

Gamification for the **Financial Services** Industry:

Five Key Benefits



If your company is like most others in the financial services industry today, you're aggressively searching for ways to cut costs and increase profitability. Since 2008, banks and other financial institutions have been under significant pressure to improve business results in the face of government loan repayments, low-yield interest rates and a continuing economic malaise. In response, these companies are looking at novel approaches to increase revenue, cut costs, and generate higher levels of employee productivity. And gamification has emerged as an effective solution to accomplish these goals.

Gamification is the application of game mechanics into non-game activities--such as websites, business services and business processes—to motivate, drive participation and increase engagement by target audiences. Gamification enables organizations to leverage the data they've already collected to provide personalized, compelling experiences that incent a target audience toward specific behaviors that derive business value. Gamification mechanics can be layered over any core experience that contains its own intrinsic value.

Companies in the financial services industry benefit as gamification enables them to more effectively move their branch customers online, increase the scope of activities they perform there, educate customers on financial topics, strengthen customer loyalty and improve employee productivity. Let's explore each more closely:

1. Migrate more of your customers online

Banks, savings and loans, credit unions and other financial institutions have been migrating users to their websites for well over a decade. As a result, research firm SNL Financial reports that banks closed 1,118 branches last year--the most since the firm began tracking in 2005. That may sound alarming, but these institutions are actually saving millions of dollars in expenses as customers move

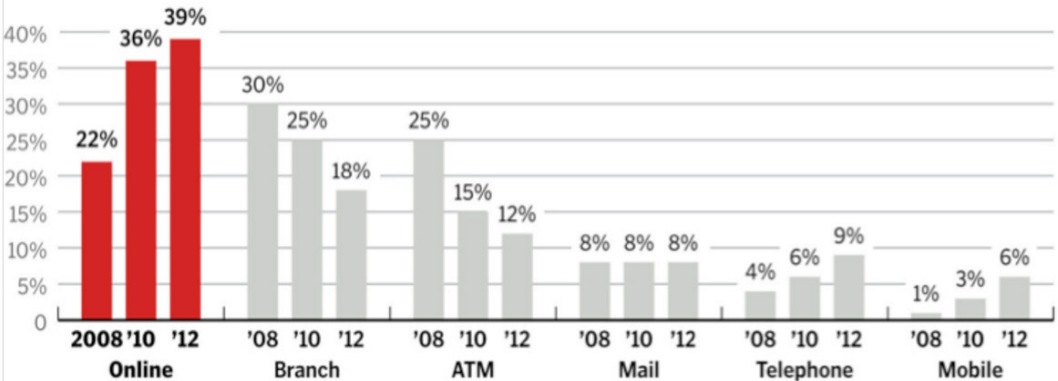
their business transactions online and, in return, receive faster, more convenient service.

Consequently, many financial institutions are looking to more aggressively lure customers online as they shutter less valuable branches. But continued migration isn't guaranteed as evidenced below in the table published by the American Bankers Association.

Growth of online banking slows

The Internet became the most popular way for consumers to interact with their bank in 2009, but the pace of growth is slowing.

Preferred method of banking



SOURCE: American Bankers Association

THE PLAIN DEALER

Gamification is designed to drive participation, encourage specific behaviors and promote engagement by target audiences. A particularly compelling, dynamic, and sustained gamification experience can be used to accomplish a variety of mission-critical business goals.

After years of successfully and almost effortlessly migrating customers online, the trend has slowed significantly. Between 2008 and 2010, the number of customers that preferred online over other forms of banking jumped from 22 to 36 percent—a 64 percent increase in just two years. Between 2010 and 2012, however, the growth rate slowed to just under eight percent. While that's still a respectable number by most standards, it suggests that the remaining population will take some convincing to move their banking business online.

In the recent Gartner Research Note "Migrating Customers to Online Services Using Gamification," (March 1, 2013) analyst Brian Burke confirms that "shifting customers from high-cost, face-to-face interactions to low-cost online services is

a challenge for many organizations.” Referring specifically to financial institutions like banks and insurance companies that traditionally operate through personal interaction, Gartner recommends these companies adopt a gamification program to shift customers to online services and then reinforce the behavior until it’s well-established. Burke suggests organizations “leverage gamification to develop awareness and educate customers on the use of online services.”

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GAMIFICATION OVERCOMES OBSTACLES TO ONLINE ADOPTION

There are several barriers that prevent customers from adopting online banking. Many are concerned about security issues. Others find a lifelong habit of conducting banking business in person hard to break. Some prefer face-to-face contact, and others are simply unfamiliar or inexperienced with the concept. While all are valid reasons, these issues are generally resolved once people experience the reality of online banking.

Only with use do customers grow comfortable that banks have employed sufficient measures and policies to protect them online. And while it may never truly replace more personal human contact, customers do quickly learn the value it does offer—no commute to the bank, no waiting in lines, no limited hours and no holidays.

The benefits of online banking sell the concept, once users are convinced to give it try. And we believe that’s why Gartner recommends gamification—because it works as an effective customer incentive.

Companies entice customers with a compelling program, maintain interest through challenges, competition, status building and rewards, and in the process transform them into online customers.

2. Extend the scope of online customer transactions

Even when customers have embraced basic web-based banking, opportunities remain for the adoption of additional online services. Customers that already go online to check balances, learn if specific checks have cleared and whether deposits have been made, for example, may not use online bill pay.

According to **FirstData**, slightly more than half of all consumers pay bills online through their financial institution’s website—far lower than the number using

online banking. And a survey by **Fiserv** confirms that online bill pay represents just 50 percent of all bill payments, presenting a valuable opportunity to convert more “online bankers” into “online bill payers.”

For banks, the cost of processing checks is normally higher than the cost of processing electronic payments. While some banks have chosen to prod their customers into paying bills online with new check processing fees, the practice hasn't been popular and some customers have defected to competitors that still provide the service at no cost. A gamified program offers a far more diplomatic approach and creates goodwill and loyalty in the business/customer relationship.

By designing and implementing an effective gamification program, banks can entice customers through the use of intrinsic and extrinsic motivators to learn about and use online bill pay. These motivators encourage people to participate and, through continued participation, adopt new behaviors.

GAMIFY YOUR BILL PAY SERVICE TO DRIVE PROFITABILITY, LOYALTY

According to an **Aspen Analytics** study that examined data from nearly 10 million banking customers, online bill pay customers deliver 15% to 20% more profit to their financial institution than similar customers who do not participate in the service. In fact, the study found that for every additional bill paid online, an incremental increase in that customer's profitability contribution occurred. Those who paid an average of five or more bills online per month were four times as valuable to their bank as average customers.

In addition, customers who paid bills online were 76% less likely to leave the bank for a competitor, and for those paying five or more bills online, the figure rose to 95%. A community of users that embraces online bill pay can therefore be instrumental in improving the profitability of the business, while also reinforcing their own loyalty.

3. Educate customers about their financial transactions

The more successful your customers are with their investments, the more money they have to invest with you. The more trades they make, the more money you make. The more successful they are, the more successful you are. It pays to ensure that your customers are making sound financial decisions when they invest and so educating customers can help make companies more successful and more profitable.

But people are busy and often require extra motivation to learn new skills, even when they know those skills can significantly benefit their financial well-being. As a result, financial services firms are leveraging gamification to employ motivational techniques—like self direction, personal improvement, greater purpose, personal progress and social interaction—to encourage customers to learn more about

investing, acquire the skills to build successful portfolios, and understand the advantages of using expert financial services.

Companies such as Kapitall and Wall Street Survivor have incorporated gamification to inspire new investors to learn how to build successful portfolios, fully leverage financial planners, grow their skills and in the process become capable, savvy investors.

Kapitall is an investment company focused on empowering new investors with tools to navigate today's markets. In an effort to make learning about and playing the stock market radically more simple, exciting and engaging, the company has designed a new type of investing platform complete with easy-to-use, intuitive tools to help clients take control of their own financial future, grow their skills and with it, their net worth.

In the gamified Kapitall environment, users earn "Kapitall Koins" and badges for completing tutorials and consuming other financial education content, as well as for trading stocks and performing in-depth analyses on the companies that interest them. Practice portfolios help new and amateur investors understand and select stocks while they test-drive the investing process and hone their skills.

As they progress, users redeem Kapitall Koins for virtual assets, real-world prizes (like movie tickets), and access to additional content. Special event programs encourage daily logins and ongoing participation.

"The gamification of Kapitall.com has enabled us to fully connect with users from the moment they register, and motivate them to learn more, trade more, and make the most of their skills. Our gamified community enjoys a truly satisfying investment experience, and we gain a proven tool that helps us nurture more customers, deliver more services and help more people to be successful."

— Serge Kreiker, Co-founder and CTO, Kapitall

Wall Street Survivor is a millennial-focused, socially-integrated financial education site. The company allows young, novice investors to manage their own fantasy stock portfolios while competing risk-free against friends, peers, and colleagues for prizes. Students learn to master the market by executing fantasy stock trades of real companies in real-time and, through that process, gain the skills necessary to take an active role in directing investments, savings plans, and retirement plans.

Wall Street Survivor incorporates a gamification platform to offer a series of engaging and rewarding challenges that guide users through a range of stock market concepts--from portfolio basics to investment strategies. Users earn badges for making trades and completing challenges, with rewards going to those whose virtual portfolios earn the highest returns.

“We’re effectively reinventing the financial education market through deep engagement, social connectivity and gamification. We partnered with Bunchball to create a community of market-savvy Survivors who are learning to trade stocks like professionals. Gamifying the Wall Street Survivor experience has been very effective.”

— Rory Olson, CEO, Wall Street Survivor

4. Increase customer loyalty

It’s widely understood that the cost of winning a new customer is significantly higher than the cost of retaining existing customers, and so loyalty has emerged as an integral component of every successful marketing strategy. Today, basic loyalty programs are found across a variety of industries in the form of frequent flyer programs and the like.

But today’s marketers strive to move beyond this foundational model, primarily because its programs are inadequate, uninspiring, and don’t foster true loyalty. The average US household belongs to 18 loyalty programs, many of which are easily disregarded or discontinued as new competitive programs are introduced. Using gamification, businesses can significantly increase their brand allegiance by providing personalized experiences and high-value interactions that together drive true loyalty.

In his book **Loyalty 3.0** gamification pioneer and author Rajat Paharia asserts we’re on the cusp of a new paradigm of customer loyalty, borne of the emergence of three major enabling components he identifies as Motivation, Big Data and Gamification:

- **Motivation:** Recent social science research clearly defines what compels and motivates human behavior, both in everyday life and in the workplace. Knowing what truly motivates people—and what doesn’t—enables us to create stronger engagement and true loyalty.

- **Big Data:** Technology has become the platform through which many of us communicate, socialize, work and play. The amount of data that people are generating as they interact digitally is exploding, and new technology is enabling businesses to capture that data with more granularity than ever before. Smart businesses can consume this data and use it to understand, engage and motivate their constituents in ways not previously possible.
- **Gamification:** Game designers have been using data-driven motivational techniques for years. Our new understanding of motivation combined with the emergence of big data streams have enabled these techniques to be used as powerful tools to drive engagement, participation, and high-value activity for customers, employees and partners alike.



By leveraging these three components in concert, Paharia believes we can transform our customers into deeply engaged, fully active, and truly loyal brand proponents. And while this is true for companies in all consumer-focused industries, it is exceedingly meaningful to the financial services sector. As indicated in the **Bain Report's** *Customer Loyalty in Retail Banking: Global Edition*, "The rewards of securing greater customer loyalty can be substantial, on the order of \$10,000 more in net present value over the lifetime of an affluent US promoter customer vs. a detractor."

5. Increase employee productivity

Gamification is often perceived as a key strategy focused on the behaviors, actions and loyalty of customers. And this is certainly true—as seen above, it's a reliable and increasingly effective customer strategy. However, recent trends illustrate that gamification directed internally can have a significant impact on employee and partner engagement, productivity and loyalty as well.

Bluewolf, a global business consulting agency for companies across multiple industries including financial services, uses an internally-focused gamification platform to incentivize its employees, enhance creativity and improve productivity and collaboration. Employees earn points by posting or responding to discussion topics within the company's internal collaboration tool, generating dialogues that keep the company's programs and perspectives fresh and innovative. Employees also share blog posts, white papers and other externally-focused materials through their own social networks like LinkedIn, Twitter and Facebook. When someone in the employee's network clicks on that link, more points are awarded. Points can be cashed in for a number of different prizes.

Soon after implementing the gamified employee program, traffic from social media outlets to the Bluewolf site increased by 45 percent, while traffic to the company's blog increased by 80 percent. The company's active blogger count

climbed from five to 25, all regularly sharing fresh ideas, expertise and building out new concepts. The program has resulted in real, measurable results that add to the company's bottom line, while successfully leveraging their existing social media programs. And the employees are fanatical about it.

INCENTIVIZE EMPLOYEES, ENCOURAGE ENGAGEMENT

When directed at the internal workforce, gamification has been proven to increase employee engagement; and engaged employees are more productive, happier and less likely to look for outside career opportunities.

In 2010, **Towers Watson** surveyed 25 companies with "high-performance business results" and discovered that companies with high levels of employee engagement enjoyed margins three times higher than that of companies with low engagement scores. According to the **Harvard Business Review**, happy employees are 31% more productive and 300% more creative. They generate 37% more sales, and their work is 19% more accurate, illustrating why the single greatest advantage in the modern economy may be a happy and engaged workforce.

While gamification has earned a solid reputation in helping customer-focused businesses to attract, engage, inspire and retain their clients, it's important that companies consider gamification as an internal, employee-focused solution as well. There is significant value to be gained on both sides.

LAST WORD: EVALUATING A GAMIFICATION PROGRAM

Early in the process of gamifying any aspect of your company, it's essential to set goals and ascertain the value of reaching them.

What is the value of moving customers online, or of increasing their engagement with your company? What is the value of increased customer loyalty and retention? How about more engaged and loyal employees, minimized attrition and increased productivity? The list of potential uses for gamification is nearly endless, so it's important when considering a program that you create a list of specific objectives and estimate what the value of meeting them will be. Most financial services companies find that ROIs are achieved by reaching just one of a number of diverse goals, and the rest just serves as icing on the cake.

In the end, the business issues addressed by gamification are issues that confront almost every company in every industry. But financial services companies have a lot to gain by transforming their clients into highly profitable, low-touch customers that increase their loyalty with every online visit and every transaction. This is a good time to heed the advice of Gartner and explore a gamification program to solve many of your company's greatest challenges.



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.

www.biworldwide.com
U.S. Patent No. 8,768,764
U.S. Patent No. 9,779,421

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