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Investigating the prospects of experience economy in the food sector: A pilot study on Thisted Municipality

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Abstract

This paper is inspired by the need for competitiveness and sustenance of Thisted's food sector. The paper seeks to explore empirically the nature of experience based innovation in two food firms, and also to examine their resource and capabilities to innovate. Interview data was used in studying these two firms. The paper identified experience-based innovations in both firm as new marketing approach to enhance their competitiveness and sustenance; inspired by competition; and is also incremental innovation. In addition, the paper discovered that although these firms engage in experience activities, they are not aware of the experience economy concept. Rather, they perceive their activities as developing new market niches. The paper therefore proposes that future studies should consider examining food firms' awareness of the experience economy concept and its usefulness as innovation strategy for their businesses.

Key Words: Experience economy, innovations, competitiveness, resources, capabilities,

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1. Introduction

This paper is a pilot study of a research, which aims to develop a framework of innovation in the context of experience economy to be utilised by the food firms in Thisted Municipality¹ to enhance their competitiveness on the market. To achieve this aim, an attempt is being made to explore the prospects of experience-based innovation in the food firms of this municipality. The outcome will then serve as foundation to pursue the aim of the research. The research studies small-sized food and drinks producers, manufactures, and processors, which are referred here as the ‘food sector’. Consequently, this pilot study is an approach to identify the possibility of examining the prospects of experience-based innovation. The objectives of this paper are to explore empirically the nature of experience-based innovation in two food firms², and also to examine the resources and capabilities of these firms to innovate.

This paper is inspired by the need for competitiveness and sustenance of Thisted’s food sector through innovation. In Denmark, the food sector is considered as a very significant contributor to the Danish economy in terms of revenues, exports and employment (Holst 1993; Christensen 2008). Several agro-food firms ranging from primary, manufacturing and services are located in the Thisted Municipality. These firms can be seen as contributors to the Danish economy. This suggests their importance and therefore necessitates a strategy to maintain their existence. The existence of these food firms is also vital to sustain the economic geography, employment, sustenance of liveability and economic growth of this municipality. Yet, how can these firms sustain their place on the market. What kinds of strategies are available to enhance their competitiveness? Innovation is considered as key to survival of businesses (see Freeman 1982; Lundvall 1992; Ottowitz & Goransson 1997; Grunert et.al. 1997; Lorentzen 2005). According to Chris Freeman: “not to innovate is to die” (Freeman 1982p.169).

Several innovation studies in the food sector with implications to rural development have been done by different authors including (Mosley 2000; Goodman 2004; Sonnino & Marsden 2005). However, most of these studies lack emphasis on exploring the prospects of innovation as basis for competitiveness of rural food firms. In this regard, a study of an innovation strategy with emphasis on enhancing the competitiveness of food firms in a rural area is imperative.

In recent times, the experience economy concept has emerged as ethos for businesses to differentiate their offerings in order to stay competitive on the market. Experience consumption is also linked to some of the booming sectors of the global economy (Richards 2001). The concept thrust on attaching memorable experiences such as education and entertainment to mainstream products to increase their value on the market (Pine & Gilmore 1999). At least Pine & Gilmore (1999) demonstrates that at a “theme restaurant”, food services are used as a “prop for “*entertainment*” experience” (p.3). This indicates an approach to increase the value of a food service. Yet, how does this applies to the food firms in Thisted? In other words, what can we characterise as innovation in the context of experience offerings as means to enhance the competitiveness of food

¹ This municipality is located in the rural region of Thy, Denmark.

² Food firms are used in this paper to imply firms operating in the food sector

firms in Thisted? More so, how can we identify the ways through which such innovation can be carried out?

This paper focus on answering these questions: What is the nature experience-based innovation in food firms? What are the resources of firms to innovate in experience context? What are the capabilities of firms to innovate in experience context? The paper begins with development of definitions and discussions of theories as framework for empirical analysis. Following that is a brief description of the study's methodology. The third section is a presentation of two case studies and analyses. The fourth section is a comparison of the two cases. The final section is a conclusion of the paper.

2. Theoretical Framework

The aim of this section is to develop operational definitions and discussions of innovation, experience economy, resources, and capabilities of firm. This is to serve as theoretical framework for the case studies analyses in a later section.

2.1 Innovation

Innovation is defined differently by various authors (Edquist 1997; Earle 1997; Lorentzen 2005). It is basically a "novelty" (Smith 2005p.148; Earle 1997p.166) or "renewal" (Lorentzen 2005p.1016). However, Edquist (1997) argues that different definitions of innovation do not matter, since "definitions and analytical distinctions are not right or wrong". Rather, the "object of study should influence the conceptual specification" (p.10). This implies that the conceptual framework for analyses in an innovation study should be influenced by the objectives of the study. Since this paper seeks to explore experience-based innovation as new ways to enhance a firm's "competitive success" (Pavitt 2005p.87); Michael Porter's definition and views on innovation becomes useful for this paper.

Porter (1990) defines innovation as a firm's venture "to create competitive advantage by perceiving or discovering new better ways of competing in an industry", which are then offered on the market. Such discoveries are made apparent in "product changes, process change, new approach to marketing, new forms of distribution, and new conceptions of scope" (Porter 1990p.45). This definition characterises a firm's innovation as scanning processes on the market that results in an improved outcome. This is by way of developing "new ways of doing things" to enhance its competitiveness (ibid.). Porter (1990) also claims that innovation is triggered by factors including new technologies, new consumer needs, and introduction of new industry segment. This implies that innovation in a firm is a response to changes in industry environment (ibid.). In my estimation, the response to these changes are not only to aid in increasing a firm's profitability but also ways to entrench itself on the market. In other words, it is a catalyst to a firm's survival on the market (Grunert et al. 1997p.xv).

Porter (1990) also stresses that most innovations are usually "mundane and incremental rather than radical" (p.45). The former is associated with cumulative improvements on the firm's activities and the latter being an introduction of entirely new "technology" (ibid.). Thus incremental innovation usually involves old ideas that have not been

potentially explored or practised, and emanates from “organisational learning” than radical innovation which is associated with formal resource and development (ibid.). In this sense, to what extent can we characterise experience-based innovations in the food sector as incremental or radical. Although this is not the main objective of this study, it contributes to the understanding of the nature of experience-based innovation of a firm.

In earlier Schumpeterian thinking, the small firm was the sole innovator (Schumpeter 1934). However, other authors argue that the firm is not the sole innovator. At least von Hippel (1988) helps us to understand that consumers and suppliers are sources of innovation. Diederer et al. (2002)’s empirical study showed that innovative ideas were obtained from both producers and their colleagues. Avermaete et. al. (2004) also argue that small firms depend mostly on “external sources” to innovate due their limited resources and capabilities (p.476). These assertions raise an interest to explore the external sources of firms’ innovation in this paper. That is by identifying the processes and relationships between firms and their external partners.

So far, the understanding of innovation is about the act of discovering of new ways of doing things that leads to an outcome. Yet, we need to find out how these new ways of doing things are carried out. This understanding will serve as framework to discover the nature of innovation in a firm. However, since innovation is being explored in the context of experience economy, the next section defines and discusses the experience economy concept.

2.3 *The experience economy concept*

Discussions and analysis of the experience concept in literature differ in context; such as “consumption experience” (Hirschman & Holbrook 1982; Holbrook, 2000; Carù & Cova 2003) “experiential marketing” (Hirschman & Holbrook 1982; Schmitt 1999), and “co-creation experiences” (Prahalad & Ramaswamy 2004). These discussions educate us on consumer behaviour as well as the use of experience as marketing tool. Another understanding is that experience has supply and demand facets since it is produced and consumed. In general, experience consists of many features. Sundbo & Damer (2008)’s argues, it is a ‘complex phenomenon with many aspects’ (p.6). Covering all the various aspects of experience is beyond the scope this paper. However, in this section, an attempt is being made to present a general understanding of the concept.

What is experience? Although experience has been discussed by many authors, the concept lacks a common definition. Carù & Cova (2003) argues the concept is ‘still ill-defined or, worse, defined in ideological terms’ (p.268). For the sake of brevity, it would not be possible to explore most definitions of experience. Hence, priority is given to definitions that suit this paper’s objectives.

Pine & Gilmore (1999) defines experience as a business approach in which “memorable events” are attached to economic offerings to “engage the consumer in a personal way” (p. 2). This view resonates with Schmitt (2008)’s definition of experience as “private events that occur in response to some stimulation” (p.114). In this regard, memorable events can be referred to as things created by businesses with anticipation to stimulate or

“engage consumer’s emotions” (LeBel & Cooke 2008p.143). This act depicts experience as a deliberate construct by businesses to increase the value of their offerings (Pine & Gilmore 1998, p.98). An example of experience could be bacon produced in a rural dairy which has some traditional rural settings such events or a “story attached” (Richards 2001p.57) to increase its value to the consumer. The bacon may be just a product, but the events or stories attached may become a memorable experience for consumers. Experience is therefore ‘an add-on to a normal product’ (Birch 2008p.25). However, an experience is also perceived as a “product” (Lorentzen 2008p.5; Sundbo & Darmer 2008p.1). It is considered a product, because it must be “produced or staged” to be accessible (Lorentzen 2008p.5).

As of now the understanding of experience stresses more on businesses as creators of experiences for consumers. However, Prahalad & Ramaswamy (2004) argue that consumers interactions with firms results in the co-creation of distinctive experiences. The reason is that traditionally, firms decided on the offerings for the market, but this has changed to include consumers. This suggests that some experience offering are produced on the demands of the consumer. This approach is also considered as way in which firms unearth “new sources of competitive advantage” (Prahalad & Ramaswamy 2004p.7).

Conceptually, experiences is seen as ‘a particular way to compete’ (Lorentzen 2008. p.5), since it manifest as differentiated product (Pine & Gilmore 1999). Experience is also linked with consumers’ psychological relationship to products. This resonates with Hirschman & Holbrook (1982)’s emphasis that experience consumption correlates with consumers’ emotions and symbolic meaning to products. Lorentzen (2008) also argues that experiences emanate from the relationship between a staged event and a person’s state of the mind. This depicts experience as an individualistic encounter as argued in Pine & Gilmore (1999). Alvin Toffler also argued in his 1970 publication: *Future Shock* that in today’s³ affluent societies, economies are being restructured to meet new echelons of people’s desires by developing a new economy focused on the offerings of “psychic gratification” (p.220). Basically, all these views suggest that experiences are offerings designed to generate some sort of personal relationship ‘in the mind of the user’ (Sundbo 2007, p.3). This also resonates with the view that experience is created to engage a person emotionally, physical, intellectual, or possibly in a spiritual manner (Pine & Gilmore 1998; 1999). These engagements can be manifested in what is described in Hirschman & Holbrook (1982) as “*multiple sensory modalities*” i.e. tastes, sounds, scents, tactile impressions and visual images’ (p.92). In this regard, an obtained experience is manifested by the consumer’s engagement with the product through any of these sensory modalities in an emotional, physical, or intellectual context.

Pine & Gilmore (1999) argue that experience may engage consumers in different ways. They classify such engagements as the “*four realms of experience*” (p.30⁴). These realms encompass different levels of “*passive-active participation*” and “*absorption-immersion*” (ibid.). For example, in an entertaining experience the customer is passively absorbed; for educational experience the customer is actively absorbed; in an esthetical experience a

³ With reference to the 1970s in the United States of America.

⁴ See this source for detailed examples of these realms.

customer is passively immersed; and in a escapist experience the customer is actively immersed in the event (see Pine & Gilmore 1999p.32). These realms do not only show the levels at which a customer may be engaged with an experience but also serves as a framework for businesses to design specific experiences for customers that can always be identified as its hallmark. It can also serve as a means to measure the levels at which an experience may be identified with for example a food producing business.

Pine & Gilmore (1999) suggest further that a firm is able to create the best experience for customers when it combines all the four realms. In another development, they argue that for businesses to create experience as economic offering they must charge “admission fees” (Pine & Gilmore 1999p.62). However, Holbrook (2000) and Richards (2001) argue that charging admission fees at certain places are impossible. For instance, Richards (2001) claims that some experiences such as most natural environments, cityscapes are difficult to charge fees on. This implies that admission fees should not always be a condition for a firm to create experience as economic offering. Thus, indicates a limitation to Pine & Gilmore’s economic view of experience.

So far, the experience concept has been analysed in this section and provides useful insights. It is basically a marketing strategy employed by businesses to differentiate their offerings. Yet, how can we make sense of experience as innovation in the context of food firms in Thisted? In other words, what are the different perspectives of experience that can be characterised as innovation? Both theoretical and empirical research on experience related innovation is very limited in literature. Hence, this may limit the extent to which experience-based innovation can be characterised in this paper. However, based on the understanding of innovation in this paper, an attempt will be made to draw a correlation between experience and innovation. In this regard, the discoveries or new introductions of experience related activities which are identified to manifested in a firm’s product, production process, marketing approach, forms of distribution, and conceptions of scope shall be characterised as experience-based innovation. More so, an attempt will be made to characterise experienced-innovations identified as either incremental or radical. That is whether experiences created by a firm are an entirely new development or improvement of existing activity.

In the attempt to identify experience-base innovation in firms, it is necessary to consider that firms are distinctive by nature and also in terms of their resource endowments (Penrose 1972; Collis 2002). More so, a firm’s profits may not be due to its superior resources, but its unique competences in better usage of its resources (Penrose 1972). Hence, offering experiences may not necessarily be the most useful approach to enhance a food firm’s competitiveness; but rather it will depend on how individual firms make use of their resources in order to determine their market potential. Consequently, this calls for examining the resources and capabilities of a firm. The next section is devoted to defining and discussing of firms resources and capabilities.

2.4 *Resource and Capabilities of Firms*

The conceptual framework for analysing firms’ resources and capabilities to create experiences is largely inspired by the resource-based view theory (RBV), since it serves

as means to “examine the link between a firm’s internal characteristics and performance” (Barney 1991p.101). The RBV has been a subject of discussion in several strategic management publications (see Barney 1991; Mahoney & Pandian 1992; Grant 2002a, 2002b; Collis 2002; Collis & Montgomery 1995). Basically, the RBV thrust on the notion that a firm is essentially a pool of “resources and capabilities” which represents the key determinants of its strategy (Grant 2002a, p.132). This implies, a firm’s profitability or competitiveness on the market is dependent on its resource and capabilities.

Analyses in some innovation literature such as Avermaete, et al. (2004), and Christensen (2008) touch on resource and capabilities as basis for firms’ innovation in the food sector. For example, in Avermaete, et al. (2004) the internal capabilities of small firms are examined to determine their innovative performance. Since the experience economy concept threads on competitive advantage; examining the resource and capabilities of food firms to create experience is imperative to determine their competitive prospects. Offering of experience as added value to products or as some form of differentiation is seen as a management/marketing strategy, but the issue is how do we know a firm’s resources, and the capabilities of utilising these resources to achieve this goal?

Resources:

A firm’s resource is defined among different authors to include tangible resources, intangible resources, and human resources (see Penrose 1972; Collis & Montgomery 1995; Grant 2002a,). Like Penrose (1972) and Grant 2002a, Jay Barney provides a more structured and detailed definition of a firm’s resources. They are as follows:

“physical capital (physical technology use in a firm, a firm’s plant and equipment, its geographic location, and its raw materials); human capital (the training, experience, judgement, intelligence, relationships, and insights of individual managers and workers in a firm); organisational capital (a firm’s formal reporting structure, its formal relations among groups within a firm and between a firm and those in its environment)” (Barney 1991p.101).

The above definition provides a framework to identify the kinds of resources available to firms which may be utilised for innovation. In other words, how useful are these resources for experience-based innovation in a firm? This inquisition is inspired by Robert Grant’s argument that only few resources of a firm are “productive”, so the productive ones need the “cooperation and coordination of teams of resources” (Grant 2002b p. 139). This implies that productive resources of a firm do not function in isolation; rather they operate as interactive system within the firm. This view can be reflected in Penrose (1972)’s assertion that “resources must work together to create organisational capability” (p.139). In this sense, how do we understand the combinations of available resources of a firm in its innovation activities? For example, how do managers utilise the geographical location of the firm to innovate. This leads us to the attempt understand what a firm’s capability means.

Capability:

The term capability is defined in organisational perspective as the “capacity to undertake particular productive activity” (Grant 2002a p.145). A reflection on Edith Penrose’s notions of the RBV by Augier & Teece (2007) helps to understand the above definition better. Their statement reads as follows:

Innovation is very much about the ability of the entrepreneur to look at markets, technologies and business models and to interpret them "differently". Being able to see market and technological opportunities through different lenses (and in new ways) is an important entrepreneurial capability. It enables one to see opportunities that others might miss (Augier & Teece 2007p.177)

A reflection on both Grant's definition and Augier & Teece's statement indicates that capability is literally about a firm's ability to engage in ventures that will enhance its profitability or growth. Such ventures are carried out through the firm/entrepreneur's ability determine what may be valuable for consumers; understand which know-how or skills to apply and suitable approaches. In essence, it is about a firm's distinctive abilities to "recognise and exploit" (Foss 1999p.3) opportunities on the market. The relevance of organisational capability is emphasised in Lorentzen (2005). She argues that firms continued existence in a "competitive, globalised environment" is based on their "organisational capabilities to innovate" (Lorentzen 2005p.1013). How, do we identify such capabilities in a food firm?

Capability of a firm is also viewed as framework used to determine how a firm develops and sustains competitive advantage. This is known as "dynamic capabilities" (Augier & Teece 2007). According to Augier & Teece (2007) dynamic capabilities are related to a firm's competence to respond to '*changing environment*' ("technologies and markets"), through shaping, re-shaping, organise and re-organise, its resources. This view appears useful because it serves as another approach to explore a firm's capability in the event of market dynamics or changes in consumer demands.

The discussion on a firm's capability above is central to the RBV, which stresses on the analysis of firms internal environments. However, another school of thought suggests relational capabilities as means to firms' competitiveness (Rodríguez-Díaz & Espino-Rodríguez 2006). This thinking is inspired by the relational view concept, which emphasises on inter-firm relations/networks as means to firms' profitability on the market (see Dyer and Singh 1998; Rodríguez-Díaz & Espino-Rodríguez 2006). It is a contradiction of the RBV because it stresses on a firm's relational capabilities in its external environment. A relational capability is defined as "superior skill(s) to manage resources shared between companies" (Rodríguez-Díaz & Espino-Rodríguez 2006p.26). It is created through long-term networks between several firms, and engages in activities such team work, knowledge exchanges, and joint planning and decision making (ibid.).

Although the conceptual approach to analyse capabilities of a firm in this paper is central to the RBV, the relation capabilities appears to broaden up the scope of identifying a firms capabilities. That is to identify the firm's external relations. The relational capability therefore raises inquisitions into how firms exploit their resources with their external partners. In the first place who are these partners? What sort of networks exists between them and how do such networks contribute to their innovations?

3. Methodology

To explore empirically the nature of experience-based innovations of food firms in Thisted, and their resources and capabilities to innovate, I decided to focus on two firms. I decided to collect primary data personally from these firms due to the lack of information on experience-based innovation about them in general. I chose to focus on a local brewery and a fish farm because Thisted's food sector is dominated by primary food producers, and food and drinks industries. Therefore the brewery and fish farm were chosen to represent a balance between manufacturing and primary producers. The interviews questions were semi-structured, which gave room to seek further clarifications on some answers during the interviews. At my visits to these companies, I spoke to the General Manager of the brewery, and also spoke to the owner of the fish farm. Each interview time was approximately one hour. The interviews questions were related to innovations in terms of products, processes, organisational, marketing, networks. Others questions were related to include the experience economy, marketing approaches, nature of firms' internal organisation, and relations with their external environments. The interview with the brewery took place in August 2008, and that of the fish farm was in February 2009. The brewery is owned by share holders, and the fish farm is owned by an entrepreneur who operates with his wife and child. The cases are explorative because they are based on finding out what can be characterised as experience based innovation, and the resource and capabilities of these firms to innovate in experience context.

The analyses of the two cases will be carried out based on theoretical framework presented in the previous section with regards to the following questions:

- What kind of activities can be identified as experience-based innovations in a firms, and in which forms do they manifest (i.e. product changes, process change, new approach to marketing, new forms of distribution, and new conceptions of scope), if any?
- What factors trigger experience-based innovations in the firm?
- What are the types of experience-based innovations of the firm (i.e. radical or incremental)?
- What kinds of the firms' resources are used for developing experience-based innovation?
- What are the ways through which a firm utilises its resources to innovate
- What are the external linkages of firms and how do they utilised them to innovate?

The following are analysis and discussion of the interview two cases.

3.1 Case studies

Analysis of Case A:

Thisted Bryghus (Thisted Brewery) was established in 1902. The brewery has thirty two employees. It is owned by over one thousand three hundred share holders. The brewery produces approximately ten million bottles of assorted beers per annum, which are in the genre of conventional and organic. It is the first brewery in Denmark to introduce organic beer on the Danish market. In addition to beer production are soft drinks, mineral water,

liquor, bitters and schnapps. In terms of physical size and market share, it is a small firm with a market share of about 0.6% of the national average.

What kind of activities can we identify as experience-based innovations in this brewery, and in which forms do they manifest? The brewery has introduced range of special beers in recent times. One of such is the *Brygmesterens Pakkekalender* (Master Brewer's Calendar Package), produced at Christmas. Each bottle in the package is supposed to be consumed on a particular day during the Christmas season. The introduction of this beer brand is seen as marketing innovation to the brewery since it serves as new marketing strategy to better sell its product at Christmas. In an experiential context, the *Brygmesterens Pakkekalender* has been intentionally produced as a stage to engage customers with the event of Christmas in a personal way. In other words, the Christmas season becomes a memorable event attached to the beer to increase its value on the market.

The brewery also attempts to establish a local brand identity; hence, some of its products labels are linked to the region of Thy, and the natural resources of the region (i.e. *the Limfjord* and, *Thy National Park*⁵). Examples of such products are *Thy Pilsner*, *Limfjordsporter*, and *Thy Bitters*. More so, the brewery's employees go on picnics to collect the Sweet Gail plants from the Thy national park, which is used as flavour for the *Porse Guld* beer. Basically, these activities have stories/narratives attached to the beers. It can be interpreted as educational experience of the Thy region and the Thy national park. It is also a marketing innovation because the firm attaches stories to their products to market them better. The stories tend to enrich consumers' experience by actively engaging their minds with the impressions of nature or cultural landscape of the Thy region in which Thisted is located. Hence, the beers become props to experience the local community and its natural resources.

The brewery organises visitors' tour in its facility during the winter and summer seasons. The aim is to introduce the brewery's activities to visitors. One can interpret this tour as an experience event which engages all five senses of visitors. That is through the *smelling experience* of raw materials such as baileys and Sweet Gail, *touching and feeling experience* of things within the premises of the brewery, *seeing experience* of production processes, raw materials, workers, and machinery, *sounds experience* of machinery, and finally a *tasting experience* of assorted drinks. The tour also engages the visitors in multiple ways, hence encompassing all the four realms as emphasised in Pine & Gilmore (1998; 1999). That is visitors' pleasures of listening to the tour guide are an entertaining experience, which is described as "passively absorbed through the senses" (Pine & Gilmore 1999p.31). They also actively participate in creating their own experience when they choose particular drinks of their choice as the visitors lounge after the guided tour. Thus they are engaged in an escapist experience where they are more immersed into the having some entertainment with the drinks of their choice. Visitors are also engaged in an educational experience as they absorb the tour processes.

⁵ This is the first national park in Denmark and was commissioned in 2008.

Ideally, irrespective of where a person consumes a product from Thisted Bryghus, it may provide some experience to him/her. However, when one drinks at the tour, he/she is immersed into the production environment of the brewery which provides another form of experience. This form of immersion is termed as the *esthetic* experience. In theory, putting all these experiences together is indicative of a rich experience being offered at the brewery. Charging an admission fee for visitors to enjoy all these experiences characterises the tour as an economic offering, although in reality the fee may appear to be a token. Nevertheless the fee is indicative of non free experience offering to visitors. In all, the tour and its admission fee demonstrate an innovative approach to market the brewery and its products.

The brewery's experience activities manifest as new marketing approach and have been motivated by market competition. For example, according to the brewery's General Manger, the introduction of their special beers was an attempt to develop a competitive edge and new market niche in Denmark. This is because the brewery's survival on the market is of primary concern. In addition, all innovative activities identified with the brewery are also incremental innovation since they are not entirely new or based on any technological break through. For instance the introduction flavour into the beer, the special beer, visitor tours and stories attached to products are basically cumulative improvements and not entirely new activities.

The resources of the brewery to produce the above experience-based innovations are identified in different forms. The geographical location of the brewery in the Thy region and raw material (Sweet Gail plant) produces narratives which were used as add-ons to the beers. Utilisation of the Sweet Gail plants in beer also leads to tasting experience for consumers. The brewery's plant and equipments adds up firm's resource because it is used to produce experience for visitors. Insights of the master brewer to produce special beers are another resource identified. The manner in which the visitors' tour engages people experientially also suggests the skills of workers to organise and execute this event. The flexibility or cordial relationship between workers and management of the brewery also indicate its organisational resource. This is evident by the employee picnics to the national park.

The brewery's abilities to produce experience-based innovations reside in its organisational and relational capabilities. With regards to organisational capabilities, it is the brewery's ability to recognise and exploit opportunities on the market. For example the ability to recognise and exploit the Christmas season to introduce the *Brygmesterens Pakkekalender* on the market. It shows its capacity to look at the market and produce what customers need. The relational capabilities identified are associated with the brewery's networks with other breweries. The *Brygmesterens Pakkekalender* for example is produced together with another brewery. The brewery networks with the local tourist office in Thisted to register all participants of the visitor tour. The visitor also shows the brewery's capability to interact with its existing customers and potential customers.

In sum, the kinds of experienced-based innovations identified in this brewery are linked with packaging, narratives, product content, and visitor tour. These innovations have

been motivated by market competition. Resources such as geographical location, raw material, human resources, plant and equipments, and the cordial relationship between workers and management are utilised to develop experience-based innovations. The capacities of the brewery to innovate are found in its organisational and relational capacities as presented above.

3.2.1 Analysis of Case B:

Nørhå Ørredbutik was established in 1969. It started with the production of fresh and smoked fish. In 2004, the owner introduced a farm shop, lake for *put and take* service, and also taking orders to prepare fish recipes for people's parties into the business. The farm operates in both local and foreign⁶ markets. Within the last two-years, the farm has received over five thousand visitor. Most of these visitors are German tourists.

What kinds of activities of this farm can be characterised as experience-based innovation? The introduction of *put and take* service offers fishing experience to customers. It is a new way of providing fish to customers. In experience context, customers are immersed into an active participation of fishing. Ideally, the farm shop offers an opportunity to unsuccessful fishers to buy fish but mostly they turn down this offer because they are more interested in the experience of fishing. This is indicative of co-created experience between consumers and the producer. Since most of these fishers are tourist, the fishing experience could also be a memorable entertaining event for their holiday(s) relaxation. More so, most of the farm shop's customers enjoy to see how the fish is caught and processed before they buy them. These customers are also involved in co-creating the experience with the producer. According to the owner of the farm, these experiences are offered because they are demanded by customers.

Basically innovations in this farm are manifestations of new marketing approach. They are incremental innovation because they are cumulative improvement in the farm's marketing activities. The motivation for the farm's owner to introduce the put and take service and the farm shop was due to market competition. This was introduced to provide differentiated products to customers in the wake of growing competition in the fish business. According to the owner of the farm, these new marketing activities have increased the farm's turnover within the last few years.

What can we identify as resource for the farm? The west Coast of Denmark includes the Thy region. The area attracts many German tourists due to the summer houses, nature (such as beaches, national park, landscape, etc) and other interesting tourist spots. Therefore, presence of tourists in the area is utilised as resource by the farm to also attract visitors. In this regard, the physical capital of the farm is identified as its geographical location and the farm's assets such as the farm shop and a lake used for *put and take*. The owner's market insights, interactions with customers and judgements can be seen as the resource to enhance the experience-based innovation. The owner is the key human resource of the farm in terms of developing and implementation of new ideas.

⁶ Export mostly to Germany.

This firm's abilities to produce experience-based innovations are identified in its organisational, dynamics and relational capabilities. At the organisational level, the owner has the ability to recognise the market potential of his business and exploit that productively. This is evident by his ability to attract more German tourist. This is carried out by sending out brochures and other advertising materials to the summer houses, and other tourist hot spots in the area. These advertisements are written in both Danish and German languages. Another capability identified is the farm owner's interactions with customers. Through these interactions the owner is able to know and provide the needs of customers. The dynamic capability of this farm is also about its ability to respond to market changes. Originally, the farm shop was supposed to provide fresh or smoked fish to customers. However, the owner had to respond to customers demand to see how the fish is caught and processed. In this regard, the farm shop's activities are now tailored to customers' specifications, which was not the case in the past. The ability to engage in external networks also shows the relational capabilities of this farmer. That is by placing farm's brochures and leaflets at the disposal of the local tourist office, other tourist business operators, and some local organisations in the area. The farm's information is also linked to the national tourist office website of Denmark, which can be read in Danish, German and English languages.

4.0 Comparison of cases

This section compares the two case studies. The aim is to outline familiar features and as well as differences in the two cases.

Basically, experience-based innovations, and the resources and capabilities to produce them are identified in both firms. The two firms have similar features as well as differences with regards to their activities. Experience-based innovations in both firms are inspired by market competitions. These innovations were identified as new ways of marketing, which are also incremental. The firms co-created some experiences with consumers. Both firms utilised their geographic location and physical assets as resources to create experiences. They also have capabilities to identify market opportunities and utilise them productively. Both firms are able to engage in personal interactions with their customers. External network relations are also part of their capabilities. For instance, they all benefit from contacts with the local tourist office.

What differs in the activities of the two firms? The brewery's uses narratives as experience offerings, while the farm has no such thing. The farm has no organised seasonal tour activity as compared to the brewery. Ideas formulation in the fish farm is mostly the owner's responsibilities. In the brewery, there is collective ideas formulation between management and staff. The brewery is able to team up with another firm to produce experience, but the farm has not done that yet. The farm is able to attract mostly specific group of customers, while the brewery's customers are more general.

The reasons for some of these differences are due to the nature of businesses, levels of capabilities and size. The brewery seeks to connect its identity with the region in which it operates. Therefore it attaches narratives of its geographical area and cultural heritage to its products. However, it could be speculated that the farm has not been able to do the

same simply because it has not recognised that potential over the years. This suggests a lesser capability of the farm in terms of exploiting narrative of its geographical area and cultural heritage. The nature of these firms determines how each of them can create experiences. For instance the farm has to attract mostly tourist to enjoy a memorable fishing experience in its lake. Hence, the experience is mostly consumed on the farm. However, experience from the brewery can be consumed in its facility or any where. With regards to size, the brewery is much bigger in terms of personnel as compared to the fish farm. In this sense, it is obvious for the brewery to generate more collective ideas than the fish farm. In sum, the heterogeneity of these firms explains some of the differences observed in them. However, both firms have some common characteristics as seen above.

5. Conclusion

The nature of experience-based innovations in the two cases has been identified. The findings suggest that experience offerings serves as new marketing approach to enhance the competitiveness and sustenance of these firms. These firms are able to exploit their available resources and capabilities to innovate. However, there is a major finding in the two case studies that have not been mention so far. That is, the experience economy concept is not deeply rooted in the mind-set or philosophies of these two firms. This was realised during my visits to these firms. The conceptual approaches of these businesses are rather central to developing new market niches and products which will appeal to customers. They are unaware that their activities are related to experience-based innovation. This implies that even though they have the abilities to develop experience offerings, there is a limitation to their abilities to fully exploit the usefulness of the experience concept. Hence, the question is how do these firms overcome this limitation? In other words, how can these firms become conscious of the experience economy concept in order to make better use of it? Based on this limitation, this paper proposes that the framework for future studies on the food sector in Thisted should include answering the following questions:

- To what extent can food firms be made aware of the experience economy concept?
- To what extent can firms utilise the prospects of experience offerings as catalyst for business competitiveness.

The outcome of this pilot study now sets a stage for the main research involving larger unit of analyses to explore the prospects of experience-based innovations in Thisted's food sector.

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