

A First Data White Paper

# Deeper Customer Engagement Through Gamification and Gift Cards

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# New strategies emerge for merchants and brand marketers

Traditional advertising and promotion methods build awareness, create preference and drive action. But what if you could move beyond those consumer behaviors? What if you could prompt consumers to actively participate in your brand? What if you could engage them at a deeper level, while simultaneously enhancing your gift card program? Gamification promises just that—for those who execute it well.

## Beyond Awareness: Driving engagement and participation in a brand

If you haven't heard much about gamification yet, you will soon. It's coming. Industry experts predict if you're a merchant or brand marketer involved in the sale of a global brand, there is a 70 percent chance you will manage at least one gamified application by the end of 2014.<sup>1</sup> Your goal will likely be to move consumers beyond awareness and the occasional repeat purchase to a state where your brand reaches inside their brains and engages the areas responsible for fun, excitement, challenge, altruism and reward. In other words, you will attempt to trade simple awareness for something that more closely resembles addictive behavior.

For the purposes of this white paper, we will define gamification as "the application of game mechanics (functionality) and game dynamics (outcomes) to a brand." Game mechanics include elements such as points, leader boards (or scoreboards), levels, and challenges. Game dynamics include those things that make people love games—including competition, rewards, recognition, status, self-expression and altruism.

Brand marketers and merchants of all sizes can gamify almost any point of customer interaction, including websites, client portals, marketing campaigns and gift card programs. Other non-promotional applications include employee training, employee productivity and customer service programs. In this white paper, we will focus on applying gamification techniques to your gift card program to generate interest, increase reloads and boost usage.

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## An alternative to diminishing traditional methods

With regard to consumer marketing, gamification inched its way into the mainstream with brand managers and merchants approximately two years ago. There were certainly early adopters before that time, but, for the most part, it emerged as a marketing strategy in or around early 2011. Since gamification is relatively new, there is not much in the way of hard data or demonstrable ROI. Most evidence is simply anecdotal, but gamification providers cite case studies where their clients have increased sales by 60 percent, website visits by 150 percent and click-throughs to online shopping carts by 600 percent. So, while there is ample evidence of gamification working, not enough data exists for substantiated ROI models.

<sup>1</sup>Gartner, Press Release. April 12, 2011.

The pursuit and application of gamification is largely driven by the diminishing effectiveness of traditional marketing tactics, such as advertising, sales promotions and direct marketing. With hundreds of cable TV and satellite radio channels, an onslaught of social media and millions of websites competing for consumer attention, marketers were craving a breakthrough. Even the most compelling creative work tends to get lost in the daily deluge of images and messages that pours through computers, tablets, smartphones, TVs and radios.

Gamification has provided some marketers with that desired breakthrough. Instead of simply trying to get consumers to receive and internalize traditional brand messages, gamification pulls consumers into the brand and engages them in exhilarating—or even addictive—ways. They're no longer just listening, they're participating. Combining this fast-growing concept with existing or expanded gift card programs holds unique potential.

For example, a national fast food chain launched a gamified website in 2011. Visitors are given the opportunity to play games and enter contests where they earn points. They're able to compare their point totals to other participants around the world. Participants can win food, electronics and other prizes by compiling points—or by simply being selected randomly from the universe of participants. Scoreboards show consumers where they stand both in terms of competing with other participants and earning various prizes. Games and contests become increasingly more challenging and complex as consumers move forward, which tends to draw consumers deeper into the site and the brand. The more they play, the more they earn—and the more they win. Meanwhile, the brand is becoming more and more embedded into their lives.

## The importance of keeping score

Gamification is essentially built on statistics. While certain game activities run the risk of becoming boring after a while, the compilation of statistics makes most games increasingly engaging—despite the number of times they are played. Metrics that show the number of victories, number of points amassed, levels achieved and relative standings to other participants tend to become incredibly compelling and motivating. They typically drive both sustained and more frequent engagement. The practice of gamification—as it relates to consumer marketing—applies these principles in an organized fashion to draw more people into a purchase funnel, increase affinity for the brand or merchant location and accelerate the frequency of repeat purchases. The more a brand marketer or merchant can engage an individual customer on a website or in a loyalty program, the less time or incentive that person has to move on to a direct or indirect competitor.

While the compilation and communication of statistics serves as the heart of gamification, success requires more than the base concept of earning points. Traditional loyalty programs typically allow consumers to amass points in exchange for free or discounted merchandise or services. Effective gamification differs from simple points-based programs by making the earning of points challenging—in other words, playing the game becomes as intrinsically rewarding as receiving and redeeming the points. The key, in many successful gamification deployments, appears to be stretching the consumer by setting and resetting milestones in a way that maintains just the right amount of tension and challenge. Many successful practitioners maintain that achievement of the right level of challenge stimulates the brain in ways that evoke feelings of competence, self-efficacy and mastery—which ultimately leads to deep engagement.

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Brand marketers and merchants may achieve this by effectively linking the principles of gamification to established marketing tools, such as gift cards. Because an infrastructure and an “installed base” already exist, infusing a gift card program with elements of gamification can drive measurable results while building on existing investments and customer relationships.

## Driving intended consequences

The concept of striking the perfect balance of achievement and challenge implies that professional game designers—or perhaps psychologists—need to be involved in the design of a gamified website or loyalty program. While each of these criteria merits discussions of their own, the four key elements of a successful game include iteration, prototyping, play testing and balancing. For example, iteration refines the game experience and helps avoid unintended outcomes, while prototyping helps determine how universal a game’s appeal might be to various demographics. Simply adding an animated interface and a scoreboard to a website, for example, ignores these practices and likely leads to unfulfilled program objectives.

Linking gamification to gift cards is one method of driving intended outcomes. The “gaming” aspect of a particular strategy can drive novelty and engagement, while the gift card platform funnels customers to the intended outcomes, which, in most cases, is increased size or frequency of purchases. The gaming experience, in a sense, culminates in a reward that is experienced at the point of sale.

## Applications and ideas for gift card issuers

Integrating gamification initiatives with existing—or new—gift card programs provides merchants and brand marketers with a number of benefits. The most obvious, as noted earlier, is driving intended consequences. While gaming is fun and intriguing, investing in it as a marketing strategy only makes sense if it drives intended and measurable outcomes. Gift cards provide a platform for intended consequences—sales. Gift cards also provide an existing platform for tracking changes in consumer behavior and measuring the impact of specific gaming initiatives, without having to add new infrastructure or processes at the point of sale or in the back office. Elements of integrated gamification-gift card initiatives could include the following elements.

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- **Scoreboard:** As noted earlier, a scoreboard (or leader board) is often a significant driver of increased traffic and new revenue. For example, a scoreboard could be displayed in-store on a large monitor or added to a website, displaying a list of customers with the most visits in a defined timeframe. Some merchants would use this feature to implement a tender-specific program, such as merchant branded gift cards. Scoreboards also could be leveraged to encourage a specific transaction type, such as reloading a gift card. In these examples, the information fed to the scoreboard could come from an existing gift card transaction data stream. The presence of the scoreboard is intended to drive customers to increase their visits and move up the leader board, creating an air of competition. This concept could be applied at the store level, by a group of locations, by region or across all locations for a nationwide program.
- **Points systems or score tracker:** The points system or score tracker lets individual customers or groups of customers view the announcement of achievements and track the accumulation of points. Frequently, points are assigned to a visit, certain buying behaviors or the purchase of specific products. For example, a merchant may offer one point for a visit, five points for a second visit in the same day, one point per item purchased, five points for buying a featured item and three points for spending \$20 or more. In this scenario, customers who collect 30 points within a year could advance yet another level in the game, which earns additional rewards. A key benefit of this approach is the ability to register, track and communicate with customers in an automated fashion. The gift card, in this scenario, could be leveraged to track visits, be offered as the reward or incentive, or both.

- **Advancement and levels:** A company may present levels or advancement for registered customers, subsequently driving desired behavior. Basic levels—such as bronze, silver, gold and platinum—have been applied to loyalty and reward programs, but few companies have applied levels to gift cards. Similar to the points system noted above, a gift card program may present advancement or levels to reward behaviors, thus creating a tender-specific program and encouraging the use of the gift card. For example, customers who buy five items or use a gift card five times within a year might earn Silver status. If they buy items or visit an additional 15 times, they might earn Gold status. If they buy items or visit an additional 20 times, they would achieve Platinum status. Much in the same way the airlines employ their levels, merchants or brand marketers may present registered users with advancement or level achievements for more visits, spending increases or card reloading. From a consumer perspective, this tactic is attractive because it simplifies the accumulation of rewards and makes redemption easy.
- **Lives and chances:** Most games have lives or chances a user is given to complete an objective. When the user runs out of lives or chances the game is over. A company could leverage this concept by presenting the user with a set number of lives at the beginning. Or, users may be presented with opportunities to earn lives or chances along the way. A natural progression would be to offer a combination of both initial chances and the opportunity to earn additional ones. For example, lives or chances could be in the form of coupons, rewards, or incentives and be unit-based instead of representing actual currency or savings. Applying this to a gift card program, a customer may be given a gift card with three complimentary items for registering—which might represent initial or given chances. Subsequently, for every five visits, customers could earn an additional chance or free item. Another application of this concept could be used to control the use of incentives, rewards or coupons. For example, a merchant may leverage a gift card program for an authenticated coupon campaign. A merchant could offer a coupon or voucher with an initial value of \$15, but limit the customer redemption to \$5 per day, week or month. Each \$5 represents a life or chance, and the card is only valid for three lives or chances.
- **Coalitions and cooperatives:** A coalition or cooperative rewards the combined efforts of a collection of customers. Customers are presented with a strong incentive to work together to receive a larger payoff. For example, a national merchant may deploy a “Best Fans” or “Best Customers” component as part of its program. Most companies today offer an email or text opt-in to deliver updates and offers to customers. In these programs, the customer simply has to opt-in to receive the benefit. If a program like this is in place, a merchant could add the coalition component to the opt-in and only offer the benefit if 1,000 consumers opt-in. The idea is to encourage customers to work together to receive the incentive. A prime medium for this kind of strategy is Facebook. A merchant could issue a challenge to its customers to “like” the company’s page or app on Facebook, setting the goal of 1,000 or 10,000 likes. If achieved, participants receive a free or discounted item. The rewards—free items, discounts or points—could be automatically uploaded to a gift card program, which would allow a consumer to redeem prizes with little or no administrative effort on his or her part.
- **Badges, awards and trophies:** Providing users with the ability to earn or win badges, awards or trophies is a traditional competitive gaming technique. Foursquare, for example, allows users to earn badges by checking-in when they arrive at certain locations, with an ultimate trophy of “Mayor” being granted to the consumer with the most visits. Extending this concept to prepaid cards, a merchant or brand marketer may elect to have special cards printed and awarded to customers who tally enough points or qualify in other ways. Customers may even be added to a leader board for further recognition. A program may incorporate single or multiple levels of special cards, each with a unique perk, such as an extra discount or additional free merchandise.

- **Missions and challenges:** Merchants and brand marketers may elect to make the gamification of prepaid programs highly interactive by presenting customers with an interface that allows them to design their own missions or challenges. This type of program would allow for a customer to select how and when they earn points, incentives or rewards. This particular application makes it personal to the consumer and provides an opportunity for self-expression. They can be creative and ultimately garner a sense of innovation and fulfillment. For example, registered users of a merchant's gift card program could be invited to craft their ultimate experiences from a range of presented options. Customers could select whether they want to earn points and rewards based on visits, spending levels, reloads or specific types of purchases. Customers could be required to create tiers or levels for achievement and identify or select rewards for completing their missions or challenges. In this example, the gift card program could be leveraged as both the selected tender type and the distribution mechanism of the incentives and rewards.

## Conclusion

Gamification and gift cards appear to be a natural combination on many levels. The ability to rise above the incredible volume of marketing messages and connect with consumers at a deep and psychological level is compelling. The two greatest risks of deploying a gamification strategy seem to be driving unintended consequences and simply missing the mark in terms of consumer engagement. These risks are best mitigated by acknowledging the importance of iteration, prototyping, play testing and balancing in the creation and deployment of games—and integrating gamification initiatives with existing, familiar and successful marketing strategies, such as gift card programs.

In addition, integrating gamification initiatives with gift card programs brings simplicity, predictability and affordability to the process. In most cases, a single gaming strategy or pilot program can be quickly and easily integrated with existing gift card programs and point of sales infrastructures. Expanding beyond the trial or pilot phase into a full-scale gamification strategy will likely increase the effectiveness of existing programs—and potentially drive the development of new and more capable gift card concepts.

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