Stone Olafson

Building Experiences In The New Economy

Winter 2023 Research Outcomes

Thank you to our generous supporters.

This initiative is being funded by leaders who see an opportunity to support organizations which bring remarkable experiences to life in communities across Alberta. We thank them for their generous support.

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Purpose & Approach

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This work was initiated as a pandemic response tool by leaders who saw an opportunity to support organizations across Alberta facing uncertainty due to COVID-19 disruptions. Since that time, it has transformed into an **ongoing research collaboration initiative** but the goal remains the same: to support leaders with facts about the market and their audiences, including motivations, behaviours, and messaging opportunities.

Because recovery is well underway for many organizations involved in the experience economy, the focus for this phase of work has shifted away from recovery planning to a deeper understanding of current consumer circumstances and what organizations can do to respond.

<u>Key areas of exploration for Winter 2023:</u>

Track key attitudes and perceptions that influence consumer mindset and engagement

Uncover how Albertans are spending and attitudes towards spending in the current environment

Identify collaboration opportunities and evaluate messaging

<u>Research Approach</u>:

A total of n=1002 surveys in Edmonton and Calgary:

- n=501 in each market, representative by age and gender in each city.
- Approximate margin error for a typical sample size of 501 is +/- 4.4% (not typically applicable for online non-probability samples)
- Survey was fielded: January 13th – 20th, 2023

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Context (still) matters

The circumstances and trends of the current environment still very much shape consumer perceptions and behaviours.

Season of illness: While mandatory public health measures have softened considerably, illnesses and viruses (including but not limited to COVID-19) have been widespread this winter season and are going to have an impact on consumer behaviour.

Uncertainty is prevalent: This sentiment kick started with COVID-19 but hasn't gone away. A shaky political climate, economic concerns, supply chain issues, etc. all contribute to this.

Economic conditions remain challenging: 28% of the market has reported a sustained decrease in household income. Combined with inflationary pressures and higher cost-of-living expenses, this continues to be a challenging time for many households.

Consumer trends shaping how brands are perceived: DEI, sustainability, local, customization, and digitization all continue to shape consumer trends including how they engage in the experience economy.

Key Take-aways and Considerations

Hesitancy is fueled by more than just COVID

Comfort is increasing; in fact, this is the most comfortable Albertans have felt since the start of this work. Much of that can be attributed to the elimination of most public health measures, and a return to some sense of 'normalcy'. This alone has been an important marker to monitor since the start of the pandemic as a barometer of participation. But despite higher comfort levels, hesitation to participate in activities is still present for a variety of reasons – the most notable is affordability. With inflationary pressures, high cost-of-living, and a decreased income (for some), the ability of consumer participation in paid activities varies considerably and the desire to spend money on discretionary activities is also varied.

Alongside the affordability issue, many of the trends that emerged during the pandemic are still present: There is still a large portion who prefer to avoid crowds or be in a crowded area, and there is increased competition for consumer attention.

What does this mean for organizations? The challenges facing organizations during the pandemic have not gone away but new ones have emerged. Affordability, comfort, and shifting interests are in play and mean audiences are still not participating or spending in a predictable way.

The economics of experience are significant

Proponents of the experience economy have long touted the value of this sector in terms of quality of life, education, wellness, and tourism benefits. Economically, this has always been a very diverse sector and being able to document spending on activities and experiences only reinforces the economic value of this sector.

On a self-reported basis, Edmontonians and Calgarians indicated spending only about 6% of their overall budget on experiences. This is clearly a discretionary item and falls well behind necessities like shelter, debt servicing, and food. There is no question that market conditions have suppressed spending in the experience economy, and Albertans are being 'squeezed'. This alone presents a challenge for organizations to deliver a strong value proportion. But yet, the overall level of spending is still significant. Adults are spending an average of about $2,800 per year on experiences which still generates billions in economic activity across the province. That is not insignificant.

What does this mean for organizations? This is a very valuable diversification of the provincial economy which generates billions in consumer spending in market. But negative trends attributed to the pandemic and the economy are likely to continue and compress spending abilities. There is a strong case to be made for policies and ongoing support for organizations as they continue to navigate these stormy conditions.

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But spending is still constrained

Albertans have been operating under challenging circumstances for a while, but the environment doesn't seem to be getting any less complex. Albertans are spending a high portion of their income on basic living expenses which contributes to hesitancy and selectiveness on activity spending. In short, wallets are constrained. And while Albertans have indicated they are willing to spend, the activity and experience has to be 'worth it' for them. Ultimately, they are working to judge value before finalizing their purchase decision. This value equation is only partially about cost though; the quality of the experience, appeal, and exclusivity of it will contribute to a higher overall value perception.

What does this mean for organizations? It is a reminder that value is not entirely cost related but connected to how they judge their entire experience. Paying attention to principles like flexibility, quality and price are helpful, but quickly communicating the uniqueness, quality and appeal are also vital. *Customers used to make the value determination after having the experience and now are more likely trying to determine it before making any purchase.*

Expectations are high and experience matters

The pandemic introduced new interests for many Albertans and provided a different pool of activities to choose from. In addition, consumers are being more selective with their time and money. Because both dollars and expectations are squeezed, audiences have indicated that their threshold for poor experiences is quite low. In fact, about two-in-ten (both markets) indicate they will not return to an experience if it falls flat. In short, there is a little room for error. Consumers will evaluate their experience wholistically - not just the core offer. Things like communications, sales process, pre-experience activities (parking, access/egress), service elements, and post-experience engagements will be examined.

What does this mean for organizations? Audiences are open to sampling new experiences, but turning these new guests into repeat customers will require mastering the spectrum of experiences audiences have – from start to finish. Expectations have been elevated and delivering on these experience elements appear to be becoming table stakes to maintaining engagement.

The value of collaboration

Previous phases of research have shown Albertans to be receptive to collaborative offers that provide unique combinations of experiences. When asked to build specific experiences, audiences tend to focus on things that are exclusive or unique (concert, professional hockey, theatre) and a break from the everyday (hotel stay, dining out). The value of these types of offers appears to be two-fold: it provides an opportunity to engage audiences with a unique combination of experiences that may not normally be combined, and it can potentially show value via lower cost.

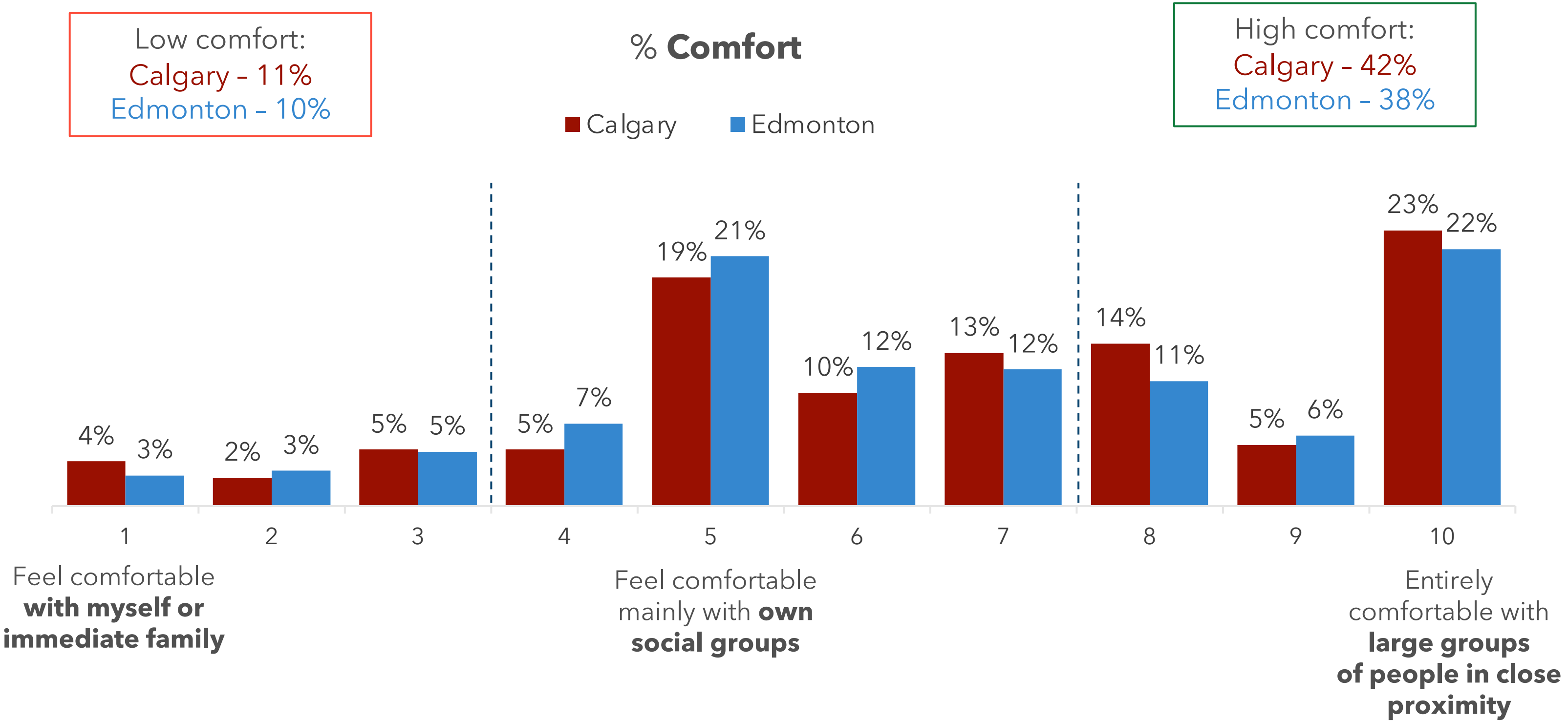
What does this mean for organizations? The mix of experiences reminds us consumers are likely considering more than just a core experience offer. It is not just a night at the theatre but also the dinner before and maybe the activities after. It is not just the day of skiing or skating but also the lunch, the parking, and entertainment afterwards. Collaborative offers allow organizations to combine experiences for the consumer in one package. There will likely be expectations of savings which may not yield revenue numbers to the same degree as individual purchases, but they may likely contribute to increased audiences. At minimum, these types of offers also help cut through the dispersion of experience spending.

Detailed Findings

Comfort Levels & Understanding Consumer Mindset

Comfort levels remain moderate to high with respect to socializing with others

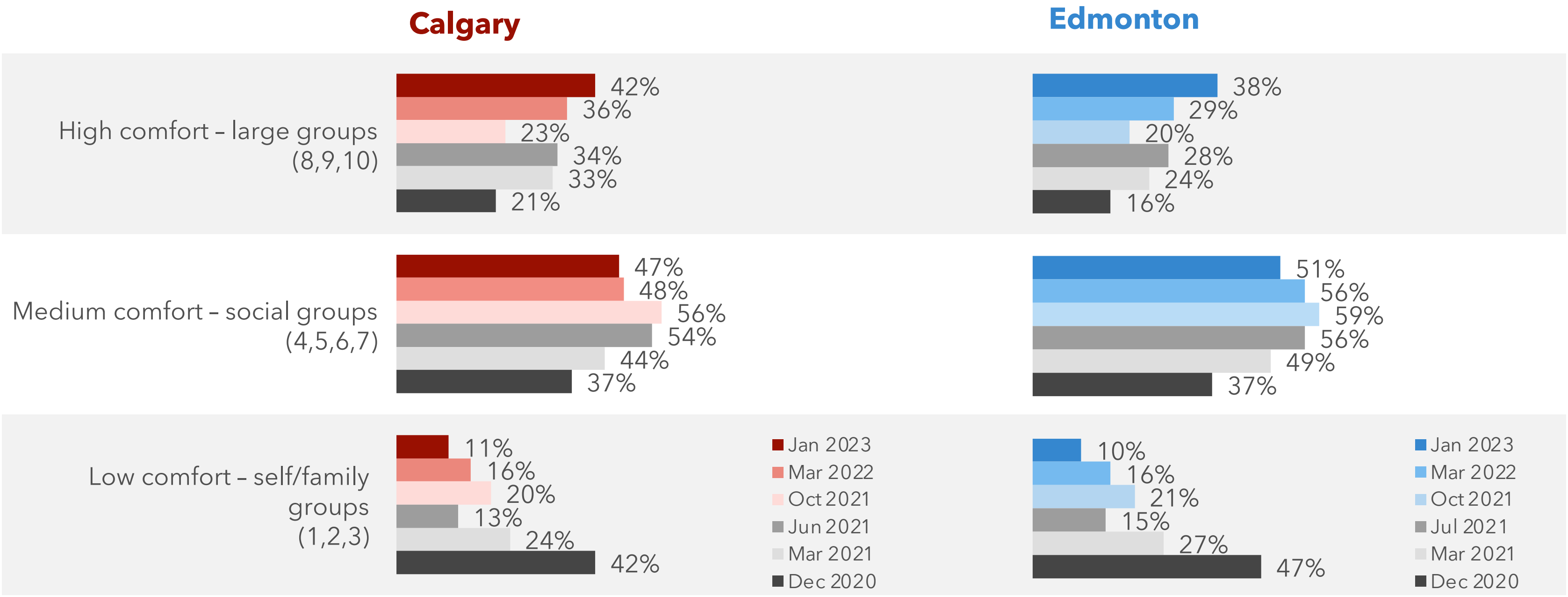
Calgarians continue to have higher comfort compared to Edmontonians.



Based on how you feel today, how comfortable are you with engaging with people and groups in your community?
Base: Edmonton (n=501), Calgary (n=501)

Comfort levels rise to an all time high since tracking began

What we've seen since this project began is that as COVID-19 waves came and went, comfort levels dipped and increased. As news of the pandemic becomes less prominent in the media and consumers learn to live in our current circumstances, comfort rises in both cities.



Based on how you feel today, how comfortable are you with engaging with people and groups in your community?
Base: Edmonton (n=501), Calgary (n=501)

Although comfort is high, eagerness is lower with varying levels of hesitation

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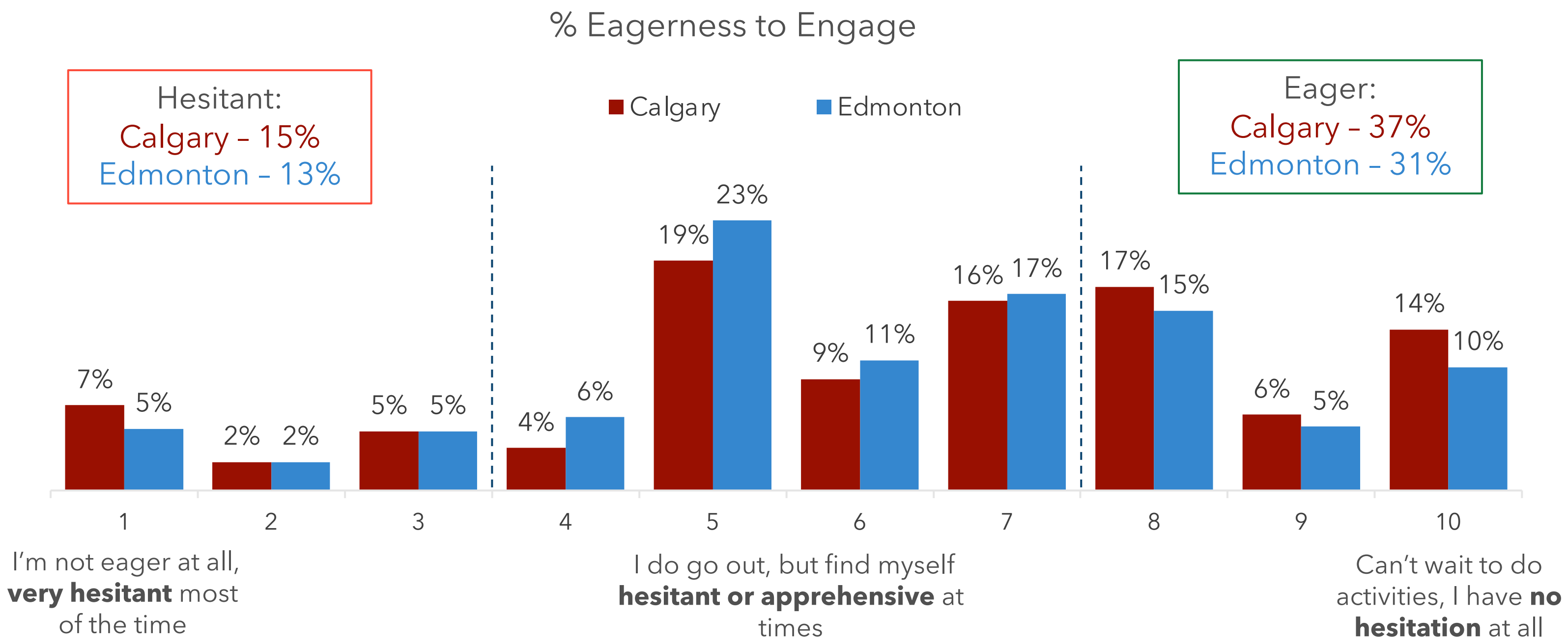
Only a small proportion of Calgarians and Edmontonians have no hesitation at all to participate in activities outside the home: the majority are hesitant at least some of the time and will take part in activities at different rates.



Using the scale below, how eager would you say you are to participate in entertainment and leisure activities outside of your home right now?
Base: Edmonton (n=501), Calgary (n=501)

Reasons for hesitation are varied but affordability is a top consideration

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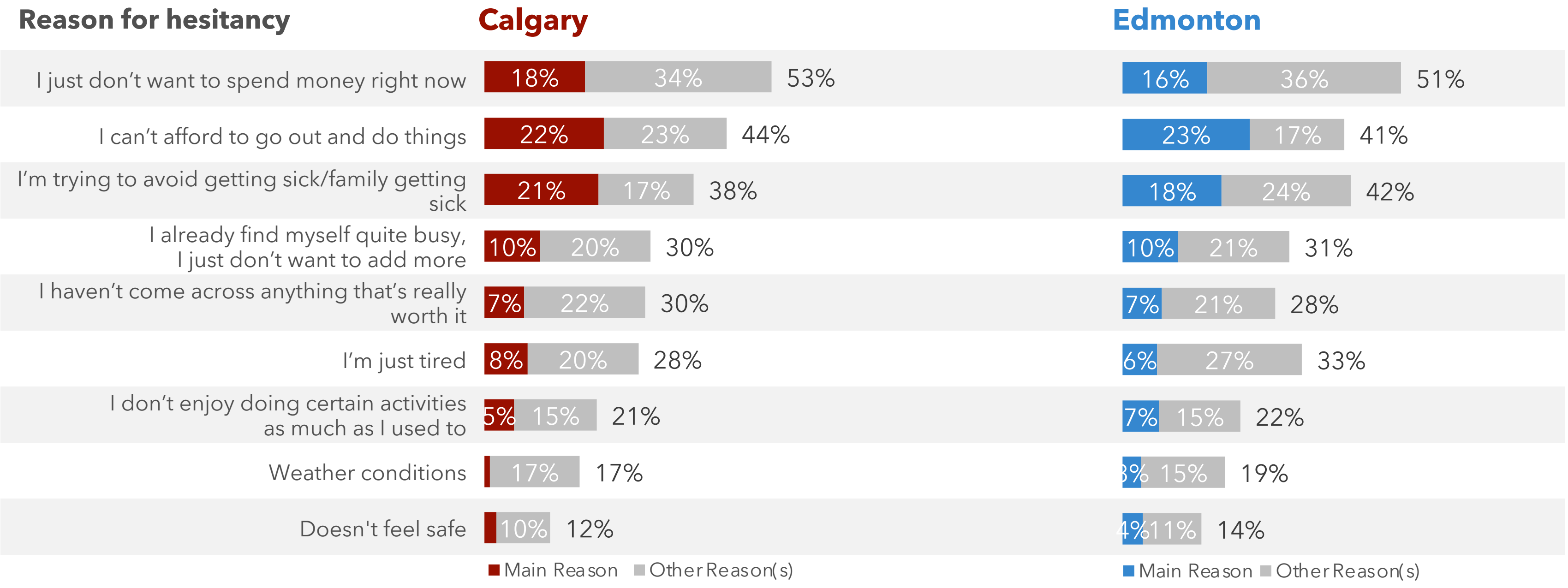
A proportion of the market still worries about getting sick (but this is not just about COVID-19 anymore). Hesitation is also felt when consumers are busy, not finding activities of interest, and tired – reminding organizations that they are competing for consumer time, challenged with breaking through the noise, and are marketing to an exhausted audience, all while competing with cash strapped consumers.



What is the MAIN reason for any hesitancy you might experience? Are there any other reasons for your hesitancy?
Base: Feel hesitancy, Calgary (n=315), Edmonton (n=346)

What can organizations do to solidify decision making?

Key deciding factors that bridge the gap between consideration and doing are focused on appropriate planning materials, positive reviews and deals.

1. Planning information: provide clear information online that makes it easy for potential attendees to figure out logistics.
2. Reviews and word of mouth: deliver exceptional experiences that get others saying great things about the activity.
3. Promotions: Albertans are looking for ways to save money prior to attending.

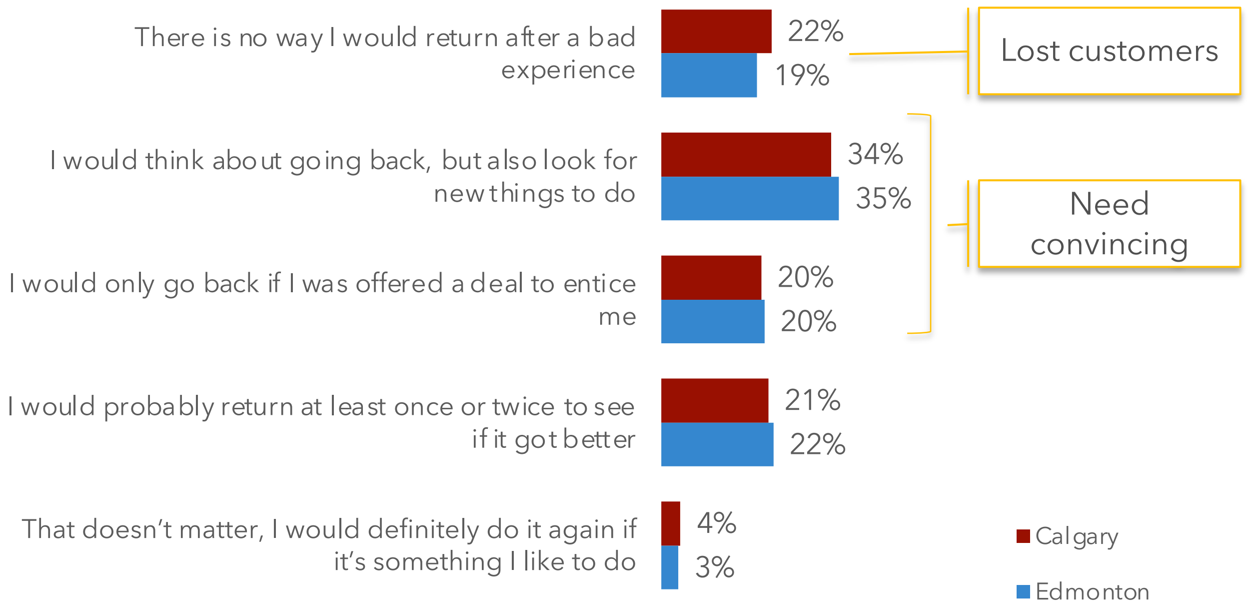
There is usually time between when people first think about a leisure or entertainment activity and when they actually do the activity. Thinking about your own life, what do you typically do before making the decision to attend?

Base: Edmonton (n=501), Calgary (n=501)

Experience matters for consumers and is a barrier to return if it falls short

Following a poor experience, very few consumers indicated they will automatically return to an activity. With increased availability of other activity choices, this presents a challenge for organizations and highlights the importance of going back to the basics when it comes to service and staff.

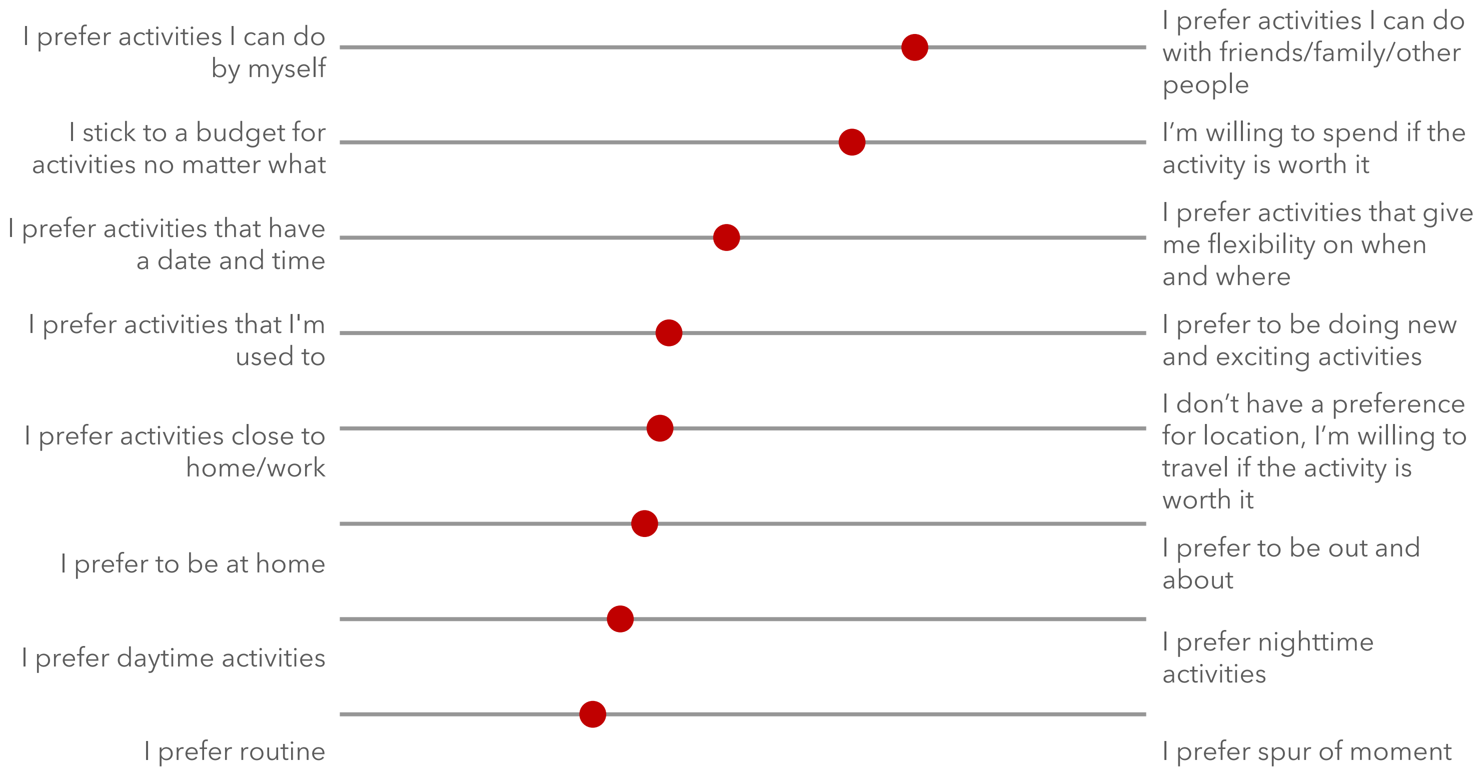
Impact of expectations after a poor experience



Assume you went to an event or participated in an activity and the experience did not live up to your expectations for any reason. How likely would you be to return, assuming you typically enjoy this type of activity or event?
Base: Calgary (n=501), Edmonton (n=501)

How do Calgarians approach activities?

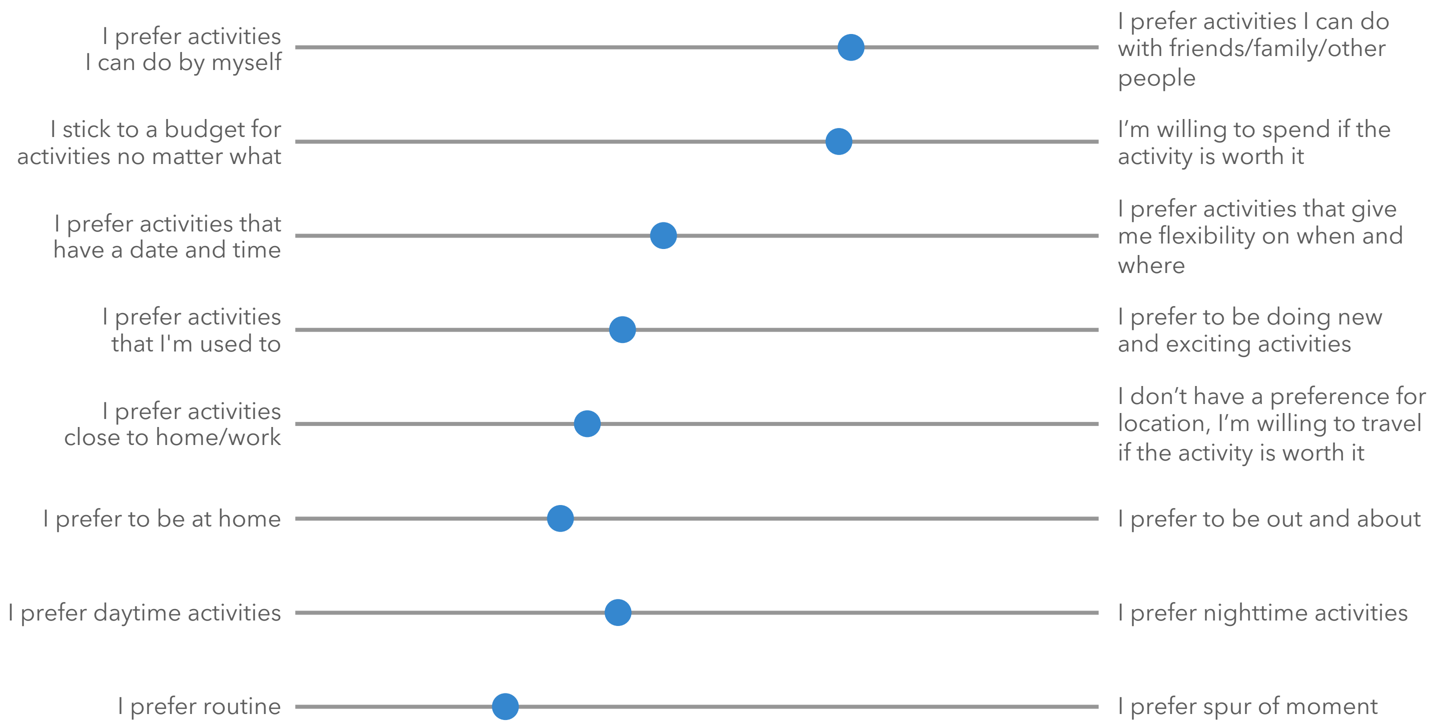
In general terms, Calgarians show a slight preference right now for routine over spontaneity, proximity to home over far, familiar over new. So, there is still a desire for social connection and a willingness to spend but the hesitancy to branch out is evident.



Thinking about what your life looks like right now (with work, family, other commitments, etc.), please move the slider to the statement that best describes you right now.
Base: Calgary (n=501)

How do Edmontonians approach activities?

Edmontonians are similar to Calgarians in many respects with a slightly greater preference for routine and familiarity.



Thinking about what your life looks like right now (with work, family, other commitments, etc.), please move the slider to the statement that best describes you right now.
Base: Calgary (n=501)

How can programming and messaging tap into these motivations?

At a high level (looking at both markets combined), getting a sense of what different audiences place value on will help shape the programming and messaging matrix.

Red: audience relates to these statements ↔ Green: audience relates to these statements

Red statement	18 to 34	35 to 54	55+	Female	Male	No Kids	Kids	Green statement
I prefer activities I can do by myself	4.7	4.6	4.5	4.6	4.6	4.5	4.9	I prefer activities I can do with friends/family/other people
I stick to a budget for activities no matter what	4.5	4.5	4.5	4.4	4.5	4.5	4.4	I'm willing to spend if the activity is worth it
I prefer activities that have a date and time	3.8	4.0	4.0	3.9	4.0	3.9	4.0	I prefer activities that give me flexibility on when and where
I prefer activities that I'm used to	3.8	3.7	3.6	3.8	3.7	3.7	3.7	I prefer to be doing new and exciting activities
I prefer activities close to home/work	3.5	3.7	3.7	3.4	3.9	3.7	3.6	I don't have a preference for location, I'm willing to travel if the activity is worth it
I prefer to be at home	3.7	3.4	3.6	3.4	3.7	3.6	3.5	I prefer to be out and about
I prefer daytime activities	3.9	3.7	3.2	3.5	3.7	3.7	3.5	I prefer nighttime activities
I prefer routine	3.2	3.4	3.5	3.3	3.4	3.4	3.2	I prefer spur of moment

Thinking about what your life looks like right now (with work, family, other commitments, etc.), please move the slider to the statement that best describes you right now.
Base: Total (n=1002)

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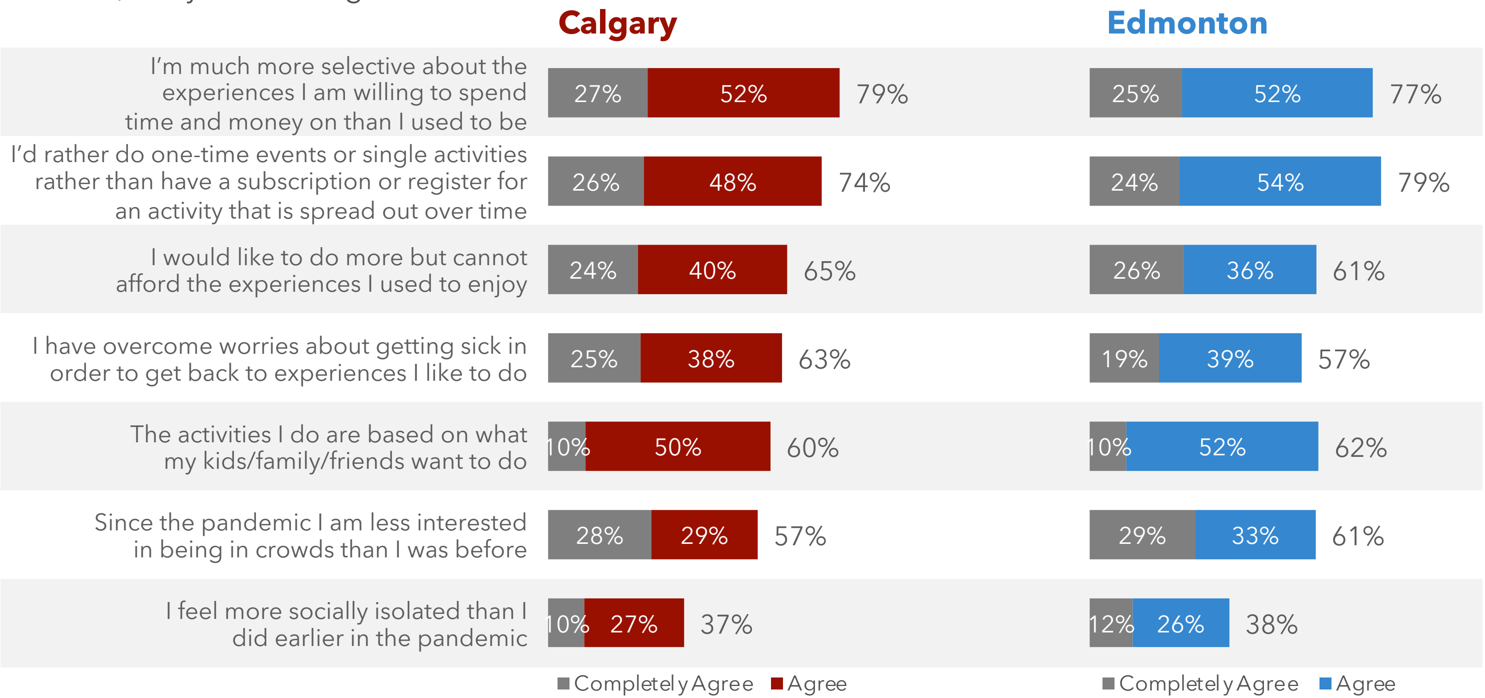
Albertans are still selective and non-committal with leisure and entertainment activities

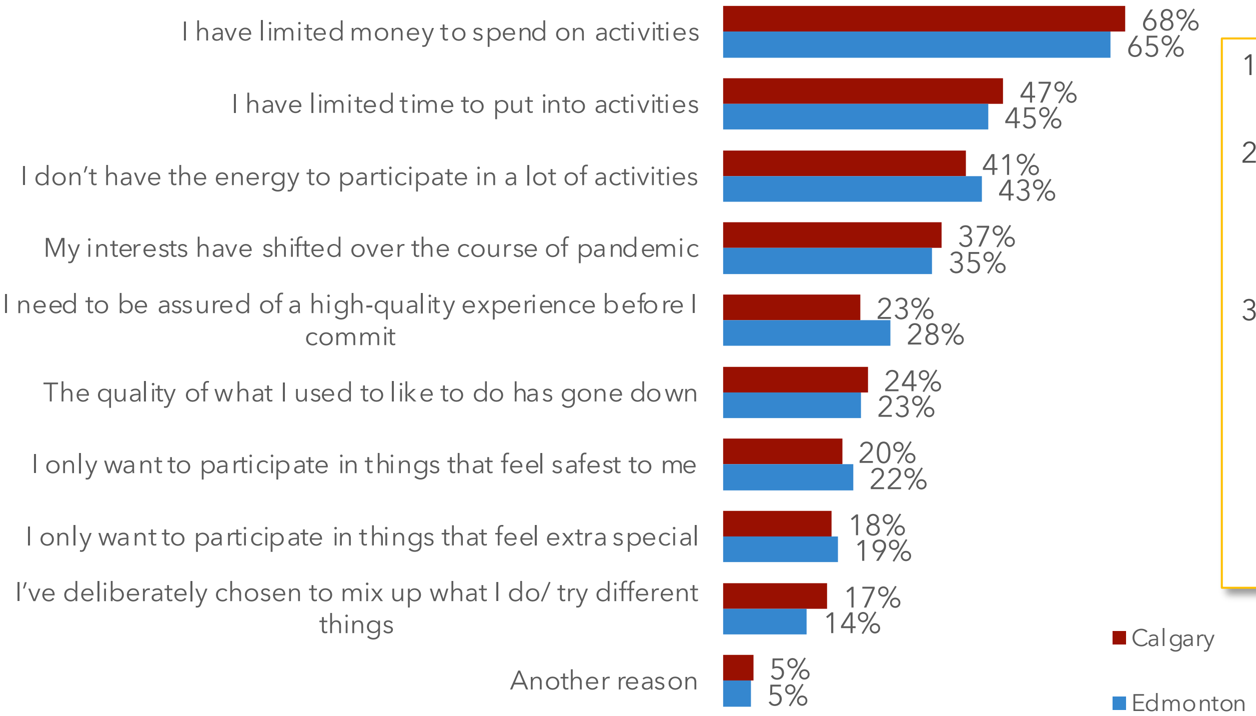
The fear of illness is no longer preventing Albertans from doing what they love to do, but many are still not interested in returning to crowded spaces. A reminder that the pandemic has significantly altered how consumers partake in activities, likely for the long term.



Below are a few things people might say about how they decide which activities to participate in or attend. Please tell us if you agree or disagree with each one.
Base: Calgary (n=501), Edmonton (n=501)

Reasons for being selective with activities are also multi–faceted

Reasons for being selective reflect a lot of the same reasons audiences stated they are hesitant - budget and affordability, limited time and energy, and a shift in interests.



1. Budget: the largest factor in the current climate is cost.
2. Time and energy: the feelings of exhaustion and stress are present. Continue to entice with ease and flexibility.
3. Priorities and interests: with a larger pool of activities to choose from, organizations continue to compete, and consumers are looking for high-quality experiences (in other words, standing out is harder than ever)

What are some of the reasons you say you are more selective in the types of activities you do?
Base: Selective in types of activities chosen, Calgary (n=395), Edmonton (n=384)

Understanding spending and affordability

How are we considering consumer spend?

For this phase of research, capturing (stated) consumer spend across different categories helps shape a deep understanding of what consumers are investing in, why, and what it means for organizations. Please note:

1) Spending is self-reported and as such, will not be a truly accurate reflection of sales.
2) This information is directional only and helps identify trends and opportunities for organizations.
3) StatsCan data is used for a reference point; categories are not fully aligned

What did we learn?

- Spending is tight and the share of spend allocated to discretionary is small (and dispersed amongst competition)
- Still, consumers are willing to spend if value is obvious (beyond cost alone)
- There is a gap between what types of experiences are desired (next section) and what they currently spend on – specifically directed at the arts & culture sector.

What do consumers say they are spending? Over half of consumer spend is going toward living expenses and debt

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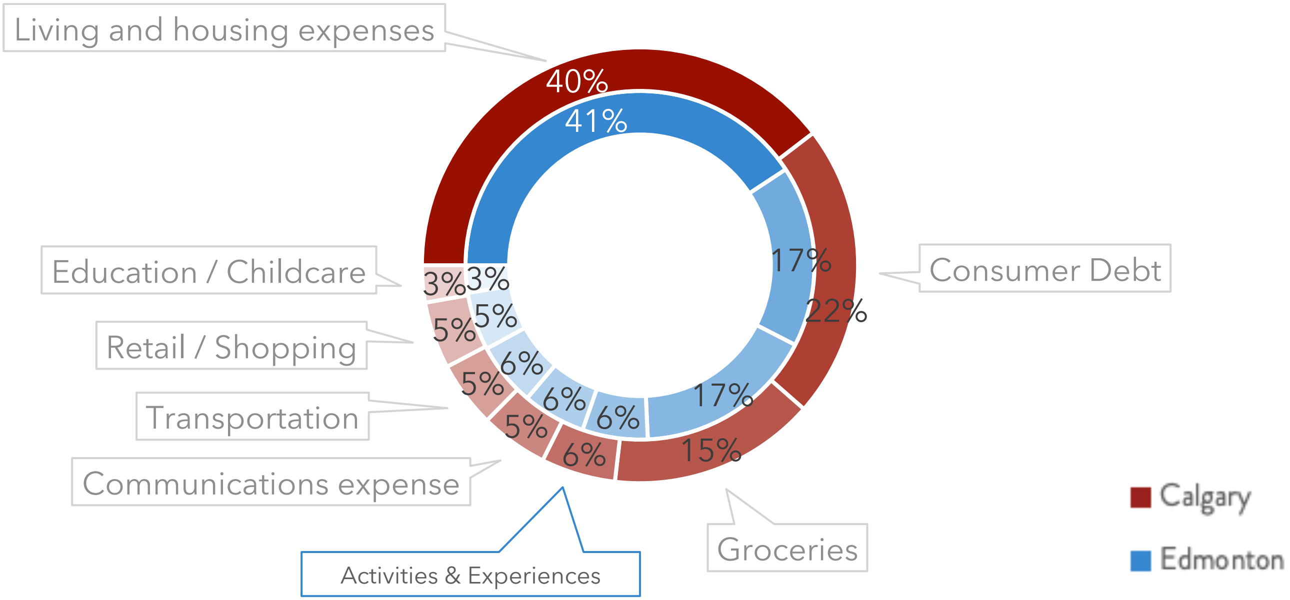
Based on reported spending, Albertans indicate over half of their wallet is going towards living expenses and consumer debt. As the cost of necessities rises, the size of the pie (and available funds) for non-essentials decreases, highlighting the nature of the affordability challenge that consumers are facing for discretionary activities.



*Data reflects reported spend
About how much do you spend on each of the following categories every month?
Base: Provided responses, Edmonton (n=454), Calgary (n=457)

And how does this align to official data? Based on Statistics Canada data, we can see that spend categories are loosely aligned to what consumers have self-reported

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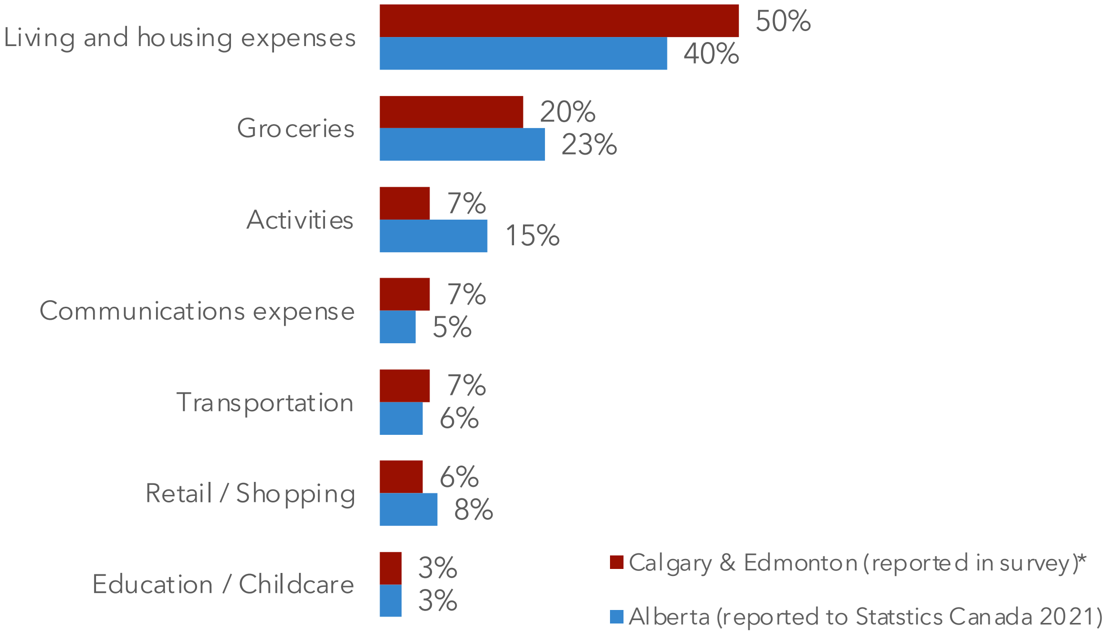
Proportion of annual spend: Survey vs. Statistics Canada

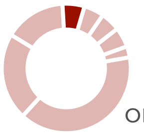


*Data reflects reported spend and excludes reported consumer debt spend
About how much do you spend on each of the following categories every month? Base: Alberta (n=911)
Statistics Canada Source: Detailed Household Consumer Expenditure 2022 https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610022501

Reported spend on activities alone shows just how far dollars are dispersed

The amount of spend allocated to discretionary activities is already small (at 6%) but examining that spend more closely highlights how far dollars are stretched. Dining out takes a disproportionate share, but this is not surprising because it is easy to do, can be adapted to comfort level, was an activity that was missed, fills a craving for social connection, and reduces exhaustion as an easy substitute for families.

Calgary

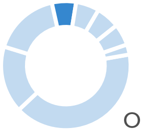


6% of spend on activities

$239 average per month | **$2,868** average per year

Activity	%	$ per year*
Dining Out	46%	$1,396
Outdoor Activities	10%	$316
Organized Sports Activities	10%	$302
Gyms / Fitness	9%	$271
Streaming & Entertainment	8%	$233
Arts & Culture	7%	$200
Pro / Semi-Pro Sporting...	4%	$117
Local Attractions	3%	$99
Classes / Workshops	3%	$90

Edmonton



6% of spend on activities

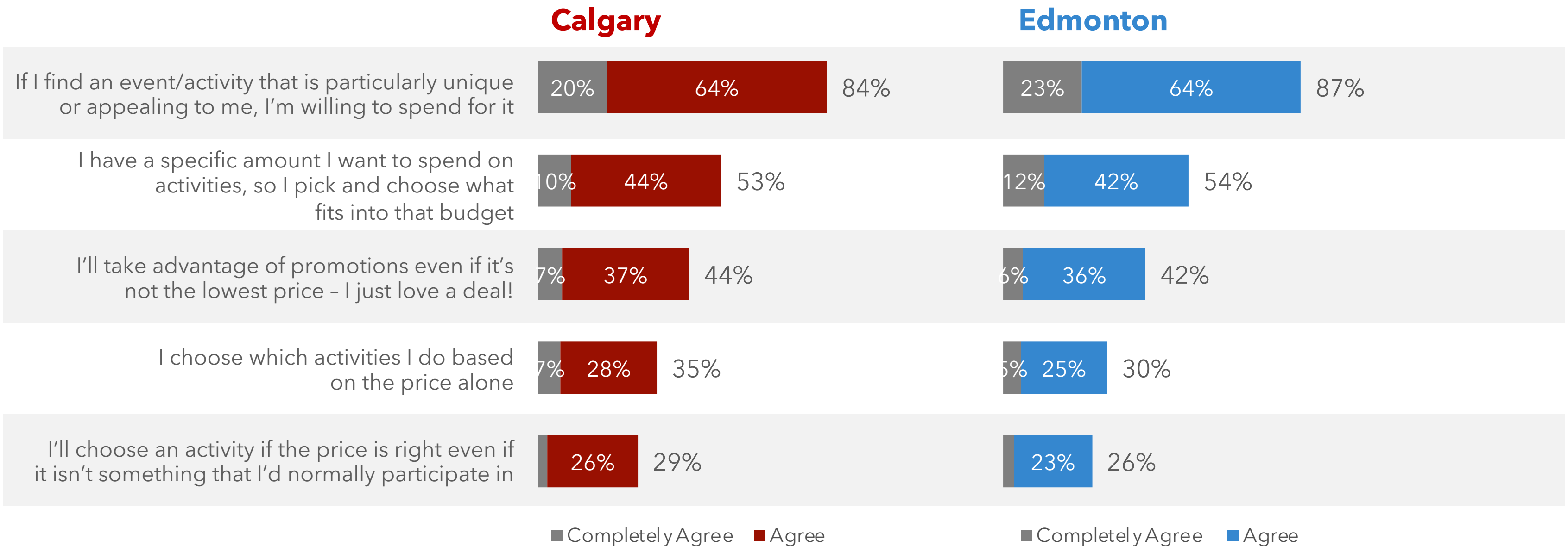
$237 average per month | **$2,844** average per year

Activity	%	$ per year*
Dining Out	51%	$1,473
Outdoor Activities	10%	$284
Organized Sports Activities	7%	$196
Gyms / Fitness	7%	$210
Streaming & Entertainment	8%	$235
Arts & Culture	7%	$205
Pro / Semi-Pro Sporting...	4%	$115
Local Attractions	3%	$93
Classes / Workshops	3%	$92

*Data reflects reported spend
About how much do you spend on each of the following categories every month?
Base: Edmonton (n=454), Calgary (n=457) Note: Zeros removed, data represents those who spend in each category.

Ultimately, there is a need to bridge the gap between budgeting and willingness to spend

Albertans are willing to spend if an activity stands out or feels right for them (high quality experience is important here) but many are still on a fixed budget, which makes it challenging for organizations to capture share of that wallet and puts an emphasis on the activity's value.



Below are a few things people might say about the current situation in Alberta. Please tell us if you agree or disagree with each one.
Base: Calgary (n=501), Edmonton (n=501)

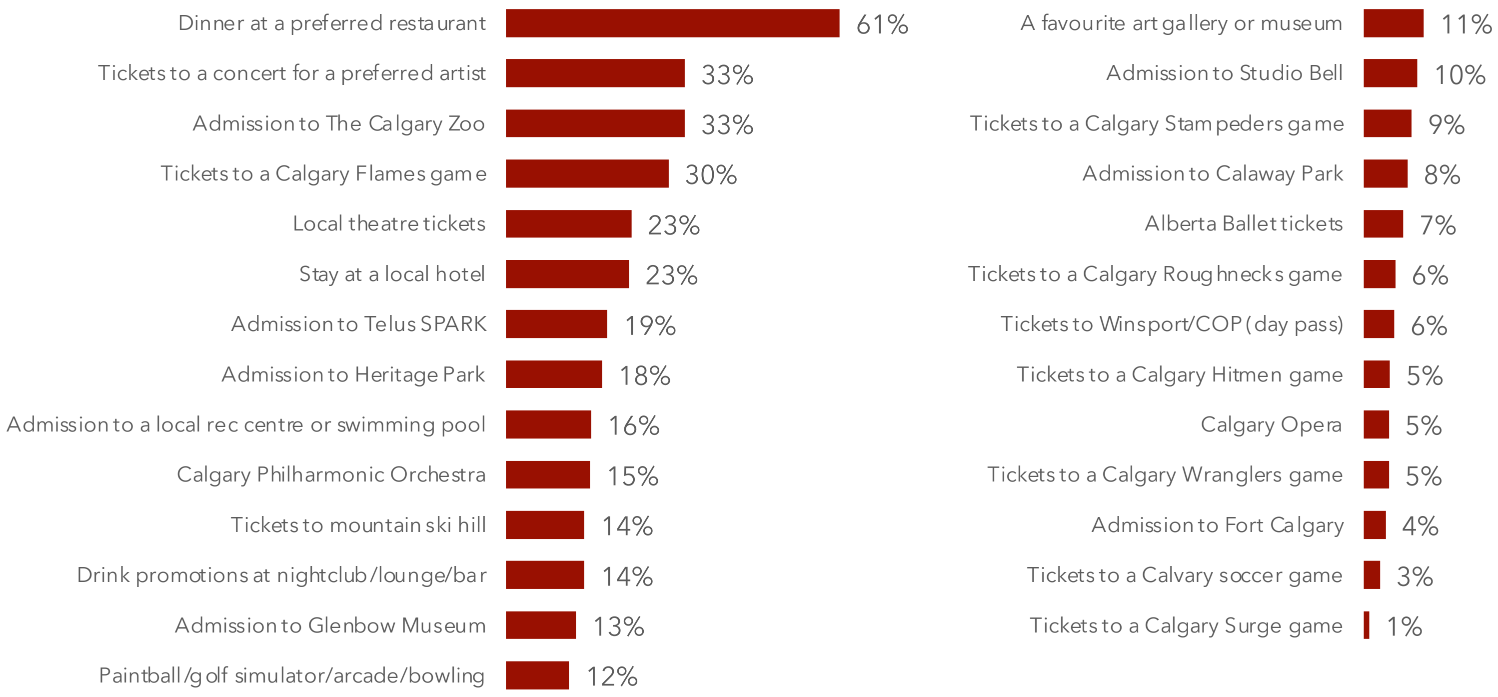
Collaboration Opportunities

We asked Albertans, if they could create a promotional package by selecting four activities or events in their city, which would they combine together.

Which activities do Calgarians select as part of an activity package?

Dinner, concert tickets, zoo tickets, and NHL tickets were the most desired activities to package together.

Activities selected to create promotional packages



From time to time, you might see different activities put together to offer consumers a series of experiences in a promotional package. Take a look at the below activities or events in your city. If you could select 4 activities that you would want to combine together, which 4 would you choose.
Base: Calgary (n=501)

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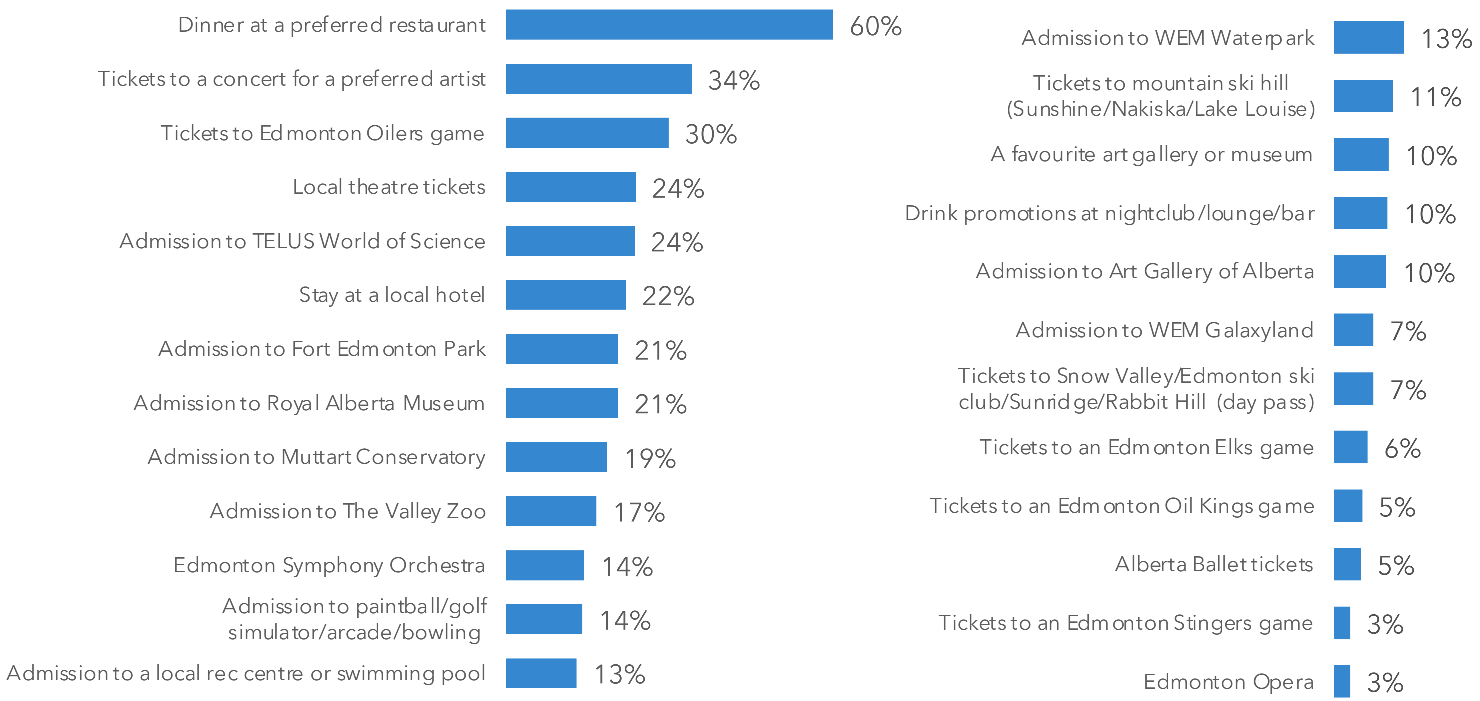
Which activities do Edmontonians select as part of an activity package?

Similarly, Edmontonians wanted to include dinner, concert tickets, NHL tickets, and theatre tickets when selecting their packages.

Activities selected to create promotional packages



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Base: Edmonton (n=501)

Varied interest in activity type is a reminder of the interconnectedness of the experience economy

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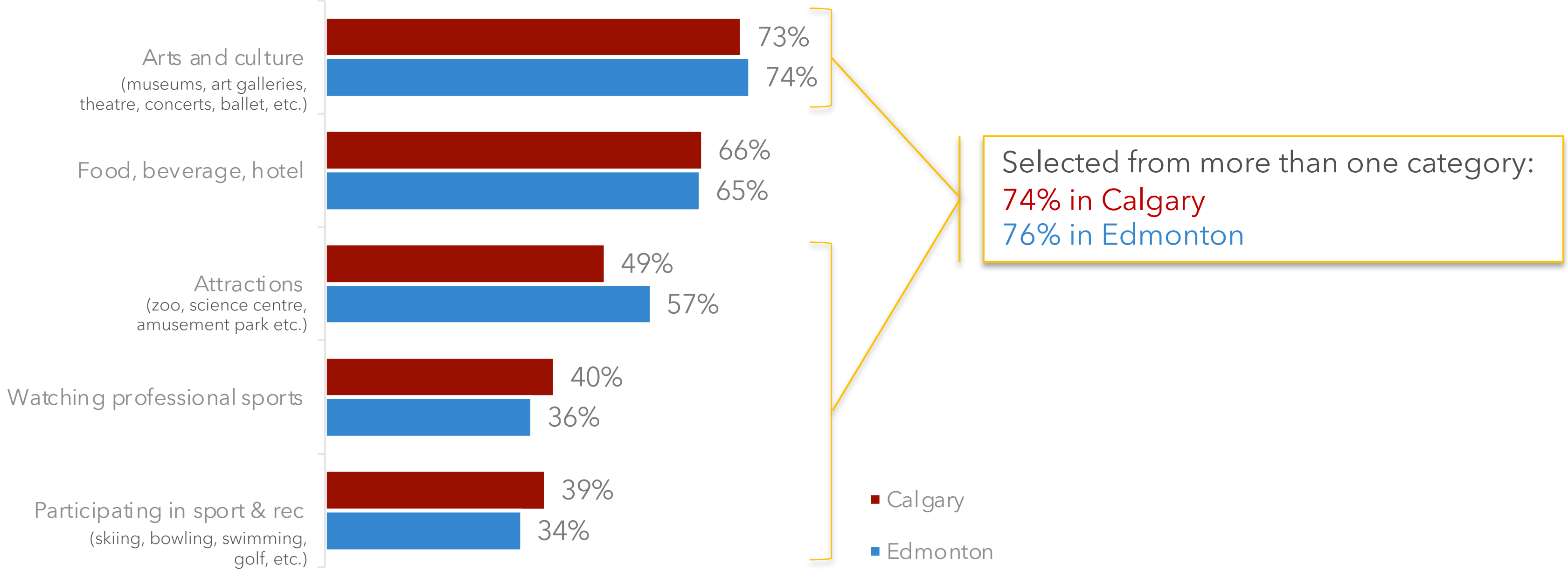
The experience economy is about shared experiences. Consider looking outside your sector for collaboration efforts as consumers indicated there are many cross-category opportunities that would interest them.



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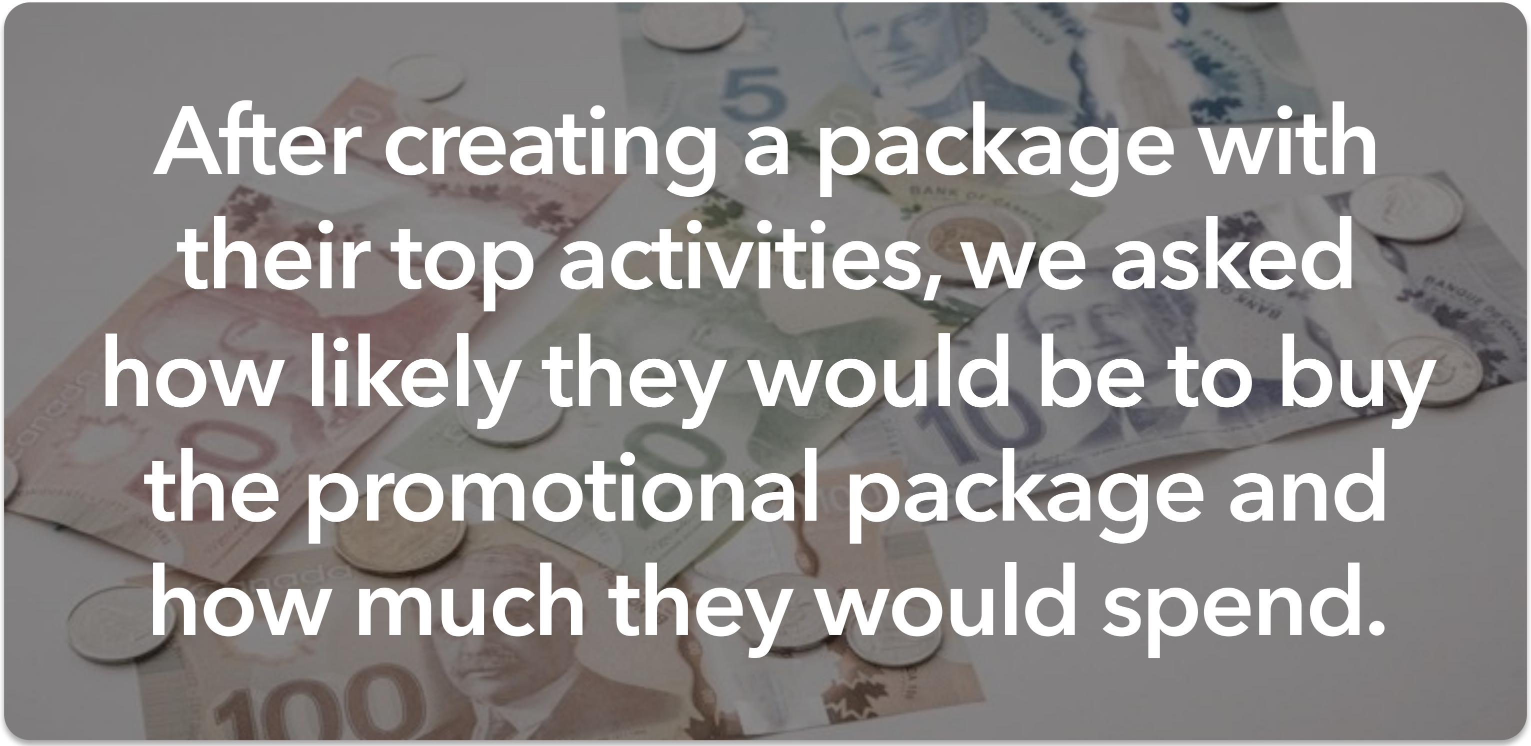
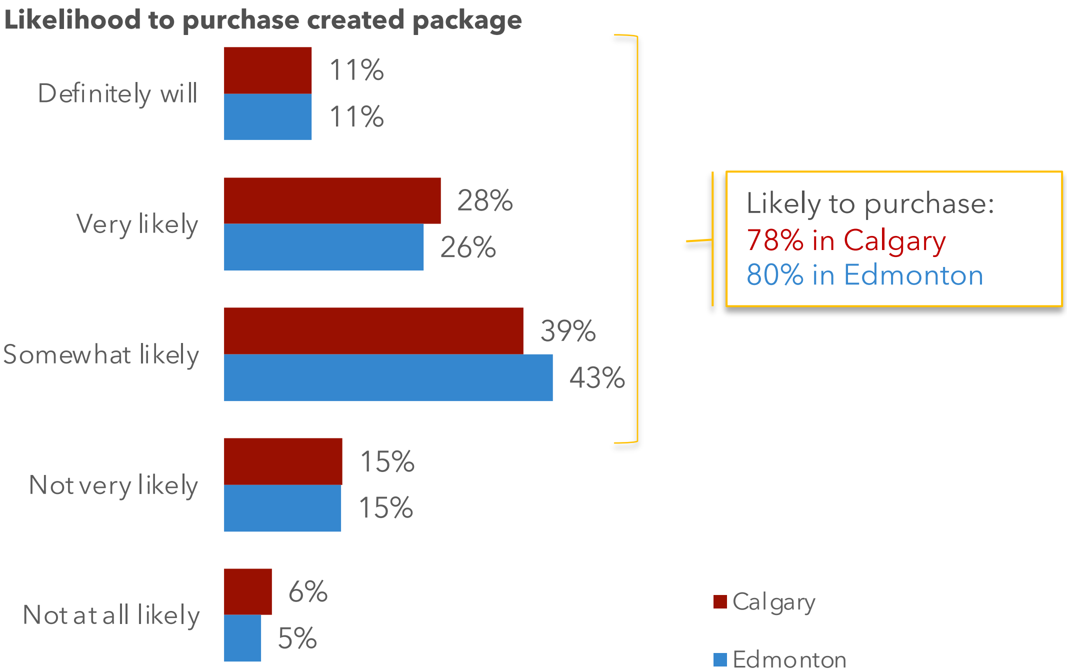


After creating a package with their top activities, we asked how likely they would be to buy the promotional package and how much they would spend.

Likelihood to purchase is still fairly modest, even with a self-selected set of activities

Who is more likely to purchase? Younger (18-34 yo) Albertans, families with young kids (under 12 yo) and not surprisingly, those with higher income indicate they are most likely to purchase the package they created.



Looking at the package you just built, how likely are you to purchase this type of package?
Calgary (n=501), Edmonton (n=501)

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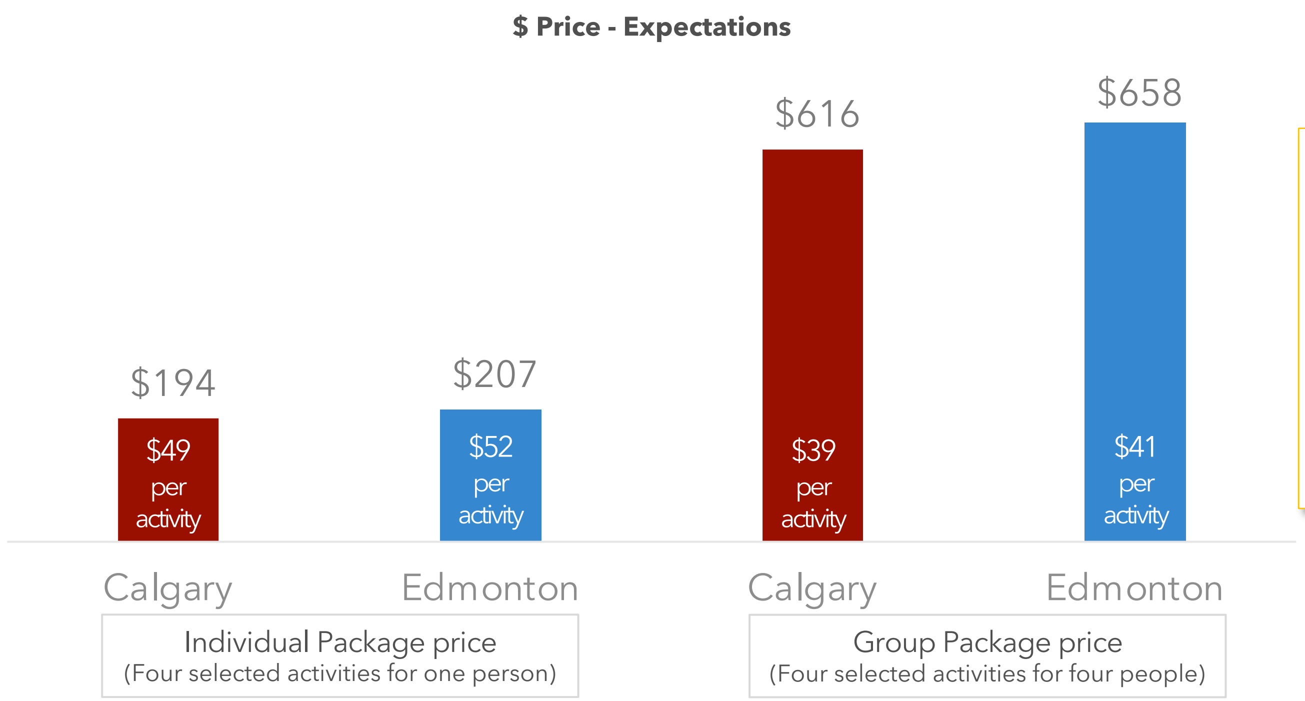
Price expectations: Consumers expect to pay about $50 per activity for individuals and a slightly lower rate for group packages

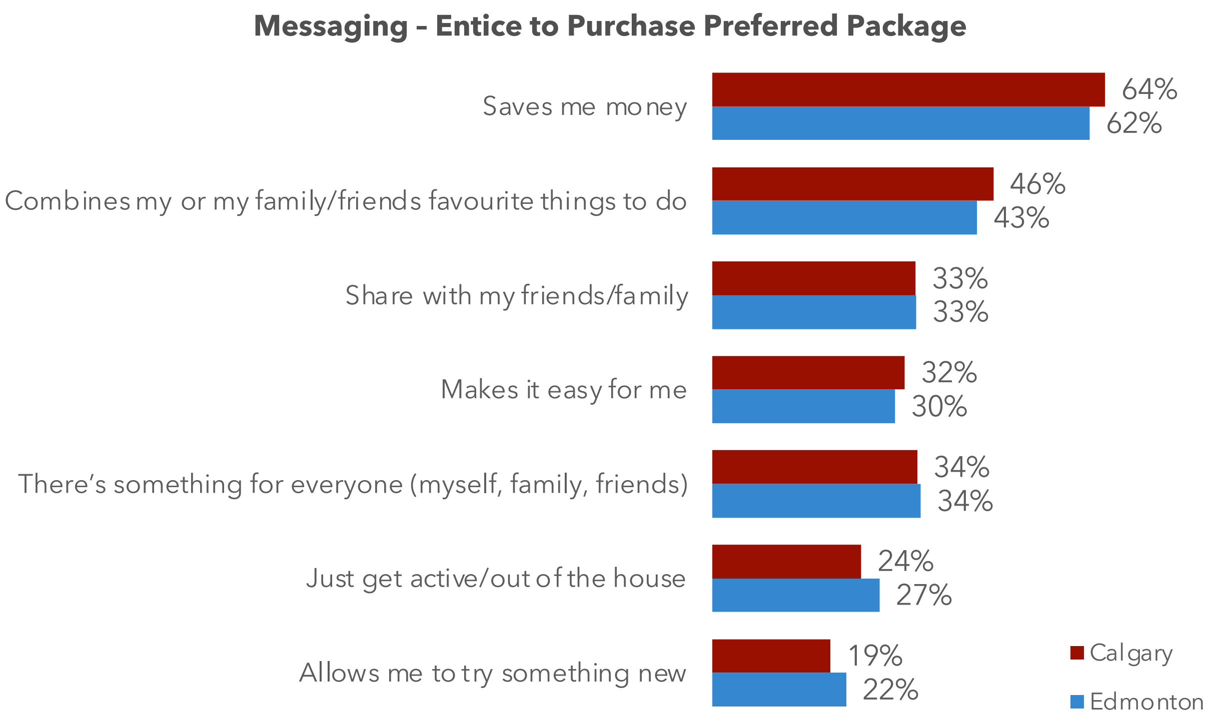


Interest will not always line up with ability to spend but expectations on price provide guideposts.

Promotions also appeal more to younger consumers and families, but they are the most price sensitive.

Looking at the package you just built, how much would you expect to pay for this type of package?
Base: Likely to purchase (excluding outliers), Calgary (n=386), Edmonton (n=385)

What messaging will resonate? Affordability is key but do not neglect the experience (shared interests, variety, etc.)



What would you want know about the package you created to entice you to purchase it? Please pick up to 3 reasons.
Base: Likely to purchase (excluding outliers), Calgary (n=393), Edmonton (n=401)

Final Take-Aways

Outcomes reinforce trends that have been building for some time. Audiences are settling into a new decision journey to experiences with different patterns than before.

Future engagement is likely to hinge on organizations adapting their approaches to attracting audiences and getting consumers to make a decision.

Key principles to keep in mind:

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1. **Easy:** Consumers are much less committed and making it easy is now fundamental. Any barrier or challenge is now likely to impede engagement.

This looks like:

- Eliminate the hassles so consumers see a clear path to attendance.
- Simplify the messages so both benefits and features are immediately clear.
- Make promotional offers or packages clear and easy – consumers do the math.

Audiences are settling into a new decision journey to experiences that may require helping consumers shift their behaviours. Key principles to keep in mind:

Stone — Olafson

1. **Easy:** Consumers are much less committed and making it easy is now fundamental. Any barrier or challenge is now likely to impede engagement.

2. **Attractive:** Decision makers need to more readily see the benefits and associate them to your offer. Some sectors do this better than others.

This looks like:

- Tap into motivations remains – the WHY still matters. This applies to your messaging and programming.
- Better connect the decision to engage with the most elemental motivations. Don't let them assume.
- Elevate the emotional connections

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1. **Easy:** Consumers are much less committed and making it easy is now fundamental. Any barrier or challenge is now likely to impede engagement.

2. **Attractive:** Decision makers need to more readily see the benefits and associate them to your offer. Some sectors do this better than others.

3. **Social:** Social elements are multifaceted and leverage the human connection consumers will have with the experience you are offering.

This looks like:

- Tapping into social motivations for experiences can be very powerful – they are key to why Albertans engage.
- Motivating social behaviour helps lock in commitments – they are less likely to skip if they are doing it with others.
- Social elements naturally link to ambassadorship – audiences want to share with others.

Stone — Olafson

Key principles to keep in mind:

1. **Easy:** Consumers are much less committed and making it easy is now fundamental. Any barrier or challenge is now likely to impede engagement.

2. **Attractive:** Decision makers need to more readily see the benefits and associate them to your offer. Some sectors do this better than others.

3. **Social:** Social elements are multifaceted and leverage the human connection consumers will have with the experience you are offering.

4. **Timely:** There is a major gap between intentions and actual behaviour. The timeline for the decision journey is shifting and often getting shorter and sometimes immediate.

This looks like:

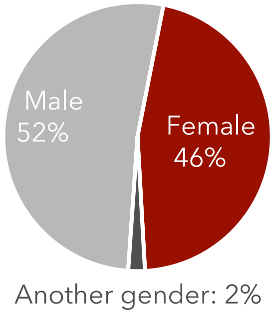
- Be ready for last minute or short decision-making windows.
- Decision makers may have to be incentivized with value or experience offers to motivate longer-term decisions.
- Planning tools can help overcome the gap between consideration and engagement. Planning not only helps avert barriers but cements commitment.

Respondent Profile

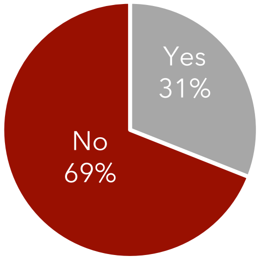
Stone—Olafson

Who did we talk to in Calgary?

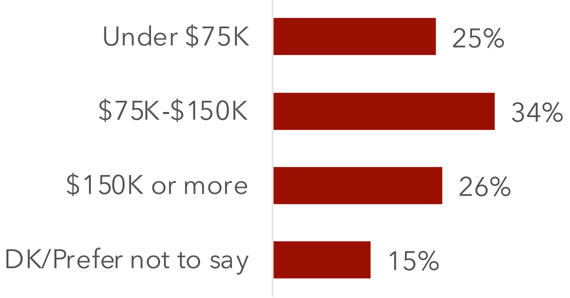
Gender



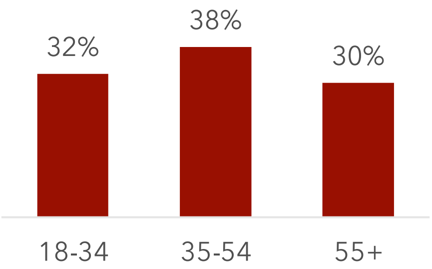
Children under 18 in HH



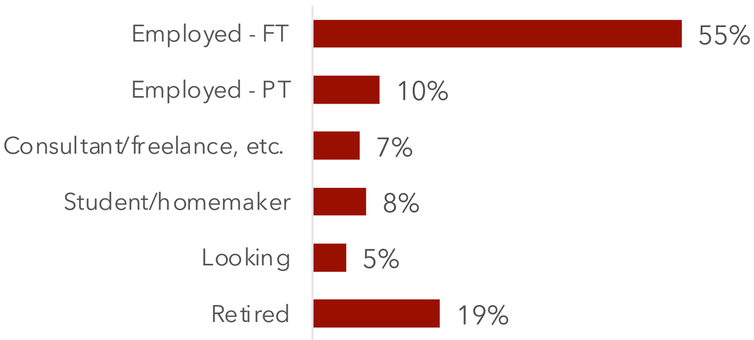
HH Income



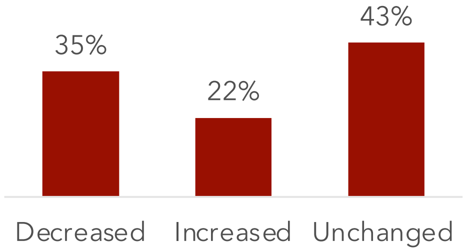
Age



Employment

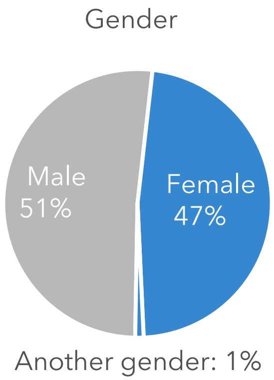


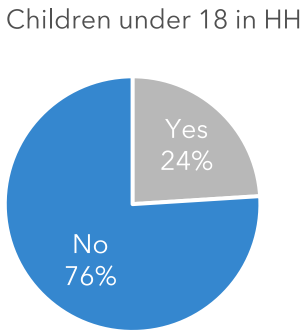
Income change since COVID-19

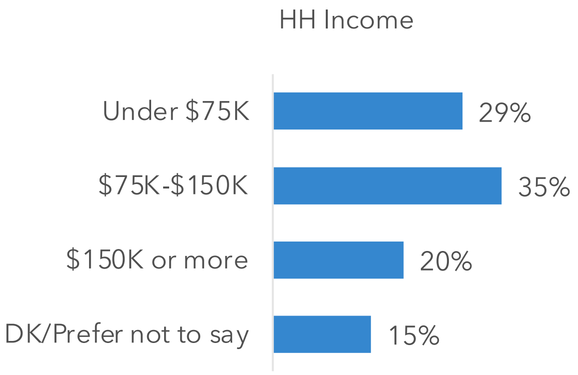


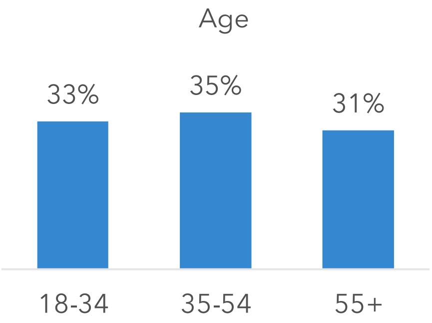
Base: Calgary (n=501)

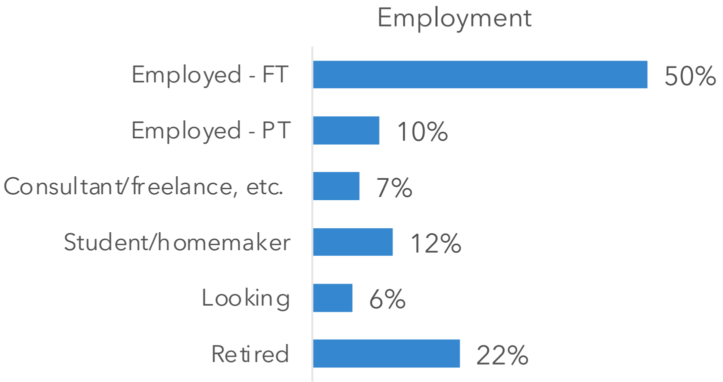
Who did we talk to in Edmonton?

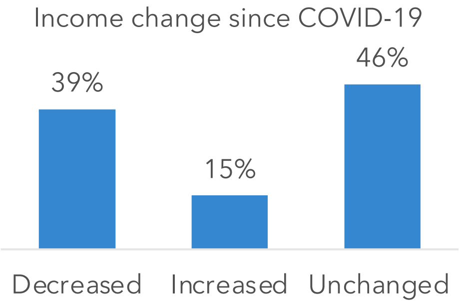












Base: Edmonton (n=501)

Understanding people.

It's what we do.

Stone — Olafson

Questions or Comments?

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