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**UNIVERSITY OF EDINBURGH
MANAGEMENT SCHOOL**

**Selling the Latin America
Experience in Edinburgh.**

**By
George M. Taylor**

**Dissertation Presented for the
Degree of Master of Business Administration**

2007

Abstract

In the highly competitive bar/restaurant/nightclub business sector, product differentiation is becoming increasingly harder. As high levels of customer service have become the norm, businesses seek new ways to differentiate their offering and remain ahead and competitive.

This dissertation sets forth the results of research on a business plan for a Latin American themed bar/restaurant/nightclub that approaches the problem of product differentiating using the new and emerging field of experience marketing.

The objective of this dissertation was to test and validate the business plans concept of selling the experience of Latin American culture, music and dance.

Using the only two known models for measuring commercial experience, the business plan was compared against four other established businesses in the same sector.

The research results demonstrated that elements of what experience marketing identifies as crucial to successful experience design already exist in the businesses surveyed. However none of those businesses have combined all of these elements to provide a total experience offering.

Experience marketing elements found in those businesses were: the importance of personal relevance and its implications for brand creation; Experience, and in particular personal relevance, is as important for employees as it is for customers; Experience requires customers engagement and this can be achieved at levels other than just human interaction; finally eliminating negative cues, such as using the toilet facilities, adds to the customers experience, enjoyment and memories.

The research validated the business plan as having a commercial experience offering but more importantly, through identifying these experience elements, offered insights on how the business plan could be enhanced to ensure success.

Acknowledgements

I wish to express sincere thanks to the following people for their valued assistance and support while writing this dissertation: my supervisor, Geoff Gregson, who continuously inspired and supported me; my family and friends for their patience and tolerance throughout the research and writing process; special thanks to Edinburgh's Latin American & Salsa communities and the Edinburgh Tango Society for providing me with the opportunity to write with the benefit of personal experience and to Orlando Gutierrez, in particular, for his time and insights; to Mandy Boettiger and Ena Jess for proof-reading this dissertation and, finally, to my fellow MBA students, admin staff, lecturers and management of the MBA course at the University of Edinburgh Management School who ensured a truly unforgettable experience that was worth every moment and every penny!

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1 Introduction

The purpose of this dissertation is to test and validate the underlying concept of selling experience as a product differentiator in the highly competitive bar/restaurant/nightclub market in Edinburgh and central Scotland.

Experiential Marketing is a both an interesting and important area of new research in business.

In exercising the concepts of the business plan using models for describing commercial experience the business plan can be compared and measured against competitors in this business sector.

The end result of this research should be either dismissal of the business plan as invalid or confirmation that it should be taken to the next level of planning or implementation. Potential weaknesses in the business plan can be identified early and avoided. Insights from the other businesses may also be gained and used to further strengthen the business plan.

MBA students at Edinburgh University are taught, in their Corporate Strategy class, that there are two main goals to any business; finding customers and retaining customers. Part of this investigation must also determine if the business plan has the ability to not only attract customers but also to retain them through nurturing loyalty and building a symbolic brand. This serves as a barrier to entry for competitors looking to replicate the business model and its ideas.

This research does not cover the financial foundations for the business plan. The focus of this research is to investigate the business plan's product differentiation only. It is assumed that the setup costs, staff salaries and resources required will be inline with that of competing businesses. As competitors have been successful in establishing viable businesses that produce returns, an assumption based on their long term existence, this needs no further investigation. The business plan contains no additional resource requirements that would require justification in matching revenues.

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The successful entrepreneur assembles all the resources required for the new venture using social networks to locate and in some cases borrow resources (Starr & MacMillian, 1990). Edinburgh's Salsa & Tango communities require venues to enjoy their hobby. In return for providing the venue these communities supply a free source of entertainment for paying customers (Rowe, 2007).

The format of this dissertation is as follows:

Chapter 2 of this dissertation will complete a review of the existing literature on experience marketing, looking for insights and models on measuring experience marketing, the issues with capturing revenue from selling experience and the symbolic and branding aspects that create customer loyalty.

Chapter 3 will set forth the methods, taken from the literature review, which will be used to measure and analyse four existing business in the same sector against the business plan. This chapter will briefly describe these businesses and the justification for their selection.

Chapter 4 presents the results of this analysis and comparison of businesses.

Chapter 5 discusses the implications and solutions for the business plan with any suggestions for improvement gained from insights learned in the analysis.

Finally Chapter 6 concludes this research and makes its recommendations as to the direction this business plan should take next.

Literature review

1.1 Introduction

The objectives of this chapter are to define what experience marketing is, what value exists in selling experience, what models exist for validating a commercial experience business and finally the relationship between branding and experience and how it can be used not only for customer loyalty but, crucially, as a barrier to competition.

1.2 Background

The concept of experience marketing originates from research into consumer behaviour. Theories and models on rational purchase decision making by consumers ignored the irrational side of human nature. Sometimes it's what we feel not what we think that guides our decision process. Since its inception as a Science, Economics had used the *Homo economicus* (Persky 1995), concept of man as a rational consumer. Holbrook & Hirschman's work attempted to redress this by modifying the logical flow models of consumers to include, as they described it, consumer "*fantasies, feelings and fun*" (1982). This Holbrook & Hirschman called the "*experiential view*".

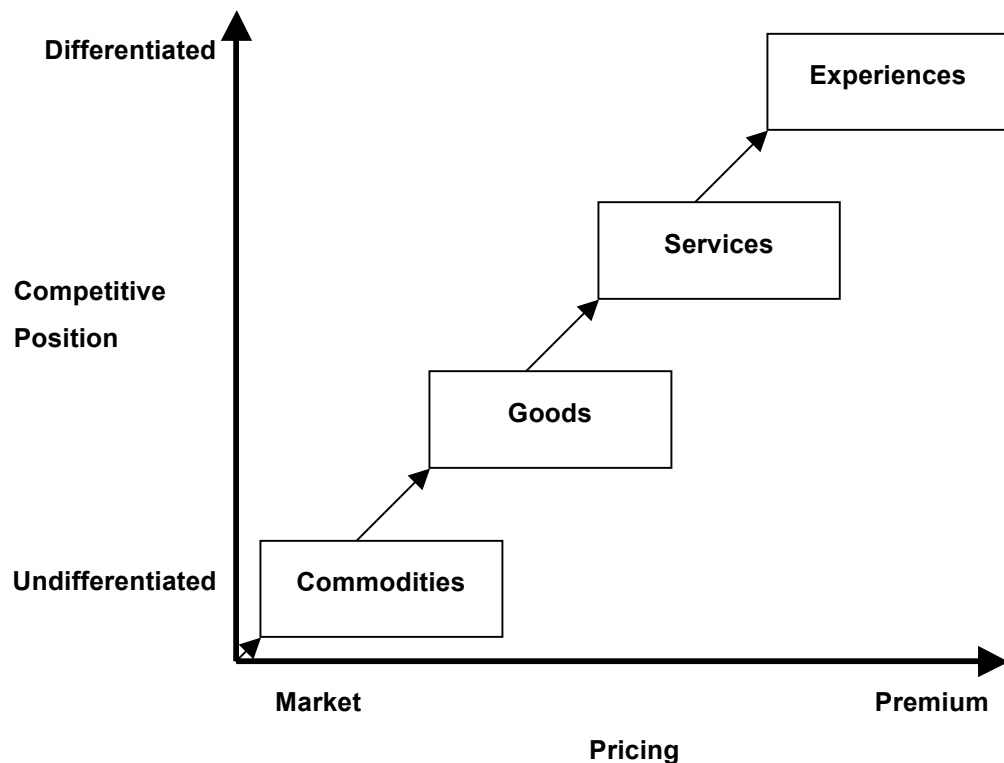
To begin to describe and understand this aspect of consumerism would be beyond the scope of this body of work. Such an undertaking would cross over into the fields of psychology and sociology such is the breadth and depth of this highly complex science. It is important however to identify the value in experience to consumers, what an experience is to a consumer and how an experience can be designed and delivered to customers successfully.

1.3 Experience value proposition.

In a business plan the main objective must be to identify the creation of value and the best method(s) of harvesting that value.

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 Pine & Gilmore's (1998) paper heralded the arrival of what they called the *experience economy*. In their new economy, businesses would design and stage experiences that commanded a fee. The level of fee they allude to is above the price level of the preceding service economy. Pine & Gilmore's model, the *progression of economic value*, can be seen in figure 1.

Figure 1: The progression of economic value



Adapted from Pine & Gilmore's "Welcome to the experience economy", (1998), p98

The implication of this theory and model is that experience is of significantly greater value than service, as value of service was greater than value of goods. Central to Pine & Gilmore's argument is the concept of charging an entry fee to an experience providing establishment. Anecdotal evidence is given of entry fee charging to shopping malls and other providers of goods and services, a practice more commonly expected of theme parks. *"The perceived value in a commercial experience should be*

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high enough for a consumer to want to pay for it” (Poulsson & Kale, 2004, p270). Poulsson & Kale (2004) disagree with Pine & Gilmore, categorising the experience economy as part of the service sector. If this is true then experience is merely a product differentiator or, at best a product and service enhancer that justifies to the consumer higher price premiums for goods and services.

Charging consumers a fee to enter a commercial area, according to Pine & Gilmore, can only be expected in a mature experience economy. In an immature experience economy experience is given freely as a means to selling goods and services. There is abundant anecdotal evidence in the literature of a growing trend in consumers actively seeking out experiences, from the extreme in both cost and risk that was Dennis Tito’s \$20million trip to the international space station to the traditional themed amusement parks of the experience pioneers Walt Disney et al. It is therefore easy to demonstrate a growing trend in consumers using their disposable income on the intangible of person memories over the materialism of the tangible goods and services economy.

Pine & Gilmore’s rigid adherence to charging an entrance fee for experience staging seems uninspired and narrow in scope. It adheres to the theme park business model, even though their experience economy has moved out into the other business realms, without leaving scope for innovation in revenue harvesting. With the internet bubble at the end of the 1990’s online ventures struggled to realise revenue from the multitude of potential customers who visited their web sites: charging entry to a web site deterred visitors. The online consumer quickly became used to getting something for apparently nothing and quickly moving on. To argue as Poulsson & Kale (2004) did in terms of categorisation of experience selling brings nothing new to the experience value proposition either.

For the purpose of this business plan, questions arise which need to be explored and answered. How mature, or immature, is this experience economy in Edinburgh & central Scotland?

“The question, then, isn’t whether, but when – and how – to enter the emerging experience economy”, Pine & Gilmore (1998), pp98.

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Is the customer willing to pay an entrance fee for a restaurant/bar/nightclub or is the experience just selling the goods and services and can these be sold at a premium?

With the establishment of a brand and reputation is there future scope for moving to Pine & Gilmore's entrance fee model?

What unique experience offering can be designed and implemented that consumers will want to pay for it?

To answer the last question a definition of experience is required.

1.4 What is experience consumerism?

What is an experience to a consumer willing to pay for an experience? One must be careful not to confuse experience as just another name for customer satisfaction with service and goods as most of the recent literature, that claims to follow Pine & Gilmore's theories, has done.

To elaborate on the definition of experience let us take public transportation and compare it to the hiring of a limousine. The need to move at any given time from one location to another can be satisfied with a car, public transport or a taxi. The latter two are consumed products. Taking a bus, tram or train is the most economical method, mass marketed without any individual tailoring. As a product public transport is a commodity. Taking a taxi is personalized. It arrives when required and its destination is tailored to the individual. It cannot compete with public transport on price. It is a lower volume product and more expensive to provide therefore it charges at a premium several times more than public transport. Taxi transportation can be categorized as a service industry. Limousine hiring, popular for many years in the USA and now very popular in the UK, is an example of experience selling. What differentiates a limousine from a taxi is experience. The original purpose of getting from one location to another is largely irrelevant compared to the experience of riding in a vehicle that is a rarity and has novelty. Pine & Gilmore's (1998) explanation of this phenomenon is that the limousine is simply a stage for customer experience; goods sold on that stage are simply props. In line with Pine & Gilmore's theory of the *progression of economic value*, the limousine is priced an order of

Selling the Latin American Experience in Edinburgh magnitude above the taxi service as is the taxi service price an order of magnitude above public transport. However Pine & Gilmore do not comment on volume reduction as part of their progression of economic value. Nor indeed does any of the limited literature on the experience economy theory make any observation that as there is a proportional linear relationship between undifferentiated services and pricing there is also an inversely proportional relationship to volume as this example would suggest.

Experience marketing is *“a shift in emphasis from the rational to the emotional aspects of consumer decision making; a transition from satisfying needs to fulfilling aspirations, desire and dreams”* (Morgan, 2006, p306). More recent literature, for example Mascarenhas, Kesavan & Bernacchi (2006), quote Pine & Gilmore (1998) and advocate customer experience as the new differentiator. However the customer experiences described in this paper and others relate more to the customer experience with their service and/or product than to the selling of an actual experience. Relegating experience to just another product differentiation tool ignores Pine & Gilmore’s (1998) warning to businesses; it is not enough to wrap an experience around traditional services offering.

Holbrook (2006) laments that the recent trend in management literature advocating experience marketing has largely ignored the intellectual roots from which the concept sprung and therefore tends to lack conceptual or empirical foundations. The concept first explored by Holbrook & Hirschman (1982) and later described as the new economy by Pine & Gilmore (1998) has been confused or obscured by many as a measurement for originality and quality of service.

“A careful review of extant literature reveals that there has been no attempt made to systematically define what exactly constitutes an experience.” (Poulsson & Kale 2004, p268).

In summary, with the exception of Holbrook & Hirschman’s pioneering work (1982) in consumer behaviour and experience, Pine & Gilmore’s (1998, 1999) popular works on the experience economy and Poulsson & Kale’s (2004) more recent attempt to address this, there is no literature dealing with what constitutes a commercial experience, an indication perhaps of the lack of maturity in the

Selling the Latin American Experience in Edinburgh experience economy. Poulsson & Kale (2004) attributed it to the broad range of commercial examples of experience marketing making it difficult to generalize academically. Another reason, as was stated in this chapter's introduction, could be that trying to define experience crosses over into the disciplines of psychology and sociology. Numerical data gathering and application of statistical methods are inapplicable in measuring something as intangible as human experience and emotion. The abstractness of the commercial experience concepts makes this an extremely challenging academic undertaking.

1.5 Measuring Experience.

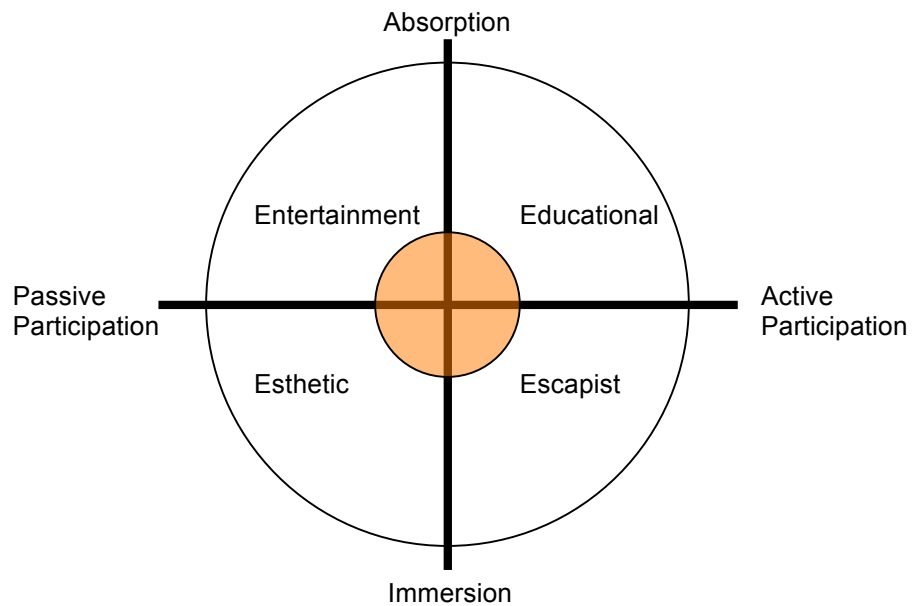
The limited literature covering the theories and concepts of experience marketing makes little or no attempt to suggest models and provide data other than anecdotal evidence.

The common themes that re-occur throughout the literature in the attempts to categorize commercial experience, from review, appear to begin with Holbrook & Hirschman's (1982) title "Fantasies, feelings and fun". Holbrook & Hirschman's (1982) work attributed commercial experience to having three key aspects, *symbolic*, *hedonic* and *esthetic*.

Hedonic response from consumers, according to Holbrook & Hirschman (1982), is very difficult to measure. This appears to be the stumbling block in this field of research which has prevented further literature, models or data. As experience marketing is, in essence, an emotional human activity, classifying it, as has been indicated here already, is a science all on its own.

The esthetic aspect of experience marketing is one of the 4 realms of experience that Pine & Gilmore based their model on (Figure 2).

Figure 2: The Four Realms of an Experience



Adapted from Pine & Gilmore's "Welcome to the experience economy", (1998), p102

This model would appear to stand alone as apparently the only graphical representation of consumer experience. A fair criticism leveled at Pine & Gilmore's work (1998) is that it lacks any reference to previous literature and empirical evidence Holbrook (2006). However these are not grounds for dismissing (Poulsson & Kale, 2004) a model which appears to be adaptable for use in measuring a commercial experience offering.

The model in Figure 2 can be used to represent visually the breadth of experiential aspects that a business has to offer. The coloured circle in the centre of the diagram is what Pine & Gilmore (1998) refer to as the *sweet spot*. A consumer offering that encompasses all four realms, and sits in this sweet spot, has the richest experiential offering.

There is a distinct difference between what is offered when selling experience and what the consumer chooses to consume or become involved at various levels. If Disney World is taken as the base example of a consumer offering sitting in this

Selling the Latin American Experience in Edinburgh sweet spot then it is clear to see that not all those consumers who enter this theme park will necessarily make best use of all aspects. Some customers (very young children) will only absorb the sights and sounds while other older children care only for the rollercoaster rides. The park allows consumers to engage and disengage with what is offered at will. The model in figure 2 could be used for measuring the *range* of possible experiences on offer from a business. What the model lacks is a method of measuring the *depth* of each available experience.

There are apparent contradictions in the model which need clarifying. Pine & Gilmore's explanation that educational events are more likely to be absorbing than immersive is not convincing. Their example of a ski lesson does not, it would appear, fit in with the idea of absorption versus immersion. Anyone who has learned to ski by taking classes will know that it is learning by doing, not by observing. A ski student would be immersed in the experience. Certainly their other example of attending a class can be clearly seen as absorption. What if the class were televised? Would it then be in the entertainment realm? That could depend on the student still being able to ask questions or not.

According to the model, an experience is only educational if the subject is actively participating. This is clearly not true. Learning by passive observation is educational.

Another example would be ordering and eating food at a restaurant. One could argue that this is not passive participation, and therefore not entertainment, but active. Is it therefore educational?

One could be forgiven for thinking that the labels Pine & Gilmore have used for each realm could have been better chosen. In attempting to have names that begin with the letter "E", academic reason has been ignored to a certain degree.

A clearer definition of these realms and the terminology used by Pine & Gilmore would add more weight to their case for the Four Realms model.

Poulsson & Kale's (2004) lone attempt at building on Pine & Gilmore's (1998) work describes experience as an act of co-creation between customer and experience provider, engaging the customer as Pine & Gilmore (1998) advocated. Doing so creates value in customer loyalty according to Mascarenhas, Kesavan & Bernacchi

Selling the Latin American Experience in Edinburgh (2006), pp399, “*The higher the interaction and its quality, the higher is the total customer experience and, consequently, the higher is the lasting customer loyalty.*”

The tools, according to Poulsson & Kale (2004), which an experience provider uses to stimulate positive experience emotions in the customer, are evaluated by five categories of emotional response. These are personal relevance, novelty, surprise, learning and engagement. Using these 5 categories Poulsson & Kale (2004) suggest a score card test for that could be used by experience designers. Unlike Pine & Gilmore’s (1998) paper, Poulsson & Kale (2004) have taken the trouble to define their categories to support their model. The *Score Card* may lack the visual elegance of Pine & Gilmore’s (1998) Four Realms model but it makes up for this in its descriptive justification and academic grounding. What is questionable though is their choice of categories.

“*What are the ingredients of a commercial experience that are most likely to provide product differentiation and competitive advantage?*” ask Poulsson & Kale (2004). Two of their five categories, (novelty & surprise), certainly help to fulfill this attempt to measure product differentiation but they also imply a bias to businesses with no repeat customers. The examples used by Poulsson & Kale (2004) of commercial experience are all non-repeating businesses. Is commercial experience limited to businesses in this sector? For any business looking for repeat custom aspects of experience such as novelty and surprise may help to make lasting first impression on the customer that helps stimulate longer term loyalty.

Product differentiation certainly finds customers, but just as important are the methods by which customers are retained.

Customer retention would appear to be missing from both Pine & Gilmore (1998) and Poulsson & Kale’s (2004) models.

The symbolic aspect identified by Holbrook & Hirschman (1982) together with the apparent ability of experience to create lasting customer loyalty (Mascarenhas, Kesavan & Bernacchi, 2006) suggests a branding opportunity and customer retention.

1.6 Brand creation with experience marketing.

The literature on brand equity and the advantages of brand creation needs no review. Branding is a topic well covered within the Edinburgh University Management schools MBA program. In supporting the business plan set forth in this body of work, brand creation is seen as a strategic advantage. Creating a brand with strong customer loyalty can create a barrier to competition (Jobber & Fahy, 2006). A key concept of Corporate Strategy is not only finding customers but *keeping* them.

On the surface the literature makes a strong case for experience creating customer loyalty (Mascarenhas, Kesavan & Bernacchi, 2006). The symbolic aspect identified by Holbrook & Hirschman (1982) and the anecdotal evidence in the later literature suggests that this loyalty can be captured and retained by branding. Hard Rock Café, Harley Davidson and Disney are the commonly cited anecdotal examples of experience selling and branding. Yet the available literature provides no models for designing or predicting success in attempting to create brand loyalty through experience marketing.

What these anecdotal examples do suggest is that the strength in these brands lies in what they symbolize, that is a sense of belonging to a community.

“When you move to an experience where people feel they own it, it’s a part of their life, it’s more like a religion than a product, it’s something that’s so ingrained in their life that people really value” Hoolbrook (2006), Milligan & Smith, (2002), p47.

Although Poulsson & Kale’s (2004) Score Card model makes no references to branding or customer loyalty it does explain in more depth, and tie together, community and experience. The first of their five elements of successful experience is *personal relevance*. Poulsson & Kale’s (2004) statement that personal relevance directly influences a customer’s level of engagement with experience is backed up with academic foundations that divide personal relevance into two parts; authenticating acts and authoritative performances. It is the latter that ties experience with community.

“Effective authoritative performances proffer integration across participants, a collective sense of identity, and the security and feelings of community flowing from the integration.”, Poulsson & Kale (2004), p272.

There is a suggestion that without personal relevance selling experience is more challenging. This raises some interesting questions for this research. Is personal relevance critical to commercial experience success? Can a customer only desire and enjoy an experience if they feel it has personal relevance and with the realms of a community that they believe they are part of?

1.7 Summary

In summary a method to compare, measure and verify a product differentiator as multi-faceted as commercial experience would be a powerful business tool.

There have been a few attempts only at suggesting models for testing commercial experience.

Pine & Gilmore’s (1998) Four Realms of an Experience model makes an interesting starting point for further investigation. Their definition of each realm requires a deeper understanding and better definition before it can be practically applied to research. There is also scope for modifying the model to measure depth as well as range of experiences offered by a business.

Poulsson & Kale’s (2004) score card model is better defined. However its strong bias towards non-repeating businesses makes it harder to use on this business plan without changing its approach to the problem. This model has one very important attribute for the purposes of this research; it provides a possible measurement for brand potential.

In attempting to validate a new, highly complex, multi-faceted business differentiator such as commercial experience, the two models could be used to compare, contrast and validate the business plan against existing competitors and other experience providers in the same business sector.

2 Methodology

2.1 Introduction

Having reviewed the literature on Experience Marketing, branding in relation to experience and resources (networks and clusters) this study will attempt to answer the questions set forth at the start of this work.

An ethnographical approach will be used in data collecting and analysis. Established businesses, which have parallels to the business plan, will be compared using the theories and models discussed in the literature review.

2.2 Ethnographical Data Gathering

Measuring experience, as has been covered in the literature review, is very difficult due to it being a largely emotional human response (Holbrook & Hirschman, 1982).

To be able to compare a non-existent business, which is only at the planning stage, with established businesses, customer interview or first person experience measurement is not possible. To the entrepreneur or the business manager wishing to validate their experience designs before commencing commercial service models using third person data from a walk through audit (if even just a thought experiment) will be required.

Data from customer surveying requires a large enough population from each venue being audited to reduce the individual subjectivity.

This would require the understanding and support from all venues. Although not impossible one must question whether the data collected would justify the effort in the end.

Given that experience creates memories (Pine & Gilmore, 1998), better data for the purposes of this research would be collected from customers *after* they had visited the venue. This further complicates a first person approach to data collection.

For this research data will be collected using ethnography. Rowley (1999) suggested the walk through audit as a methodology for measuring total customer experience.

Morgan (2006) has used the internet sourcing variation of ethnography, netnography for commercial experience research.

Although ethnography is arguably the correct data sampling method for this research it has limitations which need to be understood.

There will be a degree of subjectivity from the ethnographer and especially a bias towards the planned experience venture if the ethnographer is the designer. Use of multiple auditors would allow a consensus on the data and help remove some subjectivity from the data. However this has not been possible for this research and remains a limitation.

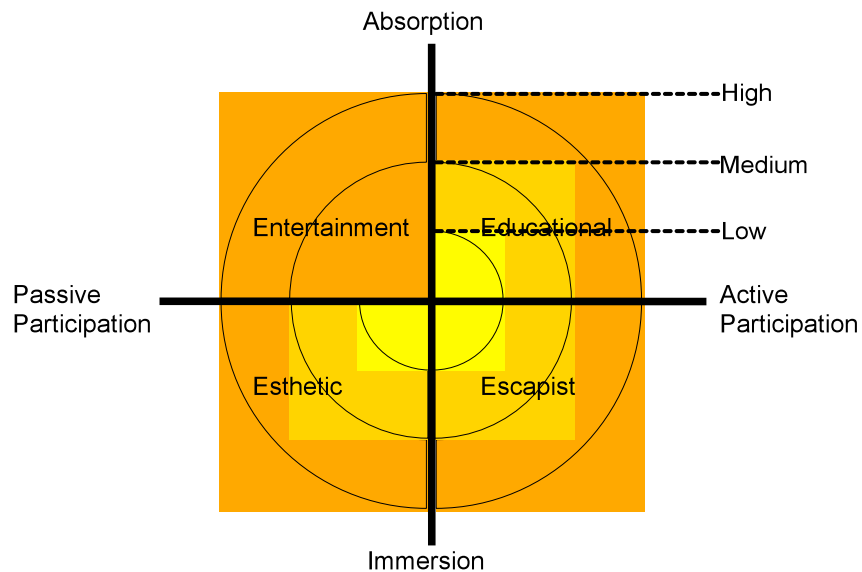
Ideally an ethnographical, or walk through, audit of a venue measuring commercial experience should be conducted on a number of different occasions and at different times of the day and week. This will give a more balanced perspective to the ethnographer. However this may not always be possible.

The walk through audit method (Rowley, 1999) is not ethnographical as the auditor is measuring their first person experience. For the purpose of this research a certain degree of first person perspective is allowed as important aspects of experience cannot be measured as a purely ethnographical observer. This increases the subjectivity of the data but it is considered that any negative impact will be outweighed by the better understanding & evaluation of the experiences.

2.3 Four Realms of an Experience Model

Pine & Gilmore's (1998) *Four Realms of an Experience* model has been adapted and modified (Figure 3) to test their theories of absorption or immersion with respect to passive or active participation of customers in a commercial experience environment.

Figure 3: The Four Realms of an Experience modified model



Adapted & modified from Pine & Gilmore's "Welcome to the experience economy", (1998), p102

According to Pine & Gilmore (1998) a commercial experience designed for customers has the richest experiential offering when it sits in the *sweet spot* encompassing all four realms. In attempting to take this model and make it more meaningful, when overlaying empirical data onto it, the sweet spot concept needs to be expanded.

There are varying levels of absorption, immersion and participation. Some experiences will be more immersive than others. Passive and active participation are difficult to classify in a three tiered scale, its definition implies binary measurement. Although active participation can be scaled into three levels, passive can not. The ethnographer observing customer and business interaction also needs unambiguous and non subjective, visually measurable levels of absorption, immersion and participation. The ethnographer will therefore mark, using a rating of high, medium and low, each realm based on the following three observable categories.

1. A provider of commercial experience may have multiple diversions for the customer as part of the experience package to keep them engaged and offer them a range of choice. There maybe only one stage experience which is unchanging. A staged experience which changes regularly to keep the

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2. The experience may just be sight and sound. A higher marking is given for stimuli of more than two of the five senses (sight, sound, taste, touch, smell). Pine & Gilmore (1998), in advising on experience design, highlighted the need to engage all five senses of the customer. As this study is focusing on the restaurant business then the exception to this measurement is food & drink. Unless the food or drink is central to the theme or part of the unique experience, food & drink consumption will be ignored.
3. How long is the customer's attention held for before they look for other stimuli such as conversation with those in their group or other staged stimuli?

The criteria for scoring on the low to high scale for the Four Realms model is show in figure 4.

Table 1: The Four Realms Model Scoring Criteria

	Senses engaged (1 to 5)	Number of stage experiences (sequential/concurrent)	Customer engagement level
Low	2 (e.g. sight/sound)	Single staged consumer experience. Format remains unchanging.	Consumer pays occasional attention to staged experience.
Medium	3 (e.g. sight/sound/smell)	Single staged consumer experience. Format changes regularly enough to maintain consumer engagement.	The majority of consumers are absorbed in the stage experience for a proportion of its duration.
High	4 or 5 (e.g. sight/sound/smell/taste/touch)	Multiple, concurrent staged experiences available to consumer.	Consumers are absorbed in the stage experience for all or most of its duration.

For each realm in the model a translation of the labels Pine and Gilmore attached will be given. These translations will help to avoid any of the ambiguity that the literature review identified.

2.3.1 Entertainment realm; Absorbing, passive participation.

Entertainment can be defined as a positive intellectual and/or emotional diversion. Within the context of this realm it is non participating absorption of stimuli. The customer remains outside of the experience as an observer only. There is little or no interaction with the experience.

2.3.2 Educational realm; Absorbing, active participation.

The label *Educational* is probably the most ambiguous of the four. To qualify for this realm, an experience doesn't necessarily have to be considered Educational. One could argue that all experiences are educational and it is easy to fit any experience into this category.

Qualification for this category therefore focuses on the consumer positioning and interaction with the experience.

The customer remains outside of the experience observing it but also interacts with the experience. This could be as simple as asking questions or being asked questions.

2.3.3 Escapist realm; Immersing, active participation.

The label *Escapist* is probably the most accurate of the four in describing its realm. Within this realm the consumer must be part of the experience. The experience comes from co-creation between customer and experience provider (Poulsso & Kale, 2004). If, as Pine & Gilmore describe, a stage is required to create experiences then the consumer, in this category, is one of the actors upon that stage. The consumer is part of the experience not only to themselves but also to others (ie those observing from the entertainment realm). They actively participate within the experience.

2.3.4 Esthetic realm; Immersing, passive participation.

Within the esthetic realm the escapist takes no active part. The consumer is still on the stage but they play no role as an actor. The experience does not depend on their co-creation with the provider. The consumer may add to the experience in a passive manner. For example, in dressing to match a themed experience they add to the esthetic content of the experience, not only for themselves, but also for other observers.

2.4 Scored card model

Poulsson & Kale's (2004) score card model uses the retrospective first person response of the consumer who has sampled the commercial experience being tested.

This retrospective first person approach to data gathering does not fit in with third person ethnographical surveying.

Therefore taking Poulsson & Kale's (2004) definitions and expanding on them an ethnographical set of criteria will be defined for each of the five score card categories.

A further modification of the score card model will be to use a scale of high, medium and low for each category as used in the modified Four Realms model. If each level is given a numerical value; High is worth 3 points, Medium is worth 2 points and Low is worth 1 point, then the Score Card can produce a numerical result with which to aid comparison of businesses.

2.4.1 Personal Relevance

The ethnographer is not ascertaining their own level of person relevance, by Poulsson & Kale's (2004) definition, when surveying a venue. Instead the ethnographer is observing for clientele engaging in self authenticating acts and authoritative performances by that same definition (Poulsson & Kale, 2004, p272).

What is being measured using this category is a venues ability to provide scope for self authenticating acts and authoritative performances.

A ranking of high, medium and low, or no score, is given based on the venues ability to provide scope for both aspects of personal relevance combined with the proportion of the customers observed in either or both of these acts.

2.4.2 Novelty

"Novelty elicits approach behaviours." With care taken that *"the range of the novelty does not exceed the approach zone of the consumer"* (Poulsson & Kale, 2004, p272).

A useful measurement for any business is its range, or rather level, of novelty for attracting new customers and retaining them.

Scoring is given for a business using novelty as an attraction. Ranking is based on the uniqueness of the offering and the range of novelties presented to the consumer. Attention is given to novel experiences that enter the limits of, or exceed, the *approach zone* of the consumer. Negative marking will be used if the novelty exceeds this zone for any proportion of customers at a venue.

2.4.3 Surprise

“An experience will be considered surprising if it contains outcomes that are unexpected, and these unexpected outcomes contrast with dominant expectancies of the consumer.” (Poulsson & Kale, 2004, p273).

Scoring is given if any customer is observed to react in surprise. This is considered not only difficult to judge but could also be a rare occurrence that maybe missed during the observation period. Scoring is also given if there is evidence of orchestrated expectations that purposely cover part of the experience which would lead to surprise. Ranking is based on number of observed surprise reactions from customers to separate surprise events, or observed orchestration leading to the same.

2.4.4 Learning

“Learning theorists agree that in order for learning to occur, certain basic elements must be present. The elements that further learning are motivation, cues, response and reinforcement.” Poulsson & Kale, 2004, p273).

The distinction the ethnographer must make in judging a venues ability to provide learning experiences is that it is not enough to just visually or audibly feed the consumer with knowledge but that the consumer is actively seeking that knowledge and reacting to it. Ranking is based on proportion of customers actively engaged in learning experiences and range of learning experience available.

2.4.5 Engagement

As this study is focusing on the restaurant business then it is assumed that a certain level of customer engagement can be expected within all venues surveyed. Customers will be engaged in ordering food and drinks, being asked if they are happy with their food and paying the bill at the end.

Therefore no scoring will be given for venues that engage customer to this level only. The purpose of this research is to establish what, if any, unique product differentiation these businesses offer. Standard service is no longer a product differentiator but a product norm. (Pine & Gilmore, 1998).

Scoring is given for engaging the consumer in an experience. The experience comes from co-creation between customer and experience provider (Poulsson & Kale, 2004).

Ranking is based on proportion of customers engaged in experience creation and range of experience made available to the customers.

2.5 Data sources

The business plan model will be compared to, and tested against, established businesses in the same market space; the bar/restaurant/nightclub market.

In selecting the appropriate data sample for this dissertation, filters must be used to narrow down the choices available to the investigator.

The sample should contain businesses that would be in direct competition with the business plan. There exist two Latin themed nightclubs with restaurants in Edinburgh.

The three key questions that this dissertation is attempting to answer must be used to select candidates.

The product differentiator is selling a unique experience to the consumer. Therefore the data must contain a sample of businesses that, according to the literature, are

Selling the Latin American Experience in Edinburgh selling experience. This is the most important attribute of the data selection and analyses. The central theme to this body of work is experience marketing.

Businesses that have staying power and growth do so through building customer loyalty and creation of barriers to competition (e.g. Branding). A well known branded business should be included in the sample.

The location of the businesses sampled must be considered. Geographical positioning (city, area & street) as well as the resources that the location provides that the business relies on.

Not all criteria must necessarily be met in choosing the sample of businesses to analyses. To adhere too rigidly to these criteria would exclude case studies which offer a comparison of alternatives to the business plan. The models used must have a range of input data that allows their robustness and validity to be tested.

Given these requirements the businesses that were chosen as the sample against which the business plan would be analysed were:

1. Hard Rock Café, Edinburgh, Scotland.
2. Rozengrals Restaurant, Riga, Latvia.
3. Cuba Norte, Edinburgh, Scotland.
4. El Barrio, Edinburgh, Scotland.

2.5.1 Hard Rock Café, Edinburgh, Scotland.

Hard Rock, founded in London in 1971, Café in Edinburgh was chosen for two reasons; brand power and location. In the limited experience marketing literature, it is often sighted in the anecdotal evidence as the classic restaurant business that built a brand name of globally valued equity. Pine and Gilmore (1998) describe the food as “*just a prop for what's known as "eatertainment."*”. Hard Rock is unique as a restaurant, within Edinburgh, in selling branded merchandise to customer in a small shop at the entrance. In choosing Hard Rock Café it is of interest what lessons can be learned from this global restaurant chain and perhaps applied to enhance the business

Selling the Latin American Experience in Edinburgh plan. Where it differs from the selection criteria is that it is only a pub/restaurant, it has no dance floor and does not function as a nightclub.

2.5.2 Rozengrals Restaurant, Riga, Latvia.

Rozengrals Restaurant in Riga, Latvia was chosen for its apparent experience selling approach to the restaurant business. Like Hard Rock Café it is only a pub/restaurant. Rozengrals is a perfect example of what Pine & Gilmore (1998) would describe as *eatertainment*. The experience Rozengrals attempts to create is more immersive than Hard Rock. The food at Hard Rock Café is, in comparison, just a background prop. Rozengrals food is central to the experience.

Rozengrals is not a chain restaurant (at the time of writing there is only one) and has no established brand. It would transfer easily to any historical medieval city and would work well in Edinburgh's Old Town, it therefore is considered to have brand potential. Rozengrals location precludes it from being in direct competition from the business plan. To an entrepreneur looking to establish a successful branded restaurant chain, a medieval themed restaurant such as Rozengrals would be a good potential venture to compare to the Latin themed business plan investigated in this dissertation. Therefore Rozengrals inclusion as a non competitor is justified as an alternative business plan.

2.5.3 Cuba Norte, Edinburgh, Scotland.

Cuba Norte is the closest fit to the selection criteria for data sources due to it being the original inspiration for the business plan taken some steps further forward as will be cover later.

Cuba Norte is a Latin themed bar/restaurant/nightclub situated on a lesser known street within the city centre. Originally there were two Cuba Nortés in Scotland, the original being in Glasgow near George Street in the City centre. Edinburgh is now the only existing venue baring the name. It could be assumed that Cuba Norte was intended to be a chain at its conception over a decade ago. Cuba Norte is unique in Scotland as the countries only dedicated Salsa venue. This draws customers from as

Selling the Latin American Experience in Edinburgh far as Glasgow, Fife and the Borders particularly on the weekends. Although this business has been operating for over a decade, apparently successfully, it is at the time of writing slipping into decline. In an interview with the entertainment manager it emerged that plans have been made to close it down and redevelop the property. This interview will be detailed in the following data chapter and analyzed to establish why it has failed and if it has any implications for the business plan chances of success.

2.5.4 El Barrio, Edinburgh, Scotland.

El Barrio is a Latin themed bar/restaurant/nightclub situated in the city centre of Edinburgh on Rose Street running immediately parallel to George Street the premier retail and nightclubbing street in Edinburgh.

Unlike Cuba Norte, El Barrio is not themed on a particular country or region of Latin America. It has a generalized Latin theme. On weekend nights El Barrio offers free Salsa introduction lessons for 1 hour each night but it is not a dedicated Salsa venue like Cuba Norte. The music played at El Barrio is predominantly Latin Disco.

The difference between El Barrio and Cuba Norte is primarily in the music and dancing performed.

Apart from being a Latin themed night club El Barrio presents an alternative business model to Cuba Norte and more importantly to the business plan this dissertation is based upon.

3 Analysis of data

As set out in the methodology a survey was undertaken of the four sampled businesses using the criteria for investigation defined for each of the two models.

The data collected from auditing these businesses can be found in Appendix II.

In this chapter that data is summarised and applied to the two models and compared.

In analysing the business plan and comparing its proposition and product differentiation to existing businesses, a definition of what the plan is offering in comparison to these businesses is needed.

3.1 Business Plan - The Latin Experience

The central theme to the proposed business plan is dancing. Historically dance has been the most common form of post dinner entertainment, the dance halls of the early and mid 20th century giving way to disco and non contact individual dancing. Technology advancements replaced bands with DJ's.

Recently in the UK, as can be seen by the prime time television slots and viewing numbers, couple dancing has regained public interest. Both the discipline of learning the dance techniques as well as the competition has proven to be engaging form of entertainment for the British public.

Edinburgh has several professional salsa dance teachers and one professional Argentinean Tango teacher. Edinburgh is also home to *DanceBase*, "Scotland's National Centre For Dance" (see web site) which provides further profession classes for Latin dance such as Salsa and Tango.

Latin dancing has therefore become a highly popular past time and form of entertainment in the city. Several Edinburgh venues cater to Salsa and Tango classes with free open dancing following class but only on one night of the week (Latinburgh web site). The majority of these venues are restaurants as well as bars. Only one venue is dedicated to Latin dance every night and uses this as part of its theme, *Cuba Norte*. Also unique to Cuba Norte is the layout of the restaurant. The dining area is one floor above the dance floor with large section of the centre of that

Selling the Latin American Experience in Edinburgh floor removed to create a balcony from which diners can view the classes and the dancing afterwards. Having the dining area on a balcony above the dance area limits noise some what. It also removes both dancers and non-dancers from each others line of sight so that neither one feels they are intruding on the other. The view of the dance floor is somewhat limited though and out of sight for many diners.

This is the most important concept of the business plan; that diners can watch the dance floor and those using it are providing the entertainment. A recent article in the *Restaurant Hospitality* journal by Rowe (2007) interviews a restaurateur hosting Salsa nights, “*McKee says revenues on salsa nights are dramatically higher. Not only are the dancers ordering food and drinks at the bar. “dinner sales go up because there are people who come in to get the perfect seat to watch the dancers”, he explains.*” (p32).

In order to make full use of the facilities and keep the program fresh the proposed business plan would not be exclusive to Salsa like Cuba Norte or the example given in the above article.

In Argentina, Tango is a national spectator sport second only to football. What the dance lacks in the fast rhythm and complex moves of Salsa, it makes up for in romanticism, sensuality and sophistication (Edinburgh Tango Society Web Site). The venue would offer Tango nights as well as Salsa nights or perhaps mixed nights.

Although popular in Edinburgh, Salsa alone does not appeal to all audiences and regular Salsa dancers will not dance every night of the week. Offering Tango nights as an alternative allows for extended appeal to the consumer and to a greater range of dance hobbyist looking for a venue.

As with the Cuba Norte business model, customers will be encouraged to not only spectate but also to participate. For those with no dancing experience or who feel intimidated by Salsa and Tango, Salsa teachers in Edinburgh combine a simpler form of dance called Merengue with Salsa classes. Merengue uses a simpler 2 beat rhythm like a marching rhythm. It is therefore envisaged that all abilities and levels of dancing will be accommodated to engage all customers. Both Salsa DJ’s and teachers mix in two other forms of dance related to Salsa, Merengue and Bachata. This helps to keep the format fresh in both the classes and the open dance socials.

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There is scope for staging dance exhibition shows, live music dancing and dance competitions. The Edinburgh festival and fringe festival provide the opportunity for this business to become a performance venue. The festival also provides an opportunity to raise the profile of this business to visitors from outside of Edinburgh.

The business plan has the long term objective of creating a brand around Latin dance, food and culture which could be franchised across the UK and internationally. This has been achieved already by Ceroc Enterprises Ltd in the UK (Ceroc web site). Ceroc is a franchise and the dance is a modern version of Jive. It has no fixed venues and provides dance classes followed by open dance socials.

The food and the drink will be Latin American themed. There is an assumption here that the consumer will see the indifference to individual culture and country as a positive in allowing a broader range of experience under one roof. The theme is Latin America. It is not specific to any one Central or South American country or region. The recent trend in the merger of various eastern themed restaurants (Thai, Chinese & Japanese) in what is sometimes referred to *Oriental Fusion*, or *Asian Fusion*, appears to be successful. The benefits in this are flexibility in choice of food and drink giving a greater range on the menu catering to a wider audience.

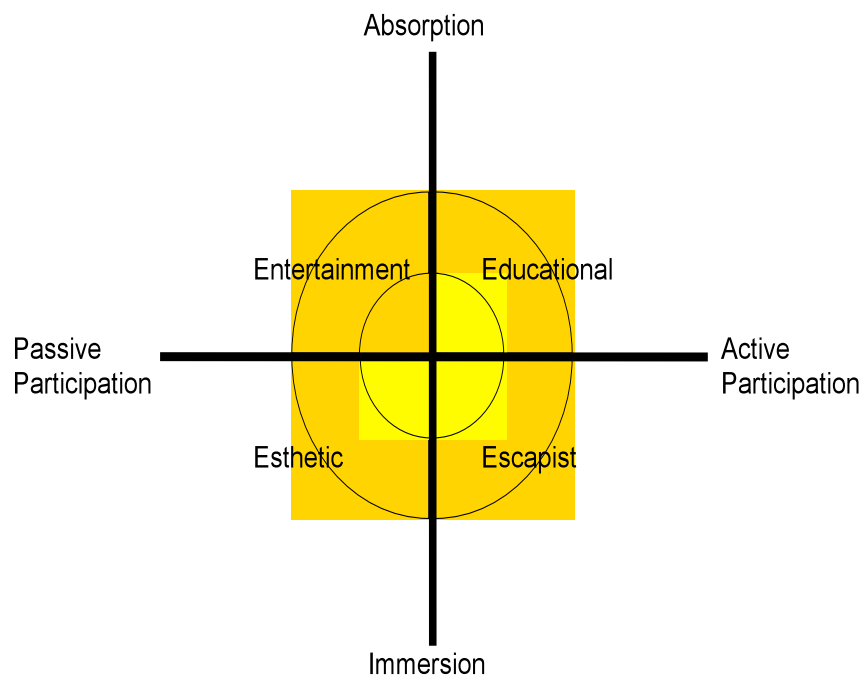
As the data here is based on a virtual venue the ethnographer has used their observations and experience from other venues to model the data. Cuba Norte is the basis for this business idea and this is reflected in the heavy use of its real data in the simulation.

3.2 Four Realms of an Experience data analysis

3.2.1 Business Plan – The Latin Experience

As can be seen in figure 4, there is a balanced range of experiences in the business plan across all four realms. By Pine & Gilmore's (1998) definition this business plan would have the richest experience offering as it sits in what they called the *sweet spot*, between all realms. A medium scoring was given for all four realms because, in theory, there would be customer experiences in all these realms. However it should be noted that not all customers will make use of all the available experiences available.

Figure 4: The four realms of an experience – Business Plan model

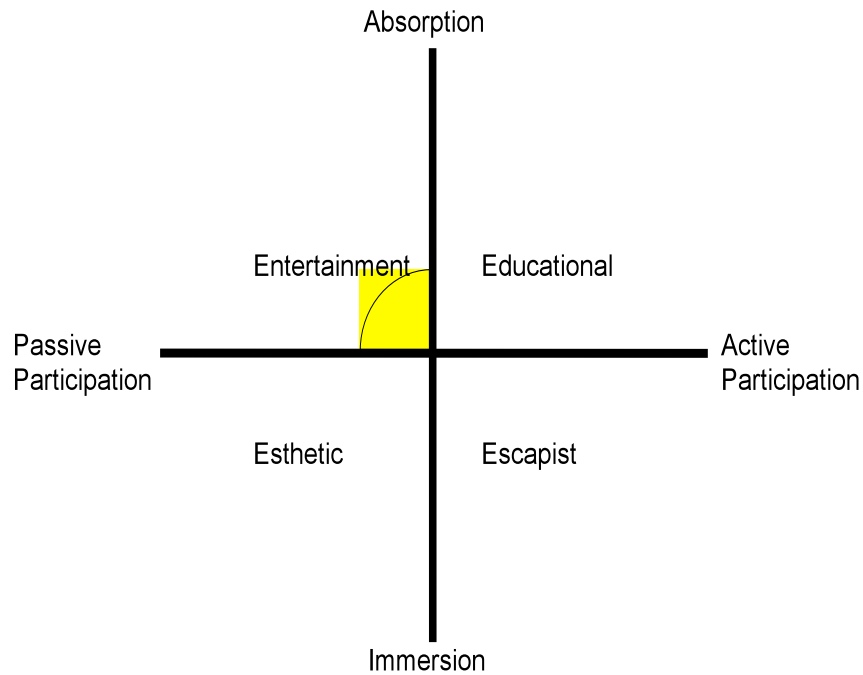


Adapted & modified from Pine & Gilmore's "Welcome to the experience economy", (1998), p102

3.2.2 Hard Rock Café

As can be seen in figure 5, Hard Rock Café barely registers a marking on Pine & Gilmore's (1998) model. This is largely due to the failure by Hard Rock Café to actively engage its customers in pursuit of creating experiences for them.

Figure 5: The four realms of an experience – Hard Rock Cafe Model

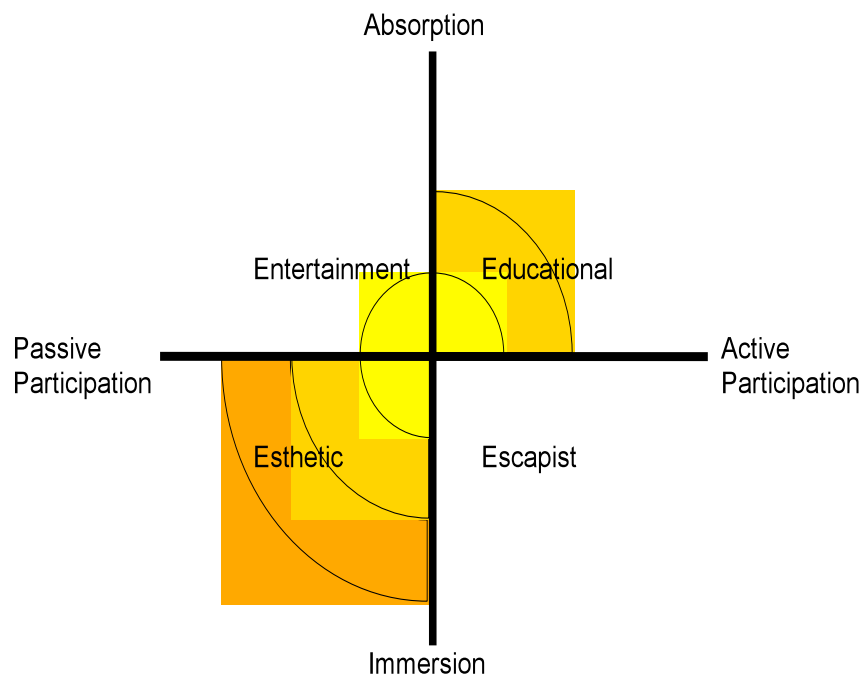


Adapted & modified from Pine & Gilmore's "Welcome to the experience economy", (1998), p102

3.2.3 Rozengrals

It could be argued that Rozengrals does not offer anything different to Hard Rock Café as it does nothing other than passively entertain customers. As was observed in Hard Rock Café, the staff made no attempt to engage the customers on a level other than basic restaurant service. What does engage the Rozengrals customer is the history lesson in the food served and the immersive setting. This can be seen by the result in figure 6 on four realms model. Rozengrals experience offering is highly esthetic and educational, not just entertaining.

Figure 6: The four realms of an experience – Rozengrals Model



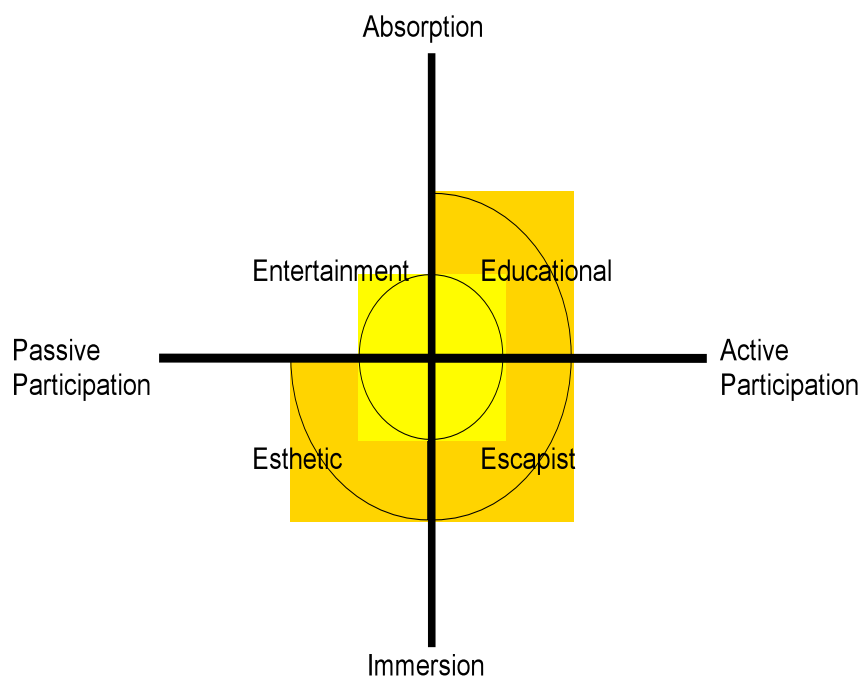
Adapted & modified from Pine & Gilmore's "Welcome to the experience economy", (1998), p102

3.2.4 Cuba Norte

The Cuba Norte model in figure 7 shows the observed disengagement of restaurant customers from customers below them in dance class or open dancing socials. What the model does not convey is that this is not due entirely to the physical layout of the venue. In Appendix I an interview with the entertainment manager at Cuba Norte outlines a problem with staff failing to encourage customer engagement and participation.

The Cuba Norte model in figure 7 almost matches the business plan model in figure 4. This is to be expected to a degree but disappointingly does not show significant differentiation between what is already available at Cuba Norte and the business plan.

Figure 7: The four realms of an experience – Cuba Norte Model

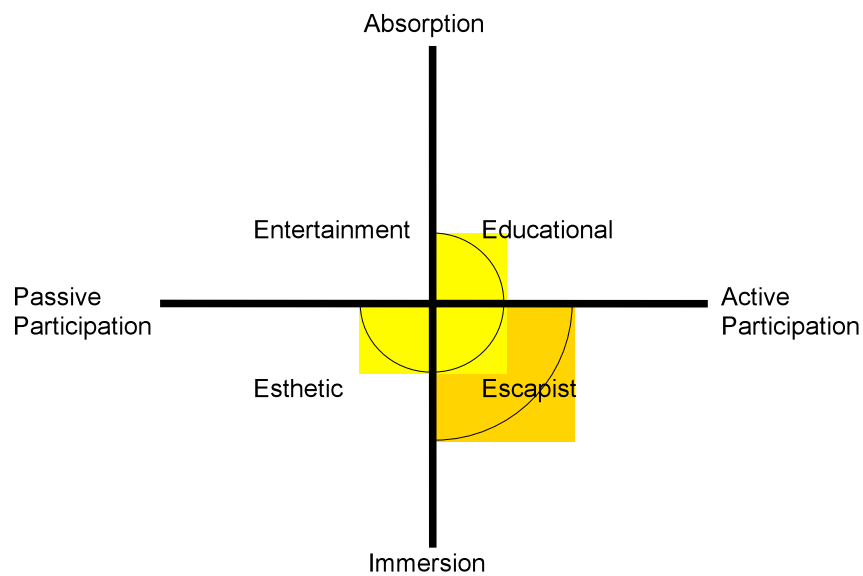


Adapted & modified from Pine & Gilmore's "Welcome to the experience economy", (1998), p102

3.2.5 El Barrio

The El Barrio model, in figure 8, hides the high level of engagement between venue staff and customers, in comparison to the other venues audited. El Barrio has orchestrated engaging experiences, however modest escapist area coverage of the model fails to convey this.

Figure 8: The four realms of an experience – El Barrio Model



Adapted & modified from Pine & Gilmore's "Welcome to the experience economy", (1998), p102

3.3 Experience Score Card

Out of a possible maximum of 15, any score including and above 11 is considered High, from 6 to 10 is Medium and from 1 to 5 is Low.

Table 2: The Score Card modified model with data

	Personal Relevance	Novelty	Surprise	Learning	Engagement	Score
Business Plan	High	Medium	Low	Medium	High	11
Hard Rock Café	High	Medium	None	None	None	5
Rozengrals	None	High	Low	Medium	Medium	8
Cuba Norte	High	Medium	Low	Medium	Low	9
El Barrio	Low	High	Low	Low	High	9

Adapted & modified from Poulsson & Kales's "The Experience Economy & Commercial Experiences", (2004), p274

3.4 Other Data Analysed

Pine & Gilmore (1998) advocated the need to charge for entrance to venues staging experience. Of the three Edinburgh venues surveyed in this research only one has a policy of charging an entry fee. El Barrio charges a nominal amount for entrance after 11pm in line with the other nightclubs in Edinburgh.

Rozengrals does not charge for entry either. It was observed that some tourist would venture, briefly, into Rozengrals to take photographs and sample some of the experience being staged there. Although no entry fee was charged the cost of a meal in Rozengrals is significantly higher than other restaurants in the area.

4 Implications & Solutions of Research

4.1 Introduction

In this chapter the data analysis will be reviewed with reference to the questions set out at the beginning of this paper.

By reviewing and summarising the data analysis, strengths and weaknesses can be identified that may provide useful implications and enhancements for the business plan. A review of each business will be given with attention not only to academic insights, but to any implications for the business plan resulting in enhancements or modifications that would strength its case.

4.2 Hard Rock Café

Looking at Figure 5 for Hard Rock Café's Four Realms of an Experience model the implication is that this business makes no use of customer experience in its product offering.

This is reflected almost to the same degree by the Score Card shown in Table 2. Poulsson & Kale's (2004) modified Score Card model gives Hard Rock Café the only score in the low experience band out of the five.

The fact remains however that out of all the businesses in this data sample, the lowest scoring on the experience models is also by far the most successful one.

The reason for this is brand equity. None of the other businesses have established brand names even though they score higher than Hard Rock.

The Score Card model gave Hard Rock Café full marks on the first element of experience, *Personal Relevance*. Each element of the Score Card has been given equal weighting in experience scoring since Poulsson & Kale (2004) made no distinction as to the value of each element.

If Hard Rock Café has built a hugely successful business, with a powerful brand, based almost solely on personal relevance then perhaps this equal sharing of value

Selling the Latin American Experience in Edinburgh hides what is quiet possibly the most valuable and important element of experience in this model or any other model.

In light of this observation, comparing Hard Rock Café to the business plan seems to imply that there is real potential for brand building with this business idea.

4.3 Rozengrals

Looking at Rozengrals Four Realms of an Experience model in Figure 6, it can be seen that this business is selling a predominantly esthetic experience combined with a strong educational element to its customers.

Poulsson & Kale's (2004) modified Score Card model gives Rozengrals the second lowest score but still in an apparently healthy medium range. Had Rozengrals achieved any mark in the personal relevance element it would have shown one of the strongest experiences offerings using this model.

Scoring high on novelty, low on surprise and failing to score on personal relevance would suggest that this business is not in a position to retain customers. Rozengrals is in a tourist hot spot and has been priced out with the reach of the indigenous population. This further strengthens the validity of the Score Card model for distinguishing between businesses that foster customer loyalty and those that don't.

Pine & Gilmore (1998) recommended "*eliminating negative cues*" in experience design. Rozengrals had the only observed example of this with the concealed toilets. The large thick wooden doors complete with pulley system for opening and closing added not only to the esthetic appeal of the venue but also eliminated the negative cue of having to use the toilets.

In comparing Rozengrals to the business plan, no consideration in the business plan has been given to what negative cues may exist and how these might possibly be eliminated.

Rozengrals is exceptional in its method of customer engagement. There is no attempt made to engage the customers beyond standard restaurant service expected anywhere else. Rozengrals achieves customer engagement through making the food an

Selling the Latin American Experience in Edinburgh educational history lesson. Consideration should therefore be given in the business plan to finding ways of engaging customers on levels other than human interaction.

4.4 Cuba Norte

Excluding the business plan, Cuba Norte achieves the highest commercial experience scores for both models. At the other end of the spectrum from Hard Rock Café in experience offering, Cuba Norte is also the least successful business of the four. Cuba Norte has been scheduled for closure at the end of October 2007 (Orlando Gutierrez).

The interview conducted with the entertainment manager, Orlando Gutierrez (Appendix I) was necessary to established why the business, that had inspired the business plan, had been a failure. If experience is so valuable to businesses why does a business, that measures well using experience models, fail?

Cuba Norte appears to have failed due to poor management and in particular poor human resource management.

Cuba Norte failed at the basic level of service for a restaurant or bar.

Orlando Gutierrez makes a valid point that the emphasis in the hiring criteria should be on picking staff that appreciate and are willing to participate in the experience they are selling. Team work and enthusiasm strengthen customer perception that they are in a community which believes in what it is doing.

Experience is therefore not just limited to the customer. Experience, it could now be argued, plays a significant role in motivating employees, which in turn is picked up on by customers. The importance of Poulsson & Kale's (2004) personal relevance applies as much to the employees as it does to the customers.

Cuba Norte differs from El Barrio in not charging an entrance fee at any point of its opening hours. Neither does the business plan make any reference to charging an entrance fee. Pine & Gilmore (1998) advocate charging for entrance to commercial experiences.

What is left unclear from the data analysis is the maturity of the Edinburgh experience economy. Could a business such as this business plan, charge for entry to a restaurant?

Edinburgh dancers are accustomed to paying for entrance to venues. This is the only revenue source that Ceroc Enterprises Ltd has. The Edinburgh Tango society charges for entrance to its Milongas. El Barrio and all other Edinburgh nightclubs have a door charge after restaurant closing times. So there is a precedent for being able to charge an entrance fee but care must be taken not to exclude those who provide the entertainment from those who come only to watch, eat and drink.

4.5 El Barrio

In contrast to Cuba Norte, El Barrio has not only a good level of service but staff that actively engages their customers. The spontaneous photographing of the customers by the bar staff and the subsequent publishing of those pictures on the screen above the bar and the web site is one example.

However, El Barrio fails to match Cuba Norte in coverage of the Four Realms of an Experience model, as can be seen in Figure 8. El Barrio, unlike Cuba Norte, appears to be successful having recently moved closer to the city centre to a larger and more esthetic accommodation.

Again poor scoring on the Four Realms model seems to be no indicator of success.

On the Score Card model El Barrio has score equal to that of Cuba Norters. The ethnographer gave a low mark to this business for the personal relevance element its experience. The attraction of the experience was deemed to be based on novelty, a low personal relevance score was given as authenticating acts were observed. Authoritative performances, for the majority was not.

There may be some parallels here, according to the Score Card result, with Rozengrals.

In contrast to Rozengrals, El Barrio is not an Edinburgh tourist attraction. The customers appear to be of the same age, status and background as the customers seen

Selling the Latin American Experience in Edinburgh in other Edinburgh venues. There is also small group of Latin customers that add to the effect. The implication here is that even though El Barrio has a high novelty value that does not preclude customer loyalty. Judging by its apparent success customers are returning. There could be an unobserved transition from novelty to personal relevance that is not being captured by ethnographical data gathering.

This makes a case for using a 1st person approach to collecting data. Since experience creates memories (Pine & Gilmore, 1998), questioning customers at some point after they have visited a venue may shed light on the hypothesis of experience transition between novelty to personal relevance.

El Barrio's implications for the business plan would be, again, the need for careful staff selection. The use of recording media and wide screen TV's to engage customers could be adapted for the business plan.

If, as hypothesised, returning customers can transition from being attracted to the novelty aspect of the experience to the personal relevance this would only enhance the case for being able to create customer loyalty and a brand name.

4.6 Research implications for the Business Plan.

The implication from reviewing the results and comparing to business performance would be that perfect positioning on Pine & Gilmore's (1998) Four Realms of an Experience model is no indicator for success.

Pine & Gilmore's (1998) prediction that the experience economy is approaching and businesses must learn to design and stage experiences does suggest that there is still value in validating an experience offering as the product differentiator.

It is not clear that any of the businesses reviewed have purposely designed, staged or orchestrated experience selling for their customers as their product differentiation. What is clear is that all of these businesses have at least some element of commercial experience as defined by the review of the experience literature. In attempting to measure commercial experience and compare results insights have been gained.

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A high level of personal relevance would suggest a potential branding opportunity; therefore if branding is a goal then encouraging personal relevance to the experience must be given priority at the design stage. A brand name, or icon, would serve as the symbolic element of the commercial experience identified by Holbrook & Hirschman's (1982). This would create a barrier to entry for competitors attempting to copy the business model.

A solution to this for the business plan could be to take an element from the Hard Rock Café model and deploy large flat screen TV's all around the bar and restaurant area. El Barrio's tactic of having staff photographing customers at their best moments and then playing these images back on a TV screen could be extended. Photographs of customers & videos of dancers would provide passive entertainment during opening hours when there is no dancing. It would also foster a sense of community among customers and stimulate growth in personal relevance and customer loyalty.

Engaging customers through human interaction largely depends on the customer/staff relationship. Human resource management has been identified as a crucial management consideration for the business plan. Personal relevance is as applicable to staff as it is to the customers. To deliver a commercial experience effectively the employees need to be a part of the experience they are selling.

The business plan must define the selection criteria for hiring employees. These criteria should have a primary focus personal relevance, selecting people who enjoy the music and dancing that they will be constantly hearing. Ethnically Latin staff would be ideal but working knowledge of at least one Latin language (Spanish or Portuguese), the history and the culture would be sufficient.

Engaging customers on levels other than human interaction is not only possible but necessary. Rozengrals achieved this by engaging their customers in their food as a novelty and history lesson. A Latin themed restaurant and bar could make use of exotic South American fruits and vegetables as part of their menu. These could be sourced from another Edinburgh business, *Brazilian Sensation* (see web site). This small café is the sole UK importer of some of South America's lesser known fruits such as Acai. Brazilian Sensation produces Ice Creams, Jams and Smoothies using

Selling the Latin American Experience in Edinburgh the fruit pulp it imports. The business plan should consider negotiating as a re-seller with Brazilian Sensation.

In designing experience Pine & Gilmore recommend eliminating negative cues. Rozengrals toilets are an excellent example of this. The business plan must identify all negative cues and eliminate them by making them part of the experience.

In a mature experience economy businesses must charge for entrance to the experiences they provide according to Pine & Gilmore (1998). With the demise of Cuba Norte, the only dedicated Salsa venue in the Scottish central belt, Salsa dancers will no longer enjoy having a free nightly venue to enjoy their hobby. The business plan must therefore consider an entrance fee as part of its revenue stream. Care must be taken, however, when considering that experience is an act of co-creation between provider and consumer (Poulsson & Kale, 2004). Those who come to dance are providing live entertainment. Therefore, if an entrance charge is made it must be in line with other Edinburgh nightclubs.

Referring back to the Pine & Gilmore's (1998) model of *The Progression of Economic Value* in Figure 1, there is the implication that experience is valued a magnitude higher than the previous economic offering. Poulsson & Kale state that the perceived value in a commercial experience should be high enough for a consumer to want to pay for it.

If Edinburgh nightclubs charge, on average, a £5 entrance fee then should a bar/restaurant/nightclub selling commercial experience charge a £50 entrance fee? The business plan does not therefore appear to be placed in this respect within the experience economy. This could be due to Edinburgh having an immature experience economy. The criticism that Pine & Gilmore's (1998) rigid adherence to entrance fee charging, for sourcing revenue, is narrow scope seems more likely. Hard Rock Café's merchandise shop integrated into their restaurant is an example of sourcing revenue from alternative sources. There could be scope for the business plan to expand into this once it has established its brand name. The research here has not provided any guidelines for charging for experience at the outset, but as IBM switched from giving away services for free with computer equipment sales to

Selling the Latin American Experience in Edinburgh charging only for services (Pine & Gilmore, 1998) it may be a direction that the business plan could take in the future once it has established itself.

5 Conclusion & Recommendations

In concluding it is worth reviewing the performance of both models used in analysing commercial experience offerings. There were three questions that were attempting to be answered by using these models.

The first question was what is a commercial experience, and how does one compare and measure commercial experiences?

The second question was what elements of commercial experience lead to customer loyalty and brand awareness?

The final question was, is the Edinburgh consumer ready to pay for experiences in this business sector?

The Four Realms of an Experience model taken from Pine & Gilmore's (1998) popular work did help to answer the first question by creating a visual representation of the experience range offered by a business. The business plan would appear to have the broadest and richest commercial experiential offering of the five businesses. This gives some confidence to the original hypothesis that this business plan had a unique product differentiation in selling commercial experience.

However, the Four Realms of an Experience model failed to produce any insights to the key elements of experience found in the sampled businesses.

In this regard Poulsson & Kale's (2004) Score Card model excels. It does not have the same visual clarity in how it presents its results as the Four Realms model has, however in this research it produced at least one useful insight for each business reviewed.

In answering the second question asked in this dissertation the Score Card model again provided the only answers. The subject of personal relevance connects the experiential aspects of symbolism, branding and loyalty. Although Poulsson & Kale (2004) made no such claim in their paper describing this model, this research has identified personal relevance as one key aspect to be considered when designing commercial experience with a view to building a brand and nurturing customer loyalty.

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Neither model is really suitable for answering the third question of charging for experience. There is no example (*yet*) of bar/restaurant/nightclub's in the Scottish market place charging a significant premium for entrance. This question, therefore, remains unanswered. The recommendation being, that when the time comes that the consumer is ready and the experience economy has matured then a switch to this revenue model should be considered.

There are areas in which this research could be improved on to make a stronger case for the business plan.

A larger number of businesses could have been reviewed and this may have provided even further insights using the experience models.

Measuring experience using first person data sources could, not only yield more valuable insights to designing an experience in this market sector, but provide further evidence of the validity of the experiential offering of the business plan and its peers.

As Pine & Gilmore (1998) pointed out experience creates memories and it is these memories that the consumer walks away with once the experience is over. A questionnaire that could probe these memories may provide better answers to some of the questions asked here.

There were some interesting implications for all businesses found here in this research. Human resource management may benefit from approaching the employee selection and motivation problem using experiential modelling. So far the literature has only approach experience from the consumer angle. It could be of value to do further research based on this hypothesis.

The *Latin Experience* business plan would, from the results of this research, appear to offer a very rich commercial experience to consumers. It has the potential to create customer loyalty and build a brand symbolising the experience in the minds of the consumer. The insights learned from analysing other businesses only strengthens the case for this business plan, offering new ideas for enriching its experiential offering further.

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The recommendation is, therefore, that this business plan is taken to the next stage, which would involve finding a suitable venue that allows space for performers to dance and for diners to sit comfortably with un-hindered viewing.

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APPENDICES

Appendix I

Interview with Mr Orlando Gutierrez, resident dance teacher, DJ & entertainment manager at Cuba Norte.

Q1. Are you selling experience here in Cuba Norte and if so what experiences are you staging for customers?

A1. I like to think people coming here escape from Edinburgh and travel to maybe Cuba, Columbia my own country or Latin America in general. Its all about having fun the Latin American way. We keep the curtains drawn on the dance floor so you can not see out of the window and remember its Edinburgh where you still are. Some people complain it gets too hot in here but if they really were in Latin America it would be the same. It makes it more authentic.

Q2. Do you ask your customers for feedback on their experience of Cuba Norte and if they would return. Can you summarise that feedback?

A2. Yes, I when I get a chance to talk to them I ask them what they think of the food, service and if they have had a good time and would come back. Most people have a really good time but they wouldn't come back to eat here again. They might come back for the dancing but not for the restaurant.

Q3. From talking to the customers have you established why they would be repeat customers for the restaurant?

A3. They say the food is really good but the service is terrible. We have a problem here with staff motivation and lack of bar and restaurant management. There is no full time manager here. The staff are mostly from east Europe. None of the staff has any interest in Latin America, the music, or dances. We have a team working problem too. In past years we had good team working with the staff. If they took a

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booking over the phone for the restaurant they would encourage the customer to take a dance class as well as part of a complete package.

Q4. What would you differently in staff hiring and management to improve the business performance of Cuba Norte?

A4. We need to hire staff who really love what Cuba Norte is about. It would be better if the staff were Latin (Spanish, Italian, Portugese or central/south American) to add to the authenticate feeling and escapism. The important thing is that the people working here love the music and the dancing. If they could occasionally take part too it would be good. I think the customer's enthusiasm and enjoyment would be better if they were being looked after by people who enjoyed what we do here and encouraged them to join in. If you didn't like, or weren't accustomed to, Indian music or Chinese music you would hate working in an Indian restaurant or Chinese restaurant and listening to that music all day long. It would irritate you and customers pick up on this from the staff.

Q5. Tobby Morris, who organises Edinburgh Tango Society, says they tried staging Milonga's (Tango Dance social) at Cuba Norte but were asked not to come back because the music was too depressing. Do you agree?

A5. That wasn't my opinion; I love Tango music and the dancing. A lot of Salsa dancers do Tango as well so there is a large cross over between the two groups. The complaint came from the staff, none of whom dance or like any of the music I play.

Q6. In summary to conclude this interview would you say that Cuba Norte fails due to lack of proper human resources and management? Also do you think that staff play an important role in the customer experience and it's delivery?

A6. Absolutely! There are many things we could improve on here at Cuba Norte but the staff are your interface to your customer. If you fail there then everything else you do is pointless until that it fixed.

Appendix II - Ethnographic model based audit of businesses sampled

Appendix II (a) – Business Plan – The Latin Experience

Four Realms of an Experience model

- **Entertainment realm; Absorbing, passive participation**

Restaurant customers watching dance classes, open dance floor & dance demonstrations (medium). Sight & sound senses engaged (low). For those dining engagement is low, between dishes and after meal engagement is medium to high. For customers at the bar, sitting and not eating but drinking the engagement is medium to high (medium).

Score: **Medium.**

- **Educational realm; Absorbing, active participation**

Customers in dance classes are encouraged asking questions. The dance class for customers is absorbing not immersive as they are observing the teacher and copying the moves. There are three different levels of class available run sequentially, not concurrently, in order. Each class offers a varied and changing curriculum (medium). Sight, sound and touch senses engaged (medium). Customers in class are highly absorbed in the experience (high).

Score: **Medium.**

- **Escapist realm; Immersing, active participation**

After classes an open dance floor, music with DJ or live music offers an escapist experience to those who choose to dance. Format changes between three different styles on Salsa nights. Tango nights format remains fixed (medium). Sight, sound and touch senses engaged (medium). Highly engaging but dancers take breaks from dancing to spectate and rest (medium).

Score: **Medium.**

- **Esthetic realm; Immersing, passive participation**

As dancers take breaks and rest from dancing or await a new partner for another dance they are still immersed and are passively participating. On the edge of the floor they are still effectively on the experience “stage” being observed by those in the eating and bar area. Some customers are observed to move from those areas to the edge of the dance floor in anticipation of getting a dance and/or to be immersed in the experience of dancing (medium). Sight, sound & touch (dance floor area gets hot) senses engaged (medium).

Engagement is medium as some choose to socialise and converse while other watch (medium).

Score: **Medium.**

Experience Score Card

- **Personal Relevance**

Both dancers and spectators (in the dining area and at the side of dance floor) demonstrate a high level of self authenticating acts and authoritative performances. It can be observed that even though customers are not taking part, being seen there is as important as much as participation. There is a strong social community attraction with a venue such as this.

Score: **High.**

- **Novelty**

There is novelty for new customers taking classes for the first few times. For regular dancers & customers there is no novelty. One customer was observed demonstrating emotion that would suggest discomfort from feeling too self aware trying to learn to dance with others watching. This would be classified as exceeding the approach zone.

Score: **Medium.**

- **Surprise**

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The only observable surprise experience was created by the dance instructor leading the dancers in a move that was unexpected. The class reacted in a strong positive manner and it added to the entertainment. The teacher was observed to use the element of surprise occasionally in class to add to the entertainment. No purposely orchestrated surprises were witnessed.

Score: **Low**

- **Learning**

Dance classes are interactive and qualify as learning experience as defined for this measurement. There are multiple sequential classes available. The open dance floor also allows a period of dance practice which can also be classified as interactive learning as is being measured here.

Score: **Medium.**

- **Engagement**

All customers are actively encouraged to join in the classes and the open dance floor afterwards. The dance teacher was occasionally observed talking to customers in the dining area during the class. Hypothetically the customers would applaud or directly praise a couple who had put on a performance that was technically good and highly entertaining.

Score: **High.**

Appendix II (b) – Hard Rock Café

Four Realms of an Experience model

- **Entertainment realm; Absorbing, passive participation**

Restaurant customers watching TV screens playing music (medium). Sight & sound senses engaged (low). While eating engagement is low, between dishes and after meal engagement is low. Customers observed to be engaged in conversation within their group, occasionally glancing at screen, usually when video changes (low).

Score: **Low**.

- **Educational realm; Absorbing, active participation**

Although the memorabilia decorating the walls could be likened to a museum and therefore thought of as educational there is no observable customer participation.

Score: **None**.

- **Escapist realm; Immersing, active participation**

Again no observable customer participation in any form, either active or passive.

Score: **None**.

- **Esthetic realm; Immersing, passive participation**

Although highly esthetic due to the décor and memorabilia on display, the customer here remains outside of the experience as purely an observer absorbing only.

Score: **None**.

Experience Score Card

- **Personal Relevance**

As authoritative acts this venue can be classed as a community of rock appreciators. The continuous rock videos and array of memorabilia are highly relevant to customers.

Score: **High**.

- **Novelty**

There is novelty in seeing first hand the rare and, one would assume, expensive memorabilia decorating the walls. The memorabilia does not appear (on several visits this year) to have changed and scoring takes this into account.

Score: **Medium**.

- **Surprise**

No purposely orchestrated surprises were witnessed.

Score: **None**.

- **Learning**

No interactive learning was observed.

Score: **None**.

- **Engagement**

Other than the engagement with seating, ordering, checking on customer satisfaction and bill paying no additional customer engagement was witnessed.

Score: **None**.

Appendix II (c) – Rozengrals Restaurant

Four Realms of an Experience model

- **Entertainment realm; Absorbing, passive participation**

Restaurant customers were seen watching musicians playing medieval music. This was the only observed form of absorbing, passive entertainment. The venue's experience is largely in the esthetic realm. Senses engaged were sight and sound.

Score: **Low.**

- **Educational realm; Absorbing, active participation**

The, reputedly, authentic medieval menu is absorbing and interactively educational. The menu makes references to historical documents from where the dishes ingredients and preparation were taken. As the consumer can see, taste and smell these dishes, the consumption of the food can be classified as active participation in the experience.

Score: **Medium.**

- **Escapist realm; Immersing, active participation**

Although there is potential for this venue to provide an escapist experience, customer participation is limited to the food consumption and this has been classified as absorbing not immersing. Therefore no score is given.

Score: **None.**

- **Esthetic realm; Immersing, passive participation**

The customer is immersed in a dining area that has been staged as almost entirely medieval (food, staff attire and musicians for entertainment, etc). This is a highly esthetic experience in which the customer is passively participating. All 5 senses are engaged.

Score: **High.**

Experience Score Card

- **Personal Relevance**

No customers were observed in what can be classified as authoritative performances or authenticating acts.

Score: **None**.

- **Novelty**

This restaurant's product differentiation is based on the novelty of serving authentic medieval food in simulated medieval settings. The experience here is highly novel.

Score: **High**.

- **Surprise**

The surprise found in this restaurant was the cleverly concealed toilets. Large thick wooden doors complete with pulley system for closing added to the surprise. No attempt had been made by the designers to identify the location of the toilets and customers could be seen wandering the rooms in search of them. This is an excellent example of what Pine & Gilmore (1998) recommended in experience design as "*eliminating negative cues*". This was the only orchestrated surprise observed.

Score: **Low**.

- **Learning**

The authentic medieval food & descriptive menu lead to interactive learning.

Score: **Medium**.

- **Engagement**

As the food is a key element, and primary attraction to the experience orchestrated in Rozengrals it cannot be ignored as standard service.

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The customer is engaged in learning by ordering and eating food that creates an experience that is novel. Customers in Rozengrals were observed to be constantly re-referencing the menu during their meals and paying attention to different dishes served at other tables.

Score: **Medium.**

Appendix II (d) – Cuba Norte

Four Realms of an Experience model

- **Entertainment realm; Absorbing, passive participation**

Only a few restaurant customers can view the dance floor and this view is in most cases very limited (low). Restricted viewing of dance floor and dancers, however all customers can hear the class & the music (low). While eating engagement is low, between dishes and after meal engagement is low due to limited viewing. There is no viewing of the dance floor from the bar area and the music is barely audible, however some people ventured from the bar area and dining area to watch from the edge of the dance floor (low).

Score: **Low**.

- **Educational realm; Absorbing, active participation**

Customers in dance classes are encouraged asking questions. The dance class for customers is absorbing not immersive as they are observing the teacher and copying the moves. There are three different levels of class available run sequentially, not concurrently, in order. Each class offers a varied and changing curriculum (medium). Sight, sound and touch senses engaged (medium). Customers in class are highly absorbed in the experience (high).

Score: **Medium**.

- **Escapist realm; Immersing, active participation**

After classes an open dance floor, music with DJ or live music offers an escapist experience to those who choose to dance. Format changes between three different styles on Salsa nights. (medium). Sight, sound and touch senses engaged (medium). Highly engaging although dancers take breaks from dancing to spectate and rest (medium).

Score: **Medium**.

- **Esthetic realm; Immersing, passive participation**

As dancers take breaks and rest from dancing or await a new partner for another dance they are still immersed and are passively participating. On the edge of the floor they are still effectively on the experience “stage”. Some customers are observed to move from the bar and restaurant areas to the edge of the dance floor in anticipation of getting a dance and/or to be immersed in the experience of dancing (medium). Sight, sound & touch (dance floor area gets hot) sense engaged (medium). Engagement is medium as some choose to socialise and converse while other watch (medium).

Score: **Medium**.

Experience Score Card

- **Personal Relevance**

Dancers and spectators at the side of dance floor demonstrate a high level of self authenticating acts and authoritative performances. It can be observed that even though customers are not taking part, being seen there is as important as much as participation. There is a strong social community attraction with a venue such as this.

Score: **High**.

- **Novelty**

There is novelty for new customers taking classes for the first few times. For regular dancers & customers there is no novelty. One customer was observed demonstrating emotion that would suggest discomfort from feeling too self aware trying to learn to dance with others watching. This would be classified as exceeding the approach zone.

Score: **Medium**.

- **Surprise**

The only observable surprise experience was created by the dance instructor leading the dancers in a move that was unexpected. The class reacted in a strong positive manner and it added to the entertainment. The teacher was observed to use the element of surprise occasionally in class to add to the entertainment. No purposely orchestrated surprises were witnessed.

Score: **Low**

- **Learning**

Dance classes are interactive and qualify as learning experience as defined for this measurement. There are multiple sequential classes available. The open dance floor also allows a period of dance practice which can also be classified as interactive learning as is being measured here.

Score: **Medium.**

- **Engagement**

There is a perceived disengagement between customers dining and the classes on the dance floor. With reference to the interview with the entertainment manager at this venue (Appendix I) customers are not encouraged to take classes. Customer taking class are highly engaged, however the view gap in the dining area allows limited connection between those dancing and those eating and drinking.

Score: **Low.**

Appendix II (e) – El Barrio

Four Realms of an Experience model

- **Entertainment realm; Absorbing, passive participation**

Although one introduction to salsa class is available each night free to customers the dining area has no view of the dance floor.

There was no observed passive, absorbing entertainment or experience at this venue.

Score: **None**.

- **Educational realm; Absorbing, active participation**

The dance class for customers is absorbing not immersive as they are observing the teacher and copying the moves. The class teaches only basic salsa steps with no contact partner dancing. No customers asked questions or were encouraged to do so (low). Sight and sound senses engaged (low). Customers in class are highly absorbed in the experience (high).

Score: **Low**.

- **Escapist realm; Immersing, active participation**

El Barrio is licensed as a late night club. An open dance floor with music played by a DJ offers an escapist experience to those who choose to dance. Music format rarely changes from Latin rock/hip-hop with customers dancing individually, no salsa or partner dancing observed. However the novelty of dancing to music sung in south/central American Spanish or Portuguese is highly novel and unique in Edinburgh. This adds to the escapism of the experience (medium). Sight, sound and touch senses engaged (medium). A medium level of engagement was observed, those dancing are distracted by friends or looking around at other dancers (medium).

Score: **Medium**.

- **Esthetic realm; Immersing, passive participation**

As with any dance club there is a large proportion of customers observing from the side of the dance floor, the format remains unchanging (low). Sight and sound senses engaged (low). . In comparison to the more formal dance venues, where couples dance together, their engagement is much lower (low).

Score: **Low**.

Experience Score Card

- **Personal Relevance**

As the music is exclusively Latin American (the singing in all of the music is in Spanish and Portuguese) and therefore alien to the majority of the Caucasian clientele, it is hard to see the personal relevance. This is true to an extent for the music at the salsa & tango venues also. However the focus there is on the rhythm and its interpretation by the dancers. The customer focus is on not on the music but on the dancing. This venue operates as a nightclub, and therefore competes with other nightclubs playing familiar music with English lyrics. In comparison personal relevance must therefore be lower as the music will be a novelty to the majority of customers and this will be its market differentiator.

Score: **Low**.

- **Novelty**

As the music is exclusively Latin American and lyrics are in Spanish and Portuguese it is highly novel to a largely Caucasian clientele. The drinks menu, with its exotic cocktails and fresh green coconuts, adds to the novelty factor. This business offers a unique and novel experience in Edinburgh and is accordingly marked to reflect this.

Score: **High**.

- **Surprise**

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The bar staff have been seen to produce a digital camera and photograph the customers. This is, to the customers, unexpected as will be the display of their photograph later on, on a large flat screen TV behind the bar.

Score: **Low**.

- **Learning**

As only one introductory salsa class is given each night, there is minimum scope for learning experiences at this venue.

Score: **Low**.

- **Engagement**

The staff engage the customers at this venue beyond what is standard practice in any other observed bar, restaurant or night club. The bar staff were seen to occasionally photograph customers with a digital camera. These photographs are then later displayed in rotation on a large wide screen TV behind the bar. The photographs are also available on El Barrio's web site for viewing to customer who complete a registration form and create an account online with the business.

A Latin lady, dressed in a cliché Mexican style, wearing bullet belts filled with shot glasses and carrying a bottle of tequila, walks among the customers encouraging them to buy "shots".

Staff to customer interaction is high in this venue and this has be purposely orchestrated.

Score: **High**.