Using Gamification **for Customer** Loyalty

Effective customer loyalty programs are now powered by gamification, which moves engagement beyond the transactional to create deeper, data-driven and more valuable customer relationships.

We live in an age of distraction. That means your customers are barraged with options, offers and media noise like never before. To be successful, today's brands desperately need to engage customers, retain their interest and drive true loyalty. But with so many options aggressively competing for attention, accomplishing even the most fundamental marketing initiatives is becoming more and more difficult.

The Road to Loyalty 3.0

Years ago, customer engagement was purely transactional. It was grounded in old-fashioned Loyalty 1.0 programs like cash-back credit cards, "buy 10 get one free" punch cards and frequent flier programs. But over time, these traditional loyalty programs have proven to be ineffective. Companies have found that Loyalty 1.0 programs don't drive true loyalty; they only drive loyalty to the next best deal. What's more, the number of members enrolled seldom reflects how well a Loyalty 1.0 program is working. Recent research[1] revealed that the average family belongs to 22 loyalty programs, and yet participates in less than half. Why is involvement so low? Because consumers have developed program fatigue and have trouble differentiating one from the next. Perhaps that's no surprise, considering how companies struggle to continually generate compelling offers.

In the early 1990s, data analytics began taking a more prominent role in customer engagement initiatives, ushering in the era of Loyalty 2.0. Since then, the loyalty experience has become more targeted through segmentation and personalization, and much of the emphasis today is on 1-to-1 marketing through direct mail and email marketing campaigns. However, just like Loyalty 1.0 programs, Loyalty 2.0 initiatives fizzle when it comes to long-term customer engagement.

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1   Source: The 2013 COLLOQUY Loyalty Census

The Four Tiers of Loyalty

1. *Inertia loyalty. Sometimes, customers stick with a loyalty program because it's too inconvenient for them to leave. At this level, customers are bound more by inertia than true loyalty, and they have no incentive to stay once a competitor makes it easy to switch.*

2. *Mercenary loyalty. Just as a mercenary will swear allegiance for a price, some customers will "sell" their loyalty in exchange for points and discounts. The major weakness of mercenary loyalty is that it's emotionally shallow — and that means there's little to stop customers from switching to a competitor who offers better freebies or more discounts.*

3. *True loyalty. Brands reach the true loyalty tier when a customer has a compelling reason — ideally, an emotional stake in the brands — to resist competitive offers. All brands can attain true loyalty if they are committed to developing deeper customer relationships based on trust and shared value.*

4. *Cult loyalty. At the cult loyalty tier, the customer and the brand have become so enmeshed that rejecting the brand would be like rejecting your own values. Customer commitment is a virtual lock at this level, but unfortunately for marketers, cult loyalty is virtually impossible to manufacture artificially. It emerges only organically — but once it does, it can be cultivated.*

Even worse, many companies now see their Loyalty 2.0 programs as liabilities. These companies can't live up to their brand promises, and their customers are left feeling besieged with less-than-meaningful offers.

Now — at last! — the pieces have come together to enable a new generation of loyalty, one characterized by deeper, ongoing and more valuable customer relationships. At Bunchball, we call this Loyalty 3.0… and it's powered by gamification.

What is gamification

For years, game developers have been using data-driven motivational techniques to design highly addictive gaming experiences. Gamification uses those same data-driven motivational techniques, but applies them to non-game contexts to create powerful tools for business. Gamification combines three essential components: the newest research about motivation, big data and interactive design.

- **Motivation**. Social-science research continues to fine-tune our understandingof what motivates human behavior. Once you know what truly inspires your customers — and what doesn't — you can strengthen your engagement strategies and cultivate loyalty that endures.

- **Big data.** Technology has taken over how we communicate, socialize, work and play. Smart businesses are capturing that data, analyzing it and then using those insights to motivate their customers – and their employees and partners, too.

- **Interactive design.** Game developers mastered interactive design years ago. Today, gamification takes those design elements and combines them with big data streams and new research about motivation to create innovative technologies for business.

By integrating these three components, gamification helps you nurture customer relationships, reward high-value interactions and ultimately, drive more revenue for your business.

Gamification moves loyalty beyond the transactional

Most organizations claim to "know" their customers. But all these organizations really know is what their customers buy. For Loyalty 3.0, you need to truly understand what's motivating your customers to purchase, watch and/or subscribe; you need to fully appreciate that your customers are much, much more than their transactions. For example, it's important to know how frequently a customer visits your website (even if only to browse). You also need to identify your customers' buying behaviors and preferences and where they are most active. (Hint: For most brands, that place is now social media.)

Whether your company is B2B or B2C, once you better understand your customers, you can begin to influence their online conversations and shape the behaviors you

care about. How? By using gamification to reward the behaviors that drive value for your customers and, in turn, drive business value for you.

How gamification impacts business results

Since gamification leverages interactive design, big data analytics and new research about universal human motivators, you can use it to influence customers, drive brand affinity and nurture loyalty. Gamification applies the same principles that have always inspired people — achievement, status and rewards — so that your customers are motivated to accomplish high-value actions for your company.

As a result, gamification can lead to real, measurable improvements to a wide range of marketing initiatives, including building community, fan engagement, loyalty, trial conversion, marketing, co-innovation and ecommerce. Let's take a look at how companies are putting gamification to work to influence customers, nurture loyalty and drive brand affinity:

Eloqua uses gamification to build community. Eloqua needed to drive participation and engagement in Eloqua Topliners, a Jive Software-powered community for their target customers (marketing and sales professionals). The company added gamification to Eloqua Topliners and made it easy for members to earn points, rewards and recognition for interaction and contribution quality, based on peer feedback. As a result, an already active community experienced a sustained 55% increase in average active users. In addition, technical support requests declined as members found quality answers on community boards.

EA Sports/FIFA uses gamification to nurture loyalty. Gamification enables EA Sports/FIFA to leverage the power of its highly-engaged fan base to drive both gameplay and sales referrals. How? By personalizing the customer journey and driving deeper engagement. One year after introducing a gamification platform that connects all online touch points to amplify and personalize fan engagement with recognition and rewards, EA Sports/FIFA reported a 270% increase in page views, a 170% increase in time spent on site and a 200% increase in content shared.

The Coca-Cola Company uses gamification to drive brand affinity. The Coca-Cola Company used gamification as a powerful tool to transform its traditional, transactional loyalty program into "My Coke Rewards," a new loyalty initiative that's inherently personal, social and engaging. The brand expanded its definition of rewards to include both extrinsic elements — such as exclusive and advance access, retailer coupons, movie tickets and music subscriptions — and intrinsic elements —

such as badges and experiences. Coke is using data collected from the program to ensure customers receive a more personalized site experience, one that helps the brand establish relationships with its customers — not just transact with them.[2]

As these examples — and scores of others — illustrate, companies are using gamification to:

- **Increase revenue through customer retention and satisfaction.** With gamification, you can drive up total lifetime value of each customer, gather better information on what motivates your customers to action, identify and respond to trends in customer behavior, inspire community collaboration and improve ad inventory and revenue by increasing site stickiness and page views.

- **Influence customer word-of-mouth and referral.** Gamification allows you to amplify your brand reach by encouraging and rewarding customer interactions on social media. It can also help you grow customer satisfaction and willingness to promote your brand.

- **Increase customer share-of-mind to drive brand affinity and loyalty.** You can use gamification to motivate ongoing, meaningful interaction with your brand to help customers recognize the value of your offering. In addition, gamification can help provide non-monetary rewards to incent certain actions, such as early or exclusive access, status, power and recognition, and it can nurture a sense of community and belonging.

Are You Ready for Loyalty 3.0?

Analysts generally agree that customer acquisition now costs 4-6 times more than customer retention — and that difference is bound to grow even wider in the years ahead. How will you improve the way you engage with your customers? What will you do to maintain your competitive advantage?

For most companies, it's time to update strategies and push forward to Loyalty 3.0, a new data-driven approach to help you develop deeper, ongoing and more valuable customer relationships. Loyalty 3.0 is powered by gamification, and it empowers you to nurture customer relationships, reward high-value interactions and drive more revenue for your business.

For more information, visit biworldwide.com/gamification.

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2   Source: http://www.colloquy.com/article_view. asp?xd=10931

About Bunchball

BI WORLDWIDE's Bunchball Nitro is the industry's leading engagement technology powered by gamification. Purpose-built for the enterprise, BI WORLDWIDE's proven engagement solutions motivate employee, partner and customer behaviors while delivering the performance intelligence needed to drive business results. An early visionary, Bunchball wrote the book on gamification with the 2013 best seller Loyalty 3.0, and is widely credited for numerous market innovations, including a patent for Gamification as a Service. More than 400 enterprise customers rely upon Bunchball for the company's expertise, innovations and proprietary analytics that deliver proven business results, and Bunchball is the partner of choice to industry leaders. In April 2018, Bunchball was purchased by BI WORLDWIDE to increase its impact on employee motivation and sales effectiveness. Learn more at www.biworldwide.com/gamification, read the blog at www.biworldwide.com/blog, or follow @biworldwide on Twitter.