INSIGHT

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GAMIFICATION for the digital bank of tomorrow

If banks want to survive, let alone thrive in a digital context, they need to come up with new ways of attracting clients to their online platforms and to ensure those all-important return visits. Moreover, the digital client expects a full 360° experience, where they can increase their knowledge on what they can do, how to do it and get some comprehensive product information. Gamification deals with both in order for banks to be both more cost effective and revenue generating.

Introduction

Gamification is not simply adding a game to a bank's digital app store. On the contrary, it is the application of typical gaming elements to other areas of activity in order to encourage engagement with a product or service, and to increase brand loyalty.

When one thinks about the contemporary European financial services sector, a few stark facts should come to mind almost immediately: the highly regulated nature of the sector, the degree of mistrust allocated toward financial institutions, and the low interest rate context making high levels of profit generation through increased revenue an excruciatingly difficult task. The previously mentioned point although brought with a slight tone of grimace, paves the way toward a very bright future for those institutions that act both quickly and differently.

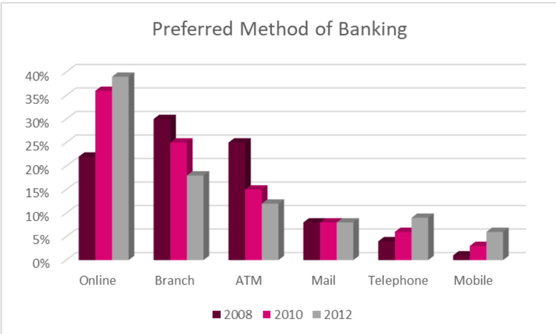
The new digital client

Just as many banks came to realize that the movement of customers from branches to ATMs was a highly efficient cost cutting tool, so too have banks accepted that the migration from brick and mortar to digital platforms is an essential part of their survival.

New digital clients are those who are moving away from the traditional financial services offered solely by banks, and stepping into the new world where the same services and more are provided online by a variety of service providers. When one thought of banking clients performing their necessary tasks, there was an assumption that they would be completing a visit to a bank and then carrying out their needs on site; this however is no longer the case. Clients have a larger online presence and are increasingly engaging in less traditional banking activity, leading to a few key questions; which are the leading forms of banking for clients? What are the chief activities carried out on online platforms and where is there room for growth? And who are the service providers best geared to reap the benefits of the technological revolution taking place this very moment?

Important within the context of gamification, the profit margins on traditional banking activities are down, due the persistently low interest rate context. At the same time, following the financial crisis, both the cost of compliance and taxation rates have gone up, leading to an overall increase in banking operational costs. Both situations occurring simultaneously means that the profit side of the balance sheet is under serious pressure. Therefore, traditional operations no longer suffice, and financial institutions need to redefine where and how value will be created. The idea of moving clients online, although good, only deals with the concept of acting quickly. Given that there are not only banks, but a plethora of institutions who are attempting to provide traditional banking services online, acting quickly as well as differently is paramount; this is where gamification come into play.

FIGURE 1.1: CUSTOMERS' BANKING PREFERENCES



Source: American Bankers Association

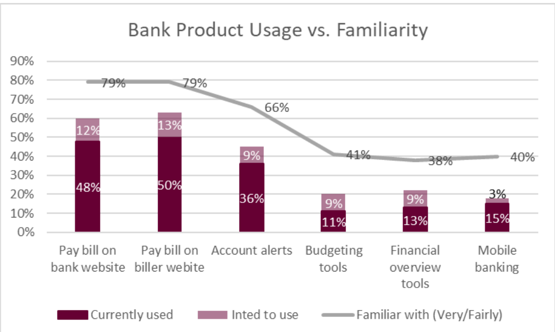
Banks the world over have been attempting to increase the number of clients who use their online platforms, and although the number of clients who prefer to use online platforms has increased, it has been doing so at a slow pace. This means that although the number of customers whose preference was online banking increased exponentially in the two years following the 2008 financial crisis, the subsequent years faced lower conversion levels than generally expected. This can be seen in figure 1.1 above, both in the way that clients showed a clear preference for online banking relative to any other form of banking, but also in the decreased marginal increase from 2010-2012 compared to 2008-2010. One of the issues that has been raised in the study of the decreasing preference for online banking is that of trust and security.

Figure 1.2 below displays the various ways in which online banking clients use the tools that are available to them. There are a few key observations to be made:

1. Although online banking is a cheaper alternative to traditional banking methods, mobile banking is an even more cost efficient alternative yet remains the least used by clients, apart from in Belgium.
2. Although people may feel comfortable using online banking to find out information such as transaction history, only 13% currently use financial overview tools such as fund investments, wealth management or portfolio management tools.

The first point should bring to mind the immense opportunity that banks have to offer a full 360° experience to clients by further expanding the mobile banking domain. The second point highlights that people are willing to access their data online but are not aware of the full range of online services that are available to them. Such information is vital to financiers, particularly in the Belgian market; given that Belgians possess €265 billion in savings deposit accounts, which result in a net loss of €5 billion per annum, showing customers the multitude of ways that they can use mobile banking is imperative.

FIGURE 1.2: THE BANKING USES FOR CUSTOMERS USING ONLINE TOOLS.



Source: FirstData

When surveyed, there tend to be three main reasons why Belgians tend not to invest their large savings,

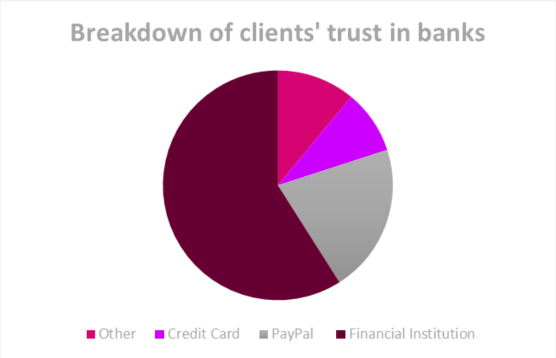
1. 43% of non-active Belgian investors believe they have not enough money to invest, and that investing is an activity better left to the rich. (Given that, a large number of funds require a starting capital of minimum €1000, this is not totally false).
2. Belgians are generally risk-averse, meaning that 26% accepts a lower to no return with guaranteed funds, than risk losing their capital for increased potential capital gain.
3. Finally, 22% of Belgians believe that they lack the sufficient knowledge to invest, assuming that in order for people to invest their money, they must be experts on the field.

Note that all of the issues raised showed a lack of confidence which stemmed from a lack of personal knowledge on banking clients' parts. Therefore, Gamification can certainly be used as a way to alleviate customers of their ignorance, as well as rid them of their investment insecurities. Both can be done using online platforms that use gamification techniques to empower digital clients by expanding their knowledge base. The case is somewhat turned on its head when one is to account for Belgian youth, given than 68% of youth tend to use the internet for their banking activities. Leading consulting firms have also quoted that more than 70% of Belgians make use of online banking services at least 2-3 times a month.

Two issues faced by banks are client ignorance, and mistrust; figure 1.3, below, shows that customers are more willing to trust banks than any other financial services institution. This all means that in a country like Belgium, not only have customers shown their willingness to adapt to banking changes (through online adaptation), but when they do, they would rather do so with established banks. Therefore, banks should aim to engage with their clients as fast as possible, online, and use gamification techniques as reinforcement on their existing platforms.

Not only is there hope for Belgian banks there is also a great opportunity, given that less than 50% of Belgians use nothing but online banking. I there are people who have completely shifted their banking practices online, there is a justification for the gradual removing of traditional practices altogether (if coupled with successful methods of drawing increasingly more clients to online platforms).

FIGURE 1.3: CLIENTS' MAIN METHODS OF ONLINE PAYMENT



Source: FirstData

This information is vital, because simply being the first mover and creating good fintech software does not mean one will take market share from banks. Rather, banks entrenching themselves online and drawing their customers thusly through gamification techniques will undoubtedly reap the benefits. The clear advantage that banks have is their clients' trust, but that is not to say that banks can take as long as they wish, even slowly, allegiances can shift.

The implementation of Gamification

All of the previous points such as engaging existing clients more online, increasing the number of clients that are attached to the bank, and more can be achieved through gamification strategies.

By allowing clients to engage with the financial institution through applications that are specifically designed to alleviate their worries about data and payment security, to speak with them in their own language and to help them understand all the tools at their disposal and they can use them to their advantage. Not only does this allow for the banks who implement gamification in their strategies to have reduced cost, but it has also been proven that clients who use online bill payments are more loyal as well as profitable to banks by as much as 15%-20%.

But all the good that could come of gamification means nothing if it is not implemented strategically and correctly. This is clear from the fact that 80% of gamified applications will fail due to bad design, given that their focus lies heavily on PBL (points, badges and leaderboards). Although PBL are important factors for clients, the main concentration from banks should be to clearly define goals and then use gamification tools to get there. Gamification should be a means to an end, and not the end in itself. Gamification tools and techniques can actively motivate and engage with clients to see processes through till the end, and thus increase the overall conversion rates for online sales.

Furthermore, there should be a continuous feedback loop with effectiveness checks to implement constant improvement. Sia Partners has created a methodology to best ensure that our clients do not fall into the same traps as the other 80% of those attempting to implement gamification strategies.

Conclusion

The moral of the story is that only two of gamification's many advantages have been touched upon in this article; increasing the number of clients online and increasing the number of activities that are available to clients once online. The former has the effect of lowering the costs associates with banking, while the latter increases the profitability and loyalty of the clientele who engage in the practice. Banks may be attempting to shift their clients online quickly, but if they truly want to win, they will have to do so differently. They have to get their heads in the game.

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Sia Partners is a next generation consulting firm focused on delivering superior value and tangible results to its clients as they navigate the digital revolution. With over 1,200 consultants in 15 countries, we will generate an annual turnover of USD 230 million for the current fiscal year. Our global footprint and our expertise in more than 30 sectors and services allow us to accompany our clients worldwide. We guide their projects and initiatives in strategy, business transformation, IT & digital strategy, and Data Science. As the pioneer of Consulting 4.0, we develop consulting bots and we integrate the disruption of AI in our solutions.

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