Five years ago, no CMO wanted to be the dinosaur that didn’t invest in social technologies. This desire led to massive, across-the-board investments in technologies to connect with customers. Through unproven technologies, many took a build-it-and-they-will-come mentality. As it turns out, many customers didn’t show up to the party.
Companies are slowly waking from a social hangover, seeing slow adoption of established and emerging assets. Despite $4.5 billion invested in social media related technology last year, 84% of customers never saw Facebook brand updates.¹ Proprietary assets haven’t fared much better. Businesses spent $3 billion last year on web-based communities and user generated content tools, but according to research firm Gartner, nearly 70% of customers never log in to them.²

Even the companies that drive initial adoption and engagement are challenged to maintain it. While McKinsey estimates that the cost of loyalty programs swelled to $50 billion last year, more than half of customers are inactive in those programs, making it harder than ever to generate profits from them.³ This lack of engagement ultimately hits companies where it counts: xgenerating revenue. Across most industries, conversion rates remain stagnant around 3%,⁴ while 62% of customers take their business to competitors upon completing a relationship with a brand.⁵

The challenge facing CMOs stems from their customers’ immense set of choices, and the limited time and attention they’re able to give to the millions of products and content options at their disposal. Online shoppers, for example, have merely a four second attention span on average.⁶ With a vast array of sites, communities and social media channels jockeying for their attention, CMOs have perhaps the smallest window in human history to reach their customers.

Taken in their totality, these challenges create a crippling Engagement Crisis for marketers in every industry. The only way out of it is to create a more effective, sustainable way to measure and influence the customer behaviors that support key business objectives. To conquer their engagement challenges, today’s world-class companies are borrowing the same principles that have made addictive, compelling user experiences — such as social games — and applying them to their digital experiences. This whitepaper will serve as the CMO’s guide to beating the engagement crisis, and go through practical steps to help avoid it.

² Top 10 Issues with Proprietary Web Communities, Gartner, Nov 2011
⁶ Report: Online Shoppers Have A 4-Second Attention Span. http://www.informationweek.com/report-online-shoppers-have-a-4-second-a/193502066
What is Engagement, Really?

To explain low adoption of their digital investments, many web strategists have cited the popular 90/9/1 rule that has become a staple for many digital marketers — the idea that 90% of users will be lurkers, 9% will be contributors and 1% will be creators. But the rise of the 90/9/1 rule veiled a greater truth: That despite these new channels, customers aren’t exactly doing what companies want them to do. It’s true they come to your website, but they might investigate a product before buying it somewhere else for a cheaper price. It’s true they visit social media sites like Facebook, but it’s to interact with their friends and family, not necessarily with your product or brand.

Most agree that “user engagement” is the cure to these ills, but the word itself has been bastardized. Hackneyed terms like "you need to listen and engage with your customers" are now a staple in many marketers’ vocabulary. This has caused companies to start analyzing customer actions, either through traditional analytics or social media listening tools. But knowing what customers say, and creating armies of marketing managers and support specialists in a command center to placate their demands on Twitter, is not engagement. In practice, it’s a reactive strategy that companies dress up as being “social” or “customer-centric.” In truth, it’s a face-saving tactic that, over time, customers will see through and hold companies hostage over.

The definition of engagement is about interactivity — between you, your customers, and amongst themselves. The longer you can hold your customer’s attention, the greater your influence is over them. While the democratizing effect of the web means you’ll never control customers in the way you once could, true engagement means you’ll be able to influence them to interact with specific products, content and services. As a result, engaged customers can be guided into behaviors that support the marketer’s three fundamental business objectives:

- Acquiring customers
- Retaining them over time
- Maximizing the revenue you derive from each of them.
Reactive engagement strategies are borne out of companies’ struggles to understand what really motivates their customers. The most apparent examples are traditional loyalty programs that value transactions above all else. Before the web, this approach made more sense because transactions were one of the only behaviors companies could track, outside of phone calls and mail-in rebates. The customer buys nine sandwiches, they get the tenth free. They fly 30,000 miles, they get a free flight.

Over time, the transparency of such a program can become a hindrance at sustaining long-term engagement. As the customer becomes conscious that they need to spend a specific amount of money in order to get something back, they realize you’ve set a dollar value on their overall worth to you. If a sandwich is priced at $6, they need to spend $54 on their nine sandwiches to get the 10th free — which is, still, only worth $6. Even companies that launch without the burden of legacy loyalty programs still subscribe to this model. Attaining a high-status on the upstart Virgin America is largely tied to how much money you spend, not just how many miles you fly.

The web is changing that loyalty paradigm. In today’s world, companies have insight into an expanded set of customer behaviors that happen in between transactions — such as logging in to a website, commenting, writing a review or sharing something out to Facebook. All of these behaviors can be trackable. All of them can be rewarded.

How we view rewards is changing, too. People value recognition, social status and privileges as much as getting free stuff. As far back as the 1970s, research that would later become known as self-determination theory (SDT) indicated that intrinsic motivators — such as the ability to be autonomous and connected to others — could have greater impact on people’s behavior than simply the ability to earn money or rewards (Deci, E. L., & Ryan, R. M. 1985). For example, one study cited in SDT found that college students’ perceived ability to succeed was increased simply by positive feedback. Another showed that children were motivated to complete games for competitive reasons, and that it was of greater importance to them than any tangible prizes (Kruglanski, A. W., Alon, S., & Lewis).

Advances in technology have taken it a step further, however, demonstrating how people’s brains are wired to care more deeply about social status and reputation than money and prizes. In 2008, the National Institute of Mental Health conducted a study that scanned the brains of more than 70 subjects, comparing their reactions to winning money in a computer game and having comments made about them (both good and bad) from fake players who were introduced throughout the course of the game. The subjects didn’t know these players were fake, so mentally they took their participation seriously.

The response? The same area of the brain, the striatum, lit up equally when a player improved their social standing as much as earning money. Dr. Caroline F. Zink summed it up for the Scientific American’s recap of the study:

“We found that the brain reacts very strongly to the other players and specifically the status of the other players. We weren’t expecting that profound a response,” noting that the subjects seemed to be concerned with the hierarchy within the game even when it was of no consequence to how much money they could make.

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10 For the Brain, Cash Is Good, Status Is Better. http://www.sciencemag.org/content/320/5877/547"
According to Zink, the striatum became just as animated when players were given a shot at improving their social standing as it did when they won a buck. And that wasn’t the only indicator that they cared about how others perceived them. She says another brain region (the medial prefrontal cortex) involved in sizing up others went wild when players were shown photos of competitors who outperformed them.

There will always be a time and place to reward users with free goods and discounts, but intrinsic motivators should be leveraged between transactions and guiding customers along a story of personal growth. In doing so, companies can more scalably get the results they want from them. For the CMO’s Engagement Guide, we’ve made it simple: They all start with the letter S.

FOUR CUSTOMER MOTIVATORS

SMART — Can you help customers feel a sense of discovery? Can you enable them to prove their knowledge within the context of your product or service?

SUCCESSFUL — People like to feel as though they’re winning, and this desire is further fueled by competition.

SOCIALLY VALUED — As much as people like material things, a greater desire is felt for status, reputation or prestige.

STRUCTURED — With the deluge of information, products and services thrown at them each day, more than ever customers want to make order and sense of everything before them.

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Engagement Mechanics:
The Secret Weapon for Driving Customer Behavior

BEHAVIOR

Many innovative products and sites on the consumer web have cracked the code of tapping into customers’ key motivations to drive engagement. Facebook is the most obvious example. It has nearly a billion active users who upload nearly 250 million photos per day. Today, nearly 81 million people play social games, and more than half of them play more than once a day.

To increase engagement, many companies have begun leveraging the same techniques that power experiences like Facebook and its social game ecosystem, but instead have applied them to non-gaming contexts. These assets include websites, online communities and mobile applications, where user engagement can make or break the ability of those channels to acquire, retain and convert customers. These companies haven’t reinvented the wheel on the behaviors they want people to perform; they’ve instead layered in different engagement mechanics that influence users to do them.

These companies have leveraged three engagement techniques: Game Mechanics, Reputation Mechanics and Social Mechanics. Put simply, these mechanics allow them to reward customers, elevate their status, and deliver a social experience wherever they go.

GAME MECHANICS:
REAL-TIME RECOGNITION FOR CUSTOMER BEHAVIOR

A couple years ago, Samsung.com had an immediate need for game mechanics. The site provides a central hub for customers to peruse thousands of products, read and write reviews, and engage with key social media channels like Facebook and Twitter. Social sharing functionality is embedded throughout the site, and the Bazaarvoice conversations platform powers user generated content tools alongside each product.

But even with millions of visitors a month, the site could be very catalogue driven. Customers often came to do research for purchase validation before going to the store, and then didn’t come back to the site for months or years. In other cases, they simply came to voice a complaint or ask a support question. With limited time and myriad options of where they spend those seconds, Samsung customers needed a compelling reason to return.

To increase customer retention and improve advocacy, Samsung leveraged Game Mechanics to reward specific customer behaviors, such as sharing out to Facebook, writing reviews and commenting on content. As they earn different achievements and points, they see their reputation and status displayed on leaderboards. This appeals to their need to feel smart and successful (two key intrinsic motivators). Samsung also mixed in tangible rewards, such as the ability to win a free tablet, that also helped facilitate excitement for the program.

Samsung has increased the amount of user generated content generated on the site, and it’s also increased the amount of customer advocates — people who positively promote the brand. According to research by Deloitte, customer advocates spend twice as much as a regular customer in revenue, and have a five-time greater lifetime value.
**GAME MECHANICS: CONT.**

MuchMusic in Canada is another example. The popular music and entertainment television station wanted to translate the excitement its audience had for its programming into a vibrant loyalty program on its website. So it layered game mechanics across the MuchMusic.com experience to reward users for commenting on blog posts, watching videos and sharing out to social networks, enticing users with early access to content and the opportunity to meet their favorite stars.

Within a few months, the results were staggering. User behaviors on MuchMusic.com increased by an average of 59% from week to week, with an average of more than 14 behaviors per user. The result of this engagement: Better retention and loyalty. Overall, MuchMusic.com has seen a 21% increase in registered users, with nearly one in three (33%) returning on a daily basis.

**REPUTATION MECHANICS: ELEVATING CUSTOMER STATUS**

Reputation Mechanics are being utilized heavily by companies looking to build better communities around their products and services. CA Technologies is a B2B company that provides businesses with products and expertise to optimize technologies and simplify complex IT challenges. For more than 30 years, they’ve helped support various customer communities, starting with in-person regional user groups. Several years ago, CA decided to launch a cohesive community online which would serve as a hub for customer interactions.

With customer time and attention a precious commodity, it could be challenging to drive adoption of key areas of the community. To help drive more engagement, CA embedded reputation mechanics throughout the experience. To do this, they assigned different points people earned for contributing content — those points rolled up into different levels of reputation across the site. For example, an “Aficionado” in the CA Community had to earn 350 points to attain that level, while more advanced levels, like a “CA Champion” had to earn 900 points. In total, they had eight levels, giving users many stepping stones to show off their status in the community.

The results have been high levels of engagement. Since layering reputation mechanics throughout the experience, CA saw a 57% increase in questions answered on CA forums, and a 306% increase in overall interaction with different user profiles.
Engagement Mechanics: The Secret Weapon for Driving Customer Behavior

SOCIAL MECHANICS: DELIVERING THE BEST OF THE SOCIAL WEB ON YOUR PROPRIETARY ASSETS

Facebook has proven that the ability to publish social activities to a wide audience can have powerful influences on people's behavior. This is causing companies to apply similar dynamics right on top of their own assets to engage customers.

One example is Ask.com, one of the early pioneers on the Web. Launched in 1996, Ask.com is a top 10 US internet site with more than 100 million monthly users globally. It has built one of the largest communities supporting open Q&A on the web, curating answers through search and participation from topical authorities. While Ask.com knew it had advanced technology, it wanted to create a more dynamic experience for users as they visited the site, drawing them to discussions that were taking place in real-time. The success of their site hinges on strong user participation.

Ask.com utilized social mechanics across its product experience, adding real-time notifications and activity streams that informed users about questions and answers happening across the site. With their follow functionality, Ask.com enabled their users to better connect with relevant people and content which interested them. The results were increased engagement across the site. Ask.com saw a 23% increase in questions answered, and a 58% increase in votes cast. For a site like Ask.com, which relies on advertising as a key revenue stream, driving these engagement metrics up — by extension time spent onsite — is a vital need for its business.

BEHAVIOR DATA & INSIGHTS: THE FOUNDATION OF ONGOING ENGAGEMENT

When it comes to customer engagement, you're never done. You cannot determine success without testing the types of behaviors you're driving, and the business objectives those behaviors support. One way to achieve this goal is to tie it back to three core objectives of marketers: ACQUISITION, RETENTION AND CONVERSIONS.

EXAMPLES OF BEHAVIOR DATA TO ANALYZE INCLUDE:

- **ONBOARDING NEW CUSTOMERS** — How many people are logging into your sites, communities and apps? And are social behaviors (such as sharing out to Twitter or Facebook) causing them to do business with you for the first time?
- **RETENTION** — How sticky is the overall user experience you're providing? If you have many one-and-done customers, you need to focus many of your engagement mechanics on encouraging repeat behaviors.
- **CONVERSIONS** — As you engage across different digital experiences, how do those behaviors lead to additional purchases, ad impressions, lead gen and other core revenue generating activities.
The Technology & Team: You Need Both to Scale an Engagement Program For Long-Term Success

It’s become a popular term to say “it’s not about the technology,” but the reality is, building an engagement program at scale is an enterprise investment that requires a sophisticated toolset. Companies that have built end-to-end engagement programs had to address many tough questions, such as:

- If you apply game mechanics, can you ensure people don’t game the system?
- If you reward hundreds of behaviors across your ecosystem, can your infrastructure process those in real-time and give users instant notifications?
- As you process these behaviors, can you ensure security and that you’re in compliance with your company’s data policies?
- If you’re going to apply game, reputation and social mechanics to more than one site, can you manage it in one place with multi-tiered user access? Or will you have to stitch together different admin experiences.

These are the types of questions that eventually lead companies to exploring a behavior platform to scale their program appropriately. But it’s also the design behind these programs that matter. According to Gartner, 80% of gamification projects will fail from poor design. This means that behind the technology, it helps to work with a team with a diverse background, including:

- **GAME DESIGN** — Can you understand what motivates your customers, and build different mechanics to engage and reward them?
- **DATA SCIENCE** — Can you make sense of the data? You must, in order to tweak your engagement mechanics accordingly.
- **ROI ANALYSIS** — How can you assess the value of your program as it relates to core business metrics?

If you’ve gotten this far, you have a good sense of the tools at your disposal to solve the engagement crisis. But don’t go it alone! To learn more about how you can conquer your engagement crisis, contact Badgeville at info@badgeville.com to learn more.

ABOUT BADGEVILLE

Badgeville, the #1 gamification and behavior management platform, enables companies in virtually every industry to influence and measure user behavior. World-class businesses in more than 20 countries use Badgeville’s Behavior Platform, an award-winning Platform-as-a-Service (PaaS) solution, to increase customer loyalty, user engagement, and employee performance across an organization’s websites, mobile apps and enterprise applications. With over 200 customers, Badgeville brings Game Mechanics, Reputation Mechanics, and Social Mechanics to industry leaders and innovators including Deloitte, EMC, Oracle, Autodesk, Bell Media, NBC, Universal Music, Recyclebank, VMware, and more. Founded in 2010, Badgeville is based in Menlo Park, California and has offices in New York and Europe. To learn more follow @Badgeville or visit www.badgeville.com.