



The Future of the Live Experience Economy

Exploring the Impact of COVID-19 on Calgary's Live Experience Economy

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Discussion Paper



Stone –
Olafson





EXECUTIVE SUMMARY

The spread of COVID-19 resulted in the closing of all non-essential organizations. One of the hardest hit sectors was the *collocated live experience economy*. Collocated live experiences are those sectors where a minimum of 50% of products or services revenue is dependent on both the live experience producer and their customers being collocated in the same physical space. The collocated live experience economy incorporates nine sectors, including organized sport, active recreation, arts and culture, food services, retail and personal care services. In pre-COVID-19 Calgary, this included almost 15,000 organizations employing 152,000 people.

The consequences of COVID-19 mitigation measures have been not only the forced closure of many collocated live experiences, but also the explosion of innovations, as organizations sought to engage their customers through alternative means. At a global level, examples of innovations include Michelin Star restaurants offering food delivery, museums providing robotic tours, NASCAR hosting virtual races with their drivers, and musicians live streaming concerts.

There remains a fundamental question of whether entire sectors of our city have pathways to sustainability. The many innovations sparked by the COVID-19 pandemic also triggered a strategic reorientation for these organizations. Those who can develop innovations that are

authentic and still generate revenue may then be in a position to further leverage these innovations for sustained growth. The discussion paper considers three questions:

- 1) Can innovative business models developed, tested, and implemented during the pandemic trigger a structural change in live experiences?
- 2) Will these innovations offer comparative, superior, or inferior value to customers?
- 3) Can a more stable and sustained live experience business model be developed?

In this paper, we examine the factors that influence a customer's decision to adopt or reject innovations in live experiences and the impact this will have on the financial sustainability of specific sectors. No LX producer could have prepared for the unprecedented impact of a global pandemic. Nor could they have anticipated the devastation that COVID-19 would have on the CLX industry. However, these same entrepreneurs and small business owners do control the decisions that will influence their future. To support these organizations, we provide a diagnostic framework for live experience organizations to evaluate their future. Finally, we use this framework to map a series of potential innovation pathways for diverse sub-sectors of the live experience economy, from film festivals, to fitness centres, to restaurants and retail.

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WHEN THE LIVE EXPERIENCE ECONOMY MEETS A PANDEMIC

In March 2020, the spread of COVID-19 resulted in closing of all non-essential organizations in Alberta. The result was 361,000 Albertans losing their jobs and another 330,000 employees working zero hours in April.¹ Alberta's unemployment rate was 13.4% in April, jumping to 15.5% in May, the 2nd highest in Canada after Newfoundland.² One of the hardest hit sectors was the collocated live experience (CLX) economy.

The CLX includes those sectors where a minimum of 50% of products or services revenue is dependent on both the live experience (LX) producer and their customer being collocated in the same physical space.³ The CLX economy incorporates nine sectors, including retail, active recreation, arts and culture, and personal care. In pre-COVID-19 Calgary, the CLX sectors incorporated almost 15,000 LX producers, employing 152,000 people⁴ (refer to Figure-1 & Appendix A). Moreover, two-thirds of LX producers in the city have five or fewer employees.

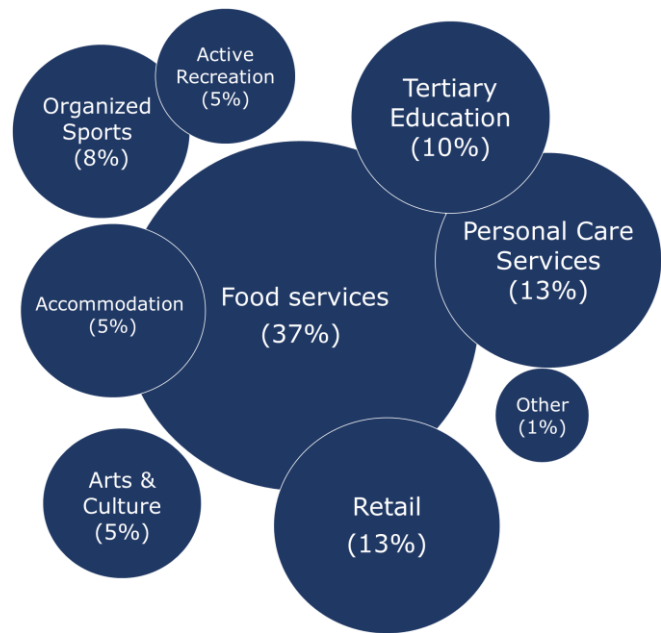


Figure-1: The LX Economy in Calgary by % of Employees

Some LX producers were able to pivot their business models fully or partially, while others suspended operations, hoping to reopen with a return to 'normalcy'. Those who adapted their LXs varied from altering their distribution to reassessing the sustainability of their entire business model. Examples include Michelin Star restaurants offering delivery, museums providing robotic tours, NASCAR hosting virtual races with their drivers,

"The CLX includes those sectors where a minimum of 50% of products or services revenue is dependent on both the experience producer and their customer being collocated in the same physical space."

and musicians live streaming concerts. As well, tourist destinations provided virtual live tours and virtual appointments could be made with physiotherapists who then guided self-treatment. The unique COVID-19 conditions thus forced CLX producers to evaluate their offer and deliver value to customers in sometimes new and innovative ways including virtual live experiences (VLX). The result has been not only the forced closure of the CLX, but also the concurrent expansion of the VLX by existing or new LX producers. How LX producers responded to this is the focus then for the remainder of this discussion paper.

As the economy reopens in June and July, many of the government-directed guidelines and policies alongside public health authorities include the implementation of physical distancing guidelines that will increase CLX operating costs, while reducing revenue and fundamentally altering the experience. For instance, the capacity of many restaurants is as low as 40% of their pre-pandemic capacity due to physical distancing.⁵ Moreover, larger capacity LX producers in the arts (e.g., Theatre Calgary, Alberta Ballet), large events (e.g., consumer shows and conventions), professional sports (e.g., Stampeders, Flames) and tertiary education (e.g., universities) will remain closed to live audiences due to the challenges of adhering to physical distancing guidelines. As a result, the Conference Board of Canada is forecasting a 40% contraction in the Calgary accommodation and food services sector and a 20% decline in the arts and culture sector in 2020.⁶

There is a fundamental question of whether entire sectors of the Calgary CLX economy have sustainable pathways to reopening. Of particular concern are the two-thirds of Calgary's LX producers with less than five employees which possess limited liquidity to sustain extended financial disruption. As evidence of this, only 17% of small businesses in Alberta

are seeing sales recover to pre-pandemic levels.⁷

The many VLX innovations sparked by the COVID-19 pandemic may trigger a strategic reorientation for these LX producers.⁸ Those who can develop innovations that are authentic and still generate revenue may then be in a position to further leverage VLX innovations for sustained growth. As a result, three questions are addressed in this discussion paper:

- 1) Can VLX business models developed, tested, and implemented during the pandemic trigger a structural change in the CLX economy?
- 2) Will VLX offer comparative, superior, or inferior value to the LX customer?
- 3) Can a more stable and sustained VLX business model be developed?

To examine these three questions, this discussion paper explores the evolution of LX, the resulting impact on customer value, and the risks and opportunities facing the LX producer.

"Those who can develop innovations that are authentic and still generate revenue may then be in a position to further leverage VLX innovations for sustained growth."

THE INFLUENCE OF THE EXPERIENCE



In the 1990s, as products and services became increasingly commoditized, managers faced challenges to differentiate their products and services.

In response, marketers sought to transform their products and services into



experiences with the goal of developing a competitive advantage, while maximizing revenues. During this period, a concept emerged: time is the LX economy currency. A customer's time is finite and therefore a scarce resource of significant potential economic value. Thus, viewing a customer's time as a currency reframes both the operational and economic dimensions of LXs.

Given the vast diversity of the LX economy, researchers have studied it from varying perspectives. First, some view the level of active participation by a customer through a critical lens.⁹ For example, passively enjoying live theatre is a dramatically different participatory CLX than camping with friends and family.¹⁰ As a result, how LX customers perceive value will also be calculated differently.

Second, other researchers suggest that 'experiences' are not a discreet moment in time, but rather a holistic cycle that must be leveraged by LX producers¹¹ (Figure-2). This lens suggests that producers must invest as much in the pre and post dimensions of a LX as they do in delivering the actual LX. By adopting this view, LX producers recognize that these LXs are often anchored in a social value and customer's identity.¹² As a result, producers must create opportunities for people to intertwine and amplify LX customers' engagement.

In this discussion paper, we contend that LX producers focus on two essential factors when evaluating the impact of COVID-19 and sustainable pathways for

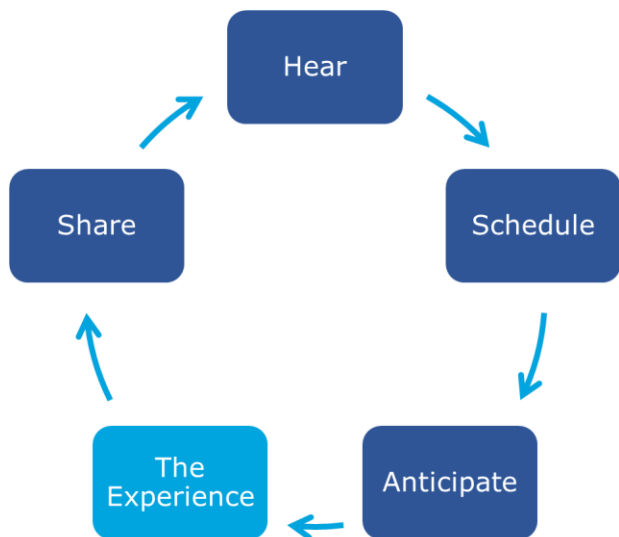


Figure-2: The Experience Cycle

their business: CLX dependency and LX centrality.

CLX Dependency: The first factor is an evaluation of whether the value of the CLX is dependent on physical collocation of the customer or customers and the LX producer. In some sectors, physical collocation is essential. For example, playing recreational hockey demands physical collocation of players. In other cases, there are viable virtual alternatives to physical collocation that may offer similar or even superior value. As an example, watching professional sports can be achieved by being physically present in the same location as the competition (e.g., arena, golf course). However, fans also have the option of watching this same LX at home or in a bar with friends.



Therefore, this LX is simultaneously both a CLX and a VLX.

LX Centrality: The second essential factor is examining how central the value of an organization’s products or services are on delivering a LX. In some cases, the LX is the core product being offered (e.g., live theatre). However, in other cases, the LX may be supplemental to an organization’s core product or service. An example is a golf club manufacturer holding an exclusive golf clinic with a touring professional for top customers. The manufacturer’s core product is the golf club and hosting a golf LX provides supplemental value to the customer.

This factor is of particular importance as it causally links to LX producer revenues. In the example above, the majority of live theatre revenue is driven through CLX ticket sales. Therefore, suspension of live performances immediately impacts the core revenue streams of a theatre company. In contrast, little or no revenue of the golf club manufacturer is dependent on customer clinics. Rather, these clinics are a platform for potential competitive advantage for the manufacturer and increased value for their customers. In the next section, we consider the process of how a LX customer calculates value.

Consequently, to be competitive, all LX producers must understand how their LX customers (or potential customers) calculate value.¹³ The importance of this simple calculation is further amplified when consumers are provided new or innovative approaches for the delivery of value that is either equivalent or superior value. In a non-experience context, the displacement of a landline telephone with a smartphone is an example of how an innovation (smartphone) delivers superior value to the existing product (landline) offered by an incumbent.

"In some sectors, physical collocation is essential.... In other cases, there are viable virtual alternatives to physical collocation that may offer similar or even superior value."

Over decades researchers have examined the process of how and why some innovations are adopted and others are rejected. Outcomes of this research identify five fundamental questions that enable us to understand how a customer compares the value delivered by an innovation, relative to the incumbent product or service:¹⁴

THE INFLUENCE OF THE LIVE EXPERIENCE CUSTOMER



In the simplest terms value is defined as:

$$\text{Value} = \text{Price} - \text{Cost}$$

1. **Relative advantage:** Does the innovation offer superior value compared to the incumbent product or service?
2. **Compatibility:** Is this innovation aligned to the customer’s motivations, including values and needs?



3. **Complexity:** How difficult is it for the customer to understand and adapt to this innovation?
4. **Triability:** Is it possible for a customer to test and experiment with this innovation before adopting it?
5. **Observability:** Does the innovation provide tangible results to support a customer's decision to adopt or reject it?

For example, in Table-1, we consider these five questions when comparing a landline phone and a smartphone.

Table-1: Innovation Adoption

Relative advantage: Does the innovation offer superior value compared to the incumbent?	Yes. People leave their home and can still communicate with others.
Compatibility: Is this innovation aligned to customer's values and needs?	Yes. People want to be able to access others when they are not home.
Complexity: How difficult is it for the customer to understand and adapt to this innovation?	It depends. For some, this transition was easy. For others, it was complex.
Triability: Is it possible for a customer to test and experiment with this innovation before adopting it?	Yes. People could borrow other people's smartphones or try a free version of an app.
Observability: Does the innovation provide tangible results to support a customer's decision to adopt or reject it?	Yes. People could talk to friends and family who have a smartphone to understand its value.

Based on this, researchers then clustered these customers into five stages, ranging from innovators and early adopters on one end to laggards on the other. Each cluster is influenced by a range of factors that trigger the adoption (or rejection) of an innovation.

"Over decades, researchers have examined the process of how and why some innovations are adopted and others are rejected."

For example, early adopters are customers who are willing to pay a higher price to be one of the first people to use an innovation. In turn, these early adopters trigger more people to also adopt the innovation by demonstrating its comparative value to the incumbent. In contrast, laggards are traditionalists who resist the adoption of new ideas and are not willing to pay a higher price for it. Importantly, research finds that once the 'tipping point', where the majority has adopted an innovation, has been reached, accelerated adoption occurs through social contagion (e.g., network effects). As such, the adoption or rejection of an innovation should be viewed as a multi-dimensional decision influenced by the five factors and the five stages described earlier.¹⁵

To understand the variety of innovation pathways available to them, LX producers must first understand how their LX customers calculate value. Building on existing interdisciplinary research,

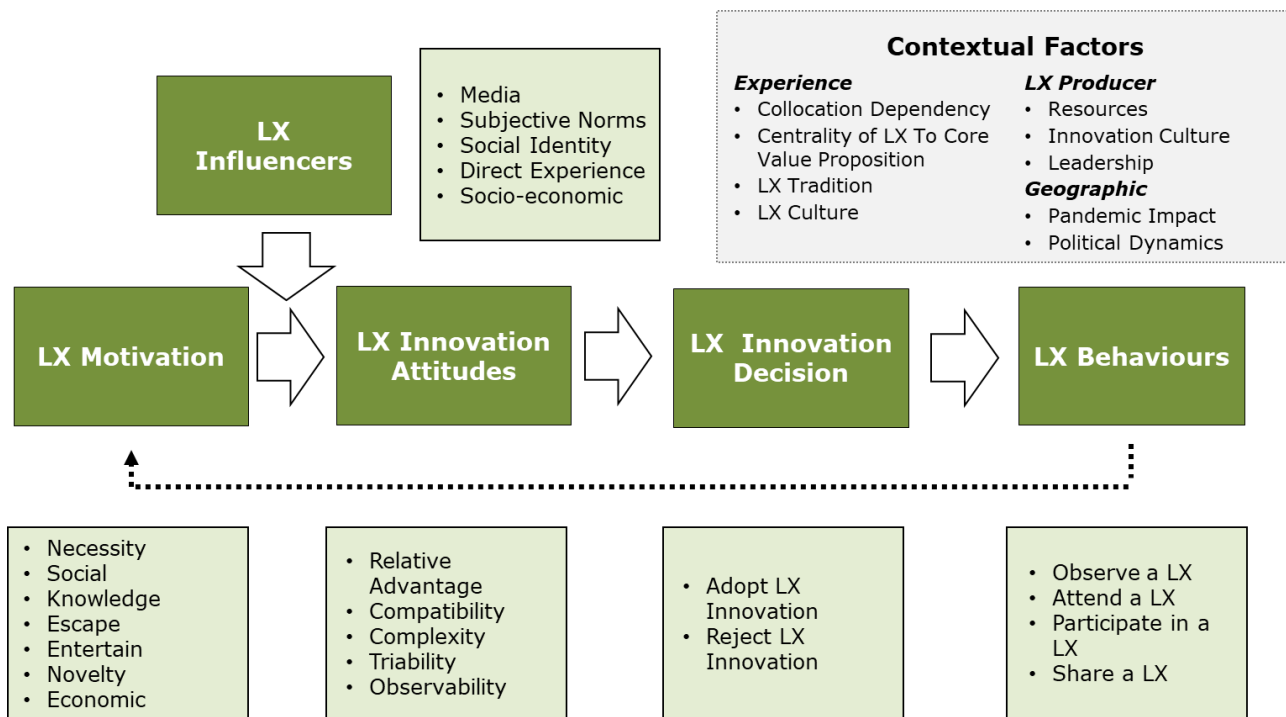


Figure-3: Why do some innovations stick?

Figure-3 maps additional factors that contribute to a LX customer’s calculation of value, and how this contributes to the adoption or rejection of a LX innovation.

In this model, a customer’s LX behaviours are derived from a decision to adopt or reject a LX innovation. This decision is anchored in the attitudes this customer forms associated with the relative value of the LX innovation. In turn, their attitudes are then the outcome of the interaction of LX motivations and influencers. Last, this model includes a dynamic feedback loop, recognizing that past engagement with a LX can and will influence future LX motivations, attitudes and behaviours.

Next are some of the important components of the process model located on the bottom portion.

LX Motivations: These can be clustered into two broader categories of value, utilitarian and hedonic.¹⁶ Utilitarian value; is the practical value associated with the LX. For example, there is a practical value

in getting a haircut. In contrast, hedonic value is the pleasure associated with the LX. Hedonic motivation may include items such as social, knowledge, escapism, entertainment, or novelty.¹⁷

LX Influencers: These are the variables that contribute to attitude formation. These include previous experiences, subjective social norms, and social identity. These also include external influences from trusted information sources, including people and media.¹⁸ Moreover, contextual factors related to the customer are important moderators.¹⁹ For example, is it arts or sport? Is it for adults or children? Finally, the socio-demographic characteristics of the customer can moderate adoption attitudes.²⁰

LX Innovation Attitudes: These are composed of the many perceptions associated with the five discrete embedded factors in the model discussed previously: relative advantage,



compatibility, complexity, triability and observability.²¹

LX Innovation Decision: Here, the individual chooses to adopt or reject an innovation at a given moment in time.

LX Behaviours: These can be clustered into several major categories that would be considered positive outcomes for the LX producer: (1) Observe a LX (e.g., watch a LX on TV); (2) Attend a LX (e.g., purchase tickets to a festival); (3) Participate (e.g., participating in a yoga class); (4) sharing a LX (e.g., posting LX photos and reviews on social media).

Albertan’s Views on the Experience Economy

Stone-Olafson, in collaboration with community partners, developed a longitudinal investigation exploring how COVID-19 is reshaping Albertans’ attitudes and behaviours towards the CLX. A total of 1,348 Albertans participated in the first wave of research collected between May 21, 2020 and June 2, 2020. This research provides additional insight into the experience customer attitudes and behaviours and what it may mean for LX producers. Click [HERE](#) to access the full study.

Contextual Factors:

The Experience: As per Figure-4, Albertans engaged in a diverse range of experiences. At a general level, arts and culture customers are less comfortable and more hesitant to re-engage compared to sports and recreation LX customers. For arts and events LX producers, it is a

reminder that current enthusiasm levels may not immediately translate into ticket sales/participation in the short term, despite what claimed intentions are. Planning should reflect a longer timeframe for returning to normal activity levels. For sports and recreation, many LX producers are already working on plans to ramp up, but they also must be prepared to adapt if future waves materialize and activities need to be scaled back again.

COVID-19 Impact: Albertans who live in communities with a higher-level of COVID-19, are more likely to be hesitant than others.

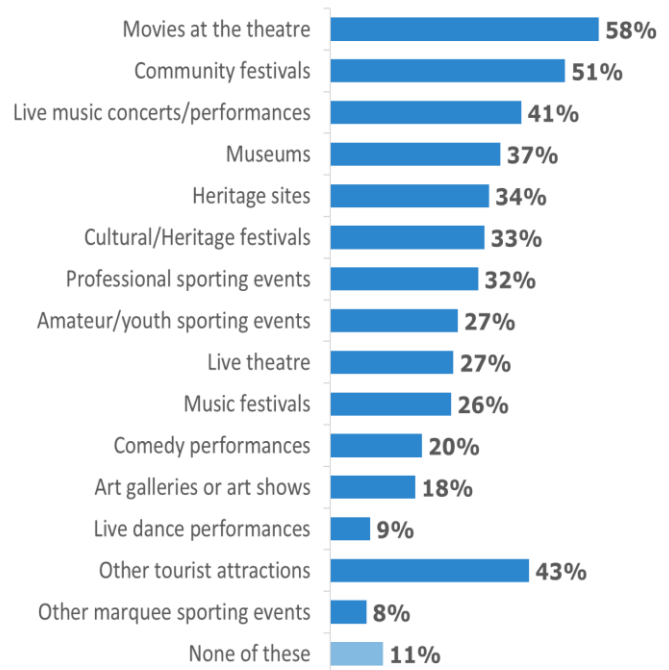


Figure-4: What do we Experience?



Experience Motivations

The primary motivations for attending and participating in experiences are social and experiential (refer to Figure-5). The need for social connections and the absence of them reflects a surge in enthusiasm for renewing LX. However, this enthusiasm will not reflect actual behaviours on its own. The other key motivations that cannot be overlooked are related to health (mental and physical) and education. Ultimately, organizations will need to deliver on these motivations as part of their innovation pathway.

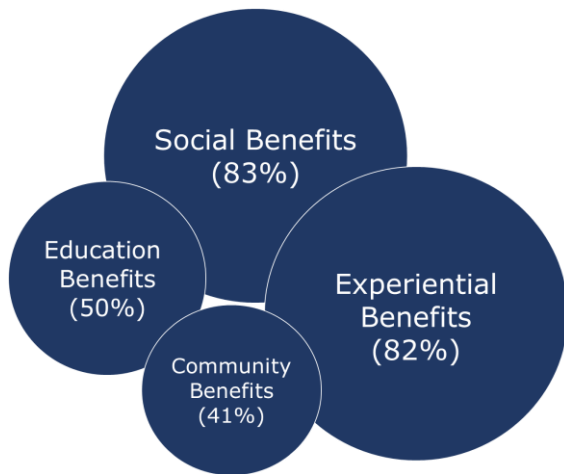


Figure-5: Perceived Benefits of LX

However, there is a limit to how effective that is long term; most people are showing signs of fatigue and substitutions are not likely to last in their current form. Furthermore, whatever social elements can be replicated, there is no substitution for the experiential elements of most activities. Albertans are least engaged in

virtual “replications” of activities (such as exhibits or tours) because they just do not satisfy the same motivations. LX producers must recognize there will be opportunities to continue VLX post-restrictions, but in most sectors, it will complement, not displace their core CLX.

Experience Influencers:

Almost half (46%) of respondents report reduced income. This will influence the capacity to invest in the LX. Moreover, the research suggests attitudes vary based on gender and age. For example, Albertans 18-34 and women are more hesitant to the reopening than other cohorts.

LX Innovation Attitudes

Many Albertans are showing signs of fatigue and few VLX substitutions are able to meet their core social motivations. For example:

- 81% of respondents *'value the social connections I have more than ever.'*
- 72% agreed *'I'm getting tired of the substitutes for all the things I used to do.'*
- This juxtaposition reflects the importance of the primary social motivators driving participation in the CLX, as well as the contextual influence of the pandemic itself (social isolation). This same research found notable proportions of Albertans (80%) engaging in a range of VLX efforts during the pandemic. This covered a range of activities, but at the top of the list was a social activity to stay connected with their social groups.



While the gap between LX customer motivations, what is being offered, and the outcomes may exist, at least half (51%) say they are ‘...enjoying a lot of the new ways organizations are working to keep me connected.’ This represents an opportunity for producers as they are effectively reaching half the market (larger in major urban centres) when they may not have reached any at all if not for a turn to VLX. Moreover, depending on contextual variables (i.e., length of the pandemic) this may be more critical as 37% say they are avoiding most of their usual activities.

The impact for LX producers can potentially last long term. When asked about what VLX activities they are likely to consider post-pandemic, 36% of respondents will consider engaging in these same VLX activities post-pandemic.

LX Behaviours

Almost all Albertans are engaged in experiences as either observers, attendees, or participants (refer to Figure-6 and 7). An *observer* engages in virtual experience ranging from watching sports on TV to listening to podcasts. *Attendees* physically attend an experience (e.g., music festival) A *participant* is actively engaged in the experience (e.g., travel, dance class).

Overall, 94% of respondents identified they are engaged in two or more types of experiences. This identifies the importance of adopting a more holistic view of experience customers going forward. This is because few Albertans are customers of a single type of experience.

Rather they engage in multiple experiences ranging from arts and culture to sport and recreation. This suggests an opportunity to explore increased collaboration across LX sectors to maximize value.

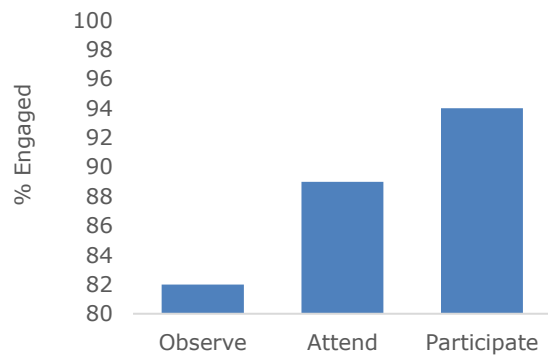


Figure-6: Forms of Engagement

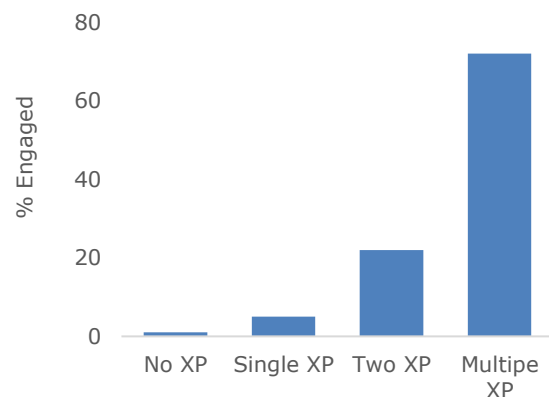


Figure-7: Multiple Experiences



THE ROLE OF THE LIVE EXPERIENCE PRODUCER



The final factor we must consider is related to the competencies of the LX producer in responding to the impacts of COVID-19. A LX producer's competitive

position is rooted in its ability to acquire capabilities that are both valued and scarce. This may include tangible assets, such as facilities or intangible assets, such as processes and talent. However, research suggests that in turbulent times, a LX producer's ability to develop new, or reconfigure existing capabilities is critical to their sustainability.²²

The ability for a LX producer to respond to the shock of COVID-19 demands both the organization and their management possess an adaptive capacity.²³ Traditional closed innovation models are often highly structured and lacking flexibility,²⁴ whereas today, LX producers are engaging customers and other stakeholders as co-creators of innovation, thus enabling the LX producer to expand access to external resources.

This open innovation system provides increased capacity to accelerate development, reduce costs and exponentially increase and diversify the people engaged in the design, development, and delivery of innovation.²⁵ During the pandemic, we have seen increasing open innovation both within and outside the CLX economy, including

the sharing of resources and data (e.g., open ventilator designs, vaccine development), collaborative fundraising (e.g., One World at Home), collaboration among competitors in developing reopening plans (e.g., Apple and Google partnering on COVID-19 contact tracing technology) and engagement of LX customers as co-creators of innovations (e.g., Ford's 'built to lend a hand' campaign).

As noted, COVID-19 offered several pathways for LX producers. The first path was defensive. This path included LX producers suspending operations to wait out the COVID-19 storm and hope for a return to pre-COVID-19 normalcy. The second path involved LX producers innovating through VLX.²⁶ In some cases, LX producers possessed an existing VLX capability. In this scenario these LX producers often expanded the VLX offering during the closure. Examples of this include local retailers, with pre-existing ecommerce capabilities, or dine-in restaurants leveraging third-party platforms such as Skip-the-Dishes.

In other cases LX producers who had no previous VLX capability were determined to innovate. For example, with live music venues being closed globally, thousands of musicians migrated to monetizing intimate VLX concerts via platforms such as Stageit (refer to Appendix B). Similarly, physiotherapists leveraged existing specialized platforms to provide VLX treatments. In some cases the VLX displaced the CLX fully, while in other cases the VLX enhanced or complemented the core CLX.

INNOVATION PATHWAYS FOR LX PRODUCERS



Based on this discussion paper, we propose that LX producers answer the following questions when exploring the implications of

the innovations resulting from COVID-19 on their organization and sector. The objective is to offer a multi-level perspective to map alternative innovation pathways.²⁷

Table-2: Mapping the Innovation Pathway

The Live Experience	The LX Customer	The LX Producer
<ol style="list-style-type: none"> 1. How dependent is the value of your core product or service on the LX? 2. How dependent is physical collocation on the delivery of the LX? 3. What are the VLX innovations that emerged or were accelerated by the pandemic? 	<ol style="list-style-type: none"> 1. What motivates your customers to consume this CLX? 2. How does the VLX innovation align with your customer’s motivations and their perception of value? 	<ol style="list-style-type: none"> 1. Could the VLX innovation displace the traditional CLX by offering equal or greater perceived value for your customers? 2. Could the VLX innovation complement the traditional CLX and offer you opportunities to grow the market? 3. Do you, as the incumbent LX producer, possess the competencies to respond to the new dynamics in the sector?
How does the VLX innovation impact the traditional CLX business model?		

In order to help understand this guide, Appendix C presents 13 snapshots from across the nine LX economy sectors.²⁸ Further, the table below provides two sample innovation pathways.

Table-3: Examples of Innovation Pathways

Questions	Blockbuster Films	Large Venue Concerts
The Live Experience		
<i>How dependent is the value of your core product or service on the LX?</i>	<ul style="list-style-type: none"> Enhanced by physical collocation, not dependent on it. 	<ul style="list-style-type: none"> Enhanced by physical collocation, not dependent on it.
<i>How dependent is physical collocation on the delivery of the LX?</i>	<ul style="list-style-type: none"> The value of the movie is dependent on the LX. 	<ul style="list-style-type: none"> The value of the concert is dependent on the LX.
<i>What are the VLX innovations that emerged or were accelerated by the pandemic?</i>	<ul style="list-style-type: none"> Simultaneous release of films in theatres and home viewing. 	<ul style="list-style-type: none"> Intimate 60-minute blended VLX concerts.
The LX Customer		
<i>What motivates customers to consume this CLX experience?</i>	<ul style="list-style-type: none"> Entertainment Social 	<ul style="list-style-type: none"> Entertainment Social Exclusivity/uniqueness
<i>How does the VLX innovation align with your customer's motivations and their perception of value?</i>	<ul style="list-style-type: none"> It delivers on a customer's motivation for entertainment but is limited for social. Lower economic barrier to adoption. At home viewing negatively impacts immersive nature of cinema experiences. 	<ul style="list-style-type: none"> Detracts social motivation. Enhances intimacy and uniqueness.
The LX Producer		
<i>Could the VLX innovation displace the traditional CLX by offering equal or greater perceived value for the customer base?</i>	<ul style="list-style-type: none"> Limited displacement 	<ul style="list-style-type: none"> Potential displacement
<i>Could the VLX innovation complement the traditional CLX and offer you opportunities to grow the market?</i>	<ul style="list-style-type: none"> Complementary 	<ul style="list-style-type: none"> Complementary
<i>Do you, as the incumbent LX producer, possess the competencies to respond to the new dynamics in the sector?</i>	<ul style="list-style-type: none"> Cinemas are not competitively positioned to provide streaming entertainment. 	<ul style="list-style-type: none"> Traditional role of concert promoters will be disrupted.
How does the VLX innovation impact the traditional CLX business model?		
<i>How does the VLX innovation impact the traditional CLX business model?</i>	<ul style="list-style-type: none"> Content distribution will continue to face accelerated disruption, leading to a restructuring of content development and distribution, and increasing vertical integration. 	<ul style="list-style-type: none"> The attraction of an intimate blended concert model will become a dominant delivery model post-pandemic.



MAPPING THE PATH FORWARD

The COVID-19 pandemic has impacted Calgary's CLX and the nine sectors we noted in Figure-1. In pre-COVID-19, these sectors incorporated in Calgary almost 15,000 workers, with two-thirds of the LX producers having less than five employees. Though this sector was decimated, the global closure of the CLX economy has led to many of these LX producers considering innovations. This has included implementing alternative models to deliver their LXs, generate revenue and engage customers, resulting in the expansion of a VLX economy.

"This discussion paper serves as an open invitation to those, regardless of whether your passion is arts, culture, food, sport or recreation, to collaborate in unlocking our city and region's future potential."

While the wage subsidy has kept many LX producers functioning, there is little doubt that COVID-19 has and will continue to impact Calgary's CLX economy. However, a significant question remains on whether the innovative alternative delivery models developed during the pandemic will trigger a structural change in the CLX economy. Is the value offered by VLX comparable or superior to that of the CLX, and will it displace it?

No LX producer could have prepared for the unprecedented impact of a global pandemic. Nor could they have anticipated the devastation that COVID-19 would have on the CLX industry. However, these same entrepreneurs and small business owners do control the decisions that will influence their future.

This discussion paper offers a framework to enable LX producers to evaluate a path forward by considering three dimensions: (1) the live experience; (2) LX customer; (3) and LX producer. In some cases, the market dynamics may lead some of these LX producers to fully exit CLX. In other cases, LX producers may see a path forward that blends both CLX and VLX into a unique and compelling value proposition. Finally, the path forward for some CLX sectors will be virtually identical to the path that got them here. What will be needed is patience, financial prudence, planning, and a focus on short and long-term sustainability.

There are many in the community who share a common passion about Calgary becoming a leader in the LX economy. To this end, this discussion paper serves as an open invitation to those, regardless of whether your passion is arts, culture, food, sport, or recreation, to collaborate in unlocking our city and region's potential as a leader in the LX economy.

APPENDIX A

CALGARY'S LIVE EXPERIENCE ECONOMY

Category	Definition	# Orgs.	# Emp.
Food Services	This sector comprises LX producers primarily engaged in preparing meals, snacks, and beverages for immediate consumption on and off the premises.	3,952	56,468
Personal Care	This sector comprises establishments engaged in providing personal care and wellness services such as physiotherapy, dentists, and hairstylists.	4,108	20,345
Retail	This sector comprises LX producers primarily engaged in retailing merchandise, generally without transformation, and rendering services incidental to the sale of merchandise. Store retailers operate fixed point-of-sale locations, located, and designed to attract a high volume of walk-in customers.	1,546	19,934
Tertiary Education	This sector comprises all forms of private and public education from Kindergarten to grade 12. Tertiary education is incorporated in our definition of the LX economy as it is optional, competitive, and a significant portion of this expense is borne by the student.	1,308	15,475
Organized Sport	This sector comprises LX producers delivering activities involving physical exertion and skill as the primary focus of the activity, with elements of competition where rules and patterns of behaviour governing the activity exist formally through organizations.	1,138	12,081
Accommodation	This sector comprises LX producers primarily engaged in providing short-term lodging for travelers, vacationers, and others. In addition to lodging, a range of other services may be provided.	318	7,589
Arts and Culture	This sector comprises LX producers and individuals engaged in producing and delivering arts and cultural experiences including performing arts, visual arts, cultural exhibitions, and films.	1,073	7,367
Active Recreation	This sector comprises LX producers delivering engagement for the purpose of relaxation, health and well-being, or enjoyment with the primary activity requiring physical exertion. They are often spontaneous in nature and participant led, with a low level of organization and limited structure.	504	6,971
Support	This sector comprises LX producers engaged in activities that support the day-to-day operations of other LX economy producers. This includes transportation of passengers, management and representation of talent, and administration of hosting people.	722	4,021
Other	This sector comprises LX producers engaged in special events, amusement, and gambling facilities and services.	99	2,218

APPENDIX B

LIVE EXPERIENCE INNOVATION CASE STUDIES

Stageit: Monetizing VX Concerts



Over a decade ago, Stageit was launched as a platform for artists to monetize live streamed concerts. The concept was innovative, presenting an intimate medium for fans and a lucrative one for artists; however, it took a pandemic for both groups to realize this.

The Stageit business model is simple. Artists hold 30 to 60-minute VX concerts and receive 65-80% of the revenue. Cash can come from pre-purchased tickets or tips, and for its cut Stageit covers all broadcasting fees, music licensing fees, bandwidth, web hosting, and credit card transactions.

After so many years of virtual obscurity Stageit has suddenly found itself with a roster of artists numbering in the thousands, ranging from independent creators to global superstars like Jon Bon Jovi and Common. By early April, Stageit's registered users expanded to 500,000-plus and artists were playing 850 shows per week without leaving their homes. To date, the most profitable concerts have hit upwards of \$100,000. In the first two weeks of the pandemic, Stageit had nearly doubled its entire 2019 revenue. Although the question of whether VX concerts will emerge as a profitable substitute for LX concerts remains an open debate, COVID-19 changed the conversation completely.

Matt Masters: Curbside Concerts

When Matt Masters – A singer-songwriter from Calgary – saw his career threatened by the pandemic and its ensuing physical distancing guidelines, he spotted an opportunity to reinvent the industry. Enter Curbside Concerts, an initiative in

which musicians from across Canada can be booked to play in front of people's homes. A 45-minute show costs a flat \$200, can be booked online, and has been more successful than Masters ever predicted. Now with over 100 concerts performed in Calgary alone, and Masters saying he's received hundreds of further requests, it is clear that Curbside Concerts has thrived in quarantine. It is difficult to say if this home-delivery model will continue to flourish when traditional delivery methods are once again available, however consumer interest is clear.

VLX Physical Therapy



Since the COVID-19 pandemic created barriers for in-person meetings, it became urgently apparent that some alternative delivery method for vital services had to be adopted as quickly as possible. Virtual Therapy allows individuals to seek mental health treatment from home by connecting patients with professionals through online communication technology. Surprisingly, online therapy has proven to be equally as effective as face-to-face therapy while providing additional reach to those with geographical or financial barriers.

Inkblot Therapy, based in Brantford Ontario, offers online therapy sessions designed to be convenient, affordable, and confidential, with both registered psychotherapists and social workers. Not only do these sessions cost half the average price at \$75 per hour, but the first ones are free until an appropriate match between patient and therapist is made. To top this all off, every session can be submitted to insurance.

Inkblot Therapy reports that they are currently conducting 7 times more weekly therapy sessions compared to the first week of January, supporting around 100,000 people in Canada, and 2,000 people in the United States.

Online Grocery Shopping Explodes



Instacart is a private online grocery delivery service founded in 2012. Despite strong growth throughout its 8-year existence, the pandemic has allowed Instacart to explode in popularity as North American populations moved into self-isolation.

The service's model is simple. You login to the Instacart application or web-based platform and choose a local store. Next, you add items from in-store to your digital cart and select a delivery time. Finally, a local shopper handpicks the items in your cart, and delivers them directly to your door. Retail partners set the price of items in the marketplace, and Instacart adds additional fees for service and delivery. Various membership options are also available for customers.

Instacart services more than 5,500 cities in North America, and is in partnership with over 350 grocery retailers, amounting to more than 25,000 stores. With COVID-19, the app's popularity saw downloads grow by 218% in the United States in March 2020 alone.

Drizly: Alcohol e-Commerce service



Drizly is a private retail company founded in 2012 providing alcohol ecommerce services in over 100 markets throughout North America. The website and app-based platform delivers beer, wine, and spirits from local retailers to users' locations. With the spike of North American alcohol sales during the

pandemic, Drizly's profits have followed the trend, with a reported 300% increase.

Drizly's business model is simple ecommerce. Using the online platform, the user types in their location and searches for items to order. Drizly matches the order to participating local retailers, who pick and process the order and fulfill the delivery. Drizly does not take a percentage of the orders, but rather charges retailers a monthly fee for their services. They partner with local retailers, and also have an exclusive alliance with the Wine and Spirits Wholesalers of America.

The Growth of Meal-Kits



HelloFresh is a publicly traded company that was founded in 2011 and is based in Germany. In 2018 the company became the largest meal-kit provider in the United States, while also operating in Canada, throughout Europe, Australia and New Zealand. The service offers various plans to choose from, based on dietary preferences and size of family, delivering pre-measured ingredients to users' doors on a weekly basis. As a result of COVID-19, global populations have been forced to prepare meals at home regardless of kitchen experience, making the sudden increase in demand for services like HelloFresh understandable. The company experienced a 37% increase in revenue during the first quarter of 2020, and specifically has seen its United States customer base increase by 88% from last year in this same time-period.

HelloFresh's business model capitalizes on a greater buffer time between customer orders and deliveries than takeaway food models. With consumers being home more during the pandemic, many delivery challenges are also avoided, which further increases the value of the service. It is unclear whether the service will continue to prosper with loosening of COVID-19 restrictions, but their market has been

opened to the vulnerable population who may decide that the cost of using meal-kit deliveries is worth the peace of mind in avoiding grocery stores.

Restaurants Diversify



C3 (Creating Culinary Communities) is a partnership between sbe, Simon, and Accor, which was launched in early 2020. The company describes itself as “a cutting-edge food and beverage platform consisting of an array of limited service culinary brands.” While the restaurant industry has seen huge layoffs during the COVID-19 pandemic, C3 has been capitalizing on rapidly changing customer behaviours by investing in ‘ghost kitchens’ and mobile delivery. In fact the company has been leasing closed eateries, and was reportedly looking to hire 1,000 employees to meet the demands of opening 138 ghost kitchens by year’s end.

Ghost kitchens are locations which abandon the traditional brick and mortar venues to meet more flexible virtual demands of consumers. These locations function without storefronts, dining rooms, or even pickup counters, and they may be run as a sole entity or share their kitchen space between several restaurants. Partnering with delivery companies helps to streamline operations while also saving on square footage overhead, as well as costs associated with servers and non-kitchen staff.

The online ordering market, worth \$26.8 billion, is quickly becoming a staple for the restaurant industry as the fastest-growing sales source, rising 20% annually in recent years. In June of 2020, C3 announced a partnership with internationally acclaimed Chef Dani García to open two culinary concepts by the end of 2020. While C3 is betting big on their ghost kitchen concept, consumer behaviours coming out of the pandemic will certainly play a role in the company’s success.

Travelers Seek Control of Visiting Experiences

RVshare

RVshare is a private U.S. recreational vehicle (RV) rental

marketplace founded in 2013 on the basis of a peer-to-peer business model. RV owners capitalize on their RV’s downtime - which can amount to 90% of the year- by listing it for peers to rent. With limited travel options amidst the COVID-19 global restrictions, demand for the flexibility and control afforded by RVs has spiked. For families seeking ways to get away and enjoy a camping experience while also self-isolating in a safe manner, renting an RV is the perfect option. RVshare has seen the company’s highest booking rates in history since early April 2020, with a staggering 650% increase.

RVshare boasts an inventory of more than 100,000 vehicles, ranging from the smallest travel trailers to the most lavish full-service motorhomes. The inherent flexibility with these options, accommodating anything from weekend camping adventures to cross-country trips, bodes well for the company. With summer upon us, survey results have shown that 77% of respondents are looking to make travel plans in the coming months, with 93% of survey participants indicating a desire to avoid crowds, and 65% aiming to be surrounded by nature. As restrictions due to COVID-19 lessen, people’s behaviours will change as the perceived risk of infection lowers, opting instead for more affordable tenting trips. Despite this, the comfort and safety of RV camping will certainly be more widely known, which has the potential to keep this travel option at high popularity for years to come.

The National Theatre: Revolutionizing Fundraising

National Theatre

Following the United Kingdom's National Theatre's closure in the face of COVID-19, it looked as though the very traditional revenue streams of live entertainment could not be adapted to a digital environment. In response to this threat, The National Theatre at Home began; a series of productions filmed and formerly distributed via theatres were premiered free online, with audiences urged to donate. Just one of those productions, *One Man, Two Guvnors*, surpassed one million views and reportedly drew in more than £50,000 worth of donations. As the productions were recorded years ago and belong to the theatre, the costs to stream them have been minimal, drawing in an overwhelmingly positive reception and lucrative fundraising opportunity.

Trolls World Tour: The End of Cinema?



There exist few examples thus far of concrete cinematic releases on home streaming services. Besides a number of prominent indie films, Hollywood's move into home releases seems to have begun only out of necessity with Universal's Trolls World Tour. While at first seen as a risky maneuver – one that stirred up notable friction between movie theatres and movie producers – Trolls World Tour was ultimately a resounding success, amassing around \$100 million in rental fees, with each rental costing \$20. Thanks to studios

being able to take the lion's share (80%) of profits from home releases, Trolls World Tour created roughly the same revenue for Universal as its predecessor, Trolls, which saw a traditional theatre release. Time will tell if the new model will prove as profitable, or if it requires adjustment, but Trolls World Tour proves it has potential.

Tele-Medicine Comes of Age

maple

Maple is an online telemedicine service that connects patients with Canadian-licensed doctors using video, audio, or instant message technology. This service is primarily used for conditions that do not require an in-person visit, reducing the strain on the healthcare system by moving suitable primary care out of hospitals and clinics. Typically, patients are in contact with a physician within 2 minutes of logging on and physicians are able to prescribe medications and write sick notes or referrals at the end of the appointment.

Due to the COVID-19 pandemic, stay-at-home orders and physical distancing have forced changes in public medicine. Accessing healthcare online from home has become more popular during this time to avoid contact with potentially infected patients for basic health care needs. Maple estimated that they have seen ~500% increase in visits to their website in a 24-hour period, increasing the wait time to 2 hours instead of the regular 2 minutes. Due to unexpected high demand, Maple has hired numerous doctors to support their new influx of patients. They now have ~1,000 healthcare providers on their platform, which is a significant increase over pre-COVID numbers.

APPENDIX C

INNOVATION PATHWAY SNAPSHOTS

SNAPSHOT: FILM FESTIVALS

The Experience

- Enhanced by physical collocation
- The LX is central to the core value proposition
- Festivals shifted to a digital downloaded model for home viewing

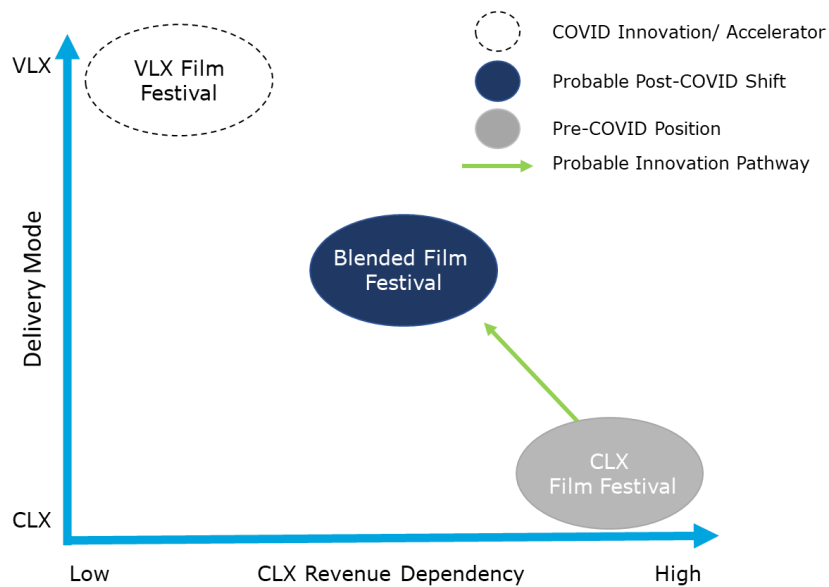
Example: We Are One; Toronto International Film Festival; Calgary International Film Festival

The LX Customer: Attending a film festival provides two forms of value. First, access to film makers provides exclusive insight into the production experience. Second, it reinforces one’s social identity.²⁹ Simply viewing at home will negatively impact both the exclusive insight and social value of the film festival. However, film festival producers have the potential to overcome these

deficiencies through exclusive VLX webinars with film makers and tools to share and amplify a customer’s VLX.

The LX Producer: The delinking of physical proximity from the ability to engage in a festival expands the addressable market exponentially. This offers the potential to diversify revenue streams beyond venue-based ticket sales. The risk for the LX producer is losing differentiation in a crowded entertainment market.

Future LX Innovation Pathway: We predict that traditional CLX-only film festivals are at risk of accelerated displacement but have an opportunity to expand to a blended delivery festival in order to expand both the addressable market and revenue streams.



Film Festival Snapshot Innovation Pathway

SNAPSHOT: BLOCKBUSTER FILM RELEASES

The Experience

- Enhanced by physical collocation
- The LX is central to the core value proposition
- Releasing of blockbuster films simultaneously in theatres and via 48-hour digital rental for \$20

Example: Trolls World Tour; AMC

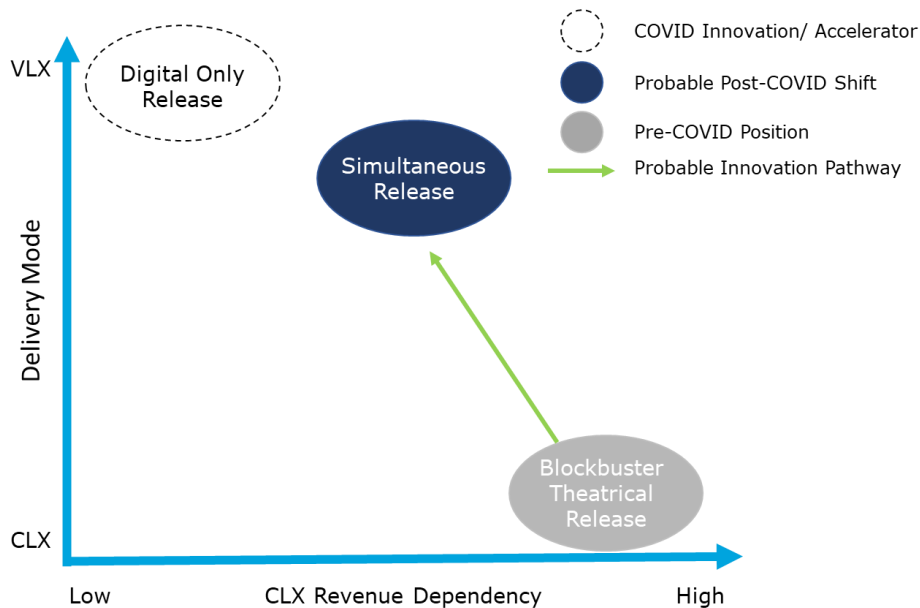
The LX Customer: In 2019, Americans watched fewer films in theatres than any year since 1927. This suggests home viewing continues to displace traditional theatrical releases. However, blockbuster films are uniquely designed for theatrical release due to their special effects and sound.

The LX Producer: The release of blockbuster movies outside of a theatre has massive implications on the overall business model, including film producers, distributors, theatres, and actors. For

example, after Universal released Trolls World Tour, AMC terminated their relationship with Universal Studios, announcing they will no longer allow any Universal Studios films on any of their 11,000 screens. AMC's sustainability is in doubt, while Amazon and other content producers have reportedly shown interest in diversifying into theatre ownership. A risk is movie releases are focused on kick-starting ticket sales with an event that generates momentum. Producers will have to be conscious of the potential of diluting their product with the innovation.

Future LX Innovation Pathway:

Content distribution will continue to face accelerated displacement. Simultaneous release of most theatrical content will become the norm, and this will lead to a restructuring of content development, distribution, and increasing vertical integration.



Blockbuster Snapshot Innovation Pathway

SNAPSHOT: MUSEUMS AND GALLERIES

The Experience

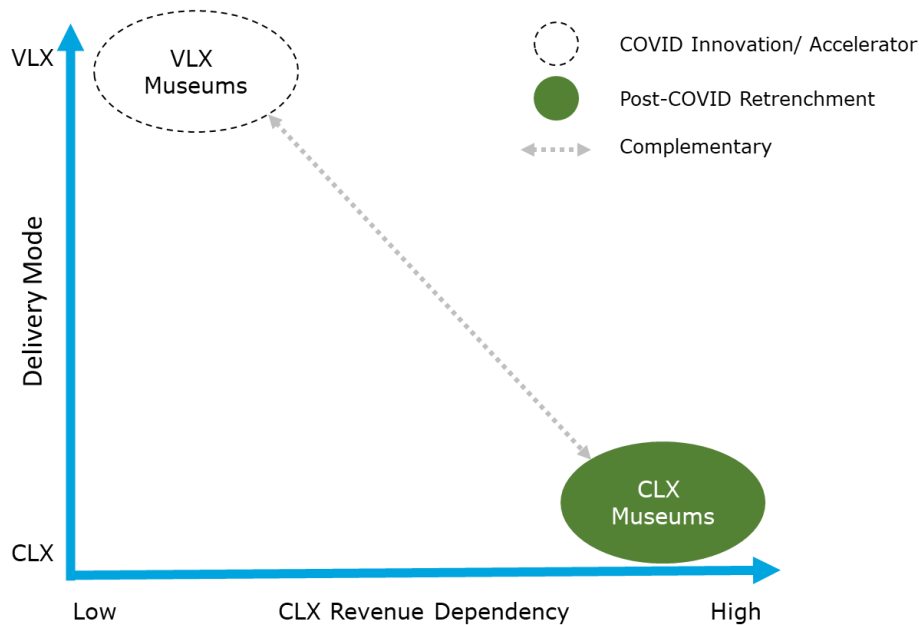
- Enhanced significantly by physical collocation
- The LX is central to the core value proposition
- Museums and galleries introduced VLX options

Example: Google Arts & Culture; Musée du Louvre

The LX Customer: Attending a museum or art gallery is driven by a motivation for knowledge, access to unique or exclusive materials, and engagement with experts and artists. This could be combined with other CLX (e.g., tourism).

The LX Producer: COVID-19 has had a significant financial impact on museums and galleries simply because access is restricted. These venues depend on live visitation, and for segments looking to see the unique materials they may find it in well produced VLX content. Producers will have to ensure they maintain that exclusivity, and new content works to attract in-person visits.

Future LX Innovation Pathway: The VLX, before and during COVID-19, will not have a significant displacement impact on museums and galleries. We believe that LX innovations will be complementary and promote ongoing engagement.



Museums and Galleries Snapshot Innovation Pathway

SNAPSHOT: PHILANTHROPIC FUNDRAISERS

The Experience

- Enhanced by physical collocation
- The LX is central to the core value proposition
- During COVID-19, organizations moved fundraisers to VLX. For participants that were connected via VLX tools, meals from local chefs were prepared and delivered, and online auctions were made available.

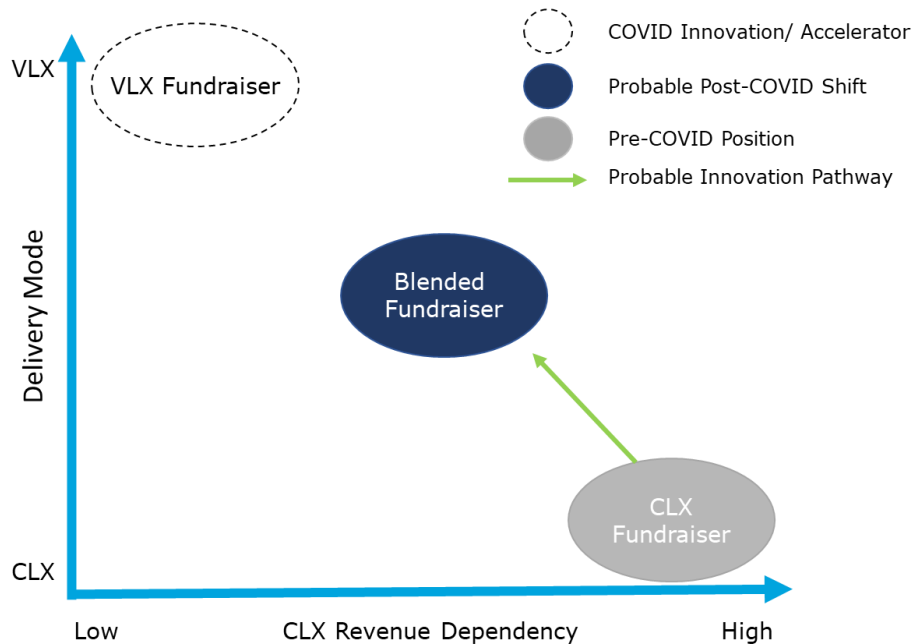
Examples: Carya Long-table, ATP; The Met

The LX Customer: Motivations to participation are primarily philanthropic but supported by social opportunities and the promise of exclusive experiences.

The LX Producer: The VLX innovations offer both temporary and long-term benefits. In the temporary sense, the innovations maintain a share of mind and giving for the cause until traditional CLX offers can resume. Over the long-term, the innovations have increased the use of digital tools to spur giving or bidding for the purposes of fundraising.

Altering the LX may impact giving. Innovations will have to consider how to mitigate this or substantially ease the giving process.

Future Innovation Pathway: Given the significant social motivation, we anticipate displacement is unlikely; however, VLX channels could emerge as a complementary medium to extend fundraising reach and opportunities.



Philanthropic Fundraisers Snapshot Innovation Pathway

SNAPSHOT: LARGE VENUE CONCERTS

The Experience

- Enhanced by physical collocation
- The LX is central to the core value proposition
- During COVID-19, artists tested smaller more intimate venues and simulcast formats.

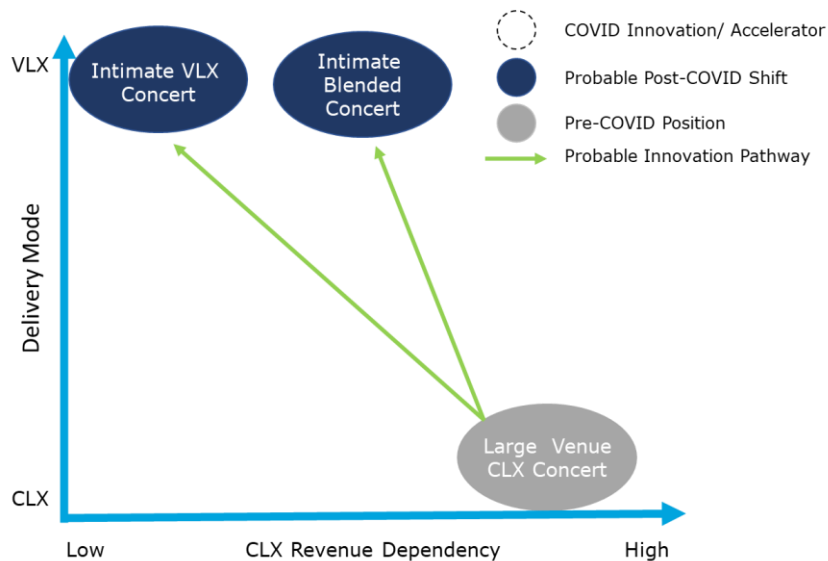
Examples: Verzuz; Garth Brooks; Uncancelled Music Festival; StageIt; Live From out There; Drive-in concerts

The LX Customer: The value of large venue concerts is highly contextual. For example, the CLX of a singer-songwriter is vastly different than a rock band anchored in a pyrotechnical stage show. However, the draw of intimate venues has been proven in the Las Vegas residency model.

The LX Producer: This model expands the addressable market exponentially.

This offers an ability to diversify revenue streams beyond venue-based ticket sales. This could include new revenue streams such as advertising, sponsorship, media partnership, and pay-per-set tickets. Live attendance at these small venue concerts will be an extreme premium. The in-person experience is unique and offers opportunities to see/hear the artist in new ways. Watch for innovations that impact this.

Future LX Innovation Pathway: We predict that this sector will be under pressure of accelerated displacement as the attraction of an intimate blended concert model will become a dominant delivery model post-pandemic. Exceptions will be large venues, such as festivals, that deliver diverse forms of value, including multiple intimate stages, spontaneous jam sessions, and activities that provide social value unique to a CLX.



Large Venue Concerts Snapshot Innovation Pathway

SNAPSHOT: GYMS AND FITNESS STUDIOS

The Experience

- Enhanced significantly by physical collocation
- The LX is central to the core value proposition
- With the closure of gyms and fitness studios, individuals migrated to in-home options at an increased pace, including home gyms and VLX fitness classes
- It remains too early to judge the impact of COVID-19 on fitness, but research suggests many Canadians struggled to maintain their fitness levels.³⁰

Examples: Peloton; YMCA360; Fitnessondemand247; Nike Training Club; Samsung Health; Zwift

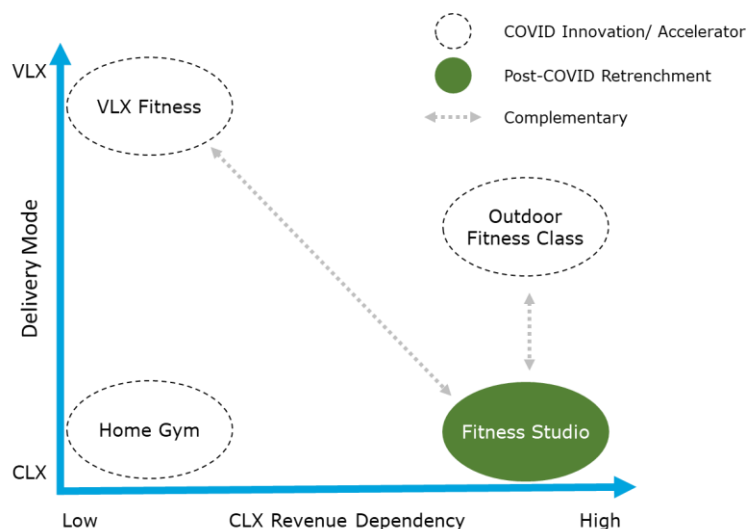
The LX Customer: Fitness incorporates both a utilitarian and hedonic value. During the pandemic, VLX training platforms and home gym sales exploded. Peloton paid digital subscribers increased 64% in a single quarter.³¹ Certain offerings, previously not part of the gym and fitness studio market, entered the at-home market, such as Ironman, which

launched its Ironman VR platform for at-home training and competition. Gym and fitness studios incorporate a significant social dimension, which is difficult to displace.

The LX Producer: Many gyms and studios (e.g., YMCA) are non-profit or have thin margins. Loss of members could challenge the sustainability of their business model.

Margins for facilities are generated by the value added by facilities and instructors. Having these available online at a reduced cost can impact that.

Future LX Innovation Pathway: COVID-19 may permanently transition some LX customers to at-home fitness delivery options, but in general this is in a CLX halo. Thus, there may not be a significant structural change as the social drivers of gyms and fitness classes cannot easily be displaced virtually. In the short-term, there will likely be increased demand for outdoor fitness options. VLX and outdoor fitness options may emerge as extensions of gyms and studios. Overall, gyms and studios need to focus on amplifying the CLX social value of their programming.



SNAPSHOT: RECREATIONAL TEAM SPORT

The Experience

- Enhanced by physical collocation
- The LX is central to the core value proposition
- During the pandemic, leagues transitioned to VLX to engage their members. Others transitioned to esports and board games. Finally, recreational athletes trained at home and, where permitted, did so in small groups that allowed physical distancing to be maintained.

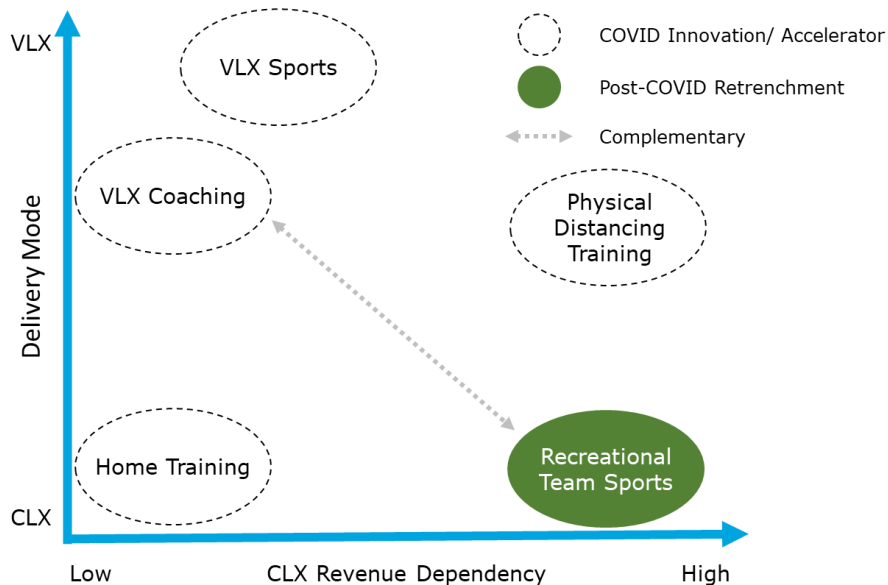
Examples: Victoria Sport & Social Club; Calgary Minor Soccer Association; Home Court

The LX Customer: Recreational sports incorporate utilitarian, hedonic, and social

value. Utilitarian value (fitness) can be replaced; however, the hedonic and social value cannot be easily displaced by VLX or solitary options.

The LX Producer: The vast majority of recreational sport leagues are non-profit community organizations. Therefore, the business model of these leagues enables scalability as they have few fixed costs. Thus, the business model impact will be marginal.

Future LX Innovation Pathway: COVID-19 should have no structural impact on the sustainability of recreational team sports, however, this sector needs to 'double down' on enhancing CLX opportunities for its' participants.



Recreational Team Sports Snapshot Innovation Pathway

SNAPSHOT: RECREATIONAL INDIVIDUAL SPORT

The Experience

- No dependency on physical collocation.
- The LX is central to core value proposition.
- Individual oriented sports that require access to public facilities (e.g., golf, tennis, swimming) were largely shut down during the pandemic. LX innovation was largely limited to at home training and VLX coaching and simulations, but due to resource limitations of these LX producers, the VLX coaching was typically via email or video call.

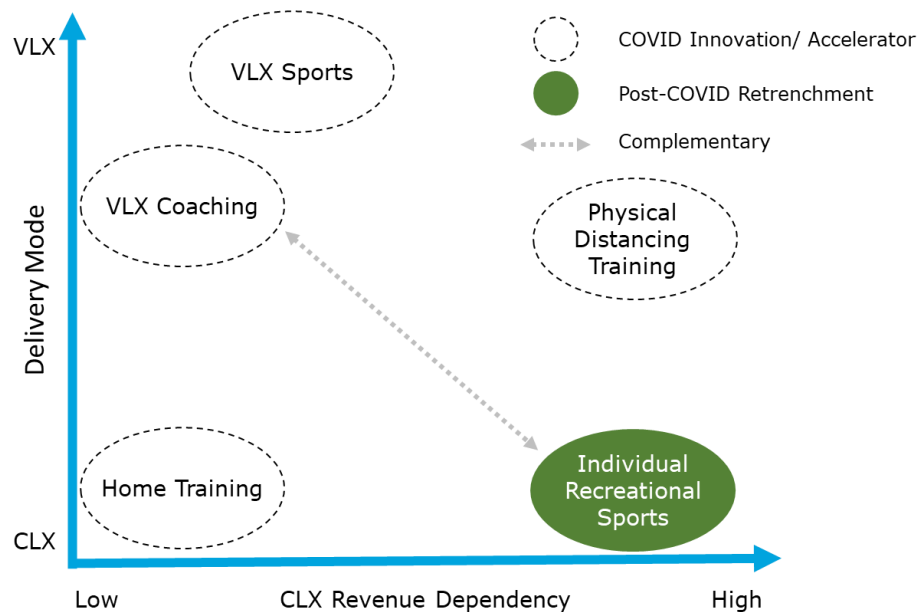
Examples: Kronos Triathlon Club

The LX Customer: The social, competitive, enjoyment and fitness benefits stopped during COVID-19 but are expected to return quicker than other segments due to the ability to social

distance in most individual sports. Some activities, such as swimming, will be slower to return.

The LX Producer: COVID-19 has led to ceased or postponed operations for most of these LX producers. Like team sports, the risk is extremely low because the activity is dependent on physical collocation. However, the delay in access may force participants to find other activities and not return to these activities.

Future LX Innovation Pathway: Although the current impacts are very high, COVID-19 should have limited long-term structural impact on the sustainability of individual recreational sports, however, similar to team sports, this sector needs to 'double down' on enhancing CLX opportunities for its participants.



Recreational Individual Sport Snapshot Innovation Pathway

SNAPSHOT: GLOBAL TOURISM

The Experience

- Dependent on collocation
- The LX is central to the core value proposition
- With the closure of most tourist venues worldwide, many venues introduced interactive VLX tourism options

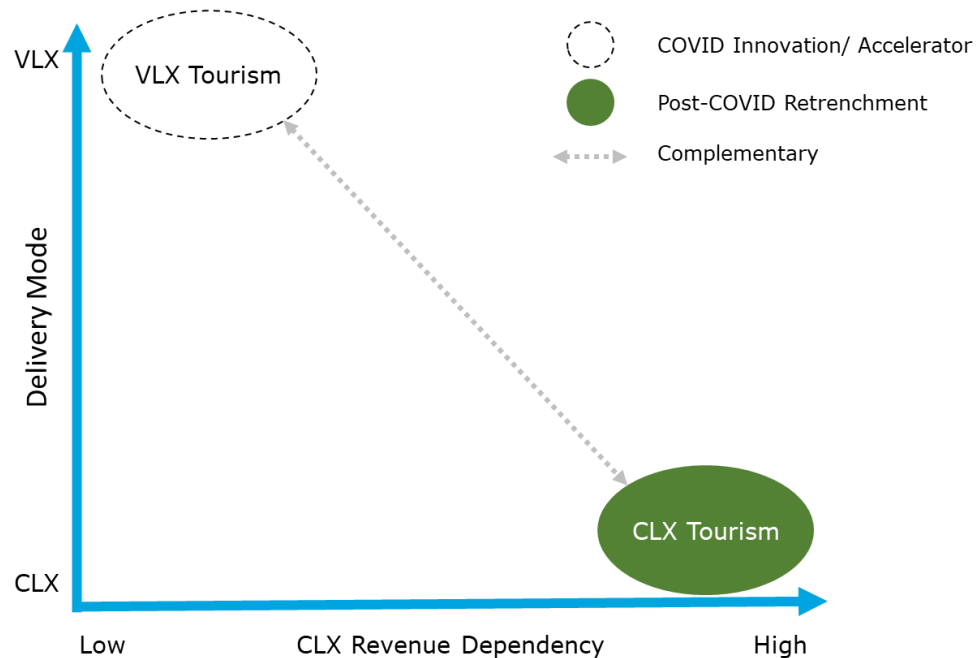
Examples: Faroe Island Tourism; Helsinki; Google Treks; Kenai Fjords; Holy City 360; Airbnb LXs

The LX Customer: Pleasure travel incorporates a significant hedonic and social dimension. Virtual travel is a teaser.

The LX Producer: COVID-19 will have significant impact on global tourism due to

perceived risk and long-term financial impact on service providers. Global tourism requires access and participation. Restrictions heighten risk over the short-term and decrease interest over the long term. Producers will have to watch innovations that attempt to replace experiences instead of encouraging them.

Future LX Innovation Pathway: The VLX tourism introduced during COVID-19 will not have a significant displacement impact on CLX tourism. Rather, LX innovations will be complementary and provide a tool that will 'double down' on engaging potential tourists until CLX travel becomes feasible.



Global Tourism Snapshot Innovation Pathway

SNAPSHOT: DINE-IN RESTAURANTS

The Experience

- Enhanced by physical collocation
- The LX is central to the core value proposition
- With the closure of dine-in restaurants, many venues migrated to a combination of curbside pick-up or delivery services (e.g., Skip the Dishes) or diversified into retail (e.g., specialty grocery and liquor).

Examples: Fran Bartone-Prodrumou; Skip the Dishes

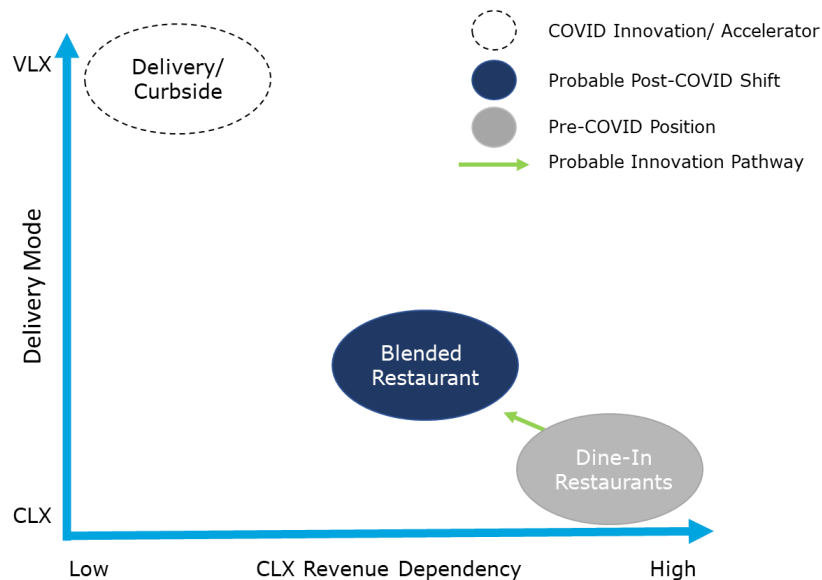
The LX Customer: The value of dine-in restaurants varies significantly by audience and type of restaurants. Some restaurants are purely utilitarian in nature; the value of others is more hedonic and social.

The LX Producer: COVID-19 has had a continued impact on dine-in restaurants, including mandating physical distancing and expansive cleaning upon reopening. These measures increased the operating costs for many smaller, single revenue stream restaurants, challenging their

already thin margins. Delivery services (e.g., Uber Eats), though increasing revenue streams for dine-in restaurants, often absorb all margins.

While physical collocation is key to the overall experience, having the food available anywhere increases the risk of losing customers. Producers have to watch innovations that elevate the food too highly and ensure a balance between physical traits (atmosphere, service, etc.) and food quality and experiences.

Future LX Innovation Pathway: This sector is highly contextual and, depending on the restaurant, may straddle on their 'double down' ability, thus accelerating disruption and eventual exit. However, the delivery and curbside innovations, which increased significantly during the pandemic, may emerge as a complementary revenue stream. Restaurants may also diversify into potential retail operations for specialty grocery and liquor.



Dine-In Restaurants Snapshot Innovation Pathway

SNAPSHOT: LUXURY RETAIL

The Experience

- Enhanced by physical collocation
- The LX is central to the core value proposition
- Most luxury retail was forced to close. The result is that luxury goods sales plunged by 80% in April 2020 compared to 2019.³²
- In response to COVID-19, luxury retail tried a variety of strategies. For example, Dior live-streamed on Weibo the catwalk show for its 2020 autumn/winter women's collection in Paris. Louis Vuitton launched a Valentine's Day exclusive pop-up store in China via a WeChat mini program that allowed customers to place orders online. The brand moved pre-sale consultations and post-sale customer services online. Despite the outbreak, Louis Vuitton doubled its online sales compared to last year's Valentine's season.³³ Luxury retails will need to step up personalization efforts in

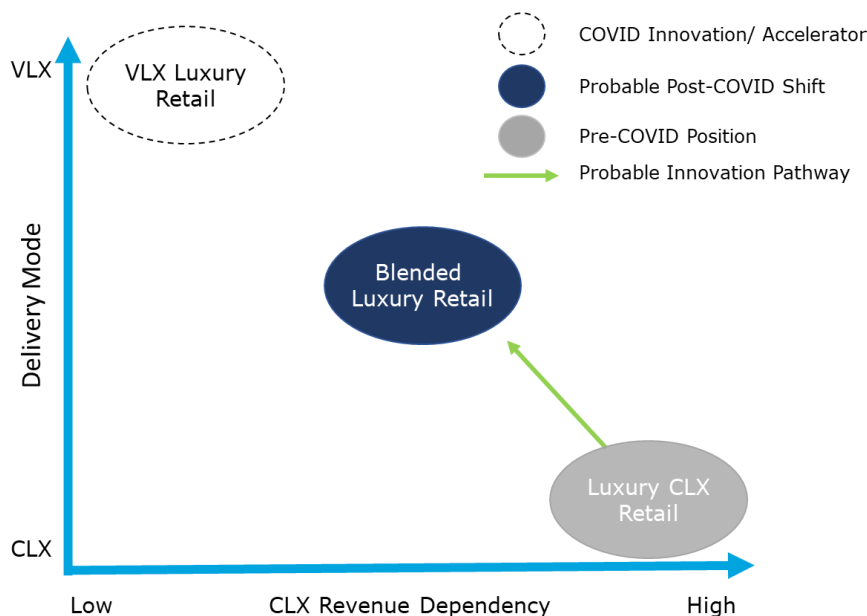
digital marketing. Luxury consumers are accustomed to a high standard of service in stores; the emphasis, then, should be on creating a personalized digital LX of the same quality.

Examples: Louis Vuitton; Dior

The LX Customer: The value of luxury retail is highly hedonic and social.

The LX Producer: 20 to 30% of industry revenues are generated by customers making luxury purchases outside their home country. In many cultures, luxury shopping is an integral part of the tourism experience. A risk exists that customers flee the segment in-person in favour of VLX due to convenience and savings potential..

Future LX Innovation Pathway: This sector is facing an accelerated disruption and is highly vulnerable to the reopening of the global tourism sector. To survive, this sector will need to expand into alternative delivery, including VLX and forms of luxury virtual personal shopping.



Luxury Retail Snapshot Innovation Pathway

SNAPSHOT: LOCAL RETAIL

The Experience

- No dependency on collocation
- No dependency on the core value proposition
- Local (non-essential) retail was closed in most jurisdictions during the pandemic. Few local retailers possessed significant ecommerce capability.³⁴ As a result of the pandemic, many local retailers responded by introducing some ecommerce capability.

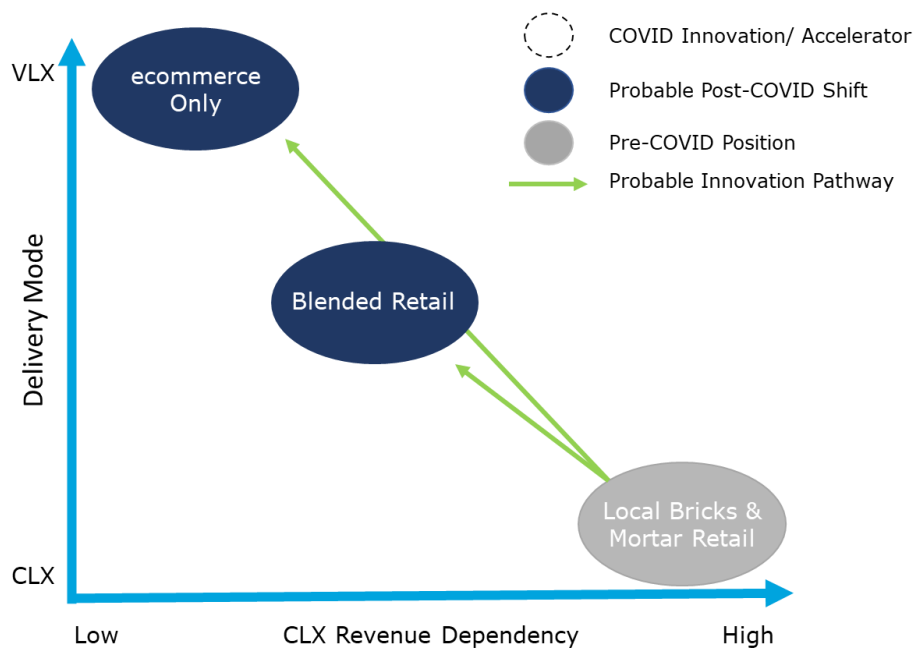
Examples: Digital Mainstreet, Pilot Coffee Roasters

The LX Customer: Motivations will vary dramatically by category and customers. Local retailers were already facing

significant pressure from global ecommerce prior to the pandemic. The forced transition to ecommerce may have a lasting impact on how and where customers make future purchases.

The LX Producer: A significant portion of a retailer's operating expenses is tied to retail lease space.

Future LX Innovation Pathway: This sector is facing an accelerated CLX exit and has two pathways. Many local retailers will shift from a traditional brick and mortar retail model to a blended ecommerce model (i.e., click and mortar) that will diversify revenue streams and expand the addressable market. Some local retailers may transition to an ecommerce only model.



Local Retail Snapshot Innovation Pathway

SNAPSHOT: TERTIARY EDUCATION

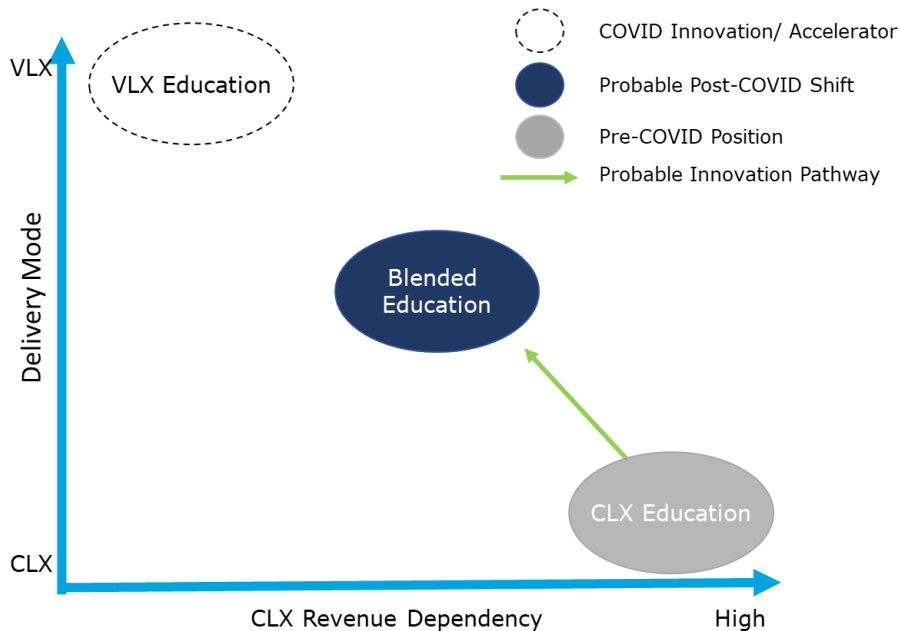
The Experience

- Enhanced by physical collocation
- Highly interdependent with the core value proposition
- All accredited education systems from kindergarten to postsecondary migrated to VLX delivery.

The LX Customer: Motivations will vary dramatically by student profile and program. Research suggests that the majority of postsecondary students do so to support their professional goals and perceive value in social components of learning, including networking and face-to-face collaborative activities.³⁵ VLX does not deliver a comparable value.

The LX Producer: VLX delivery has a negative impact on all CLX revenue-generating assets. This includes residences, on-campus retail, food services, and parking. Moreover, international students compose a significant portion of some academic institutions' revenue streams.³⁶

Future LX Innovation Pathway: We anticipate that COVID-19 will accelerate the disruption of tertiary education by advancing the migration of some forms of learning to VLX. This will be defined by the relative advantage of one delivery method over another and be tied to specific learning outcomes. The result will be that much tertiary education will evolve to a blended model.



Tertiary Education Snapshot Innovation Pathway

SNAPSHOT: PHYSIOTHERAPY

The Experience

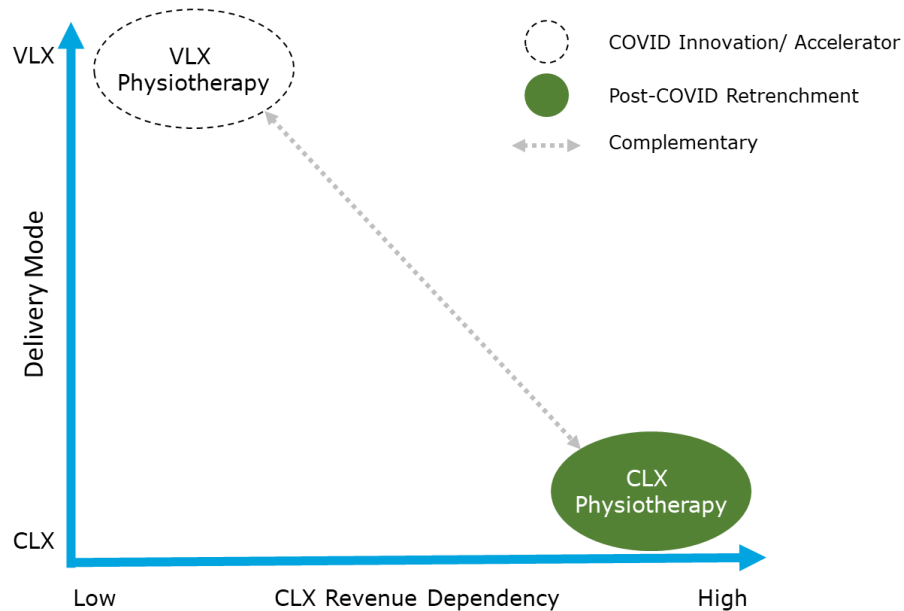
- Dependent on collocation
- Highly interdependent with the core value proposition
- All physiotherapists were closed during the pandemic due to social distancing. In response, many shifted to VLX appointments. Common VLX treatments include self-mobilization, education, ergonomics, exercise prescription and progressions of exercises. Progress is tracked on a secured app.

Examples: Cloud Go Health; Fifth Ave Physio; Physitrack

The LX Customer: Physiotherapy is a utilitarian need and a necessity for many patients.

The LX Producer: VLX physiotherapy may emerge as a complementary tool to CLX physiotherapy, which will provide minimal displacement.

Future LX Innovation Pathway: This sector is in the CLX halo and therefore, CLX physiotherapy will remain the dominant delivery method.



Physiotherapy Snapshot Innovation Pathway



APPENDIX D

LIVE EXPERIENCE INNOVATION FRAMEWORK

To expand beyond the summary questions in the manuscript, below are a series of questions for a management team to use when assessing the opportunities and threats associated with a VLX.

The Experience

1. How central is this CLX to your organization's core business?
2. Do any of your direct competitors generate the majority of their revenues through a VLX delivery model?
3. How important is tradition to the culture of organizations in your CLX sector?
4. How important is tradition to you personally?
5. How embedded is tradition within the culture of your organization?

The LX Customer

LX customers are motivated by different factors, so explore value drivers and the relative proportion of your LX customers.

1. What motivates your customers to engage in your organization's CLX?
 - a. Is it a necessity?
 - b. Is it a luxury?
 - c. Is it a CLX that promotes social interaction?
 - d. Is it a CLX that promotes social media amplification?

2. How important is *tradition* to your customers?
3. What evidence does your organization have that your organization's customers are open to (or not) to innovations?
4. How *complex* is the VLX relative to the traditional CLX?
5. How *convenient* is the VLX relative to the traditional CLX?
6. How *accessible* is the VLX relative to the traditional CLX?
7. Is it possible for LX customers to *try* the VLX with little risk?
8. Is it possible for LX customers to *observe* others using the VLX before they use it?
9. Is it possible for LX customers to *assess the value* of the VLX before committing to using it?
10. To what degree are you meeting their key motivations for engaging in the first place?

The LX Producer

1. What proportion of your revenue over the previous three years is related directly to a CLX?
2. What proportion of your revenue over the previous three years is related to hosting activities with 100 or more people physically collocated in a single space?
3. How dependent is your product or service value on delivering a LX?

LX Innovation Pathway

Based on your responses above, what is your overall assessment of the value of the VLX relative to your traditional CLX?

1. Could the VLX *displace* the traditional CLX by offering equal or greater perceived value for the majority of your customer base?

2. Could the VLX *complement* the traditional CLX and offer opportunities to grow the market?
3. Was the VLX unique to only the pandemic and provides little or no value to a customer once social distancing rules are removed?
4. Does your organization possess the competencies (e.g., digital capabilities) and culture to respond to the new dynamics in your sector?
5. Are competing organizations better positioned with their competencies and culture to respond to the new dynamics in your sector?



APPENDIX E

GLOSSARY

Accommodation: This LX economy sector comprises LX producers primarily engaged in providing short-term lodging for travelers, vacationers, and others. In addition to lodging, a range of other services may be provided.

Active Recreation: This LX economy sector comprises LX producers delivering engaged in for the purpose of relaxation, health and well-being or enjoyment with the primary activity requiring physical exertion. They are often spontaneous in nature and participant led, with a low level of organization and limited structure.

Adoption Attitudes: In the context of an adoption attitude, attitude can be viewed as a composite construct composed of the many perceptions associated with the five discrete embedded factors in the model discussed previously: relative advantage, compatibility, complexity, triability and observability

Adoption Decision: The individual chooses to adopt or reject an innovation at a given moment in time.

Arts and Culture: This LX economy sector comprises LX producers and individuals engaged in producing and delivering arts and cultural experiences

including performing arts, visual arts, cultural exhibitions, and films.

Collocated LXs (CLX): Incorporates LXs where the LX customer and LX producer are collocated physically.

Diffusion of Innovation: Developed in 1962, by Everett Rogers to explain how an idea, behavior, or product gains momentum and spreads through a population. The result is that this new idea, behavior, or product displaces what previously existed. A critical element is that a person must perceive the idea, behavior, or product as new or innovative. It is through this that diffusion is possible. The diffusion of innovations defines five factors that contribute to a customer's decision to adopt or reject an innovation.

1. *Relative advantage:* Does the innovation offer superior value to me compared to the existing alternatives?
2. *Compatibility:* Is this innovation aligned to my values and needs?
3. *Complexity:* How difficult is it for me to understand and adopt this innovation?
4. *Triability:* Is it possible for me to test and experiment with this innovation before I adopt it?



5. *Observability*: Does the innovation provide tangible results to support my decision on whether to adopt or reject the innovation?

LX Behaviours: Here, we cluster behaviour into four major categories that would be considered positive outcomes for the LX producer seeking that behaviour: Observe a LX; Attend a LX; Participate in a LX; Sharing a LX.

Experience Economy: The term that first emerged in 1998 in an influential Harvard Business Review article by Pine and Gilmore.³⁷ Pine and Gilmore observed that both products and services were becoming increasingly commoditized, the result was a difficulty for marketers to differentiate their product in a competitive market. These authors argue that increasingly commoditization, demand that marketers transform product and services into meaningful LXs as a mechanism to ensure maximum economic value. Pine and Gilmore argue that the foundation of the experience economy is the currency of *time*. Time is finite and therefore a scarce resource of significant potential economic value. Thus, like any other scarce resource, there is a market to exchange time for value. Pine and Gilmore view experiences as the intersection of two variables. The first is the *level of participation by experience customer*. The second variable is the *level of connection* of an experience to the customer. These range from absorption to immersion. *Absorption* is when an experience occupies a customer's mind, whereas *immersion* is when the customer becomes part of the experience itself. These two variables combine to provide a

perceptual map of what Pine and Gilmore defines as the four realms of the experience economy.

LX Influencers: These are the variables that both media and moderate the formation of an attitude. Innovation attitudes are based on the evaluation of information from a wide range of fragmented sources over time. This includes previous direct experience, media consumption, subjective social norms, and social identity. Moreover, contextual factors related to the individual are important moderators. For example, is it arts or sport? Is it for adults or children? Finally, the socio-demographic characteristics of the LX customer have been identified to moderate LX attitudes.

LX Motivation: Motivation can be clustered into two broader categories of value, utilitarian and hedonic. Utilitarian value is the practical value associated with the LX. For example, there is a practical value in getting a haircut. In contrast, hedonic value is the pleasure associated with the LX. Hedonic motivation may include items such as social, knowledge, escapism, entertainment, or novelty.

Food Services: This LX economy sector comprises LX producers primarily engaged in preparing meals, snacks, and beverages, to customer order, for immediate consumption on and off the premises.

Innovation Pathway: Future strategic options at the level of a LX economy sector or LX producer.

LX Customer: Individuals who consume LXs from one of the nine identified LX sectors.

LX Centrality: This reflects how central the delivery of a LX as part of its core-value proposition. In some cases, an organization's core value proposition and the LX are highly interdependent (e.g., live theatre). In other cases, the LX may be supplemental to an organization's core product or service. For example, a golf club manufacturer holding an exclusive golf clinic with a touring professional for top customers.

CLX Economy: Includes nine sectors where a minimum of 50% of its product or services revenue is dependent on both the LX producer and their customer being collocated in the same physical space. The LX economy includes nine sectors, including retail, active recreation, organized sports, food services, arts and culture, accommodation, tertiary education, personal care, and support services.

CLX Producer: An organization that develops and executes CLXs.

Organized Sport: This LX economy sector comprises LX producer delivering activities involving physical exertion, skill as the primary focus of the activity, with elements of competition where rules and patterns of behaviour governing the

activity exist formally through organizations.

Personal Care: This LX economy sector also comprises establishments engaged in providing personal care and wellness services such as physiotherapy, dentists, and hairstylists.

Retail: This LX economy sector comprises LX producers primarily engaged in retailing merchandise, generally without transformation, and rendering services incidental to the sale of merchandise. Store retailers operate fixed point-of-sale locations, located, and designed to attract a high volume of walk-in customers.

Support Services: This LX economy sector comprises of LX producers engaged in activities that support the day-to-day operations of other LX producers. This includes transportation of passengers, management and representation of talent, and administration of hosting people.

Tertiary Education: This LX economy sector comprises all forms of private and public education after primary (Kindergarten to 12). Tertiary education is incorporated in our definition of the LX economy as it is optional, competitive and a significant portion of this expense is borne by the student.

Virtual LXs: Incorporates LXs where the LX customer and LX producer are not physically collocated.

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