



# The Power of Play: How Gamification Will Drive the Evolution of Channel Loyalty



## Change Is Coming

We keep expecting the marketplace to return to normal, but deep down we know it never will. The truth is, big change was coming even before the market meltdown of 2008. Technological advancements, hyper connectivity, virtualization and the ubiquity of games all contributed to this change. So did demographics, like the ongoing retirement of the massive Baby Boomer generation and the rising economic power of an even larger generation of Millennials<sup>1</sup>.

How have loyalty and incentive practices responded to this change? They've barely evolved over the past 30 years. But over the next decade, traditional loyalty and incentive programs will transform so much they will be barely recognizable to today's practitioners. We call this coming shift, "the loyalty singularity."

Scientists use the term singularity to refer to a hypothesis that, in the not-so-distant future, technological progress will become so exponentially fast that it will make the future both highly unpredictable and dramatically different. Futurist Ray Kurzweil refers to "the singularity" as a time when artificial intelligence (i.e., super-smart computers) will become so much more powerful than their human creators that we will be incapable of controlling them or understanding their intentions. Think of the diabolical HAL 9000 in Kubrick's *2001: A Space Odyssey*. More broadly, the singularity can refer to any imminent, radical change in society brought about by a confluence of advances that progress so rapidly they "make the future after the singularity qualitatively different and harder to predict."

Simply put, change is coming.

## The Loyalty Singularity Is Upon Us

Companies don't need to search far for evidence that major change is upon us. From mobile marketing, virtual goods, micro-payments and geo-location to Facebook,

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Farmville, Foursquare, and Twitter, the way people engage and interact in their daily lives is shifting dramatically. User-generated content such as product reviews on Amazon, star ratings on EBay, and recommendations on LinkedIn, are more readily trusted than branded messages. A company without a social media presence is considered antiquated, and Wiki contributors are regarded as academics.

This shift in behavior is a reflection of a shift in attitudes. In the post-recession economy, many people have become skeptical of institutions. We demand more transparency, and we are more reliant on our personal social networks. Many marketers don't know how to play in that space because traditional loyalty relies on institutional trust and implies reciprocity. Often programs are rarely transparent and too complex.

Participation rates (the percentage of channel partners actively engaged in earning and redeeming points) are often lower than desired. Yet the market continues forward with the same model developed decades ago for channel loyalty programs in spite of this lack of engagement. The primary aim of "do this, get that" hasn't changed for decades, leading to a stale state of channel loyalty solutions.

### Millenials are Changing The Game

As millenials gain affluence, they are gaining power. With that power comes the ability to set expectations about user experiences. Millenials expect accelerated feedback cycles, clear goals, fair rules, and a balance of challenge and achievement. While traditional loyalty programs don't offer these types of experiences, massive multiplayer online role-playing games (MMORPGs) do. Not surprisingly, online gaming is one of the largest entertainment categories in history and represents a \$10 billion market<sup>2</sup>.

Whether marketers know it or not, the majority of them are already gamers – and so are their members:

- **Miles programs:** More than 120 million people earn points, level up, and receive rewards from airline frequent flyer programs. Intentionally or not, these programs are games.
- **Foursquare:** More than 6.5 million people<sup>3</sup> around the world use this location-based social network to earn virtual points and badges via mobile phones by "checking in" at retail locations. Players earn rewards in the form of discounts or access to exclusive events.
- **Facebook:** Facebook's social games are among the industry's fastest-growing<sup>4</sup>.

Beyond these consumer applications, game mechanics are being adopted for uses like corporate and vocational training<sup>5</sup>, helping children learn at school, motivating employees in wellness programs, and even collaborating to solve social issues like

A gamification strategy, when well designed, will increase engagement with your channel loyalty program.

poverty and dependence on oil<sup>6</sup>. In these situations, participants may not even realize they're playing.

Factor in the number of people who openly participate in games – Blizzard Entertainment serves 12 billion registered users – and it's time to take gaming seriously. In a 2010 survey, Lightspeed found that 59 percent of Facebook users over the age of 18 played social games, and 19 percent described themselves addicts. Fifty-five percent reported playing social games *every day*.

Players are not only investing time. Players are paying real money for virtual experiences and they are bringing levels of engagement rarely seen elsewhere. To drive these levels of engagement within your channel loyalty program, a marketer needs to view the entire experience as a game in which earning and redeeming is as much fun as leveling up, socializing, and unlocking virtual representations of achievement. This phenomenon is called "gamification." Gamification is defined as applying the mechanics of games to non-game experiences in order to make them more engaging, interesting, and immersive to ultimately influence the behavior of people.

But should marketers set work aside to play? The question actually suggests a false choice. As author Dr. Stuart Brown stated in 2009 on his Technology, Entertainment and Design (TEDTalks) video website, "Play is not the opposite of work."<sup>7</sup> Gamification is a powerful tool for fusing play with work to help organizations teach, persuade, motivate, and develop meaningful brand relationships with partners. Adding an element of play enhances the end-user experience, whether it's a channel representative, employee, or a buyer.

As evidenced by the growing number of people playing games, game designers have continued to expand their player base and motivate people to play single games that last anywhere from four to 50 hours. And the advent of online gaming opened the door to unlimited game play.

### Case Study: Large Business Services Company

A Fortune 500 business services company wanted to encourage their sales partners to engage in their loyalty program and educate them on their newly redesigned website. Maritz Motivation Solutions incorporated game science mechanics to create renewed interest and engagement among participants during a redesign and re-launch. The solution integrated specific game mechanics and rewarded visitors for navigating the site with virtual rewards in the form of badges.

The results led to increased engagement, brand affinity and revenue for the client:

- The number of site visits **tripled**, post-redesign, with the game mechanics elements in place.

- Sales partners stayed on the site almost **three minutes longer** than they had prior to the redesign and gaming dynamics established.
- The number of **return visitors increased** by nearly 1,000.
- Number of **sales claims doubled** between October 2010 and March 2011.

## Your Partners are People First

The key to the game industry's booming success during the past decade is that game designers understand people's desire to play, and they've studied what makes play fun.<sup>8</sup> What game designers learned and applied is now being quantified in recent neuroscience and behavioral economics studies. So in fact, there is a science to fun.

Recall that traditional loyalty is built on a preconceived notion that loyalty is created at the time points are redeemed for a reward. A participant's relationship with the brand turns more into a relationship with a program: sell product, earn points, redeem points, and repeat. In gamer terms, this mundane, repetitive cycle is called "grinding," which can put the player's brain on auto-pilot. That's a recipe for declining engagement, and worse, for churn.

Research tells us there's more going on in the minds of participants than a desire to "do this, get that." Applying this knowledge requires a shift in thinking: my partners are human beings first. If marketers want to understand their partners, they must first understand themselves and the construct of the human brain.

To survive in today's marketplace, businesses must build solutions around a deep understanding of people. They must be able to capture attention, remain relevant, differentiate from their competitors, justify higher margins, and more. Pricing strategies or better reward offerings are no longer enough.

The answer is to recognize and adopt what we've learned about humans. The Maritz Institute (an innovation and leadership hub connecting a network of neuroscientists, academics, and business leaders) identified three People Principles<sup>9</sup>, based on neuroscience findings, for harnessing the full potential of people:

- People are driven by multiple motivators.
- People are emotional and rational.
- People are individual and social.

As humans, we all have very different goals and values. The work of Harvard Business School Professor Paul Lawrence reveals people respond to a variety of motivators, including social connection, learning opportunities, creative expression, status, choice, and yes, financial gain (to name a few). Lawrence and Nitin Nohria developed the Four-Drive Model to organize the multiple motivators into four groups: Acquire, Bond,

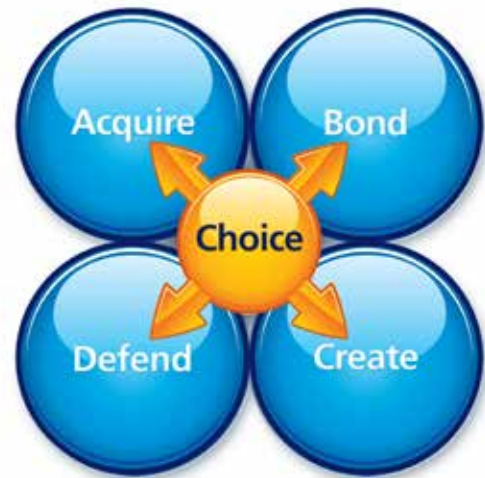
Defend, and Create. Current loyalty programs have the acquire part down – what are they doing for the other three?

Humans behave irrationally, too (like looking past the faults of a product because it's from a favorite brand – irrational and representative of the drive to Defend).

Yet many loyalty programs are born from necessary, but purely rational conversations about marketing principles and program design such as rule structures, liability forecasting, and linear models of cause and effect. Reason and emotion are interconnected and interdependent.<sup>10</sup> Our brains are constantly intermixing our conscious, rational thought with our non-conscious, emotional perceptions. The two work together to determine the choices we make, and loyalty only happens when someone develops an emotional connection with the brand.

## The Four-Drive Model

Based on the work of Paul Lawrence & Nitin Nohria at Harvard Business School.



## Connection Begins with a Spark

So, people have multiple motivators, want emotional connections, and desire relationships. How can program managers start designing strategies to address these principles?

Game mechanics can be inserted into programs, but the most valuable insights from game designers are rooted in an understanding of what drives people to interact and stay engaged. Mechanics represent the tools used to “gamify” a program; good game design understands how the mechanisms work, and how and when to combine them. In essence, marketers need to know why games are enjoyable.

Neuroscience research shows the human brain responds strongly to competition, gaining status, goal achievement and play. People like to acquire, develop new skills, devise solutions to challenges, express themselves creatively, share progress with others, develop relationships, and connect in a meaningful way with both people and programs.

In the late 1950s, Karen Horney and Abraham Maslow collaborated on the development of “third force” psychology, a combination of behavioral, cognitive, and emotional psychology. Their findings suggested that intrinsic motivators (e.g., the power of thinking and feeling) are more powerful than extrinsic rewards in driving human

behavior.<sup>11</sup>

Why are games so engaging and fun? At the scientific level, it's about chemical reactions. When people experience an emotional reaction, the chemical dopamine can be released into the body, creating a sense of pleasure. In the past decade, researchers learned this same chemical is released with game mechanics when people receive rewards, gain status amongst peers, and experience social acceptance. In other words, a well-designed gamification strategy will activate the same centers of the brain that earning money does.

When marketers adjust their perspective and recognize that the point-earning experience can be as engaging as the point-redemption process, these recent findings open the door to exploring intrinsic motivators. For instance, earning points mimics the elements of a game, including competition and the pursuit of a goal. Fun, compelling and addictive game play generates exciting emotions that add to the player's experience, whether the competition is solitary or involves others.

An effective channel loyalty program makes the entire earning experience a game, one in which playing is just as fun as winning. Adding leader boards and tiered-achievement levels appeals to people's desire for a challenge when working toward a goal. Essentially, the right level of challenge arouses and excites the brain. Setting and hitting milestones produces a sense of accomplishment and boosts self-worth, leading to the ultimate satisfaction of reaching the goal and "winning the game."

People want to play. Gamification brings that play element into programs in ways that can be adapted to motivate people with various drivers. When combined with good design, gamification can motivate your channel partners to play repeatedly and often.

## How Marketers Can Level Up

In some ways, traditional channel loyalty programs already use a few game mechanics – points and rewards, for example. But the industry has yet to reach the next level in the application of game science. To level up and begin gamifying your channel loyalty program, abide by these three core rules:

- 1. See program designer as game designer:** A game is simply a fun experience with rules and goals. Don't over think the "game designer" part of this step, but take the time to make your program worth playing.
- 2. Focus on the player:** See your channel partners as human beings and players. This view will change the experience of designing a program. Rather than focusing on rules, designers can focus on what will engage the participants.
- 3. Master game mechanics:** The mechanics let players know how to play the game and keep them coming back. Designers need to understand the myriad game mechanics



options, and more importantly, understand the dynamics of bundling different mechanics together and when to add new challenges or throw in a surprise.

Truly mastering game mechanics compels marketers to explore the range of mechanics that can engage and excite participants. According to Gamification.org, there are approximately 25 different types of mechanics, but designers are continually developing new ones. Here are a few with suggested uses and benefits:

- **Points:** Reward desired behaviors and achievements with virtual currency in the form of points. Many programs use (and some potentially overuse) a points-earning system. Think of these points as “scores.” Create experience points (rewards for completing actions) and social points (given for contributing to the brand community) to go with the redeemable points.
- **Leaderboards:** Provide a platform for players to compare scores. When players can see other players’ progression, the competition and drive for status increase. Players who earn a high ranking feel more inclined to maintain it.
- **Collecting:** Group behaviors into sets, then reward players for completing the entire set. This taps into the human desire for collecting. Add a challenging behavior to a set of easier behaviors, and you will dramatically increase the likelihood of it being completed.<sup>12</sup>
- **Personalization:** When gaming, players often create and personalize the characters they play with, which increases ownership in the experience. Allow members to personalize a selection of rewards, or how they earn points, or their online experience.

## Conclusion

Millions of gamers across the world coupled with modern neuroscience findings teach us that “play” works. It’s time marketers make it work for them, too. But the industry must develop its gamification strategies with purpose. A few unaligned game mechanics only create an empty experience with empty relationships – for both channel partner and brand.

The strategy begins with people. Marketers need to think like game designers and develop programs for people. Provide more than one motivator to keep interest and attract different types of customers. Cater to both sides of the brain – emotional and rational – to develop meaningful brand relationships. Open channels for people to interact with the brand and take part in its communities.

Using neuroscience as a guide, gamification brings the power of play to brands that want deeper, more meaningful relationships with their customers and channel partners. By considering the larger implications of ‘my channel partners are human first,’ marketers can begin to effectively gamify their own approach to channel loyalty.

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