Why gamification is serious business

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By using the mechanics of digital gaming, companies in a wide range of industries are boosting innovation, building more effective marketing campaigns and driving value.

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In 2011, Volkswagen Group invited consumers in China, its largest and most important market, to help the company develop new versions of the "people's car." Participants were given a tool to help them easily design their new vehicle, and they were able to post their designs for others to view and to pick their favorites. The results were tracked on leaderboards so contestants and the general public could see how the competing designs were faring.

Within 10 weeks, the online crowdsourcing campaign had received more than 50,000 ideas. By the end of the campaign’s first year, at least 33 million people had visited the site, and the general public had chosen three winning concepts. One of them, a two-seater, zero-emissions vehicle that hovers over electromagnetic road networks, was turned into an online video that swiftly became a viral hit on YouTube. Small wonder that VW, acknowledging its long-term importance for the company’s future product development strategy, has announced that the project will continue indefinitely.

The People’s Car Project owes its success to VW’s recognition that participation in a popular business initiative needs to be not only enticing and rewarding but also engaging and fun—more than a bit, in fact, like playing a game. Indeed, the name of the elimination section of the design contest—P.K., which stands for “player kill”—was borrowed directly from the sort of multiplayer, online games that millions now play worldwide.

The application of such game-like elements to the sort of business challenge that VW faced is known as “gamification”—and it’s catching on fast. Gartner research projects that by 2014, more than 70 percent of Forbes Global 2000 organizations will have at least one games-based application, and that by 2015, half of all companies that manage innovation processes will have “gamified” them.

**Alluring applications**

However, these companies are not, either literally or figuratively, playing games. Gamification is serious business. The companies leveraging it are taking the essence of what makes games so alluring (a shared sense of purpose, challenge and reward), decoding the mechanics that make them work (personalization, rankings and leaderboards) and then applying these mechanics in a multitude of imaginative initiatives to help enhance customer loyalty, motivate shoppers to buy and provide more compelling mechanisms for retaining and encouraging talent.

The approach can be especially effective when applied to complex challenges. Foldit, for example, is an online puzzle game devised by scientists at the University of Washington in Seattle to help them understand the structure of proteins. In 2011, the game’s 240,000 registered players were invited to configure the structure of an enzyme associated with the AIDS virus. Tracking their competing scores through shared leaderboards, Foldit players solved a problem in three weeks that had stumped scientists for 15 years.

The results of gamification in a commercial context can be equally impressive. Witness, for example, the success of Nike+, the sports shoe company’s mobile and Facebook app, which lets users establish personal running goals and rewards them for reaching milestones with congratulatory messages from celebrity athletes. Nike+ membership soared 40 percent in 2011, helping boost revenues in the company’s Running category by 30 percent.

The potential power of such games-based applications and ventures has been magnified by the convergence of two major trends: the coming of age of Generation Y, and the overcrowding of the digital space, which makes it harder for companies to stand out.
Generation Y: Learning from the source

Among the expectations that distinguish Generation Y—the first to grow up with the Internet and smartphones—from its predecessors is the assumption by its members that they will be communicated with via mechanisms that imitate the competitive, connected and personalized world of the online games they play so enthusiastically.

That should make Generation Y an ideal test bed for attempts to apply the principles of gaming to marketing, product differentiation, brand advocacy and employee motivation (see story). Yet despite its preferences and their concomitants—an apparent indifference to privacy issues, a tendency to text rather than talk and a desire for instant gratification—Gen Y will be a hard nut to crack.

The under-35s fully anticipate that they will be “pitched”—but they also have clear views of what they want from those doing the pitching. They demand authenticity, in both voice and content. And they will shun, and even mock, approaches they perceive to be dishonest and manipulative, preferring to place a premium on the recommendations of socially networked “friends.”

As employees, they can be equally picky. They typically like to multitask and tend to demand considerable job flexibility. Indeed, their desire for constant stimulation and personal recognition, if unfulfilled, can make them fickle workers who will jump ship all too readily. However, with more and more of this decisive demographic entering the workforce, the opportunity to learn from them directly is growing too. At a time when the design, development and testing of games-based initiatives is in its formative stages, tapping the talent of a generation that so instinctively understands the power of gaming could prove pivotal.

Generation Y, the demographic born between 1980 and 2000, has not only grown up in a digital world. They are also enthusiastic online gamers, driving the growth of an industry that Gartner reckons will be worth $112 billion globally by 2015. These consumers are rapidly becoming employees as well—by 2015, they’ll form the majority of the US working population. And they like to be communicated with, both when shopping and at work, via the game-like mechanisms they plainly love (see sidebar, above).

The appeal of game mechanics extends well beyond this key cohort, however. As the growing predominance of digital media indicates—in the United States, online advertising was forecast to overtake print in 2012 and is fast closing in on TV—many older adults are also becoming digital-device-savvy. And they are often just as keen as the young to compete with their peers and publicize their accomplishments—the essential principles of gamification. In fact, 37 percent of US gamers are older than 35. In both the United Kingdom and the United States, adult social gamers—people who play games that include strong social elements—now constitute the majority of players on mobile devices.

Companies, of course, have been applying game-like elements to achieve business objectives for decades. Consider the Solitaire application that Microsoft included in its release of Windows 3.0 in 1990 to help acquaint users with the newly introduced click-and-drag functions of the mouse. But the Digital Age has thrown up new challenges, and the application of game mechanics offers companies the chance to crack one of its particularly critical conundrums: how to penetrate the walls that consumers have erected to filter out the deluge of information and opportunities that increasingly clutter their digital spaces.

Today’s consumers are more likely to junk business marketing messages than act on them. But if a trusted source serves as the messenger, campaigns can become collaborative...
Southeast Asia: A passion for gaming

Few regions of the world offer more promising territory for games-based marketing initiatives than Southeast Asia. In Singapore and Malaysia, for example, 95 percent of the population—10 percent more than the global average—owns a laptop or PC. And Singapore boasts the world’s third-largest smartphone penetration, after Saudi Arabia and the United Arab Emirates.

This digital predilection also influences the way people interact. Sixty-five percent of Indonesian Internet users are also daily users of social media, compared with just 54 percent of Internet users globally. Nearly half of Internet users across the region play online games every week, 6 out of 10 of them via social networks. And the regional digital gaming market is expected to more than double between now and 2016, accounting for nearly 60 percent of global sales.

What’s more, Southeast Asians respond with alacrity to the commercial messaging embedded in social media. Nearly half of Malaysian gamers, for example, search online to learn more about a product or brand they first saw advertised in a game. And almost three-quarters of Indonesia’s social network users agree that such networks are good places to learn more about brands and products.

When Citibank launched a credit card aimed at 21-to-35-year-old Singaporeans, for example, it incorporated social media features designed to let them personalize their experiences. Users could gain points by checking in at specific locations, such as restaurants or stores, and “sharing” or “liking” deals on Facebook. They could also vote for a particular experience or location and win a special Deal of the Month from winning establishments.

Digital familiarity isn’t the only reason why the region matters so much to organizations looking to apply game mechanics to their marketing and recruitment drives. It also contains a high proportion—10 percent higher than in China, and 14 percent higher than the United States, for example—of Generation Y, the demographic most likely to respond positively to such gamification initiatives (see sidebar, page 3).

In Southeast Asia, moreover, this generation is well integrated within often extended families. Indeed, the strength of traditional collaborative values—known locally as kampong, or a village-based sense of community—can help mobilize broad swaths of the community as campaigns go viral, providing the collective legitimacy so important to launching products and establishing a presence in the region.

exercises, utilizing social networks to spread the message—and applying game mechanics to engage more and more participants.

Consider, for example, TripAdvisor, the US-based travel website, which boasts more than 75 million reviews and opinions—contributed voluntarily by individuals who clearly enjoy their status as trusted sources of valued information.

Collective values
In some regions, notably Southeast Asia, a peculiar combination of well-entrenched collective values and unusually developed digital enthusiasm is driving an exceptionally healthy appetite for gamification initiatives (see sidebar, opposite). But reaching consumers by these means in any geography requires an acute understanding of what makes games so compelling.

In Accenture’s experience, seven elements are especially significant.

1. Status
Because gamers are motivated by the recognition of others within their social community, business solutions leveraging game mechanics need to ensure that players’ reputations can be enhanced.

Consider, for example, Stack Overflow, a site for programmers and digital geeks that synthesizes wikis, blogs and Internet forums. Users are invited to submit answers and solutions to questions and challenges posed by their peers, through
which they earn badges that appear on their user pages.

2. Milestones

Levels are everything in gaming, and enabling participants to perceive progress through incremental accomplishments is vital to sustaining interest. Case in point: Starbucks Corp.’s rewards card, which awards a star for every coffee purchased. Users qualify for free drinks or food when they earn a certain number of stars.

3. Competition

Accenture’s own Steptacular application, which is designed to encourage employees to improve their fitness by walking more, enables participants to compete with one another by sharing and comparing their achievements—a major motivator in maintaining engagement. It also rewards them with “Celebrating Performance” points that can be used to redeem such products as iPads and cameras.

4. Rankings

Visual displays of progress and rankings help participants track their performance against both their own goals and the performance of others. The rankings tap into people’s natural competitiveness and encourage them to do better, boosting repeat visits motivated by the desire to improve their position.

In the United States, for instance, customers at more than 60 electric utilities receive home energy reports generated by Virginia-based software-as-a-service provider Opower. These reports include their ranking versus their neighbors and targeted tips designed to motivate them to reduce energy consumption to levels “normal” in their neighborhoods.

The most energy-efficient homes are recognized with smiley-face emoticons. But more important, users are able to see how they are doing in relation to some aggregate of others in their neighborhood, and that can motivate them to try to improve.

5. Social connectedness

People typically join a game because their socially networked friends are playing it—and enough “likes” can unleash a tidal wave of interest. So successful gamification initiatives need to create a strong sense of community. In 2010, for example, when the Japanese soft drink seller Pocari Sweat decided to embark on an aggressive marketing campaign for its electrolyte drink in Indonesia, an online game called Ionopolis played a critical role in the launch. Nearly 94,000 people signed up to collaborate in defeating a host of comic-book monsters hell-bent on dehydrating a virtual city. Players buy drinks in return for in-game benefits, including codes to fill their hydration meters; they can also post status updates on Facebook or Twitter, and check into specific locations on Foursquare to perform certain tasks.

6. Immersion reality

With their detailed graphics and exciting animation, digital games make players feel completely immersed in their virtual reality. And companies seeking to apply games mechanics to their business take visual stimulation seriously. Witness the video script used to market Nike+: “Picture yourself out on a run. With Nike+ that run becomes an endless parade of information about you—how fast you’re going, how far you’ve gone, how long you’ve been at it.... Got any friends? Awesome. Put ’em to work. They can cheer you on while you are running by posting comments to your Facebook page. Better yet, challenge them. If they’re really
your friends, they’ll still talk to you while they’re choking on your dust.”

7. Personalization

The ability to customize promotes a sense of ownership in the game through self-expression. SuperBetter, for example, is a social platform designed to help people recovering from an illness or an accident (or, indeed, people who just want to feel better about themselves) boost their personal resilience. Users describe their challenges or goals and receive personalized “power-ups”—strategies to beat anxiety, for instance, or customized diet plans—as well as “bad guys” to avoid, and personalized “quests.” They can keep track of their progress—and share it with others—via a customized to-do list.

Companies don’t need to utilize all of these options to harness the power of gamification. Much depends on whether the initiative is targeted at consumers or employees, and whether its mission is to promote products or processes.

Game mechanics are probably most effective in tackling challenges that have been difficult to solve. Consider, for instance, the Google Image Labeler game, which was online between 2006 and 2011 and helped Google create better matches between keywords and images by inviting people to compete to extract the multitude of meanings behind millions of images.

And the gamification approaches need to be targeted where there is significant demand—in markets or employee groups where Generation Y predominates, for example, or by leveraging channels such as smartphones, tablets and social networks where games-based applications will be familiar and expected.

Nor should applying games-based solutions involve a revamp of the business model. Companies can start small—with reward points per purchase, for instance. And they could benefit by forging links with digital marketing agencies and specialist, turnkey providers to boost their knowledge and understanding.

There is no perfect place to start—but neither is there any time to waste. The benefits of gamification may take time to realize, but in an increasingly interactive world, they are likely to deliver enduring competitive advantage.

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