The Role of Gamification in Enhancing Intrinsic Motivation to Use a Loyalty Program

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Abstract

Based on Self-Determination Theory (SDT), this study examined how rewards could weaken intrinsic motivation to use a retail loyalty program. Two experiments were conducted. Study 1 revealed that individuals who received a salient reward (an explicit requirement and deadline for reward achievement and no reward options) presented lower intrinsic motivation to engage in the loyalty program than those who received its non-salient counterpart (a less explicit requirement, no deadline, and reward options). Study 2 found that the salient reward presented in the gamified form using graphical feedback enhanced the lowered intrinsic motivation. Implications for designing effective loyalty programs are discussed.
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Since 1981, when *American Airlines* first introduced *AAdvantage* (Petersen and Winship 2005), loyalty programs have become a popular marketing tactic to build and maintain customer loyalty through a planned reward scheme based on purchase history (Sharp and Sharp 1997; Yi and Jeon 2003). In recent years, loyalty programs have been adopted by a wide array of industry sectors, including retail, travel/hospitality, and finance, and have become increasingly popular among consumers worldwide (Berry 2015a; Kivetz and Simonson 2002). The total number of U.S. loyalty memberships, for example, exceeded 3.3 billion in 2014, a 26% increase from 2.6 billion in 2012, and each U.S. household belonged to an average of 29 loyalty programs (Berry 2015a).

An integral element of loyalty programs is the achievement of pre-determined rewards by meeting purchase quotas; for this reason, loyalty programs are often called "reward" programs (e.g., *Southwest Rapid Rewards*, *Marriott Rewards*, and *My Starbucks Rewards*) (Kim, Shi, and Srinivasan 2001). The majority (83%) of rewards offered are financial, such as points that can be redeemed later for goods and services, such as free coffee and complimentary hotel stays (Berry 2015a).

Many behavior-change strategies using rewards are predicated on the principle of operant conditioning (Skinner 1953). This behaviorist principle holds that external rewards (i.e., rewards granted from external sources) can control behavior such that when administered subsequent to the desired behavior (e.g., points given after purchase), rewards can increase the likelihood that the behavior will take place again, a mechanism called positive reinforcement. Indeed, rewards for reinforcing desired behaviors exist in a wide range of contexts—notably, in education (e.g., scholarships) and workforce management (e.g., overtime pay) (Ryan and Deci 2000a).

However, operant conditioning also holds that when rewards cease, the behavior is likely to cease as well, returning to its pre-reward condition (Skinner 1953). In line with this observation, marketing scholars have expressed concern that loyalty programs using the reward-response association might not always lead to true brand loyalty but lead to increased sensitivity to the rewards themselves (e.g., Noordhoff, Pauwels, and Odekerken-Schröder 2004; Yi and Jeon 2003). This concern might also pertain to a recent criticism that loyalty programs appear to be unrelated to the cultivation of customer brand loyalty or customer assets (Shugan

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2005). Indeed, many loyalty programs seem frantic, acquiring new customers by over-issuing sign-up bonuses, discounts, and points, while failing to engage and retain existing customers (Berry 2015b).

Earlier work on motivation has demonstrated that external rewards are likely to weaken individuals' *intrinsic motivation* (i.e., a person's innate tendency to pursue novelty, challenge, and/or enjoyment from an activity *per se* rather than from the instrumental value of the activity [e.g., rewards]) (Deci 1971; Deci, Koestner, and Ryan 1999). For example, Deci (1971) found that monetary rewards lowered college students' motivation to engage in a learning activity. Interestingly, this stream of research provides evidence counterintuitive to the common understanding about the use of rewards as an effective motivational strategy.

Whereas this *undermining impact* of rewards on intrinsic motivation (Deci, Koestner, and Ryan 1999) has been investigated primarily in the context of education (e.g., Deci 1971; Kim et al. 2014; Ross 1975) and pro-social behavior (e.g., Osbaldiston and Sheldon 2003; Weinstein and Ryan 2010), the present article examined the phenomenon in the consumer domain through two experiments. Based on the framework of Self-Determination Theory (SDT; Deci and Ryan 1985), a theory of extrinsic and intrinsic behavioral regulation, Study 1 first established the basis of whether reward contingencies would lower intrinsic motivation to engage in a retail loyalty program and whether that lowered intrinsic motivation would be associated with a decrease in brand loyalty. Study 2 examined gamification (i.e., the use of game-design elements in non-game contexts to motivate desired behaviors; Deterding et al. 2011) as a means of enhancing intrinsic motivation to engage in a retail loyalty program. The growing popularity of loyalty programs is, at least in part, attributed to advancements in mobile technology. The fun, interactive features of smartphone applications for loyalty programs might not only bring meaningful enjoyment but also motivate users to achieve more rewards, allowing them to monitor their progress instantly and, in turn, to feel competent in obtaining the rewards (Hector 2015). In fact, almost half of consumers using loyalty programs reported that they would continue using the programs if those programs had a smartphone application (Berry 2015b). In the long run, understanding the nature of rewards can help companies better employ loyalty programs.

Study 1

Self-Determination Theory (SDT)

SDT is a theory of motivation that delineates the intricacies of human cognitive and behavioral regulation (Baumeister and Vohs 2007). In traditional social psychological theories, human behavior is considered to be subordinate to social contexts, whereas SDT further assumes that human behavior might not always be dictated by contexts, stressing that humans have innate propensities to behave autonomously (Deci and Ryan 1991). Accordingly, SDT postulates two types of motivation that drive human behavior: intrinsic and extrinsic (Ryan and Deci 2000b).

Intrinsic vs. Extrinsic Motivation

SDT offers a framework for explicating the degree to which an action is self-determined (i.e., intrinsically motivated), and postulates two broad types of motivation: intrinsic and extrinsic motivation (Deci and Ryan 1985). The term *intrinsic motivation* is defined as "the doing of an activity for its inherent satisfactions rather than for some separable consequences" (Ryan and Deci 2000c, p 56). Humans have a natural tendency to engage in interesting and playful activities, regardless of reward contingencies. A case in point is a student working hard on homework because (s)he derives pleasure from the learning experience *per se* or a customer participating in a loyalty program because he thinks the program itself is enjoyable.

However, people are not always intrinsically motivated to engage in an activity. To this end, the term *extrinsic motivation* refers to activities executed with the goal of obtaining tangible rewards or some separable outcomes (Ryan and Deci 2000c). Extrinsically motivated individuals tend to perform an activity for its instrumental value rather than for enjoyment from the activity *per se*—for instance, a student working hard on homework only to receive a good grade in the class or a customer using a loyalty program purely to obtain rewards.

Need for Autonomy

SDT postulates that intrinsically motivated behaviors are driven by individuals' psychological needs that are universal and cross-developmental (Deci and Ryan 1991). One such psychological need is the need for autonomy (Deci and Ryan 1987). The term *need for autonomy* refers to one's "desire to experience an *internal* [italic added] perceived locus of causality with regard to action" (Deci and Ryan 1991, p 243); that is, the construct represents an individual's perception of how much he has control over the action.

SDT-grounded studies have identified several important social psychological (or contextual) factors that could affect one's need for autonomy: choices, requirements, deadlines, and rewards (e.g., Deci 1971; Deci, Koestner, and Ryan 1999; Ross 1975; Ryan and Deci 2000a). An environment that supports the need for autonomy is likely to allow an actor to have *choices* as a means of expressing the self (Deci and Ryan 1987). Providing choices implies that the situation is flexible and free from pressures to behave in a certain way (Ryan and Deci 2000b). In contrast, an environment that imposes an explicit *requirement* and *deadline* for a behavior is likely to inhibit satisfaction of the need for autonomy, thus undermining intrinsic motivation (Deci and Ryan 1987; Ross 1975). For instance, previous studies have found that completion-contingent rewards that present salient conditions for obtaining extrinsic rewards, similar in nature to the design and structure of rewards from most loyalty programs (e.g., "earn 10 more points by the end of the month and get a reward"), weakened intrinsic motivation (Deci 1971; Deci, Koestner, and Ryan 1999). In response to these rewards, the actor might shift the locus of causality from internal sources (e.g., enjoyment) to external sources (i.e., rewards), consciously or unconsciously becoming "a pawn to the source of external rewards" (Deci 1971, p 105).