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The Boundaries of Gamification for Engaging Customers: Effects of Losing a Contest in Online Co-creation Communities

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Abstract

Despite the increasing use of gamification mechanics to engage customers in firms' activities, the risks related to such use remain unclear. To address this knowledge gap, this research examines the impacts of losing a challenge, which is a phenomenon experienced by the majority of customers involved in gamified settings but underexplored in literature. We investigate the context of co-creation communities by combining two widely used gamification mechanics, competition and cooperation. Results from three laboratory experiments and one field experiment show that win/lose decisions weaken the benefits of gamification and, in the case of losing a competition, have negative impacts on customer experience and engagement. They also demonstrate that customers' levels of prior engagement with the community moderate the negative impacts of losing a competition. Supported by equity theory, this research questions the effectiveness of gamification mechanics, identifies their limits, and provides guidelines on how to properly implement them.

Keywords: Gamification; Engagement; Co-creation; Online community

Introduction

In the past two decades, managers and researchers have increasingly emphasized that the integration of customers into the development and promotion of products and services is relevant to firms' market orientations and relationship management practices (Hoyer et al. 2010; Norton, Mochon, and Ariely 2012; Piller and Walcher 2006; Roberts and Candi 2014; Russo-Spena and Mele 2012; Schreier, Fuchs, and Dahl 2012). The integration of customers into company activities enables managers to develop communities around customer interests (Healy and McDonagh 2013), strengthen customer commitment to new offerings, and stimulate positive customer perceptions and attitudes (Nishikawa, Schreier, and Ogawa 2013). Such customer involvement boosts adoption rates, ensures continued product usage, and reduces the risk of innovation failure (Hamari and Koivisto 2015; Nambisan and Baron 2007).

The emergence of online platforms, communities, and social networks provides both firms and customers with powerful tools to support interactions and foster resource exchanges. However, technology itself is not sufficient to engage customers effectively, though such engagement is a key predictor of successful co-creation experiences (Jaakkola and Alexander 2014; Storbacka et al. 2016). *Customer engagement* (CE) refers to the level and intensity of the connections that customers develop with focal objects such as brands, communities, activities, platforms, and processes (Brodie et al. 2011). Engaged customers are more willing to promote, advocate, collaborate, and share their knowledge. They also tend to develop long-term relationships with companies (Kumar et al. 2010). Therefore, the generation of CE is a key challenge for practitioners that wish to co-create value with their customers (Breidbach, Brodie, and Hollebeek 2014; Brodie et al. 2011; Storbacka et al. 2016). Previous research has extensively indicated that firms can facilitate CE by providing effective interactive platforms. However, more investigation is needed to determine how these platforms should be designed to create, manage, and maintain engagement (Breidbach, Kolb, and Srinivasan 2013; Djelassi and Decoopman 2013; Nambisan and Baron 2007; Ostrom et al. 2015). This important research gap has been recognized by the

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Marketing Science Institute, which declared CE one of the top tier research priorities for 2014–2016 and again for 2016–2018.

Among the multiple mechanisms that can be implemented to design interactive platforms, managers and researchers have called for the use of *gamification* (Gartner 2011; Harwood and Garry 2015; Robson et al. 2014). Gamification is “the application of lessons from the gaming domain in order to change stakeholder behavior and outcomes in non-game situations” (Robson et al. 2014, p. 352). The practice has recently gained attention from practitioners, largely because it has been emphasized as a promising means to provide enjoyment and thereby generates CE (Robson et al. 2014; Zichermann and Cunningham 2011). Gamification has been applied in multiple domains, such as e-commerce (Insley and Nunan 2014), healthcare (Drell 2014; Hamari and Koivisto 2015), mobile marketing (Hofacker et al. 2016) and intra-organizational management (Farzan and Brusilovsky 2011).

However, recent research has questioned the efficiency of gamification mechanics. In that respect, potential risks related to the inappropriate use of gamification mechanics has been highlighted such as demotivation, conflicts among participants or opportunistic behaviors (Hammedi, Leclercq, and Van Riel 2017; Leclercq, Poncin, and Hammedi 2017). Consequently, although it is projected to become a widely adopted practice (Gartner 2011), it is still unclear how gamification mechanics should be implemented to create, maintain, and manage CE over time (Harwood and Garry 2015; Lucassen and Jansen 2014). More research is needed to develop best gamification practices and properly manage gamification tools (Hamari, Koivisto, and Sarsa 2014; Lucassen and Jansen 2014; Werbach and Hunter 2012). To address these important gaps, we examine the impact of losing a contest. Contest loss is a phenomenon that has been experienced by most customers involved in gamified settings, but to date, it has not been well explored by literature. Specifically, we seek to answer the following questions:

- How does losing a contest affect customers' levels of engagement, according to the gamification mechanics used?
- How do customers' prior levels of engagement moderate the impacts of losing a contest?

We develop and test a series of hypotheses in three laboratory experiments and one field experiment. We conduct the studies in the context of co-creation communities that combine two widely used gamification mechanics, that is, *competition* and *cooperation*. Competition mechanics consist of one participant or group winning and the other(s) losing, whereas cooperation mechanics rely on participants collaborating to achieve a common goal. With cooperation mechanics, all participants are rewarded when one succeeds. Both types of mechanics can be implemented simultaneously in coopetition settings — a context where competitors cooperate with each other to reach a higher value creation if compared to the value created without collaboration. In three laboratory experiments, we manipulate both the gamification mechanics (competition mechanics vs. cooperation mechanics vs. coopetition mechanics vs. control group) and the informing of participants (informed or not informed that they won or lost the contest). We also distinguish the impacts of losing from the impacts of winning a contest in terms of CE with the co-creation activity. Subsequently, we conduct a field experiment in a co-creation community to generalize our findings to real settings, test the impact of losing a contest on CE in a co-creation community, and investigate the moderating effect of customers' prior levels of engagement.

The contributions of this research are twofold. First, by responding to the call of Breidbach, Kolb, and Srinivasan (2013) and Ostrom et al. (2015), we offer a better understanding of how gamification mechanics operate on CE, which is a widely targeted variable for marketing managers. Supported by the CE-defining premises of Brodie et al. (2011), we empirically demonstrate the key role performed by customer experience in the engagement process. We show that the impact of gamification mechanics on customers' levels of engagement is fully mediated by their experiences and moderated by their prior levels of engagement. We distinguish the impacts on engagement with the co-creation activity from engagement with the community as suggested by Brodie et al. (2013). Given that the dynamics and iterative nature of CE (Brodie et al. 2011; Storbacka et al. 2016) have been captured by assessing the impact of gamification over time, we emphasize that the negative effects on CE that are induced by losing a competition mechanics contest persist, even three months after the experiment.

Second, responding to a recent call from Harwood and Garry (2015), we question the effectiveness of gamification, identify its limits, and provide guidelines on how to implement gamification mechanics properly and deal with cases in which customers lose contests (Hamari et al. 2014; Lucassen and Jansen 2014; Werbach and Hunter 2012). We demonstrate that win/lose decisions weaken the benefits of gamification. Moreover, based on equity theory (Adams and Freedman 1976), we distinguish the impacts of losing a contest according to the mechanics used, that is, competition, cooperation, or coopetition. In cases of lost competitions, the impacts on both customer experience and engagement with a co-creation activity and the related community are negative. Our results also show that customers who are already highly engaged with a co-creation community are less influenced than newcomers by the loss of a challenge. In this respect, we challenge managerial practices and call on practitioners to vary the gamification mechanics they apply, according to their customers' levels of engagement with the community.

In the following section, we survey relevant literature streams. Next, in four studies reported in separate sections, we develop and test a series of hypotheses. Finally, we discuss our results and outline both managerial implications and future research opportunities.

Theoretical Background

Customer Engagement (CE)

In line with the increasing influence of customers on firms' activities, the concept of CE is receiving considerable attention from scholars as a source of competitive advantages for