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## **The experience-related economy in the UK: local experience systems and the Pandora's box of the post-knowledge economy debate on business services**

**Lisa De Propris<sup>1</sup>, Vicent Almenar<sup>2</sup>, Rafael Boix<sup>3</sup>**

<sup>1</sup> Birmingham Business School, University of Birmingham, Birmingham, England  
Email: l.depropris@bham.ac.uk

<sup>2</sup> Departamento de Empresa, Universidad Europea de Valencia, Valencia, Spain  
Email: v.almenarllongo@bham.ac.uk

<sup>3</sup> Departament d'Estructura Econòmica, Universitat de València, Valencia, Spain  
Email: rafael.boix@uv.es

### **Abstract**

We categorized services through the notions of “tangible” and “superintangible” services. Basic tangible services are thought to cover material needs whereas superintangibles cover mental needs. The post-knowledge economy paradigm is arising associated to the existence of a kind of superintangible services related to the right-brain functions that control creativity and emotions, difficult to routinize and highly contextual. This category encompasses recent emerging trends in the analysis associated with buzzword notions such as the creative economy and the experience economy and opening the Pandora's Box of the post-knowledge economy debate on business services. Through an exploratory approach based on the spatial mapping of the “experience systems” in the United Kingdom we explore the contextual (place-based) dimension of the experience business in the United Kingdom and the existence of external localization economies in the production of experiences.

**Keywords:** experience economy, post-knowledge economy, superintangibles

## 1. Introduction

The post-knowledge economy debate has witnessed the emergence of a new set of concerns that have turned the attention of scholars and policy-makers towards business and industries that so far have been neglected. With the relocation of mass production in low cost countries, and with technological advancement having transformed many industries and invented others, the focus has now shifted to those economic activities and business that are producing value. The 2008 financial crisis has also triggered a widespread critique of aggressive forms of capitalism then symbolized by the financial sector. Across the Western economies, the post-depression debate has pivoted around strategies that could rebalance the economy and lock them on sustainable growth paths. In many senses, these strategies have been too conservative. They have neglected the fact that the crisis is, in cause and consequence, a “great reset” (Florida 2010), a tension between the knowledge and post-knowledge economy.

As services business represent about 70% of production and employment in Western economies, the key to understand this transformation relies on the study of services. Let us to focus on the study of services like a research program in the sense of Lakatos. We can identify a core where the basic idea is the creation of value and welfare through intangibles, and a belt made of multiple elements subjected to discussion and change. Let focus now on one of the elements of the belt: “technological paradigms”, and divide it an early paradigm of

services that focus on the production and use of basic intangibles, and a newer paradigm relying on what we can name “superintangibles”. Intangibles encompass basic services that cover basic needs. Superintangibles act like upper-order components providing high order services or qualifying the rest of intangibles. Using a simil, intangibles are similar to the body functions and superintangibles can be assimilated to brain functions. The knowledge-based economy and the post-knowledge economy form part of superintangibles.

What is then the difference between the superintangibles of knowledge and post-knowledge economy? Asheim & Parrilli (2012) argue that activities show three types of knowledge bases: analytical, synthetic and symbolic. The analytical base, linked to the STI model (Science, Technology and Innovation) is based on the production and use of explicit (codified) knowledge that originates from science and technology. The knowledge-economy paradigm is founded on, and refers to, the use of analytical knowledge (see Godin 2006 for an excellent exposition). The synthetic base is linked to the Doing, Using, and Interacting model (DUI), where knowledge is created in a more inductive process of testing, experimentation, and practical work. In the symbolic base, knowledge is related to the creation of content, desire, and aesthetic attributes of products. Taking into account this distinction, we can refer to Pink (2005) to provide a sympathetic but effective way to understand the difference between the knowledge and post-knowledge economy, he

names “the revenge of the right-brain”: based on the neurological differences between both parts of the human brain, the left-brain is associated to analytical thinking (knowledge economy) and easier to be routinized, whereas the right-brain is specialized in synthetic and, particularly, in symbolic treatment of knowledge, closely related to problem solving, creativity and emotions and difficult to be routinized (post-knowledge economy).

The knowledge economy can be considered indeed as an old paradigm that appeared in the United States during the 1960s associated with authors such as Matchlup and Drucker and recovered by the OECD during the 1990s (Godin 2006). It is not surprising that, whereas the OECD was reintroducing the knowledge economy, other lines of research related to the right-brain appeared around the notions of, among others, creativity (cultural and creative industries in De Propriis et al. 2009; creative class in Florida 2002) and experience (Pine and Gilmore 1999), lines more in consequence with the new economic reality in Western countries. For example, recent researches (Florida 2002; Boix et al. 2012), have proved that wealth differentials between regions are better explained by right-brain factors (creativity) than by the left-brain ones (knowledge economy).

Even if the flow of explicit knowledge increases constantly and post-knowledge firms become more and more globalized, the dominance of symbols, aesthetics and emotions makes post-knowledge economy highly contextual regarding both production and consumption sides. Post-knowledge services business become more dependent on the place

where they are located at the same time that these places become more integrated in the global economy, producing what Hervás & Boix (2012) call “the economic geography of meso-global spaces”. The firm not only uses internal resources in the productive process, but is highly dependent on the externalities that the place where is located provides. The dual use of internal and external resources has been addressed by the management literature (Caloghirou et al 2004, Cassiman & Veugelers 2006) and the consideration of external economies feeding the production function of the firm is a classic topic in regional and urban economics and economic geography (Rosenthal & Strange 2004).

It is not surprising than a relevant part of the foundational literature on post-knowledge superintangible services, those on creative class and creative industries, has focused on the territorial dimension by producing geographies of creativity (Florida 2002; De Propriis et al. 2009). In the case of the experience economy literature, this type of analysis is rarer, being exceptions Lorenzen (2009) and Smidt-Jensen et al. (2009). Following Boswijk et al. (2007, p.18) actually the experience economy “*is still in the pre-theory stage and lacks empirical evidence*”. In addition, empirical analyses have not relied on the relevance of externalities in relation to location of the experience economy business. This is to be said, what is important is not only where the firm is located but whether the place contributes to the internal capabilities of the firm by means of synergetic superintangibles provided by other business of similar nature. This leads to the identification of

local systems specialized in the production of experiences.

This paper focus on the spatial dimension of experience superintangibles through an analysis of their spatial specialized concentration patterns in the United Kingdom. In essence, the article faces the question of whether firms in experience-related industries concentrate configuring spaces rich in symbolic knowledge externalities that produce experiences. Despite the existence of a research question, this paper is exploratory in nature, conceived as a part of a research program. The methods proposed have been designed to be easily translated to a variety of countries to provide systematic information about the linkages between business or activities producing superintangibles and the context they are located.

The article is divided in five parts. After the introduction, section 2 will present an introduction to the experience economy, its relation with other superintangibles such as creativity, and the notion of “experience system”. Section 3 will focus on the methods used to translate the notion of “experience” to the space, this is, to map “experience systems”. Section 4 describes the data. Section 5 presents and analyses the results of the mapping. Section 6 presents the concluding remarks.

## 2. Theoretical framework

### 2.1. Two approaches to the experience economy

The literature on the experience economy we traced has its roots in two very different discourses raised in the United States and Europe.

The initial discourse that has shaped the debate on experience industries is the contribution of Pine & Gilmore (1999)<sup>1</sup>. The authors don't provide a clear definition of what is the experience economy. On the contrary, they introduce the notion through an example (Pine & Gilmore 1999, p.1): a coffee bean costs 1 cents per cup (commodity), served in a grocery the price jumps to between 5 and 25 cents a cup (good), and served in a corner coffee shop it raises to 50 cents per cup (service). Now, “... *Serve the same coffee in a five-star restaurant or espresso bar, where the ordering, creation, and consumption of the cup embodies a heightened ambience or sense of theatre, and consumers gladly pay anywhere from \$2 to \$5 for each cup*”.

It is not the service but the “series of memorable events” associated to the experience what create the new value. Pine and Gilmore propose that this fourth economic offering (experience) is different from services, which is indeed similar to the distinction we proposed between intangible and superintangible services, being experiences a particular category of superintangibles.

In essence, Pine and Gilmore are telling that there is an increasing trend towards a form of product/service differentiation that was derived from the quality of consumers' experience when purchasing or consuming a good or service. Such experience not only increases the extent of product differentiation but

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<sup>1</sup> Pine and Gilmore notion has its antecedents in a series of notions such as Toffler's “experiential industries”, Scitovsky's “happiness paradox”, Holbrook & Hirschman's “experimental aspects of consumption”, Ogilvy's “experience industry”, and Schulze's “experience society”.

creates an intrinsic value added such that consumers are prepared to pay a premium for it. They flagged up a broader phenomenon driven by branding and marketing imperatives that touched many aspects of people's recreational life including retail and leisure. For instance, shopping is seen as being only for a miniscule part concerned with the transaction per se, instead it is seen as a more staged, engineered "experience" associated with the product or service consumed or purchased. Experiences represent therefore an existing but previously unarticulated genre of economic output. Whereas commodities are fungible materials extracted from the natural world, goods are tangible products that companies standardize and then inventory, services are intangible activities performed for a particular client, "*experiences are events that engage individuals in a personal way*" (Pine & Gilmore, 1999:12), indeed "*experiences are memorable*". Even though its futuristic contribution has become extremely real; its direct contribution to the debate on experience industries has been to have unpacked the concept of "experiences", and to have endorsed them as objects of economic transactions similarly to commodities, goods and services. In other words, experiences create economic value and command monetary transactions.

A second approach born in Europe is the so called "Nordic" (basically Danish) (Bille 2010). The basis for this approach can be found in the report Denmark in the Culture and Experience Economy (Danish Government, 2003). The operation is simple: cultural and creative activities produce experiences so that they are assimilated to the "experience sector"

(Smidt-Jensen et al. 2009). In addition, culture should make a turn from public sector to business sector to become a "culture and experience economy" (Danish Government, 2003). This terminological turn is addressed to a transformation of the cultural sector, which acknowledging now that is a producer of experiences - this is to be said, high value services - can become not only independent from the public funds but also being used as a growth driver. A secondary effect of the terminological turn was to assimilate experience with culture which, automatically, leads to the discourse of creative industries and then to the creative class. In reality, this definitional mushrooming proves something more profound characterising superintangible services: that they are a malleable phenomenon. The emergence amongst this bubbly debate on creative and cultural industries of experience industries added an element of confusion due to their partial overlaps. Indeed half of the creative and cultural industries appear now listed also as experience industries in the Nordic scholarly and policy literature.

On the other hand, the experience economy is not free of criticisms, for example Bille (2010) remarks (mainly referring to the Nordic approach) that there is no clear or consistent definition of what is the experience economy; and activities, products and firms related to the experience economy are really diverse so that market value creation can occur in very different ways. Another criticism is related to the use of the idea for business or policy strategies: not all the activities related to experience seems to be observing a positive results at this moment, and the lack of research

and knowledge on the experience economy makes risky the use of these strategies even if they become a buzzword among managers and policy-makers.

## 2. Recent trends

The increasing economic relevance of the experience economy draws on the deep societal changes characterising the last decade. Firstly, the increasing affluence of Western societies - Europe included – and the spread of marketing and advertising have created needs and thereby encouraged greater consumption of goods and services. Indeed, between 1870 and 2002, incomes in the industrialised countries have grown at an annual rate of 2.3% (ibid), and in particular, the share of “recreational consumption” almost doubled in the UK from 5.9% to 13.2% (Andersson & Andersson, 2006: 42). Recent trends in income, work-time choice, demography and education have impacted on the way people consume cultural and leisure products and services, and this has shaped the way the respective industries have grown and strengthened over time (Lorentzen, 2009). The shortening of the working time and better paid jobs have relaxed people’s constraints to leisure consumption related to income and time; indeed never before have the opportunities for the consumption of leisure products and services been so great (Tofler, 1970). Better educated people also have learned a more sophisticated appreciation of cultural products and are prepared to travel to experience a unique cultural event. Lorentzen (2009) also argues that especially in the advanced countries, demographic trends have also played a key role

as people live longer, and have an increasing ability to command a comfortable pension.

Affluence is another important factor; however, a second recent trend has played a role. The emergence of the Asian economies has havens of low cost manufacturing production has attracted many labour intensive activities leaving behind large number of old-fashioned manufacturing jobs especially in advanced economies including Europe. The slow but inevitable process of “tertiarisation” has coincided with service industries growing in size in terms of both employment and GDP contribution. In this process, service industries begun to absorb the talent dismissed by a shrinking manufacturing sector: this included white collars, but also retailing, entertainment, consulting, finance, and hospitality –dining and drinking. In particular, some of these industries found themselves at the right place at the right time: for instance, hospitality and entertainment were able to respond to a growing public demand thanks to the ability to expand capacity by attracting the necessary skills.

The rise in demand is somewhat related to third factor, that is that over the last two decades world has become, in some aspects, flatter and smaller thanks to easy and cheaper transport, immediate communication and high worldwide “virtual” visibility on the internet. Globalisation has indeed enabled people to discover, access and physically visit more places than ever. The authenticity (Kebir & Crevoisier, 2008) and experience of doing something or being somewhere has become a consumption good that has permeate urban and rural scenes. Pine & Gillmore (2009) refers to an economy whose experience product is “-ing the thing”. Such

experience product can be a service or a good, think of “Chianti vine tasting in Tuscany” which probably is able to combine the two.

In summary, the concomitance of increased affluence, the tertiatiation of the economy and “the death of distance” (Cairncross, 1997) have created economic activities that mainstream economic analysis had until recently dismissed. Such activities are taking centre stage for two reasons: one is that there is a growing demand for experience goods and services, and therefore the related sectors are actually growing in terms of jobs and GDP contribution. The second one is that these industries comprise activities that tend to develop across urban and rural areas. Whilst they might make art and culture accessible to large educated audiences in, for instance, “cities of art” such as Florence (Lazzeretti et al. 2008) or global cities such as London, they also open up to the world heritage, natural and cultural intensive places that are in peripheral and more rural regions. Lorenzen (2009) and Lorenzen & Hansen (2009) find that experience activities are produced and consumed both in central or peripheral locations: central places can be magnets for inhabitants and visitors and those that are bigger and more specialised can offer experiences based in variety and history. Peripheral places can offer experiences based on their environment and authenticity and engage in growth paths based on tourism, events and activities.

### 2.3. Experience systems as places specialized in the production of experiences

Economic activities are never space blind. This is particularly true in the case of superintangibles.

Qualifying characteristics of places have somewhat determined the type of economic development in such places, and some of such trends have shown path dependency as the anchoring factors of economic activities have changed over time. In the pre-industrial economy, economic activities started and developed around natural resources and in conjunction with point of access to production and markets, such as ports and canals. Industrialisation coincided with already existing artisan concentration in urban areas. The industrial revolution of the 1700 and 1800 in the UK overlapped with the development of cities like Birmingham, Manchester and Liverpool. In such cities firms agglomerated in Marshallian industrial districts rather than spread across space to benefit from external and agglomeration economies (Rosenthal and Strange, 2004). As places differ, firms are attracted to some but not others. Such cumulative centripetal forces are underpinned by external agglomeration economies. In a similar manner, the flexible specialisation model that anticipated Porter’s clusters emphasised how firms’ agglomeration was cumulative and path dependent again driven by firms’ economic advantages (Porter, 2000). The immobility of such production systems from particular places is only justified by the critical mass of socio-economic activities embedded in such place.

The transition from the post-Fordist economy to the knowledge economy coincided with an emphasis on economic activities that embodied innovation and value-added together with consumption and production services. Service industries, in particular, emerged as dynamic components of economies. Similarly to manufacturing industries they developed in a

spatially uneven way, as external economies played a role also for service industries in driving firms' co-location along the value chain –i.e. between buyers and suppliers.

A tight link with the place was also suggested by Florida (2002) in his work on the creative class, for talented people tend to congregate at certain locations which become places of consumption and production. Creative places started to be understood as urban spaces able to contain a critical mass of amenities so as to attract creative talents. Again creative activities are found to discriminate across space and studies on creative industries finds that these tend also to form clusters (De Propris et al, 2009). Creative firms chose to locate close to other firms driven by the same external economies of Marshallian industrial districts. Co-locating with buyers and suppliers creates valuable economic benefits firms want to reap. However, in the case of creative industries, evidence suggests that these tend to locate in urban areas where there are other creative industries. Although unconnected along the value chain, firms in different sectors co-locate to benefit from either cross-sectoral spinoffs or serendipitous synergies (external urbanization economies).

What about experience industries? From the current literature, we know already that the experience economy tend to be characterised by experiences that are space bound. Lorentzen (2009) argues that the place has a role to play in the experience economy as space of consumption and production of the experience. Indeed, the core value of this type of economic activity is that it engages people to participate in something first hand. Pine & Gilmore (1999)

argue that experiences may connect to people in different ways and distinguish “four realms of experience” (p.304): “passive-active participation” and “absorption-immersion”. In other words, visiting Shakespeare’s birth place is a different activity from horseracing on a country lane in the Peak District in the north of England, however, they both share the fact that they come to life when people live them as experience –whether active and immersed or not.

However, the literature also acknowledges the existence within the experience economy of economic activities that can be separated from the place. Indeed it is argued that the experience economy includes “detachable” experience products and services (Smidt-Jensen et al 2009): these include music, publishing of books or broadcasting. In the same way, Lorentzen (2011) distinguishes “place in products”, “products in place” and “place as product” subtly suggesting that products can embody the “place” even when they are taken away from the place in a sort of translated experience.

This paper endorses an approach to the experience industries that is typically experience-based. They reflect either the “offer” of experiences in the form of museums, sporting events or live theatrical presentation, or the “enabling” of such experience by making a place accessible for visitors. We would argue that their uniqueness rests of four nested features: (i) the authenticity of the experience asset; (ii) its immobility and local embeddedness; (iii) the distinction between experience asset and experience capital; and finally (iv) embedded and immobile experience capital generates experience systems.



Firstly, a crucial aspect is that establishing a real connection with the place enables the “authenticity” of the experience, crucial for consumers. Indeed, the value of the experience for the consumer is somewhat related to the fact that it happens in that place. Lorentzen (2009) and Lorentzen & Hansen (2009) confirm that one of the key features of the experience economy is that it is attendance-based, and “*it needs to be consumed in situ*” (p.822). This means that experience activities are “immobile” and “locally embedded”. Whether the experience asset is a heritage site, a summer festival or a ski slope, they cannot be separated from the place where they are or take place. This introduces an element of uniqueness in relation to experience-related economies: they are spread across urban and rural areas.

The co-location of a critical mass of production and consumption activities centred and related to the experience capital creates what we would call an “experience system”. Such economic systems are truly immobile in the space and embedded in a place as they revolve around a natural, experience or heritage capital. Agglomeration and external economies underpin firms’ economic benefits associated with co-location.

### 3. Methodology

#### 3.1. How to measure the experience economy

Pine & Gilmore (1999) notion about the experience economy was not thought to be measured. It is an operative concept of management to be applied to goods and services<sup>2</sup>.

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<sup>2</sup> Pine & Gilmore don’t report concrete figures about the

How to solve then the measurement problem in quantitative approaches? This was solved, in part, by the semantic turn of the Nordic approach, although examples using the same solution are abundant in Pine and Gilmore’s book. We can say that a firm is experience-oriented if it is specialized in the production of experiences. Alternatively, experience industries can be also referred as “*specific industries where the experience component is particularly strong or where the potential for developing the experience component is evident*” (Smidt-Jensen, 2009). It can be argued that the experience economy is more evident in specific sectors of the economy such as cultural and creative industries, leisure and entertainment, and tourism. Subsequently, we can define an “experience system” as a place that is relatively specialized in experience industries.

#### 3.2. A synthetic taxonomy

We would argue that despite the extensive conceptualisation coupled with case study analyses, there is not yet a consensus as to what industries fall within the experience economy. Operationally, experience industries appear as a definitional maze. We considered the classifications used by institutions, researchers and consulting firms, in view of synthesising

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macroeconomic dimension of the experience economy in their book. Data for the growth rates seems to be based in Olgivy (1985), who introduce the following industries: motion pictures and amusement and recreation services, educational services, museums and botanical and zoological gardens. He also wanted to introduce theme restaurants and some retail establishments although statistics were not detailed enough.

them into a working taxonomy to be applied for the UK case <sup>3</sup> : Olgivy (1985), Danish Government (2003), Oh et al. (2007), Lorentzen (2009), Smidt-jensen et al. (2009), Sundbo et al. (2010), Lindqvist & Protsiv (2011), Deloitte (2008) and UKTI (2010). The final taxonomy we use basically incorporates those sectors selected by UKTI and Deloitte. Regarding the rest of studies, we also considered other activities such as *Retail sale of in temporary markets on stalls* as well as to *Activities of other membership organisations*. Other sectors such as food and craft have not been considered because there are serious difficulties in singling out the “experience” component using the available statistics.

We therefore start our mapping analysis by concentrating only on the sectors listed in Table 1. We expect the spatial analysis of the experience sectors to throw some light on how appropriate it is for the two latter sectors to be classified either as creative or experience sectors.

Table 1. Experience industries (SIC 2003)

55.1 Hotels
55.2 Camping sites and other provision of short-stay
55.3 Restaurants
55.4 Bars
63.3 Activities of travel agencies and tour operators; tourist
92.3 Other entertainment activities

<sup>3</sup> The discussion about the selection of industries is much more complex. For reasons of space we focus only on the final list. The definitional confusion is worsened by the fact that the very same sectors considered as such within the strictly experience economy literature have nevertheless been acknowledged as important new components of other categories of superintangibles, as for example the creative and cultural industries.

92.5 Library, archives, museums and other cultural activities
92.6 Sporting activities
92.7 Other recreational activities
52.62 Retail sale via stalls and markets
91.33 Activities of other membership organisations

### 3.3. Mapping experience systems

We use standard location quotients (LQ) as an indicator of industrial agglomeration in a given geographical unit of analysis:

$$LQ_{ij} = \frac{F_{ij}}{F_j} \frac{F_i}{F} \quad (1)$$

, where  $F_{ij}$  is the number of firms in the creative industry  $i$  in a local labor market  $j$ ,  $F_i$  is the total number of firms in the creative industry  $i$ ,  $F_j$  is the number of firms in a local labor market  $j$ , and  $F$  is the total number of firms in the country.

If the LQ is greater than 1, this means that the agglomeration is greater than the national average, which indicates relative specialisation in that sector for that unit of geographical analysis, this is, presence of external localization economies<sup>4</sup>.

Subsequently, we use correlation coefficients (Pearson correlation) on the LQ to ascertain whether there is evidence of underlying patterns of co-location between experience activities suggesting the existence of external economies due to the complementarities of business in the creation of experiences. Positive and significant correlation coefficients between two industries suggest that they tend to co-locate in the same TTWAs: namely, places that

<sup>4</sup> The methodology has some. We refer to Lazzeretti *et al.*, (2008) for a deeper discussion.

concentrate activities of one industry also show a strong presence of the other industry. On the other hand, negative and significant correlation coefficients would indicate that two sectors tend not to co-locate

#### 4. Data

The mapping analysis is carried out by relying on firm data at the travel-to-work-areas (TTWAs). There are 232 TTWAs in 2008 across England, Wales and Scotland - data for Northern Ireland are not available. TTWAs represent self-contained local labour markets mirroring local commuting patterns. They are particularly appropriate to study firms' clustering and co-location since they embody not only an agglomeration of firms but a local labour market. TTWAs have been previously used in the analysis of clustering of the creative industries in Italy, Spain, and France (see Lazzeretti *et al.* 2008 and Boix *et al.* 2012) as well as in the UK (De Propris *et al.* 2009). Firm data is extracted from the Annual Business Inquiry at the 3 and 4 digit level. Sectors are defined according to the SIC 2003 classification, and the latest available year is 2008.

#### 5. Results of the mapping analysis

Between 1998 and 2008 the employment in the experience sector in UK grew by about 17% as against a contraction of one third of the manufacturing sector: this explains the increasing attentions it is receiving from policy makers. We begin by looking into the distribution and concentration of experience industries across British regions by considering

both the absolute number of firms and the location quotient (see figures 1 and 2). The first map informs about the localization of firms such as that of Smitd-Jensen (2009) for Denmark. The second offers a proxy of those places where external localization economies are supposed to be acting in the production and consumption of experiences, as predicted in our theoretical framework.

The first finding is that London appears to host the largest number of firms in the experience industries - that is 46,800 out of 247,720 corresponding to about 20% (Figure 1). The high number of firms in experience industries is due primarily to the large number of *Restaurants, Bars* and *Other entertainment activities*. However, the weight of such industries on the economy of the capital is quite limited, as the LQ for London is below one (Figure 2). It is no surprise therefore that London -as a global city- does not appear to be specialised in experience industries, but rather presents a quite diversified economic make-up.



Figure 1. Experience Industries (N° Firms)

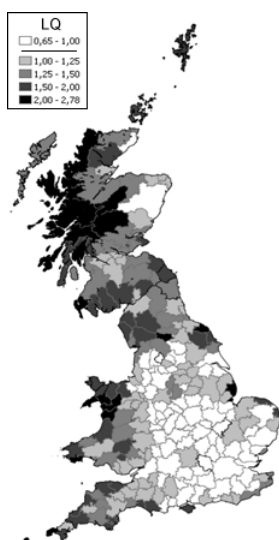


Figure 2. Experience Industries and external localization economies (grey and black LQ)

On the contrary, London tends to concentrate a large number of firms in many sectors especially services. So, contrary to what was found in De Propris et al (2009) where London appeared to be *the creative industry hotspot*, experience industries are present in London but they do not characterise the local urban economy. Experience industries are also secondary in the local economy of Britain's manufacturing heartland: the Midlands.

A second finding is that experience activities tend to spread across less urban areas, in more rural and peripheral areas. TTWAs in Wales and Scotland, as well as in the north of England and the South West appear to be highly specialised in experience industries.

Table 2. Colocation between the LQs of the experience industries. Correlation coeffs.

	EE	56.62	91.33	55.1	55.2	55.3	55.4	63.3	92.3	92.5	92.6	92.7
EE	1											
56.62	-0.15*	1										
91.33	0.33*	-0.21*	1									
55.1	0.82*	-0.23*	0.29*	1								
55.2	0.86*	-0.11	0.20*	0.80*	1							
55.3	0.77*	-0.06	0.15*	0.50*	0.60*	1						
55.4	0.34*	0.14*	0.09	-0.10	0.12	0.30*	1					
63.3	0.46*	-0.13	0.17*	0.39*	0.40*	0.40*	0.02	1				
92.3	0.10	-0.02	-0.22*	-0.01	0.09	0.08	-0.02	0.08	1			
92.5	0.74*	-0.24*	0.35*	0.73*	0.60*	0.37*	0.06	0.30*	-0.03	1		
92.6	0.51*	-0.22*	0.21*	0.37*	0.31*	0.18*	0.04	0.16*	-0.03	0.56*	1	
92.7	0.36*	0.12	0.04	0.08	0.13*	0.53*	0.41*	0.10	-0.23*	0.11	0.09	1

The third result is related to co-location<sup>5</sup>. We rely on Pearson correlation coefficients at a 5% level of significance (Table 2). The correlation is statistically significant and positive and in 47% of the pairs. This evidence suggests that firms benefits from external localization economies generated by the specialization and complementarities in different parts of the experience value-chain.

We find very strong, significant and positive correlation coefficients for *Hotels*, *Restaurant* and *Travel agencies* as well as between *Library/Museums* and *Sporting events*. A very strong and positive correlation is found between strictly speaking experience activities and the amenities. For instance, all the hospitality activities are found to locate where there is a local specialisation in *Library/Museums* and *Sporting events*.

## 6. Concluding remarks

A post-knowledge economy paradigm is arising associated to the existence of a kind of superintangible services related to the right-brain functions that control creativity and emotions, and that are difficult to routinize and highly

<sup>5</sup> This can be also seen in the maps sector-by-sector. We don't include those maps because of the limitations of space.

dependent on the spatial context. This category encompasses recent emerging trends in the analysis associated with buzzword notions such as the creative economy and the experience economy and opening the Pandora's Box of the post-knowledge economy debate on business services. In this economy, the creation of value is highly dependent on external resources located in the geographical context of the firm.

We want to know where experience industries concentrate. In addition, we focus on the existence of external localization economies in the production of experiences, using an exploratory approach based on the mapping of the "experience systems" and the study of co-localization. A first finding of the mapping is that experience industries show higher rates of specialization in rural and peripheral areas, for which their weight in the local economy is greater than in urban areas. This is in the line of Lorenzen (2009) and Smidt-Jensen (2009) although contrast with other types of superintangibles such as creative industries that tend to specialize in urban areas such as London (De Propriis et al. 2009). A second finding is that experience industries are strongly co-located so that the various natural, cultural or sport related attractions are supported by the provision of services for visitors, from restaurants to hotel to travel agencies.

This leads to two conclusions. First, the evidence supports the implicit hypothesis of external economies affecting the production function of the firm in the generation of experiences. Second, different types of superintangibles generate external localization economies in different places; as a consequence, differences in localisation can indicate different

responses to other types of external economies such as for instance urbanization economies.

There are valuable policy recommendations that can be derived from the findings of the present study. Firstly, investment in natural, experience or heritage capital must mobilise local economic strategies, rather than national one: local players have a deep understanding of the asset and are able to identify the needed investment. Secondly, experience-based development strategies ought to support existing and "real" experience-related capital; indeed only the latter can attract a critical mass of related activities and become a destination for visitors on a sustainable manner. This means that neither all places will have an experience-related cluster no all the firms will benefit from externalities.

The paper addresses an unexplored topic in the UK debate and some of its findings open up questions rather than providing certainties. There is no doubt that, further research is necessary to unpack some of the issues that emerge. Regarding the concrete field of the experience economy, the next step is to confirm through qualitative and quantitative analysis the impact of external resources on the generation of value of firms located in creative systems. Regarding our more general research on the services economy, the relevant issue will be to advance in the comparison of characteristics and behaviours of superintangibles.

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