

# HYB26

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HY8



# Hospitality Leading the Immersive Experience Economy

Experience economy

**EHL Research**  
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*EHL Research team argues that hospitality is entering a new phase of the experience economy, where guests no longer seek just “nice stays” but fully immersive, multi-sensory, and often co-created experiences that transform how they feel and remember a place. Drawing on frameworks like Pine & Gilmore’s four realms, it shows how hotels can blend human connection, storytelling, gamification, live events, and technology (VR/AR, projection, sensory design) to create deeply engaging moments that go far beyond functional service.*

The hospitality industry has been leading the experience economy for decades. After the agricultural and industrial revolution came the development of the service industry, followed by the emergence of a fourth economic driver: the experience economy. Today, the experience economy is evolving, with demand rising for not just memorable experiences but truly immersive ones – a shift that hospitality organizations are uniquely positioned to embrace.

Traditionally, economists have categorized experiences together with services, yet experiences represent a distinct form of economic value. These days, it is clear that experiences stand on their own as a separate offering, driven by consumers’ growing desire for memorable, meaningful encounters and by the increased focus of businesses on designing and promoting experiences to meet that demand.

For the hospitality industry this represents huge potential for growth. As studies including the [Julius Baer Lifestyle survey](#), show, people prefer to indulge in experiences rather than products. According to the [Bain Altagamma study](#), experiences showed the strongest spending growth in 2024, as consumers prioritized travel, social events, and wellness-focused activities over traditional consumption.

## THE FOUR REALMS OF THE EXPERIENCE ECONOMY

As the [Harvard Business Review](#) states, an experience is not an abstract concept, but a tangible economic offering, just like a service, a good, or a commodity. In today’s service-driven economy, many companies enhance their traditional products by surrounding them with experiences to make them more appealing. However, to fully capture the value of experiences, businesses must go beyond that and intentionally design immersive, engaging experiences that customers are willing to pay for.

According to Pine and Gilmore’s “[Experience Economy](#)” [framework](#), all experiences can be categorized into four realms that interact with two dimensions: the customer’s level of participation and the extent of their connection with their surroundings. The first dimension ranges from **passive participation**, where the customer is an observer (as in watching a concert or play), to **active participation**, where the customer directly contributes to the event (such as skiing or performing in a play). The second dimension stretches from **absorption**, where individuals take in an experience from a distance (like viewing a film), to **immersion**, where they become fully enveloped in the environment (as in a virtual reality simulation).

Experiences can then be divided into four realms, each with its own relationship to the two dimensions: **Entertainment** (passive and absorbing), **Education** (active and absorbing), **Escapism** (active and immersive), and **Esthetic** (passive and immersive). The most compelling experiences combine elements of all four, creating a “sweet spot” that fully engages guests on cognitive, emotional, and sensory levels.

As EHL Assistant Professor Dr. **Valentina Clergue** emphasizes, the experience economy is hardly a new concept for hospitality. The industry has, in many ways, embodied it for decades. What is evolving, however, is the shift from passive to transformative experiences. *“In the past, guests might have been content with passive enjoyment, such as attending a concert, but now they seek active participation and co-creation, for example by taking part in a cooking class or an immersive dining event. We are moving towards a more holistic form of experiential marketing and consumption, where immersion provides an escape from daily routines and creates emotional connections that last far beyond the moment itself.”*

She adds: *“The hospitality industry has been naturally and continuously working to enhance the guest experience. With more offers and services available, the needs and desires of people have also shifted, leading them to seek deeper and more meaningful experiences in which they can fully immerse themselves.”*

What makes this so special in the hospitality industry is the human component, explains Dr. Clergue. *“In hospitality, you have not only the physical environment but also the human connection. In an art gallery, you might not need a person to greet or serve you, but in hospitality, it is about human interaction.”*

## HUMAN CONNECTION IS WHAT MAKES HOSPITALITY STAND OUT

With the guest and their needs and desires at the center of an experience, the hospitality industry is uniquely positioned to harness the full potential that lies in the emerging immersive experience economy. *“The hospitality industry’s DNA is rooted in hosting, entertaining and, quintessentially, an exchange based on human interaction. It also comes down to the concept of ‘Hospitality Vibes’, which refers to the positive energy created by humans and spaces,”* says EHL Professor **Dr. Meng-Mei Maggie Chen**.

This human- and guest-centric focus is also one of the reasons why companies from luxury, healthcare, and other industries are collaborating with hospitality organizations in order to upscale guest experiences. For example, Tesla opening a diner with a drive-in theater in Los Angeles, Ralph Lauren launching a café in Kuala Lumpur, and Bulgari opening hotels in cities around the world.

When designing immersive experiences, there are no limits when it comes to creativity. A variety of tools and elements can be used, including gamification, which refers to the application of game-design elements and game principles in non-game contexts – an effective way to enhance guest engagement. Another tool is storytelling, for example embedding products within a narrative and experiential framework.

A prime example of an immersive experience is a pop-up in New York by the French luxury fashion house Hermès, which transformed an event space into an elaborate crime scene, offering guests an intriguing murder mystery experience. *“The luxury brand has used gamification and storytelling in order to create a unique, memorable and immersive experience for their customers,”* says Dr. Chen.

## PLAYING WITH THE SENSES AND THE ROLE OF TECHNOLOGY

Brands can also make use of sensory elements that appeal to all five senses – touch, sight, hearing, smell and taste – by using light, scent, texture and sound to deepen emotional connections. Rooted in the concept of sensory marketing, these experiences engage the senses to create memorable and emotionally resonant encounters rather than merely functional services.

*“Engaging the senses is key when creating memorable experiences. The more senses an experience stimulates, the deeper and more lasting its impact becomes, because sensory cues enrich the experience beyond the functional act itself and activate multiple senses to evoke emotion and immersion,”* says Dr. Chen.

For instance, travelers instantly recognize Bombay Sapphire in airport duty-free shops thanks to its signature blue bottle. Even those without a Netflix subscription can identify the platform by its iconic opening sound. Visitors to Japan often remember the comforting warmth of a Japanese toilet seat long after their trip. Similarly, the familiar scent of Ivory soap or Johnson's baby shampoo can transport people back to their childhood, evoking deep, nostalgic emotions.

Technology is also accelerating the experience economy in hospitality by enabling new forms of engagement and immersion. Examples of immersive restaurants such as *Le Petit Chef* or Copenhagen's *Alchemist* show how projection mapping, storytelling, and sensory design can turn a meal into a multisensory journey.

Virtual and augmented reality are likewise reshaping hospitality experiences. VR lets guests explore hotels and destinations remotely, enhancing the booking process, while AR enriches on-site stays with interactive features such as digital menus or local insights. Restaurants use interactive displays for ordering and engagement, and hotels offer personalized in-room entertainment. Many brands now combine these tools to create immersive, story-driven experiences that make visits more memorable and emotionally engaging.

It is not necessary to have a huge budget to turn an experience into an immersive experience, emphasizes Dr. Chen. *“There are many niche opportunities for all types of businesses, whether big or small, to help people reconnect to real life and real human interaction by weaving the experiential into the offer. For example, a laundromat in the Netherlands has turned its business into a place for sharing food, meeting people and hosting parties,”* she says.

## LIVE EVENTS AND BRANDED LUXURY EVENTS

Live events are increasingly shaping travel decisions, with travelers seeking experiences that go beyond sightseeing. Data shows that people often attend events not just for the act itself, but to enrich their travel memories. Iconic venues like the Sphere in Las Vegas or the Red Rocks Amphitheatre in Colorado illustrate this trend. Guests may see a band they have never heard of simply for the thrill of experiencing a concert in a unique setting.

Aside from live events, EHL Professor **Dr. Matthias Fuchs** also points to a possible rise in branded luxury life events. In recent years the events industry has seen a shift to so-called micro-events, smaller-scale gatherings designed to foster deeper connections and engagement among participants. *“Notably, there has been an increase in couples opting for smaller weddings with more personalized touches that reflect their unique personalities,”* Dr. Fuchs explains.

For example, Audemars Piguet's AP Houses are luxurious, exclusive spaces that reflect the brand's sophistication and elegance. *“These venues in prestigious cities allow VIP customers to celebrate their birthdays, enjoying personalized and memorable experiences in a refined setting.”* Dr. Fuchs believes this could expand even further as customer demand increases. *“While not a reality yet, one could also imagine bespoke weddings organized by a luxury brand such as Dior. From custom-designed dresses to branded event decor, Dior, just like other luxury brands, has the potential to ensure that these milestone celebrations are infused with their vision of luxury, sophistication and personalization, creating an immersive and memorable experience for guests while also enhancing brand loyalty.”*

A study from [McKinsey](#) shows that customer loyalty is driven less by the product and more by an experience worth paying for. Hospitality brands and travel providers can capitalize on this by curating distinctive, memorable experiences with or without collaborating with neighboring industries such as luxury brands or the healthcare industry. In a landscape of expanding options, restaurants, hotels, and other travel touchpoints can build on this momentum to craft meaningful moments that resonate with travelers and make their stays unforgettable.



*Immersive experiences have become so important and popular because the expectations of our guests and travelers from all over the world have become much more sophisticated in the last few years.*

**◆ Christoph Hoffmann**, IAB-Member and Founder of 25hours Hotels and Bikini Island & Mountain Hotels

Hoffmann has developed individual, tailor-made hotels with personality in cities worldwide. Each 25hours property is unique, with a playful design inspired by its location and influenced by the art, culture, gastronomy, and stories of its surroundings.

*“We have dived into high-level individual experiences by using storytelling and design. We really built the style of our hotels not with the idea to merely create an aesthetic design, but to create an experience for our guests and asking the important questions of what the added value is when staying at a 25hours hotel,”* says Hoffmann.

As the boundaries between hospitality and other industries continue to blur, the immersive experience economy offers boundless opportunities for innovation and growth. By embracing creativity, technology, and personalization, the hospitality industry can continue to lead the way and spearhead the immersive experience economy into its next chapter and beyond.

