tr>
<td>tools (e.g. branding and</td>
<td>for clothes</td>
<td></td>
</tr>
<tr>
<td>storytelling) or as internal,</td>
<td>Artistic design of</td>
<td></td>
</tr>
<tr>
<td>motivating tools in organisational</td>
<td>coffee machines</td>
<td></td>
</tr>
<tr>
<td>development processes†</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Storytelling entrepreneurs.‡</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entrepreneur establishing a new</td>
<td>A new furniture firm</td>
<td>Business creators</td>
</tr>
<tr>
<td>firm on the basis of an</td>
<td>based on the reputation</td>
<td></td>
</tr>
<tr>
<td>experience (either a particular</td>
<td>of one world-famous</td>
<td></td>
</tr>
<tr>
<td>branding, a storytelling or</td>
<td>designer</td>
<td></td>
</tr>
<tr>
<td>experience as an internal</td>
<td>A new mobile telephone</td>
<td></td>
</tr>
<tr>
<td>organisation development tool)</td>
<td>service firm based on</td>
<td></td>
</tr>
<tr>
<td></td>
<td>customers can participate</td>
<td></td>
</tr>
<tr>
<td></td>
<td>in a sponsored TV-broadcast</td>
<td></td>
</tr>
<tr>
<td><strong>Public organisations.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governments and municipalities</td>
<td>An old industrial</td>
<td>The broad organisation</td>
</tr>
<tr>
<td>use experiences to brand the area</td>
<td>municipality using</td>
<td></td>
</tr>
<tr>
<td>and create a good image</td>
<td>concerts with world-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>famous rock and pop stars</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to create a new image</td>
<td></td>
</tr>
<tr>
<td></td>
<td>of the municipality</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to attract labour force</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to the enterprises in</td>
<td></td>
</tr>
<tr>
<td></td>
<td>the municipality</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A government using the</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Olympic Games to brand</td>
<td></td>
</tr>
<tr>
<td></td>
<td>the country</td>
<td></td>
</tr>
<tr>
<td><strong>Humanitarian organisations.§</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use experiences to promote and</td>
<td>The Red Cross organising</td>
<td>The broad organisation</td>
</tr>
<tr>
<td>brand their message and</td>
<td>collection through a rock</td>
<td></td>
</tr>
<tr>
<td>procure economic support (e.g.</td>
<td>concert</td>
<td></td>
</tr>
<tr>
<td>humanitarian organisations</td>
<td>TV broadcasting of</td>
<td></td>
</tr>
<tr>
<td>organising collection through</td>
<td>Christmas Mass</td>
<td></td>
</tr>
<tr>
<td>events, the Church has always</td>
<td></td>
<td></td>
</tr>
<tr>
<td>promoted their message</td>
<td></td>
<td></td>
</tr>
<tr>
<td>through storytelling and events)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ICT, information and communication technology.

*In all categories there are entrepreneurs who establish new firms on the basis of an innovative idea (as described in the classic entrepreneurship literature (e.g. Schumpeter, 1934)). The category storytelling entrepreneurs refer to entrepreneurs where the storytelling is a core of their business plan (but they may produce goods or services).

†Many actors, sports coaches, artists, talk show hosts and other stars from the experience economy are used as entertainers and coaches in firms and public institutions to motivate the employees and create a ‘good feeling’ in the organisation. Artists are also used, for example, to learn managers and employees to become better innovators and entrepreneurs (Darsø, 2004).

‡By this I mean that innovations are developed by employees, project groups and managers. Many external actors are involved including customers. There is no laboratory or R&D department. This is a type of innovative organisation that has been found in services (Sundbo, 1998; Sundbo & Gallouj, 2000).

§One might discuss whether humanitarian organisations can be categorised along the same dimensions as the other types of organisations. However, many humanitarian organisations, including, for example, the Church, have a professional organisation with employees, managers, strategy and hierarchy. Thus they may be categories along the same dimensions.
Experience innovation tracks

From this taxonomy we can extract some principal tracks of innovation. A track consists of a specific source of an innovation and the way in which the innovation is developed. For example, a technical laboratory track is characterised by the idea or prototype of the innovation being invented in a laboratory as is the case with people sitting in front of their computers designing a new type of computer game. This is the source of the innovation. The innovation is then developed further so that it can be used; however, the development process is determined by the source. A development process of an experience invented in a technical laboratory may be assumed to be different from a development process based on, for example, intrapreneurship (cf. Pinchot, 1985). The first development process may be assumed to be more rational and linear than the latter, which may involve processes of convincing other people about the idea, decisions and complex backlashes in the development process. The idea of innovation tracks is similar to the idea of technology trajectories that Dosi (1982) introduced, and the idea of vectors in service innovations that Gallouj (2002b) introduced. However, the concept of innovation track is different from these two concepts. It does not imply an overall paradigm (logic of thinking) that characterises the concept of trajectory and it does not emphasise the many identifiable elements (such as the client’s and the service provider’s competencies) that characterise the vector concept. In the first case, this is because an overall paradigm is not likely to be presumed in experiences, in the latter, because the factors dealt with in experiences are not so unilinear as the service vectors. An experience innovation track is more complex than a vector such as competencies or technical characteristics. A vector is a characteristic, while a track is a process. A track is identified by its source, that is which actors or technological possibilities start the innovation process (cf. the ANT tradition, Pels et al. (2002), Latour (2005)).

The advantage of using the concept of innovation track is that we can extract a more abstract system of understanding than with a taxonomy, which is influenced by the concrete historical and geographical circumstances. For example, the taxonomy in this article is based on Danish firms in the 1990s and 2000s. The innovation tracks are the explanatory factors that provide the basis for the taxonomy and which, taken together, provide a more general explanatory system.

From the taxonomy presented here, six innovation tracks can be identified based on their sources, which may be technical possibilities, or social or artistic processes. Thus, by focusing on the experience economy, this analysis adds the concept of “artistic processes” and thus introduces the humanities as a relevant field. This is in addition to the social and technical factors that have mainly been discussed within the ANT tradition. The six experience innovation tracks that may be suggested are the following:

(1) Technical laboratory track: The source is a technical possibility that has been discovered in a laboratory or by technical experiments. For example, computer games invented from the possibilities that PCs and new graphical software provide.

(2) Artistic laboratory track: The source is an artist that creates a new work or genre. For example, the Beatles creating a new form of music.

(3) Intrapreneurship track: The source is an employee getting a new idea. For example, an attendant in a museum gets an idea about informing the visitors in a new way.

(4) Entrepreneurship track: The source is an entrepreneur establishing a new firm. For example, a woman establishing a dinner dating firm.
(5) Public network track: The source is a crowd or a public network that collectively develops a new idea. *For example, new activities in a town festival are developed in a network of voluntary associations.*

(6) Story telling track: The source is a story invented in a firm (typically in the marketing department). The innovation is ‘talked up’. *For example, a story of an aquavit that has passed the equator on a particular ship.*

One may also suggest that there are some factors – vector factors (cf. Gallouj, 2002b) – behind the innovation tracks. These factors are generic characteristics that are mixed in the above innovation tracks. They might be called determinants, however, they do not automatically determine innovations and knowledge of them cannot lead to a prediction, but they can explain the innovation processes in experiences. Some innovation tracks are mainly determined by one factor, others by a mixture. The factors are technological, psychological, sociological and artistic. The following factors can be suggested:

- Technology (technological possibilities)
- Artistic creativity (individual creativity)
- Collective creativity (problem-solving)
- Entrepreneurship (the will to act and to persist)
- Competence (management, project, employee, user competencies)
- User understanding (understanding of the users, future market penetration systems)

**Innovation systems and experience innovation**

It has been argued that future economic growth and welfare will, to a large degree, be based on the experience economy (Pine & Gilmore, 1999). This implies that the society needs some instruments to increase innovation and growth of the experience economy. One of those which has been emphasised in innovation research is innovation systems (Nelson, 1993). Along the lines of Porter’s (1990) identification of development clusters, researchers have identified actor networks that influence the innovation activities of the single firms in the network. Often the lines of influence and successive development of innovations are based on R&D and technology; specific technological trajectories have been identified (cf. Dosi, 1982). Innovation systems have been found in manufacturing (e.g. Nelson, 1993). The interest for identifying innovation systems is political. The concept of innovation system presents an instrument that researchers could identify and politicians could operate to increase innovation and accordingly economic growth. If the experience economy is the new growth area, it will be an advantage if innovation systems within the experience economy can be identified. However, we may ask whether such innovation systems exist? Is the concept innovation system and the theoretical ideas behind it appropriate when we talk about the experience economy?

The concept of innovation system – although objectively argued and empirically based – is a social construction (cf. the sociological discussion of constructivism, Bijker et al. (1987)). The concept is developed by economist researchers as a theoretical understanding. A cluster or innovation system can be an object with rather fluid borders. Thus the phenomenon of the innovation system is a mixture of something objectively existing in reality and a theoretical construction. The criterion for its usefulness is not its objective existence, but its appropriateness – primarily to create industrial and research policy. Thus, the question here can be reformulated as: Is the innovation system (or cluster) approach an appropriate means to promote development of innovations, and thus growth, in the experience economy?
When innovation research started investigating services, innovation systems were already more difficult to identify, and if they can be identified, they are more loosely coupled (Sundbo & Gallouj, 2000). Services are not as technology intensive as manufacturing; service products are often pure human behaviour (moving persons or things, or solving problems as lawyers do). Service innovations are very rarely based on R&D (van der Aa & Elfring, 2002; Sundbo, 1998). Thus, the innovation system approach is of limited appropriateness to develop service sectors.

The situation within the experience economy according to the case studies used here is varied and changing. It has, for example, been demonstrated that within traditional tourism (hotels, restaurants, attractions and so forth) there are only weak, or no, innovation systems (Sundbo et al., 2007). However, we can also observe a tendency to more collective, cluster-wise, formation of tourism development based on strong regional semi-public promotion organisations (Mattsson et al., 2005).

We found in some cases within the classic cultural field, for example a theatre, that there is an innovation system. It is not the same as in manufacturing where each actor contributes to a common R&D programme. In culture there is no R&D in the formal sense of the notion (however many artistic experiments may be compared with an R&D activity). The innovation system is composed of the human actors – the actors, directors, lighting people and so forth – who are only temporarily engaged for the single play after which they move to another theatre, film or TV production. In that way they diffuse new ideas. In Denmark there has been one attempt to develop a regional innovation system based on the idea of a cultural cluster or innovation system (primarily based on music) (Sundbo, 2004). This attempt has not yet led to any particular development.

A third situation can be found within the ICT-based experiences such as multimedia products, computer games and amusement services for mobile phones. These experiences are very much based on technology, R&D and technology laboratories (e.g. multimedia laboratories) exist. Innovation systems similar to those observed in manufacturing can be identified; however, this field is new and has received little academic attention from an innovation system point of view. Thus, we cannot yet tell whether innovation systems play the same role within ICT-based experiences as within manufacturing. The case studies within this field nevertheless suggest that technology involves a more laboratory and R&D-based innovation system. Thus, technology has an independent role, which again underlines the appropriateness of an ANT approach as argued earlier. Some cases also suggest an emerging innovation system. For example, a firm that constructs computer games has been acquired by a global computer game marketing company and the new games are tested by Sony, who worldwide delivers the consoles used for playing the game. This demonstrates a tendency to produce some sort of innovation system.

In conclusion, the existence and appropriateness of innovation systems within the experience economy is at present varied. There is a tendency to form innovation systems, which may be increasing in strength in the future since politicians will probably emphasise the experience economy even more. This theme, however, needs more research.

Discussion and conclusion
The experience sector is growing in economic terms, but also in social, and in some cases, in political terms (as the political process becomes one of staged experience). It cuts across all the traditional sectors, however it is also a sector on its own as when all the firms’ products are experiences.
The experience industries increasingly become more market based. This tendency includes public cultural institutions such as broadcasting companies and museums and voluntary associations such as sport clubs. Task driven experience institutions get more elements from the market-opportunity driven category. At the same time, economic support from the state is maintained, but becomes more varied; it not only takes, for example, the form of direct cultural support, but entrepreneur-support within industrial policy also becomes a means in public policy. Markets grow and become more globalised, which means more possibilities for firm growth, but also greater competition. At the same time new experiences are often beyond the market, particularly in websites.

The business aspect of experience production is thus becoming more dominant in relation to idealistic artistic aspects. There is an increasing tendency towards more large-scale operations and the formation of large international concerns. Technology also becomes more dominant in experience production.

The way in which innovation is carried out in the experience sector is in many respects similar to the services sector (van der Aa & Elfring, 2002; Miles, 2004). Innovation activities, meaning the introduction of new ideas into the market, are not carried out in a well-structured system. The innovations are intuitive, quick ideas, which can be easily implemented. However, the innovation activities differ in other ways. In some respects, they are more similar to the manufacturing sector. Technology is central in a large part of the experience sector, systematic innovation work, even laboratories and technological R&D are important.

Within certain traditional craftsmen’s experiences, the technological laboratory is literally introduced. For example, the ‘new nouvelle cuisine’ within gastronomy has introduced a laboratory. The most outstanding entrepreneur, Ferran Adria from Barcelona and the restaurant ‘El Bulli’ uses the whole winter season together with his staff in a food laboratory in Barcelona to experiment with cooking methods and sensory research (Svejenova, Mazza, & Planellas, 2007). At the same time, the artistic workshop is maintained and renewed. A theatre included in our case studies has an experimental scene besides the main one. There they can experiment both with the performance of the play and the technology (lighting, sound, etc.).

In other respects, innovation in experiences differs from both services and manufacturing as intuitive (non-systematic) artistic creativity is an important element. Artists create new experiences from their inner ideas. Innovation has been more supply determined and less user or demand determined than in services. This is currently changing because the business possibilities are growing and innovation thus becomes more business determined and customer-oriented and less artistically determined. However, the forms of organisation and innovation work are more varied than in both manufacturing and services.

At the same time, more artistic interest driven entrepreneurs exist. Also many market-opportunity driven entrepreneurs exist as the experience field is considered to be highly profitable. Thus, different tendencies within innovation in experiences exist.

The secondary experience sector grows as experiences are recognised as being profitable additions to goods and services and as branding and marketing tools. If we draw a parallel to services, one may expect an outsourcing tendency of the experience functions to specialised experience firms as has been the tendency within services (de Ruijter, van der Lippe, & Raub, 2003). Such a tendency implies that the primary experience sector may be assumed to grow more than the secondary sector in the future. It also means that the innovation may be more specialised and professional and maybe R&D based because firms within the primary experience sector are more specialised.
In this article, a taxonomy of experience firms and experience innovation lines have been suggested as an attempt to classify and understand innovation activities in the experience economy. This is, however, only a beginning. This field needs more research before we know the phenomenon of innovation in experiences sufficiently well to suggest interventions and incentives for managers and politicians.

References


