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Key Factors that Enhance Relationships and Perception of Value in a Triangular Reward Programme in South Africa

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Key Factors that Enhance Relationships and Perception of Value in a Triangular Reward Programme in South Africa

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A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Business Administration

Johannesburg, 2011

ABSTRACT

Reward and loyalty programmes form part of area of study of customer relationship management which in-turn forms part of the relationship marketing focus area. Reward programmes are a tool through which customer loyalty can be achieved, if there is sufficient value being generated for the three parties involved in a reward programme (i.e. the reward member, the reward programme, and the reward partner – the triangular reward programme model).

Significant research has been conducted on reward programmes and customer loyalty but very few have touched on the various factors that enable a reward programme to generate enhanced value for all parties and in-turn enhance the relationships within the programme. This study will focus on identifying these key factors and linking them to the enhancement of the value being derived from the reward programme environment.

Data for this research has been collected through personal interviews with selected leading reward programmes in South Africa, their selected associated partners and selected members. This data was then compared to the findings of the literature review conducted. Key factors identified from each exercise were noted and the value that they generate was described.

The key finding from the research conducted was that value for each party in the relationship is different and is dependent on different factors. A balance of these factors needs to be achieved in order for each party to experience an enhanced level of value. Specific key factors are identified and discussed in detail. The key message from this research is that the reward programmes and the reward partners need to work in partnership to provide a valuable reward offering to members who will then be motivated to become active and thus drive profitability. By working together in providing rewards, there will be sufficient value being generated for each party which in-turn will enhance the state of the relationships in this triangular reward programme.

DECLARATION

I, Mrunal V Bhagwan, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Mrunal Vinaykant Bhagwan

Signed at Wits Business School, Johannesburg

On the …….. day of …… 2011

DEDICATION

I dedicate this research report to Bhagwan Swaminarayan and my spiritual Guru, HDH Pramukh Swami Maharaj. Your patience with me, Your guiding hand, and Your selfless love is the reason why I am at this stage in my life and career. Without Your influence in my life, I would probably not have been able to produce any meaningful work in my life. Thank you Maharaj and Swamibapa, You gave me this opportunity and You gave me the energy, strength and intellect to get this far. This MBA is for You!

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I would like to thank my parents, Vinay and Sima Bhagwan, for all their support (both financially and mentally). Your encouragement and understanding have been a great motivation to me. Thank you bearing with me for so many years. I am finally going to stop studying!

I would like to thank my wife, Ushma Bhagwan, for allowing me the time to study towards the MBA. Staying up late to provide support, checking up on me during lectures and team meetings, and giving up hundreds of weekends and not making me feel guilty about it; these have been just a few of the things she has done to allow me to get to this point. Thank you for waiting for me and know that your encouragement has meant a lot to me. No more excessive late nights I promise!

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1. INTRODUCTION

1.1 Purpose of the Study

The purpose of this research is to assess the key factors that enhance relationships and create a perception of value in a triangular reward programme, which benefits all three parties within the relationship. The triangular relationship within this type of reward programme consists of the interaction between the reward programme manager (the reward programme), the member or customer of the reward programme, and the reward programme partners (usually of a retail or financial nature).

Perceived value can be different for each of the parties in this triangular relationship and as such each party's expectation from such a relationship would be different. The purpose of this study is to:

- Verify that the theory relating to value in a reward programme does/does not match the actual perception of value in a reward programme triangular relationship; and
- Determine an ideal reward programme model in which each party's perceived value expectations are met and in return the relationships in the triangular reward programme are enhanced.

1.2 Context of the Study

1.2.1 *Relationship Marketing*

Relationship marketing is a marketing concept and practice that has been utilised in business for decades now (Ravald and Grönroos, 1996). It has been described as a tool for companies to gain an understanding of their customers and hence develop a value-adding relationship for both the firm and the customer (Ravald and Grönroos, 1996). Relationship marketing is thus said to be a broad concept of marketing and strategy that enables a company to

understand the value drivers of its customers and strengthen its relationship with the customers by increasing customer satisfaction and by generating a positive perception of the product/service/firm in the eyes of the customer (Leverin and Liljander, 2006). This school of thought aims at retaining customers that drive profitability for a company, especially in a market where competitiveness with rivals is fierce (mainly based on price, and quality of service) (Zeithaml, Rust and Lemon, 2001).

Relationship marketing has been a source of many marketing tools that have been used to better understand the customer and generate profitability through relationship building, of which one such tool is Customer Relationship Management (Reinartz, Krafft and Hoyer, 2004). Thus, relationship marketing leads into customer relationship management, a critical area of focus if a firm is to build good, profitable customer relationships.

1.2.2 *Customer Relationship Management*

Customer relationship management (CRM), a branch of relationship marketing, is a specific tool through which companies can better understand their customers and thus deliver better value to them (Leverin and Liljander, 2006).

CRM, as defined by Boulding, Staelin, Ehret and Johnston (2005), is a result of the continuously changing marketing ideas, market data, relationship management technologies and market changes. It is thus a tool that is relevant to the current market situation and has the ability to provide a profitable marketing solution whenever the market or customer needs change.

As each company has a different customer base and as each company faces different market dynamics, the CRM initiatives of each company will be different. Reinartz et al. (2004) state that as each customer has a different economic value for a company, the CRM strategy for each company needs to be designed to extract and deliver the greatest value.

One of the components of CRM is customer loyalty programmes (Reinartz et al., 2004). Customer loyalty is a tool through which a company can deliver value back to a customer. Hence it forms part of the CRM and relationship marketing concepts, and is a widely used method to administer CRM behaviour.

1.2.3 *Reward and Loyalty Programmes*

The concept of a reward programme as marketing tool, to enhance customer loyalty and deliver customer value, stems from Customer Relationship Management and Relationship Marketing (Reinartz et al., 2004).

In defining a Customer Reward/Loyalty Programme, Lacey and Sneath (2006) explain that reward programmes are synchronised marketing activities which have been structured in such a way so as to allow its members to receive targeted marketing communication of partner brands and/or other corporations. This fits in with the current marketing trends of providing customers with experiences that are genuine and through which business can engage with the customers (Mascarenhas, Kesavan and Bernacchi, 2006). The aim of these targeted messages is to assist in the development of loyalty towards a specific brand by offering some form of a reward to the member that can be either be redeemed immediately or at a later stage. More often, these rewards need to be accumulated (hence the longer term nature of reward programmes) so as to increase customer retention and to increase the frequency of purchases (Lacey and Sneath, 2006).

Reward programmes date back to the late 1890's where S&H Green Shield Stamps pioneered the concept of a reward and loyalty programme (Lacey and Sneath, 2006). For almost 60 years, S&H Green Shield Stamps successfully created loyalty through the reward of stamps in return of purchases of consumer goods. The more modern reward programmes are however based on the concept as designed by American Airlines' AAdvantage Frequent Flyer Programme in the 1980's (O'Malley, 1998). Through this cost effective marketing drive, American Airlines were able to achieve two very important business objectives which

resulted in an increase in profitability. These were an increase in customer loyalty towards the airline brand and the creation of a consistent demand for the airline seats (O'Malley, 1998).

The AAdvantage Frequent Flyer Programme was designed in such a way that it was extremely attractive to customers. Customers could accumulate points in direct proportion to their usage of the airlines, hence the business flyer market, which frequently travelled around the USA, grew for American Airlines. This model was soon adapted by several other industries in the USA (including hotels, casinos, credit card companies, retail chains, and telecommunications companies) in the early 1990's (Keh and Lee, 2006). The success of these programmes also led to them being spread to Europe, Asia (O'Malley, 1998) and more recently in Africa.

Reward programmes have been used in the business marketing world for over a century now. There has however been a surge in uptake of reward programmes over the last 20 years. In the late 1990's in the USA, almost 75% of the US population were part of at least one reward programme, in 2005, 97% of the Canadian population were part of at least one reward programme (Lacey and Sneath, 2006), and in 2001, almost 85% of all UK households held at least one reward programme membership (Rowley, 2004).

There is a distinct relationship pattern that arises from a reward programme. Initially, reward programmes where developed to create loyalty for a single brand (in the case of S&H Green Stamps and American Airlines). This business model has evolved over time and now the majority of reward programmes cater for a multi-brand loyalty scheme (Lacey and Sneath, 2006), which allows members to accumulate points and spend these at a variety of partners participating in or sponsoring the reward programme.

Examples of these in a South African context would be the eBucks Reward Programme, and the Discovery Vitality Programme. Both of these reward programmes have been established for the customers of their parent company (First National Bank and Discovery Health, respectively) but are developed so as to deliver benefits on a multi-product/brand level. Each

has several partners who allocate points and allow redemption for products. Essentially, the reward programme manager becomes the intermediary between the members and the reward partners. The condition to each of these however is that the member must hold a product of the parent company for whom the reward programme is being managed (Discovery, 2011; eBucks, 2011).

Reward programmes have evolved over the past century and have become a more complex and strategic marketing tool through which companies are able to reduce costs (in terms of attracting and acquiring new customers) (Altinkemer and Ozcelik, 2009). With this however, the consumer market too has become just as advanced and complex. Thus reward programme managers find it more difficult to develop business models and structured reward programmes that will generate true value for their members. Moreover, when value is generated, it has become difficult to measure this value. The focus of reward programmes, therefore, turns to the relationship aspect of the business model where meeting customer needs has become the primary value driver of reward programmes.

There is a gap in this type of approach however. Reward programmes are only as successful as the quality of rewards that are allocated. This is highly dependent on the quality and commitment of the reward partners that form an integral part of the reward model, hence the triangular relationship that exists. The triangular relationship can be best described as follows:

- ***The reward member*** is dependent on the reward programme to provide a network of relevant partners through which rewards can be earned and/or spent. It also depends on the reward partners to provide sufficient reward for the required behaviour. Without a reward programme or a partner network, the member would not be able to receive any rewards by behaving in a certain manner.

- ***The reward programme*** is dependent on securing a strong member base which is required in order for it to make an impact on the business of the reward partner. It is also dependant on a good partner network (in a partner network model) or a good reward

structure so that it can provide sufficient value to its member base. Without a strong member base, the reward programme will not be able to negotiate a valuable reward structure or partner with value-adding reward partners.

- ***The reward partner*** is dependent on a reward programme to provide a strong member base as a resource for it to create loyalty with its brand/product. It, in-turn, needs to provide a relevant value proposition so as to be perceived as a valuable partner that has an influence on the member base of the reward programme. Without providing sufficient and relevant value, a reward partner will not be able to attract members from a reward programme and, hence, will not be able to create the required level of loyalty.

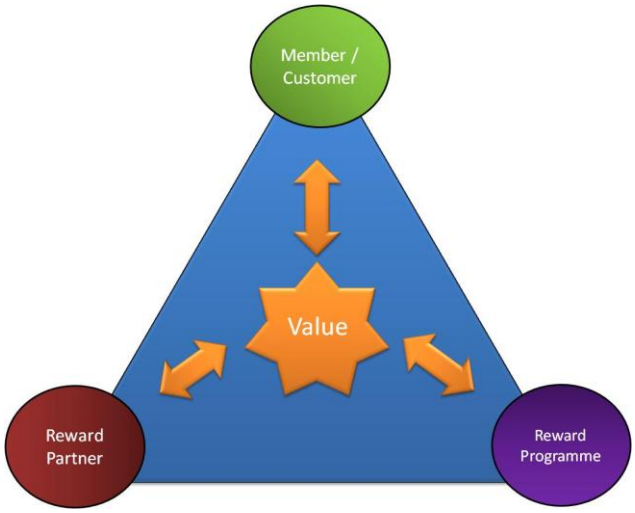


Figure 1: Triangular Relationship in a Reward Programme

(Source: Adopted from eBucks Business Model)

Thus there needs to be some balance of value in this relationship so as to provide sufficient benefits to each of the parties in the relationship. This gap can be filled by assessing key factors that create the perception of value in this relationship and the level of impact each factor has in enhancing the overall reward programme triangular relationship. This research report aims to provide an insight and deeper understanding of the factors that create a perception of value.

1.3 Problem Statement

1.3.1 *Main Problem*

In a triangular reward programme structure, the perception of value for each party involved can vary. Without an understanding of each of the other parties involved, a single party will not be able to satisfy the need for specific values of the other parties. In order for a reward programme, with this type of structure, to succeed, there is a high dependency on each of the three parties to gain value out of the relationship and in-turn enhances the relationship that they share.

There are a few hurdles that prevent each party from understanding the value driving factors of the other parties in this type of reward programme structure. These include:

- The disconnect between the parties, i.e. the parties hardly interact directly with each other for a sufficient time period
- The mentality of any player in business (be it the business itself or the customers) is to gain the maximum benefit for oneself from a transaction by giving up the least amount possible (in terms of monetary value, psychological value, emotional value)

By not understanding the value driving factors for each party in such a relationship, undesired outcomes can be experienced. Reward programmes will not be able to build a member base without understanding the value driving factors that influence member behaviour; they also will not be able to source appropriate partners for a network that can provide the value that is desired for the member. Reward partners will not be able to add value in a relationship without understanding the value drivers in the relationship. Members will not be able to experience value if they do not understand the value that is being offered and also by not behaving in the required manner to experience that value that the other parties are trying to provide to them.

For example, a reward programme will typically partner with a business that is offering a higher commission. However, this partner provides a service that does not create a perception of value for the member. Hence, the member does not see any value in the relationship and does not contribute. The reward programme would have been better off in choosing a partner that paid a lesser commission but provided a service that appealed to the needs of the member. This would have resulted in an enhanced relationship for all three players.

A good understanding of the factors that drive value in such a relationship is thus imperative. The loyalty in South Africa is still in a slow growth stage and one possible means of accelerating its growth is by understanding these value driving factors. An understanding of these factors will also remove any possible silo-relationship and allow all three parties to integrate their values in order to enhance the relationship.

1.3.2 *Proposition 1 – Value to Reward Member*

Key factors that enhance relationships and the perceptions of value for reward members, as identified through peer-reviewed literature, are:

- *Choice*
- *High-value rewards*
- *Relevance*
- *Ease of earning and spending*
- *Opportunity*

Using data from existing reward members in South Africa (based on the interactions with reward programmes and reward partners), verify these value driving factors.

1.3.3 *Proposition 2 – Value to Reward Programme*

Key factors that enhance relationships and the perceptions of value for reward programmes, as identified through peer-reviewed literature, are:

- *A larger share of wallet (SOW)*
- *Aligning to required behaviour*
- *Customer profitability*
- *Rich source of market intelligence*
- *Partner contribution*

Using data from existing reward programmes in South Africa (based on the interactions with reward members and reward partners), verify these value driving factors.

1.3.4 *Proposition 3 – Value to Reward Partner*

Key factors that enhance relationships and the perceptions of value for reward partners, as identified through peer-reviewed literature, are:

- *A larger SOW*
- *Exposure*
- *Customer profitability*

Using data from existing reward partners in South Africa (based on the interactions with reward members and reward programmes), verify these value driving factors.

1.4 Significance of the Study

The study fills a gap. Even though considerable research has been conducted on the factors that affect customer retention (Lacey and Sneath, 2006), structuring reward programmes to generate profitability (O'Malley, 1998), the goals of reward programmes (Nunes and Drèze, 2006) and various levels of perceived value for a customer (Keh and Lee, 2006); there is scope for considerable analysis of the factors that impact the triangular relationship in a reward programme, in terms of value generation of the three parties. Research conducted in this area will be able to provide insight into key factors that could enhance relationships in a reward programme.

The study provides a market view. By obtaining data from a number of reward programmes, reward partners and members, this study will be able to provide reward programmes with a source of reference to the entire reward industry in South Africa.

The study looks to draw key links. By assessing data from each of the three parties in a triangular reward programme, this study will be able to link key factors. In the form of a market analysis, this could be particularly useful to reward programmes (who initiate the relationship) in that they can possibly better structure their reward offering so as to align all value driving factors.

1.5 Delimitations of the Study

- The research report will only focus on reward programmes that are currently being managed in the South African market.
- Within the South African market, the major reward programmes will be identified and will be used as a basis of obtaining customer preferences, trends, and business models.
- For the purposes of this study, the proposed analysis will predominantly be of a qualitative nature.
- Due to reward programmes, within South Africa, being prominent in the middle to higher LSM (living standard measures) population, customer preferences will be assessed at this level.
- Due to various reward programme models being executed within various industries in South Africa, this research report will focus on the following industries only:
    - Financial Services & Retail (eBucks – First National Bank, ABSA Rewards)
    - Health Care & Retail (Vitality – Discovery, Dis-Chem Benefits Programme, Pick 'n Pay Smart Shopper)
    - Air Travel (SAA Voyager – South African Airways).
- This research report will discuss rewards as a result of product purchases. This includes the purchase of services and any other form of value-add from a reward partner.
- Respondents of the research questions (interviews) will be based in South Africa only.

1.6 Definition of Terms

- Customer/Member – refers to any person who actively purchases products/services from a company and forms part of the reward programme offering of that company.

- Reward Partner/Partner – refers to a partner of the reward programme where certain reward programmes rely on external product/service providers and customers/members are able to redeem their rewards earned.

- Reward Programme/Company/Business/Brand – refers to the primary organisation within which the reward programme is housed. The reward programme is managed through or owned by this party and is responsible for the delivery of rewards to customers. The development of strategy/business model/and objectives of the reward programme is the responsibility of this party.

- Rewards – refers to any bonus/incentive/discount that is offered to a customer according to the conditions of the programme which have been set out and communicated to all its members. Rewards can be in the form of cash incentives, coupons, additional products/services or points which can be accumulated and redeemed at a later stage.

- Brand/Product/Business – refers to an identity that the customers associate with when making a purchase. It can be differentiated from other brands by the marketing efforts placed around it (Mascarenhas et al., 2006).

- Loyalty – state of customer satisfaction which leads to repeated purchases of a specific brand (Altinkemer and Ozcelik, 2009).

1.7 Assumptions

- It is assumed that all information to be gathered from reward programmes in South Africa will be accurate and objective so as to provide a true indication of the business model and offerings of the reward programme.

- It is assumed that all reward programme members interviewed in the research are active members (i.e. have a basic understanding of the programme and its rewards)

- It is assumed that all respondents to the interviews and questionnaires will answer the questions in an honest manner so as not to bias the results in any way.

- It is assumed that by sampling reward programmes in the financial services, retail, medical and airline industry, the research will represent all major reward programmes in South Africa.

- Data obtained from respondents (predominantly within the Gauteng Region) will be representative of all other regions in South Africa.

2 LITERATURE REVIEW

2.1 Introduction

This section of the research report contains a literature review discussing the overall area of focus of relationship marketing, customer relationship management as a function of relationship marketing, and the reward programme concept as a customer relationship management tool. In any qualitative research, a literature review provides good insight into the topics being researched. This is necessary as qualitative data takes its basis from literature (Leedy and Ormrod, 2009). Literature is essential in order to support the concepts being discussed as well as the findings coming out of the study. A concise literature review has been conducted into the perception of value in the reward programme industry. Within the discussion of the reward programme, aspects of the reward programme such as its structure and design will be discussed. More importantly, the concept of value in a reward programme will be discussed and value driving factors for each of the three parties will be identified from the literature.

2.2 Relationship Marketing

2.2.1 *A Change in Mind-set*

Traditionally, the marketing function was viewed as a transactional activity and measured as such in a business (Leverin and Liljander, 2006). This meant that the marketing focus was not on the customers but the bottom line financials of a business. As competitiveness increased in the market place and the emergence of substitute products, price wars, and customers who had the ability to choose between firms; there was a shift of mind-set in that the marketing focus turned to the customer and not the transactions of the business (Leverin and Liljander, 2006). Relationship marketing focuses on building a strong relationship with the customer, through which there can be an exchange of mutual value and thus an increase in profitability. The ultimate aim is still to increase profits but to increase it through customer

profitability and a better service offering (by understanding the customer's needs) rather than transactions. Ndubisi (2007) describes that by building strong customer relationships, a firm is able to build a database of "invaluable" information about the customer and the customer's behaviour. Through this, firms are able to develop new and tweak existing offerings in such a way so as to provide a higher level of value to the customer and thus retain the customer, especially since there are many competing brands in the market place (Ndubisi, 2007). This mutual relationship (i.e. the gaining of quality market intelligence leading to a better marketing strategy which leads to better customer value being delivered) is the reason for a change in mind-set, from the transaction-based marketing approach to a relationship marketing approach (i.e. selling orientation to customer orientation) (Leverin and Liljander, 2006).

2.2.2 *Relationship Marketing as Strategy*

According to Leverin and Liljander (2006), in order for a relationship marketing strategy to be successful, it needs to provide the value that customers perceive to receive through the relationship. Leverin and Liljander (2006) also state that relationship marketing will not necessarily lead to enhanced customer relationships immediately. Due to customers behaving differently from each other and engaging at different levels in terms of relationship building, relationship marketing should enable a firm to understand the customer's behaviour and develop strategies to align with these. This customer orientation will then lead to better relationships. In order to get to this level of customer orientation, a firm needs to identify relationship facilitators (Leverin and Liljander, 2006) and utilise these to develop strategies. Examples of relationship facilitators could be technology platforms (i.e. mobile applications, websites), personal contact platforms (i.e. call centres, relationship managers), and information platforms (i.e. marketing communication, statements). Each of these will aid in the development of relationships.

Ndubisi (2007) describes relationship marketing as a process of attracting, maintaining and enhancing customer relationships that are profitable for both parties in this relationship.

There is also mention that by building relationships, there is a reduction in customer turnover which in-turn leads to profitability (i.e. it is cheaper to retain existing customers than to attract new ones). Relationship marketing could be used as a strategy to overcome the moving of customers to competitors based on price alone (Leverin and Liljander, 2006). This could be done through customer loyalty programmes and other such relationship marketing and CRM initiatives.

2.2.3 *Customer Segmentation in Relationship Marketing*

Leverin and Liljander (2006) state that not all customers are profitable. A large percentage of customers who have been customers of the firm for a long period of time could be only marginally profitable, whereas a large percentage of customers who have been customers of the firm for a shorter period of time could be highly profitable. Thus there is a need to identify the profitable customers from those that are not and gear the relationship marketing strategies towards these profitable customers and also to turn the marginally profitable into profitable customers. High quality customers (those that are most attractive and should be sought after) are described by Leverin and Liljander (2006) as those that carry a low maintenance cost but generate high revenues. Delivering value to these customers will in-turn generate a profitable relationship.

Leverin and Liljander (2006) suggest that market segmentation is required in order to generate this profitable relationship. Treating customers differently, even though it may seem as unfair or unjust, actually benefits both the customers and the firms (Zeithaml et al., 2001). Leverin and Liljander (2006), O'Malley and Tynan (2000) and Zeithaml et al. (2001) suggest that certain criteria (single or a combination of) such as the following should be applied in segmenting the customers:

- Cost of the relationship vs. revenue generated from the relationship
- Relationship profitability
- Relationship-driven volumes

Through this segmentation, a firm will be able to identify those customers that are highly involved and will aid in making the service/product valuable. As there is a high need for customers to play an active role in this type of relationship, it would warrant the segmentation of these customers and special treatment thereof (O'Malley and Tynan, 2000). Customer loyalty is related to customer satisfaction (customer relationship satisfaction) (Leverin and Liljander, 2006). As firms would prefer loyal customers, the services or products need to be designed to deliver satisfaction. This is a result of understanding the customer through segmentation and relationship building.

2.2.4 *Relationship Marketing is Dependent on Customer Experiences*

Palmatier, Dant, Grewal and Evans (2006) analyse the factors that influence the effectiveness of relationship marketing. They describe that there are three groups of factors that have an impact on the state of the relationship marketing efforts. These are:

- The relational mediators (i.e. the factors that mediate or guide the effects of relationship marketing);
- The relational antecedents (i.e. the experiences relating to historical interactions of the customer and the company); and
- The outcomes (i.e. the expected and experienced results for both the customer and the company).

Both Palmatier et al. (2006) and Ndubisi (2007) describe the relational mediators to be:

- Trust – the reliability of the parties in the relationship. It works for both the customer (who trusts the firm to provide a quality service, to act with integrity, and to be reliable) and for the firm (who trusts the customers to act with integrity, be honest and fair; and who trust the suppliers to deliver on time, be reliable and provide quality goods)

- Commitment – the firm's desire to create and maintain a valuable relationship (mutually beneficial relationship). It shows the determination that a firm has in order to fulfil its obligations made to the customers
- Relationship Satisfaction – the emotional feelings that a customer has towards the firm, based on a long-term relationship exchange. The customer could be satisfied with the relationship, but this does not mean that the customer is satisfied with the overall product/service offering
- Relationship Quality – based on the closeness and the strength of a relationship that forms between the firm and the customer

Both Palmatier et al. (2006) and Ndubisi (2007) describe the relational antecedents (i.e. a selected list of the experiential factors that have an impact on the overall relationship) to be:

- Communication – the efforts made by a firm to proactively provide reliable and timely information to customers. This is a strategic tool that should be used by a company to tell customers, who have had a dissatisfactory experience, what is being done to resolve the issues that have caused the dissatisfaction. The frequency and intensity of the communication needs to be at an appropriate level in order to provide a positive experience to the customer
- Conflict Handling (Resolution) – the management of conflict once it has occurred, or the prevention of it before it occurs has an impact on the level of loyalty that is displayed by the customer. It creates a level of trust in the relationship and brings about a sense of quality in the service being offered
- Similarity – the commonality that can be seen in the relationship in terms of the needs of the customer and the offerings of the firm
- Relationship Status – the duration of the relationship, the investments made into the relationship by all parties, the benefits that each have gained or expect to gain, and the level (frequency) of interaction in the relationship has an impact on the state of the relationship

- Face of the Firm – sellers of the firm are the face of the firm and hence the knowledge/level of expertise that they present has an impact on the experiences of the customer, which in-turn has an impact on the state of the relationship

Palmatier et al. (2006), Leverin and Liljander (2006), and Ndubisi (2007) describe the relational outcomes to be:

- Continued Maintenance of Relationship – the customer's willingness to maintain a relationship going into the future shows that the experiences gained from the relationship have resulted in a positive outcome and possible loyalty
- Word of Mouth – the positive referrals provided by the customers, about the firm, resulting from positive relational experiences
- Customer Cooperation – customers cooperate with the firm in order to provide mutually beneficial outcomes to an exchange
- Firm Objectives Met – due to the positive experiences of the relationship, the firm's objectives of gaining market share, loyalty, and increase in profitability are met

From the above, it can be seen that there is value in the building of customer relationships and placing effort and investing in relationship marketing. The mutually beneficial aims of relationship marketing have a positive impact on the objectives of the organisation and allow it to interact more closely with its customers. The close interactions places a firm in a strong competitive position in a market, with the additional benefit of providing value to the customer as well and not only driving tractions from the relationship.

2.3 Customer Relationship Management

2.3.1 *CRM – a Component of Relationship Marketing*

In order to develop and maintain a good relationship with customers (through relationship marketing), a firm needs to put in place strategies that will enable relationship marketing to be successful (Leverin and Liljander, 2006). One component of relationship marketing is Customer Relationship Management (CRM).

CRM, too, promotes the creating of mutual value rather than only pushing product/service sales. Boulding et al. (2005) and Zeithaml et al. (2001) state that the important concepts of CRM include:

- Understanding that past experiences have an influence on future actions and expectations
- Customers need to be treated differently in order to provide relevant value to the customer
- Long-term relationships allow a higher level of value to be exchanged

According to Reinartz et al. (2004), CRM can be practiced at several levels in an organisation (i.e. at a functional/departmental level, at a company-wide level, or at a customer-facing level), the most effective being the customer-facing level, as this is where the relationships are built and managed. The customer-facing level aims to create a single view of the customer's interactions with the company (regardless of the channel the customer uses to interact). It relies on strong customer intelligence and is able to provide good behavioural insights through which customer relationship management can occur. The company is able to coordinate its actions according to the customer and provide a better service to the customer.

An example would be a customer of a bank holding several products (each with its own complex regulations and requirements). When this customer calls into a call centre of the

bank (regardless of the parent product that the call centre services), the call centre agent will have a complete profile and history of the customer and will be able to resolve the customer's queries effectively as the issues may be linked to several of the products. Even though the internal product houses of a bank may operate in silos, the fact that the customer sees all of the bank products as belonging to the bank, a single point of issue resolution would be more effective for the customer's queries rather than portraying the silo nature of the bank.

2.3.2 *The Components of CRM*

Reinartz et al. (2004), Boulding et al. (2005), and Leverin and Liljander (2006) mention that there are several components of CRM that have been studied before. These include:

- The link between customer loyalty and profitability – there is a link between these two factors. Long-term customer loyalty leads to profitability. There is less effort needed to acquire customers and loyal customers become a source of marketing for the business which has a positive financial impact. Building customer loyalty however requires relationship building and upfront sacrifices (financial and process)
- The link between customer satisfaction and business performance – there is a link between these two factors. Business performance (i.e. financial performance and market share) is linked to the state of the relationship with the customer
- Customer profitability – interactions with customers and the effort placed in building a relationship with customers should lead to a profitable relationship. Customer profitability is a result of successful CRM interventions
- Customer Loyalty Programmes – customer loyalty programmes are a component of CRM. This is because through customer loyalty programmes, the company is able to provide value to the customer. The better (i.e. relevant) the loyalty value, the more loyal a customer is to the company. Even though loyalty programmes have been taken in a sceptical light for years, there are studies that show that loyalty

programmes have a positive impact on the business performance (i.e. retention of customers, market share, product/service usage, share of wallet)

- Better information source leads to better CRM – A better source of information (collected by the firm through marketing studies and/or information provided by the customer) provides a better understanding of the customer which will enable CRM initiatives to be developed and implemented with success. Any CRM initiative needs to be developed based on the customers that it is going to be directed towards

2.3.3 *The Distinct Factors of CRM*

Previous studies, as described by Reinartz et al. (2004), show that there are factors that have an impact on CRM initiatives. These need to be recognised and understood in order for the CRM initiatives to be impactful. These factors are:

- Customer relationship building and management leads to the delivery of a strategic marketing initiative – building and maintaining customer relations is essential to CRM initiatives. It is the basis of marketing which moves away from only looking at minimizing costs and maximising profits. It brings in the customer element that will enable the reduction of costs and increase of profits, amongst other business objectives. There is a notion that it is not always better to build as many relations as possible. It would be more profitable to build the right type of relationships with the right customers which would lead to higher profitability. Zeithaml et al. (2001) describe the profitable use of tiering in customer interactions. They propose the customer pyramid that shows that customers have different behaviours and should be treated accordingly in order to be profitable
- Relationships constantly evolve and can be distinguished in phases – this leads to the emphasis that relationships cannot be built to its maximum in a single transactions/interaction. Relationship building is a long-term process and can be spoilt at any time during interactions (either intentionally or unintentionally). Relationship building and CRM should thus be part of daily operations of a business

and its processes rather than a stand-alone initiative. Every interaction builds or breaks the relationship

- There are distinct stages in relationship building (these include: initiation, relation building, credibility, trust, growth (Ravald and Grönroos, 1996) and each phase should be strategically planned for). There should be proactive management at each stage of the relationship building process. Profitability should be a goal of each stage as well (i.e. cross- & up-selling of products to mature customers). At each stage, there is trust and reliability that is required. The company needs to manage the customers through the process to get them to a stage of maturity. This would lead to a profitable and mutually beneficial relationship
- There is a distinct customer relations life cycle that needs to be considered – consideration must be given to the stage at which a customer is in. There should be strategies for recovery of information, resolution of issues and value distributions at each stage. The stages of the life cycle can be defined as Initiation, Retention, Up-selling/cross-selling, Maintenance, and Termination
- Since value in customer relations is not the same for each customer, there should be a fair distribution of resources, costs, and value to the relevant customers. Once again, this relates to the tiering concept that is discussed by Zeithaml et al. (2001). Value, resources, and costs should be attributed accordingly. This, along with the life cycle of a relationship (i.e. acquisition, retention, termination) should be considered when providing value to the customer (in the form of loyalty rewards, etc.). This will have a maximising effect on the profitability of the company and would thus lead to a successful CRM initiative

In this way it can be seen that relationship marketing leads into customer relationship management. It is also evident that customer loyalty programmes are a key component of CRM as through loyalty and rewards, firms can pass on value to the customers. The following section will deal with loyalty and reward programmes in detail.

2.4 Reward Programmes – Impact of Design

2.4.1 *Background Discussion: Objectives of a Reward Programme*

The main goal or purpose of any business entity is to generate profits (Kumar and Shah, 2004). In today's business world, customer retention and loyalty have become serious topics for consideration in trying to achieve profitability (O'Malley, 1998; Kumar and Shah, 2004). Great efforts and resources are placed on initiatives to improve in these areas. Reward programmes are one such revived marketing/strategic initiative in order to retain existing customers and to grow the customer base of a business (O'Malley, 1998). The reality however is that even satisfied customers can move to competitors or lose preference easily due to price sensitivity and other behavioural factors (Mascarenhas et al., 2006). Historically reward programmes schemes were not as sophisticated and easy to use for the customer. Advanced technology in today's business world has enabled business to improve the quality of reward programmes and make them easier for the customer to understand and apply (O'Malley, 1998).

2.4.2 *Design of a Reward Programme*

Building and sustaining true loyalty towards a brand is one of the primary aims of any reward programme (Kumar and Shah, 2004). This loyalty stems from many factors as discussed in the previous sub-problem analysis. These factors needs to be structured into the design of a reward programme and implemented as such. This sub-problem analysis looks at a variety of factors that form part of the design and structure of typical reward programmes. Both pros and cons are discussed where applicable.

Minimum reward redemption level

For a reward programme to be effective there has to be an appropriate minimum reward level required before customers can spend their rewards. It is important for the business not to make it too difficult for customers to build up the required balance (which would probably

de-motivate customers who would not even try to participate in the reward programme) but also not to make it too easy for the customer to reach the minimum target (because there would be less customer lock-in in this situation). According to Nunes and Drèze (2006), this balancing also applies to specific industries and business and hence a general benchmark cannot be applied to all reward programmes.

Develop a sense of momentum/progress in the reward programme

It is easy to lose customers who have not used the reward programme or do not have the knowledge of how it works. In order to prevent this, Nunes and Drèze (2006) suggests that customers should be given a slight push in order to get them used to the feel of reward programmes. An example used by Nunes and Drèze (2006) is where a reward programme, in the form of a stamped ticket, is offered to customers. If the company were to offer the ticket with one or two of the rewards pre-stamped, it would create some momentum for the customer and push him/her to try and get the rest of the rewards stamped as well. This should be a genuine effort to provide value to the customer however and should not be seen as a stunt to gain loyalty.

Nature of rewards

Rewards can be offered in either one of two forms. Companies can offer rewards in the form of cash back rewards, or in the form of products (related and unrelated to the core product) (Nunes and Drèze, 2006). Companies must assess their target markets and design their rewards in such a way so as to appeal to the target market. Some customers prefer to earn rewards and spend this on items of luxury that they would not have normally spent money on, some prefer to obtain additional quantities of the same product/service, and some would prefer to receive cash back rewards. These preferences need to be assessed and incorporated into the reward programme model.

Kumar and Shah (2004) describe a further two types of rewards which can be used strategically in any reward programme model. Tier 1 rewards are those which are rewarded to all customers at the same rate, i.e. if the customers spends more, he/she will earn more (regardless of the customers behavioural loyalty in the past and present; and irrespective of

the customers attitudinal loyalty). If a customer purchases anything he/she is rewarded. The advantage of this type of approach is that the business will be able to collect rich data from customers when rewards are awarded and redeemed (possibly through card swipes, and registrations). Tier 1 rewards are transparent to all (including competitors) and serve to instantly gratify customers. This type of tactic can be used to build a certain level of loyalty towards the brand.

Tier 2 rewards, as described by Kumar and Shah (2004), are those which can enable a business to influence the customer's behaviour and attitude towards the brand. It is a future looking reward that aligns with the customer lifetime value (CLV) concept. It takes into account the profile of customers and the current behaviours and attitudes to predict the future state of that customer's relationship with the business/brand. It also takes into account the behavioural and attitudinal analysis of customers. Rewards are offered to customers scoring high in these four categories. These rewards are at the brand's discretion and are not transparent. It should be noted that the business must ensure that all tier 2 rewards do not cost more than the profitability they expect to experience from the customer. Typical tier 2 rewards are entrance passes to VIP lounges at airports, backstage passes at celebrity events, etc. These assist in building loyalty and ultimately profitability (Kumar and Shah, 2004; Rowley, 2004).

Provide a better experience through rewards

Reward programmes can be used in a more strategic manner by providing a better experience for customers rather than by only providing redemption opportunities for free products. Nunes and Drèze (2006) provide an example of this as saying that a coffee shop could provide a free coffee for every 10 coffees bought by a customer. This would probably make the customer loyal but it would not significantly influence the buying pattern of that customer (i.e. the customer will buy coffee regardless, he/she is just receiving a free coffee on that particular day – there is no increase in profitability in this case). A more strategic approach would be to provide a larger size coffee or some additional pastry, etc. to customer after every 10^{th} coffee he/she purchases. This could entice the customer to purchase a larger

coffee or pastry the next time he/she buys from that coffee shop. Reward programmes should be incorporated into the business' strategy for it to be beneficial to the business.

In order to create a total customer experience, Mascarenhas et al (2006) suggest that a business should focus on 6 elements within the business model:

- Predicting the needs of the customer and the possible actions that a competitor might take in order to lure the customer away. A business must plan to fulfil these customer needs and retain their customers;
- Any business looking to provide a satisfying customer experience must be able to provide the customers with real consumer experiences and not vague experiences which the customer will not be able to relate to;
- Together with consumer experiences, the business must provide customers with some emotional experiences that will fulfil the customer's emotional needs (this could be the need to be recognised, cared for, entertained);
- The product offerings should be distinct and should fulfil the needs of the customers (be it the design, the look/feel, the technology);
- The interactions that a business has with its customers should all be value-adding interactions. The customer should be fully part of all interactions. This customer participation in the process itself is rewarding for the customer; and
- The entire experience that the customer has been through should be a memorable one. No matter how small or insignificant the interaction may seem, if it is made memorable, it will be the reason for the business or brand being on the top of the mind of the customer when the next purchase has to be made.

Combine currencies

The currency of the reward programme is quite essential (Rowley, 2004). It is more important that this currency can be converted back in the local monetary currency. Reward programmes by their nature require large balances to be built up before they can be redeemed for anything valuable for a customer. This could lead to customers becoming

indifferent to the reward programme. In order to alleviate this, Nunes and Drèze (2006) suggests that businesses should consider incorporating a combined currency redemption option. This means that customers can redeem a product by part paying with both cash and a cash equivalent of the value of the rewards that he/she has accumulated. Hence customers will feel that they are receiving the product at a slight discount and will endeavour to build up a healthier balance going forward so as to receive a greater discount the following instance when they purchase the product.

2.4.3 *Types of Reward Programmes*

Rowley (2004), describes the primary types of reward programmes. These are:

- Retailer Reward Programme – where a single retail partner make up the reward programme (earn and spend) operation;
- Coalition Reward Programme – this is where a reward programme manager manages the programme on behalf of several independent retail and other partners. This is a more common type of reward programme model as it delivers choice to the customer and is more profitable as there is a higher chance of a member spending points (which leads to commissions being paid to the reward programme);
- Financial Services Reward Programme – these are usually associated with the use of specific credit or cheque cards. Rewards are allocated based on the appropriate behaviour that customers portray using their financial products;
- Online Reward Programme – are similar to retail reward programmes but are used to create loyalty for the online consumer market;
- Frequent Flyer/Travel Reward Programme – reward frequent flyers with points (redeemable for airline related products), discounts, and VIP lounge access; and
- Geographical Reward Programmes – not common in South Africa, geographical reward programmes reward frequent purchasers at selected stores.

In terms of the exchange of rewards, Rowley (2004) says that the most common rewards exchange is to directly exchange the accumulated rewards for a specified product. Vouchers are also used as a means to redeem reward points (Rowley, 2004). The exchange rate of rewards varies from case to case. Some reward programmes have their conversion rate much higher than others which offer the perception of it being of a higher value.

2.4.4 *Tiered Reward Programmes & the Perception of Equity*

Even though a reward programme would like to provide an equal level of benefit to all its members, for it to be competitive and for it to manipulate and influence customer behaviour (so that customers spend more on particular products, change brand preferences), reward programmes need to incorporate tiering (reward levels) in the structure of the programme, where members who behave in a particular way earn more rewards than members who don't behave in the stipulated manner. This tiering is thus a tool used to influence customer behaviour and create loyalty for a brand (Lacey and Sneath, 2006).

The question arises as to whether or not; reward programmes should reward members in an equitable/fair manner? Tiering is somewhat controversial as it is only based on the behaviour of the customer. Customer perceptions of equity in a reward programme are also important for the success of that programme. Lacey and Sneath (2006), suggest that the equity theory should be considered by reward programmes when deciding to follow a tiering structure for the programme. The equity theory is based on the perceptions of customers in the following areas:

- Distributive equity – customer perception of fairness of rewards received in relation to the amount spent on a particular product;
- Procedural equity – customer perception of fairness of the process applied in the allocation of rewards; and
- Interactional equity – customer perception of fairness in the exchange of information (i.e. the means of communication used, etc.).

2.4.5 *Create Switching Costs*

A tactic, described by Altinkemer and Ozcelik (2009), to create loyalty in the long run is to create customer switching costs. These can be artificially generated by companies in some cases. Learning costs (time spent to learn about a product), appetite for less risk in changing products, loyalty points (accumulated points that can expire) are all examples of some of the switching costs that can keep customers loyal to a brand. This alone however is not sustainable and should not be completely relied upon. It should be used as a stepping stone to provide the customer with genuine experiences, product satisfaction, rewarding relationships and other retaining elements (Altinkemer and Ozcelik, 2009).

2.4.6 *Data Management*

Through the various instruments used to structure a reward programme (i.e. member cards, application forms, etc.), a lot of data can be collected by a reward programme and used to design better fitting offerings for members (O'Malley, 1998). Data in the form of customer preferences and behaviour can be very valuable to a reward programme, in that they can get a better understanding of the customer's needs, behaviour, and attitude towards the brand (Kumar and Shah, 2004). In order to effectively utilise this asset, reward programmes need to invest in the appropriate data storage technologies, warehousing, analysis tools and reporting tools (Rowley, 2004). By doing this, reward programmes can maximise on this valuable asset and in-turn use it to maximise on its profitability and strengthen its relationship with the customers of the brands.

2.4.7 *Unintended Consequences of Reward Programmes*

Reward programmes can become costly if there isn't a thought out revenue stream built into the reward programme model. This is more probable in the longer run of a reward programme lifecycle. Companies whose reward programmes are not profitable will probably still keep them running (at a loss) in order to retain their customers who have become used

to the reward programme benefits (O'Malley, 1998). This in-turn shows that reward programmes don't always have the effect that is intended. The intention of reward programmes is to build loyalty for the brand or product and to deliver value (in line with the value proposition) of the brand (O'Malley, 1998). But customers tend to become loyal to the reward programme itself and if the company were to stop the programme, these customers would probably move to a competitor on the grounds of price, convenience, and an active reward programme (O'Malley, 1998).

2.4.8 *Factors to Avoid in any Reward Programme*

Reward programmes are not discount programmes

Nunes and Drèze (2006), suggests that by providing discounts to customers, one is actually buying their loyalty. This is not sustainable as other brands will follow suite and offer similar, if not higher-value, discounts to customers. This could lead to discount-wars between brands which could cost excessive amounts of money and would have defied the purpose of creating value.

Reward the loyal customers. Don't reward as a defensive strategy.

Many customers accumulate coupons, gift cards, etc, from several reward programmes but are not truly loyal to one or two (Nunes and Drèze, 2006). From data that is gathered by the reward programme, these trends can be identified. The reward programme should consider tiering in this instance to provide more benefits to their truly loyal customers. Kumar and Shah (2004) suggest that instead of just rewarding for the sake of rewarding (or as a defensive strategy against competitors), brands should use reward programmes as a strategic Customer Relationship Management (CRM) tool.

Base rewards on profitable products and not volume

It is very easy to reward bulk purchases of a product, however, this does not always lead to profitability (Nunes and Drèze, 2006). Reward programmes should be structured in such a way that they provide more rewards on more profitable products.

Don't give away profits

A mistake which some reward programmes have made is to give away profits as rewards to customers (Nunes and Drèze, 2006). Reward costs should be budgeted for and allocated according to the ability of the reward programme. By cutting into profitability, the reward programme is not creating true value and will not be sustainable (Nunes and Drèze, 2006).

Don't over-promise

This doesn't refer to only rewards but to the actual product that is delivered to the customers. Customers of a specific tier could be promised special preferences, relationship managers, etc. which need to be realistic and within the budget of the reward programme. If these cannot be met but have been promised, it could lead to dissatisfaction and disloyalty of customers (Nunes and Drèze, 2006).

2.5 Reward Programmes – A Tool to Generate Value

"The customer is king" is a generally accepted marketing phrase and has for many decades been used in the business world. The theory of marketing, too, leans towards the customer centric organisation as being an ideal organisation (Meyer-Waarden, 2007). Profitability and long term customer value is a key focus area for any business that is seeking success (Kumar and Shah, 2004). Hence, reward programmes form a crucial part of the marketing arsenal to attract and retain customers that are profitable. Behaviour and attitude of the customer are directly related to the profitability and value that can be created from the relationship of customer, reward programme, and brand (reward partner) (O'Malley, 1998). These and other factors that have an impact on value creation, relationships and profitability through a reward programme.

A challenge that reward programmes face today is that of providing a unique reward experience to customers. Because reward programmes can easily be mimicked by competitors, it might not serve as a competitive advantage unless is it designed innovatively (O'Malley, 1998). Meyer-Waarden (2007) describe reward programmes as a means to

develop relationships and to obtain a larger share-of-wallet (SOW) from the customer. They should provide the customer with economic, psychological, and sociological rewards which should lead to longer term retention and a greater customer SOW.

A question that has been asked time and again in the reward and loyalty industry is whether or not these programmes actually build loyalty for brands and whether or not they create value for the various parties involved in a reward/loyalty programme (Keh and Lee, 2006). The primary aim for any reward programme administrator is to provide a certain level of satisfaction for both its customers (who earn and redeem the rewards) and the partners (who allocate and facilitate the spending of rewards), while creating loyalty within its customers for its programme. The challenge that they face is that measuring the effectiveness of reward programmes can become complicated, and thus it becomes difficult to justify the actual value that has been created by this relationship to each of the various groups involved in this relationship (Keh and Lee, 2006).

2.5.1 *Concept of Value*

The ultimate aim of any reward programme is to create value for each of the partners involved in the programme. The difficultly in this is to decide on the definition of value. Value means different things to different people and this creates complexity in the reward programme model (O'Malley, 1998). How does a reward programme decide what value to deliver to its customers and partners? Despite this complexity, O'Brien and Jones (1995), discuss 5 common factors that can provide some value to customers. These are:

- Cash value of reward (in relation to the amount spent);
- Choice/options in terms of redemption of rewards;
- The aspiration value of the rewards (Do customers actually want the type of rewards that are being offered);
- Relevance of the rewards and the earning/spending rules; and
- Convenience in participating in the reward programme.

Mascarenhas et al (2006) describe that customer experience goes hand-in-hand with value creation. If a customer finds the experience pleasurable, it is likely that he/she will find value in the product or brand. A combination of these value adding factors should be used by companies in order to create some form of competitive advantage in the market (O'Brien and Jones, 1995).

The concept of customer lifetime value (CLV) is now widely being used to measure the value that a customer can provide to a brand/business (Kumar and Shah, 2004). CLV is a more forward looking measure of value that encompasses aspects such as the revenue that a customer can bring into a business, the expenses that a business will need to incur in order to service the customer and the behaviour and attitude of the customer that will or will not aid in driving profitability (Kumar and Shah, 2004).

2.5.2 *Value for the Member/Customer*

Customer satisfaction and loyalty

Loyalty as a concept has been experienced for centuries. Originally linked to power and control (in the times of the Roman Empire), loyalty has now become a household marketing term used in the context of customers who are an asset to an organisation (Kumar and Shah, 2004).

O'Malley (1998), suggests that very few customers will be 100% loyal based on their attitude towards a product/service. O'Malley (1998), also suggests that customers behaviours, in terms of loyalty, is based on variables such as:

- Choice of products/service;
- Convenience to the customer;
- Price sensitivity; and
- The income of the customer.

Thus, if a customer prefers a certain product but cannot afford it, the customer will opt to purchase a cheaper alternative. O'Malley (1998) also indicates that in recent business, the primary measure of loyalty has been customer satisfaction. But as demonstrated by the impact of the above variables, customer satisfaction may not always lead to loyalty. Kumar and Shah (2004) state that due to this, many customers hold more than one loyalty membership within an industry. Building customer satisfaction through customer experience, however, can aid in creating customer loyalty (Mascarenhas et al., 2006). Loyalty in the mind of the customer can be described in four stages (Rowley, 2004):

- No Loyalty;
- Spurious Loyalty;
- Latent Loyalty;
- Substantial Loyalty.

Loyalty can also be broken down into three elements, as described by Mascarenhas et al.(2006). These are behavioural loyalty, attitudinal loyalty, and situational loyalty. Behavioural loyalty is the measure of loyalty based on past purchase behaviour, attitudinal loyalty is a measure of loyalty based on the relationship with the brand and preferences, and situational loyalty is a measure of loyalty based on the purchasing situation (i.e. sale items).

Recency (how recent was the last purchase by a customer), frequency (how frequent does the customer make a purchase), and monetary value (the amount of money the customer is willing to and/or has spent in purchasing the product – i.e. profitability); could be used as more realistic measures of loyalty (O'Malley, 1998). Kumar and Shah (2004) suggests that in order to build sustainable loyalty, efforts should be placed on enhancing the behavioural loyalty, promote attitudinal loyalty and through these two, generate profits. The problem that they identify is the lack of connection between behavioural loyalty and profitability; hence that attitudinal loyalty must be taken into consideration. This will result in true customer loyalty which entails: higher purchase frequency, higher visiting frequency, higher

profitability, less cost incurred in serving customers, positive recommendations (word-of-mouth marketing) from loyal customers on to others in the market.

These can be achieved by individualising each customer (i.e. developing a reward programme based on a tiered model) and measuring the profitability of each customer (and not just the number of purchases – which is mistaken as loyalty) (Kumar and Shah, 2004). It is thus evident that both behavioural and attitudinal measures of loyalty are required in order to obtain a good understanding of customer loyalty.

A model adopted from one that was developed by Dick and Basu (1994) describes the importance of considering both attitude and behaviour, and taking into account the four stages of loyalty, when measuring loyalty categories. Different levels of relative attitude (including the attitude towards alternatives, satisfaction and preferences) are plotted against different levels of patronage behaviour. The results of a combination of these two are also shown in the table below:

Table 1: Effect of Attitude and Behaviour on Loyalty

(Dick and Basu, 1994)

	No Loyalty	Spurious Loyalty	Latent Loyalty	Sustainable Loyalty
Attitude towards Brand	Low	Low	High	High
Behaviour Towards Brand	Low	High	Low	High
Result	Does not wish to associate with the Brand	Is associating with the Brand but will move on if the chance comes up (i.e. cheaper/more valuable alternative)	Would like to associate with the Brand but cannot due to external factors (i.e. location)	Enjoys associating with the Brand and will do so going forward
Management Implication	Attempt to contact, reward and build some loyalty	Be wary as unreliable customer. Can move on at any time	Efforts should be made to remove the influence of external factors to build sustainable loyalty	Reinforce value and reward customer

In measuring behavioural and attitudinal loyalty, Kumar and Shah (2004) note that behavioural loyalty can easily be measured through POS (point of sale) systems, loyalty cards, and other actual customer data. Attitudinal loyalty is much more difficult to measure as it needs to be done through customer surveys. This will always provide a business with incomplete data as only a sample of customers can be used to survey and that too not all customers will be totally honest in their survey. Behavioural data, in most cases, is available in its entirety if the data is correctly handled by the business (Kumar and Shah, 2004).

Keh and Lee (2006), examine the relation between satisfaction and loyalty in respect of the type and the timing of the rewards. Keh and Lee (2006), state that there are two types of rewards, those that are directly related to the core product/service (direct rewards) and those which are not linked to the core product/service (indirect rewards). Examples of direct rewards are discounts on the future purchases of the core product/service, cash back on purchases, whereas indirect rewards could be air-miles rewarded for using a specific credit card to make purchases.

The timing of the redemption of rewards are categorised by Keh and Lee (2006) as being immediate and delayed. Immediate redemption refers to a reward programme which allows redemption of the rewards at the point of sale of the product/service (i.e. a discount on an item purchased). Delayed redemption refers to rewards which can be redeemed at a later stage. Keh and Lee (2006), indicate that there is usually a value link to the timing of rewards. Customers who prefer high value rewards will settle for delayed rewards and those who prefer immediate rewards will settle for lower value rewards being offered to them.

Satisfaction and loyalty, according to Keh and Lee (2006), is determined by the expectation and attitude that a customer has towards a product. This, in-turn, is linked to the past experience of a product by the customer. Thus customer satisfaction is much more complex than measuring customer behaviour and hence should be used in conjunction with several variables when measuring customer loyalty.

Taking these variables into consideration, Keh and Lee (2006) conclude that customers, who are offered a higher value reward that is delayed in nature and is directly linked to the product, will tend to be more loyal to that brand. In this case customers have been and are becoming further satisfied with the product. Interestingly, Keh and Lee (2006) also conduct a research on customers who are not satisfied with a particular product. In this instance, offering an immediate reward (i.e. discount, coupon, etc.) to a customer (regardless of the value or relatedness to the product) could improve the customer's attitude towards the brand and can even create some form of loyalty. Keh and Lee (2006) suggest that reward programmes should thus be used as a more strategic marketing tool rather than an add-on service which does not really cater for the customer's needs. Reward programmes should thus emphasise the brand's value and commitment to providing satisfaction to the customer rather than a tool to encourage repeat business from a customer. The closer customers become to a brand (intrinsically), the more loyal they will be and the business will easily be able to retain them for a longer period.

2.5.3 *Value for the Reward Programme and Reward Partner*

Reward programmes and partners share common objectives of customer profitability, loyalty and exposure O'Malley (1998). For this reason, the value for each of these is very similar and can be assessed together. Reward programmes are commonly found in the airline, financial, online, and retail industries. Frequent flyer programmes, credit card points, cash back bonuses and reward currency allocations are but a few methods through which rewards are provided to customers in order to create loyalty (Rowley, 2004).

There are various reasons as to why reward programmes are initiated by companies. Reward programmes need to be appealing to customers (i.e. must have a sufficient level of rewards that are of some value to the customer) but cannot be too costly to operate (Nunes and Drèze, 2006). Reward programmes are able to provide customer experiences, identify and reward loyal customers, build the brand, and enable CLV to be measured in customers (Rowley, 2004).

O'Malley (1998) and (Rowley, 2004), describes that companies initiate reward programmes for one or more of the below reasons:

- In order to provide rewards to loyal customers;
- In order to obtain customer transaction and behavioural information;
- In order to influence customer spending behaviour (as much as possible); or
- In order to defend market share against competitors who have launched reward programmes.

There are a large number of reward programmes being initiated on a regular basis. At the same rate however, reward programmes are being shut down due to not meeting the objectives with which it was initially started (Nunes and Drèze, 2006). The problem lies in the fact that not many reward programmes clearly define what the intended outcome that needs to be reached for success is. Success in any business boils down to profitability. Business goals need to be set out upfront, profitability expectations need to be defined (strike a balance between the value of the rewards, the cost of rewarding this and the margins that remain to be enjoyed), and the psychological influence that needs to be achieved and that of the current state of mind of the customers.

There are 5 goals which can realistically be achieved by a reward programme. Each reward programme should strive to improve its value offering and perception in the market though its own unique ideas and initiatives.

Create a barrier of exit for customers

Reward programmes should aim to create some form of customer lifetime value and hence keep the customer's business rather than allowing customers to try out other brands of similar products (Nunes and Drèze, 2006). Switching costs such as the loss of rewards, psychological changes, social impacts of decisions and the economical cost-benefit of switching can enable a company to retain customers for longer (Meyer-Waarden, 2007).

Obtain a greater share of the customer's wallet

Where customers typically buy more than one brand, reward programmes should be able to provide enough incentive so as to switch the buying pattern of customers in such a way that they will prefer to buy as much of the required products as possible from the brand offering the rewards (Meyer-Waarden, 2007).

Motivate for greater spending

A truly successful reward programme will be able to create demand for a product/brand for which rewards are being offered. Nunes and Drèze (2006) say that it will be able to create enough interest in a product and communicate the inherit value of that product, thus creating a greater demand in the product.

Obtain customer behavioural trends

Insights into customers' general buying behaviour and preferences can be gained if the reward programme is properly designed to collect and generate such data. This is important as it shows that customers who were not previously buying a specific product can be enticed into buying it by providing some additional rewards attached to the product/service (i.e. it provides an opportunity to create loyalty as it is clear that the rival product/service is unable to meet the customers' expectations and hence they have switched brands) (Kumar and Shah, 2004).

This data also allows companies to develop specific target marketing to individuals and groups of customers. The challenge here is that the data needs to be used and not just stored. Data analytics needs to be conducted constantly in order to gain the maximum benefit from such a data source.

Generate a profit

A lot of reward programmes find this to be the most challenging goal to meet. Most reward programmes are run by being subsidised by a parent company and hence are there not to generate revenue but to provide benefits only

2.5.4 *Customer Profitability*

Customer profitability theory states that customers should be divided into segments based on their long term behaviours (i.e. spending, frequency, profitability) (Matthews, 2006). Customers in the different segments should then be rewarded differently depending on the more acceptable behaviour by the business. According to Matthews (2006), however, efforts can be made to move the less profitable customers in the more profitable segments through appropriate incentives and rewards. Thus there is a direct link shown here that customer profitability and customer satisfaction can be influenced by a reward programme. A positive outcome of customer satisfaction and profitability can be increased by positive marketing for the company through word-of-mouth marketing by these customers. Hence efforts should be placed by businesses to assess their customers' profitability and strategically use a reward programme to influence this in a positive direction. There can be a shift in customer behaviour from being reactive (to rewards, incentives) to being proactive (in spreading information of the value generated by the brand).

A common measure of customer loyalty is the customer's behaviour. Behaviour (the frequency of purchase and the frequency of visiting a business) does not encompass the objective of loyalty which is customer profitability (Kumar and Shah, 2004). Customer profitability is directly linked to the attitude of the customer towards the brand which determines the future behaviour of that customer. Hence, when looking at customer profitability, the customer's attitude should be considered and influenced so as to ensure a long term relationship with the customer (O'Malley, 1998).

2.5.5 *Factors Creating a Perception of Value in a Reward Programme*

From the literature review above, the following propositions can be observed regarding the perception of value for each of the three parties in a triangular reward programme relationship –

- Value for the Reward Programme Member:

    - ***Choice*** – members value having a choice in terms of a substantial partner networks, earning & spending channels and platforms;
    - ***High-value rewards*** – members find value in rewards that have a high value in the market and can be used by them for something meaningful. The value of rewards in relation to the amount transacted to earn it should be high;
    - ***Relevance*** – the reward should be relevant to the needs of the member. The member will find value in this;
    - ***Ease of understanding the programme*** – members value a simple programme that can be understood by them. An understanding of the structure of the programme (i.e. tiering, type of reward programme, partner network, reward frequency, timing, etc.) is important to the member as this will enable the member to maximise on the rewards; and
    - ***Fair opportunity*** – the member will find more value in greater opportunities to earn and spend rewards. This allows the member to be active in the programme more of the time.

- Value for the Reward Programme:

    - ***A larger SOW*** – the reward programme would find value in the relationship when members spend a larger share of their wallet in order to earn rewards;
    - ***Aligning to required behaviour*** – the reward programme defines certain behaviours which, if followed, would allow members to earn better rewards. These behaviours are more strategic and if followed by the member, will lead to a more loyal member base;
    - ***Customer profitability*** – the time and money invested in setting up and managing a reward programme would need to be beneficial for the reward programme. For this, the reward programme would value profitable

customers (i.e. those that utilise the reward structures and work with the reward programme in bettering their rewards);

- ***Rich source of market intelligence*** – the reward programme would value information about the members (i.e. behavioural trends, preferences, etc.) in order to build a competitive advantage in the market place; and
- ***Partner contribution*** – the reward programme would value a relationship where the partner network cooperates with the reward programme in providing a valuable reward offering to members.

- Value for the Reward Programme Partners:

  - ***A larger SOW*** – the reward partners would also find value in the relationship when members spend a larger share of their wallet with them. This would mean that their customers are becoming more loyal to the programme and their brand;
  - ***Exposure*** – The reward partner would value a relationship where they are offered better market exposure (to a larger member base) and indirect marketing from the reward programme; and
  - ***Customer profitability*** – the reward partner would also value a profitable customer base so as to justify the investment in the programme.

2.6 Conclusion of the Literature Review

The literature review shows that there are a vast number of elements that can be combined into a reward programme business model. Each element has an impact on the value that is delivered to the customers and the reward partners. Factors that drive value creation and loyalty are also essential in the success of a reward programme, but they too have various impacts of the attitudes and behaviour of the customer which in-turn has a related impact on the brand for which loyalty is being built. Each of the factors and elements has to be considered when assessing the profitability of both the reward programme in its entirety as well as the individual members that participate in the reward programme. The literature is concise and reveals insight into all these impacts. The practicality of combining these elements and factors, and designing a right combination for a specific member however has not been conclusively resolved in the literature.

In summary, the propositions for the factors that drive value for the three parties are:

Table 2: Value for the 3 Parties (Propositions)

Value for Member	Value for Reward Programme	Value for Reward Partner
Choice	A larger SOW	A larger SOW
High-value rewards	Aligning of required behaviour	Exposure
Relevance	Customer profitability	Customer profitability
Ease of understanding the programme	Rich source of market intelligence	
Fair opportunity	Partner contribution	

3 RESEARCH METHODOLOGY

The research methodology section of the research report will outline the methodology that was used in conducting the research. Qualitative research methodologies were used as a basis for the gathering of primary data and thus literature around qualitative research is discussed here as well. The research design and the research instrument will be discussed as well in this section. Details regarding data collection and data analysis will be outlined followed by a brief discussion on the validity and reliability of this study.

3.1 Research Design

The research design is in the form of an imperative approach. This format of research allows the respondents to provide in-depth accounts of experiences as well as allow the interviewer to obtain a complete set of data (Creswell, Hanson, Clark Plano and Morales, 2007).Through these experiences, facts regarding the loyalty, behaviour, attitude towards a reward programme, factors that drive value, a view on the relationships that exist, and other reward programme related data has been gathered. The interviews were not intensive for the respondents (a maximum of 60 minutes) and all personal information was kept confidential. There was a risk that some information would not have been revealed due to the respondent being uncomfortable or not willing to share certain personal information. An assumption has been made regarding this however.

Previously it was believed that there would be some instances where interviews would not have been possible (i.e. respondents were inaccessible, etc.). In these instances, questionnaires or surveys were to be conducted to obtain the requested information. All efforts were be made to ensure that the interviews were conducted however as the questionnaires would have had to be shorter than the interviews. For this research, only personal interviews were conducted thus allowing the extraction of good quality data from responses.

3.2 Research Methodology

Due to the intangible nature of the topics of this research (i.e. value, loyalty, relationships) and the fact that these topics rely highly on customer perception rather than a scientific method, a qualitative methodology was used in conducting the research.

Qualitative research methodology is defined by Denzin and Lincoln (2000) as being a representation of the world in its natural setting. It uses observed materials such as case studies, experiences, interviews, observations, interactions, visuals and artefacts to describe the qualities of the situation that is being researched. This definition is apt for the type of research required for this proposed research. True experiences of value, customer satisfaction, loyalty towards a brand, future behaviours towards a brand, and the relationships formed between parties were assessed. The quality of such data was higher as these were drawn from personal incidents and experiences. Thus a qualitative approach was best suited to the research that was conducted.

Data was collected through in-depth interviews with members of reward programmes in South Africa. In-depth interviews were conducted with the major reward programmes in South Africa and with selected partners of these reward programmes.

Through these in-depth and descriptive interview questions, insightful experiences were obtained by which a higher quality of data analysis could be carried out (Creswell et al., 2007). Creswell et al. (2007) describe the story oriented approach to qualitative analysis as well. This was also incorporated in the interview questions as questions probed for responses based on real-life experiences. In order to assess the level of loyalty and customer satisfaction, variables and their measures were defined after the interview process (Jain and Singh, 2002). Assumptions were made with regard to the feedback from the respondents being honest and objective, and thus would not skew the data that was collected.

Peer-reviewed literature was used as a basis to identify the elements of each proposition (i.e. factors that enhance relationship and the perception of value for the reward members, the

reward programmes and the reward partners). Additional literature was sourced to link the concept of customer loyalty programmes to the theory around customer relationship management and relationship marketing. A list of propositions, for each party, was identified from this literature which was tested in this study through the data collected from each party.

3.3 Population and Sample

3.3.1 *Population*

Three population groups were approached in order to gather data for this research

1) Selected prominent reward programmes in South Africa – within these, more senior decision makers (EXCO members) were approached so as to obtain a rich quality of data.
2) The members of these reward programmes – active members of these programmes who were willing to participate in this research. Members who were affiliated with more than one of the prominent reward programmes in South Africa were also interviewed. They provided comparative experiences which where valuable to the analysis.
3) The retail partners of the prominent reward programmes in South Africa – a selection of prominent reward partners of the reward programmes were approached (with the assistance of the reward programmes) so as to complete the analysis of the triangular reward programme relationship. Certain reward programmes do not have a partner network. These reward programmes act as reward partners as well and were be interviewed as both the reward programme and the reward partner.

The case site for each of these population groups was their natural surroundings (i.e. the reward programmes at their head offices, the members at the place of work or residence, and the retail partners at their store locations/head-offices).

3.3.2 *Sample and Sampling Method*

Respondents were interviewed on a voluntary basis. Through sampling, potential respondents were identified. Only if they wished to participate in this study, were they interviewed. The sampling strategy was such that the sample chosen fairly represented the range of different reward programme structures (each with different rules and value propositions) in South Africa. The range of reward programmes chosen was from the growing programmes to the more established programmes. This was done to ensure that different LSM groups, consumer markets and reward programme structures were accounted for in the research. The following were specific sampling details pertaining to the three population groups.

1) ***The prominent reward programmes in South Africa*** – Senior personnel within these organisations were identified through various contacts from the Wits Business School and other social/professional networks. Interviews were requested by telephone and followed up by email/letter to the reward programme personnel. The following reward programmes were approached.

Table 3: List of Reward Programmes Interviewed

Reward Programme	Industry	Contact Through
eBucks Reward Programme	Financial Services	Employed at eBucks
ABSA Rewards	Financial Services	Former Colleague
Discovery Vitality	Medical/Retail/Travel	Wits Business School
SAA Voyager	Airline/Travel	Social Network
Pick 'n Pay Smart Shopper	Retail	Social Network
Dis-Chem Benefits Prog	Medical/Retail	Professional Network

2) ***Members of the reward programmes*** – members of the above mentioned prominent reward programmes were sourced (through social/professional networks, the MBA programme, and other networks). These members were approached for permission

to be interviewed. Based on their response, a time was set up for an interview. The number of respondents interviewed was as follows (A total of 24 respondents):

Table 4: Number of respondents interviewed per Reward Programme

Reward Programme	Number of Respondents Required	Contact Through
eBucks Reward Programme	4	Professional Network
ABSA Rewards	4	Social/Professional/Academic Networks
Discovery Vitality	4	Social/Professional/Academic Networks
SAA Voyager	4	Social/Professional/Academic Networks
Pick 'n Pay Smart Shopper	4	Social/Professional/Academic Networks
Dis-Chem Benefits Programme	4	Social/Professional/Academic Networks

3) ***The reward partners of reward programmes*** – reward partners were identified with the reward programmes through the interviews that were conducted with them. With the assistance of the reward programme in some instances, these reward partners were contacted (via email). Upon approval to make contact, an email detailing the process was sent and a meeting time was set up. 5 reward partners agreed to participate in an interview as part of this research. The following reward partners were interviewed:

Table 5: List of Reward Partners Interviewed

Reward Partner	Affiliated Reward Programme	Contact Through
Dis-Chem	eBucks, ABSA Rewards, Dis-Chem Benefits Programme	Professional Network
Pick ‘n Pay	Pick ‘n Pay Smart Shopper, Discovery Vitality	Social Network
South African Airways	SAA Voyager	Social Network
Ster-Kinekor	eBucks	Professional Network
Nashua Mobile	eBucks	Professional Network

3.4 The Research Instrument

The interview questions were pre-defined but the interviews were in the form of a conversation and notes were made adjacent to the proposed questions as points were discussed. Towards the end of the interview, any specific questions that were not covered were directly asked to the interviewee. This structure was used for all three populations groups.

This balance between structured and semi-structured interviews allowed specific questions to be defined in advance but also allowed the respondents to provide insight that was not specifically required as a response to the questions. This aided in obtaining detailed insights and simple reactive data from the respondents. The contact details of the respondent were noted for correspondence purposes. This research instrument is attached in Appendix A.

3.5 Procedure for Data Collection

All interview times were pre-booked with all three population groups. Notes were taken during the interviews in categories to match the factors that were being assessed (as per the literature review results). These notes were taken using different colour pens so as to allow easy referencing at a later stage.

Sufficient interview sheets were printed and sufficient working pens were kept along with the printouts so as to allow efficient note taking. All note sheets were numbered and referenced upon completion of the interview so as to allow easy referencing at a later stage.

In addition to the standard interview focus points, other notes were taken with regards to the general surroundings and mood in the immediate vicinity. The reactions of the interviewees were also noted and opinions on the interview processes were asked for so as to improve the data collection techniques going forward. These results were not used in the research report but were referred to in order to better analyse the data.

3.6 Data Analysis and Interpretation

All interviews notes were typed out and categorised according to the areas to which they related to. This was done in MS Excel spreadsheets so as to allow efficient shifting around of data and referencing. The various factors being analysed were colour coded for easy retrieval when required. The original written notes and the un-edited typed notes were also stored with the respondent's details for future reference or verification. These have since been destroyed as this research report has now been finalised.

Coding of the data was conducted by applying key codes to groups of similar phrases, statements and experiences. This phrase coding enabled a better analysis of the data (Sofaer, 2002). Sofaer (2002) suggests that multiple coding be used in order to better categorise the data. Inferences regarding the attitude of the respondents, their purchase behaviour, the level of loyalty and their experienced satisfaction were deduced from the tone of the answers as well as the respondents' use of diction.

All primary data (i.e. interview notes) and secondary data (i.e. supporting documents) had the names, contact details, branding, and any other identifiable information erased. This data was presented in the research report as an industry analysis (i.e. an industry view of the reward programmes in South Africa)

3.7 Limitations of the Study

- The unavailability of sufficient experienced respondents could have led to less reliable data being collected.
- Certain reward programmes were not willing to provide contacts of reward partners due to relationship challenges and independence issues.
- The reward partners that were referred to by reward programmes could have been biased towards the reward programme due to relationship benefits.

3.8 Validity and Reliability

Verification of data, especially in qualitative research, is important as data can be biased due to opinions and subjectivity. This verification in a qualitative research means to ensure that the data is valid and reliable (Morse, Barrett, Mayan, Olson and Spiers, 2008). In qualitative research, verification needs to take place on an ongoing basis and cannot be left to the end of the data analysis process (Maxwell, 2002). Data collection methods, capturing techniques and analysis techniques need to be verified at each stage of the research and adjusted so as to provide a better analysis of the data at hand. It must be noted that the process should be adjusted in such a way so that the actual nature of the data being collected will change. This will result in inconsistent data being collected and will skew the analysis.

3.8.1 *External Validity*

External validity refers to the generalisation of data and research findings (Merriam, 1995). It measures the extent to which the data and findings can be applied to other situations outside of the research.

As this research is focused on individual customer experiences and measures loyalty and behaviour of customers, it was difficult to externally validate the data. However, in order to ensure that all efforts were made to attempt validating this data, the interviews required in-

depth descriptive answers and cross questioning to obtain a rich data set. From the data coding and categorisation, the data themes were used to externally validate the findings.

3.8.2 *Internal validity*

Internal validity refers to the reality of the research findings. It measures the preciseness of the research findings in comparison to the reality that exists (Merriam, 1995). The data needs to display uniformity and needs to be objective.

In order to meet these criteria, the interviews had been structured so as to obtain data from several respondents who are members of the same reward programmes. Also by essentially triangulating the interview process (i.e. interviewing three parties that are all interconnected), a true representation of reality was observed (Merriam, 1995). In order to ensure that all data was in a uniform format, all data collected was coded and categorised for analysis purposes.

Data was gathered from 24 reward members, 6 reward programmes and 5 reward partners. The questions set tested responses to ensure that consistency was kept in the responses. Due to a large data source (a total of 35 interviews), the data would have been validated through cross-checking.

3.8.3 *Reliability*

Reliability refers to the repeatability of the respondent's response to a question and to the extent of repetitiveness of data (Merriam, 1995). It aims to validate data by checking the repeatability of data (i.e. it checks whether the respondent will answer a similar question with the same response, etc.). This is easier to measure in quantitative research due to qualitative research being more subjective in nature.

In this research, it was difficult to meet these criteria fully as the data requests were based on the experiences of the respondent's as well subjective views of products and

relationships. These can change in an instance due to a change in experience and hence repeatability may not have been met in the responses. In order to overcome this, cross questioning in interviews as well as the triangulation if interviews were used.

Similar questions across the data sources and within interviews were used. Questions were structured in such a way so as to probe the interviewee to verify statements and experiences. There was triangulation of questions (between the three parties that were be interviewed) in order to obtain reliable information.

4 PRESENTATION OF RESULTS

4.1 Introduction

This section of the research report will present all the results obtained from the interviews conducted with reward programme members, reward programmes, and reward partners. The interviews consisted of the following:

- 14 questions for the member interviews
- 6 questions for the reward programme interviews
- 6 questions for the reward partner interviews

Responses for each of these questions will be summarised in this section using pie charts (where responses could be categorised into definitive groupings). All data has been sanitised in such a way that no reward programme, member or reward partner can be identified. Data tables with the actual interview data can be found in Appendix C, at the end of this research report.

4.2 Demographic profile of respondents

Reward programme members: Four reward programme members were interviewed from each reward programme (on a voluntary basis). Thus, 33.33% of the members belonged to a reward programme that did not offer a reward partner network. 66.67% of the members belonged to a reward programme that did offer a reward partner network. The initial plan was to only interview members from 5 reward programmes of which only one reward programme did not offer a reward partner network (i.e. 20% of respondents). The additional of the reward programme provides a better representation of the reward programme industry in South Africa. It leads to a more balanced reward offering in terms of the partner network available to members.

In terms of the specific demographics of the members, the plan was to interview members that are active in the reward programme (regardless of the age, race,

gender, location, and income level). The interviewees met this criterion fulfilling the initial plan.

Reward programmes in South Africa were chosen for this research based on the following criteria:

- Prominence of the reward programme/the reward programme manager;
- An adequate reward offering to members;
- National reward programme (rather than smaller localised programmes);
- Infrastructure allowing earning and spending/redemption of rewards (through the reward programme itself or through a partner network); and
- Ease of access to reward programme and willingness to participate.

Key personnel within each reward programme were identified (through professional and social networks). Reward partners were approached through the aid of the reward programmes that they partner with. Not all reward programmes were willing to aid in setting up interview time with partners and thus only 5 reward partners were interviewed. There were no criteria defined in choosing reward partners. This was based purely on availability and the fact that they partnered with one of the chosen reward programmes.

Overall, the actual sample chosen was not very different from the planned sample. These few changes that were experienced aided in enhancing the results obtained from the interviews.

4.3 Reward Programmes and Reward Partners in South Africa

The South African reward industry is a young one with one its oldest reward programmes beginning only 15 years ago. Very few of the reward programmes in South Africa offer a substantial partner network and there is still a feeling of uneasiness when it comes to reward programmes in South Africa.

There are several prominent reward/loyalty programmes currently being operated in South Africa. As a South African consumer, one would be familiar with the following reward programmes:

- Clicks Card
- Kauai Frequency Purchase
- Boost Juice Loyalty Card
- SAA Voyager
- Discovery Vitality
- American Express Rewards
- Investec Dividends
- eBucks Programme
- ABSA Rewards
- BA Exclusive Club
- Exclusive Books Fanatics Programme
- Southern Sun Frequent Guest
- Nedbank Greenbacks
- Dis-Chem Benefits Programme
- Pick ‘n Pay Smart Shopper

These are but a few of the prominent reward programmes in South Africa. There are several different models currently being operated in South Africa as well. Clicks, for example, offers discount coupons that can be redeemed in-store on specific products. Kauai offers a loyalty frequency card where you receive a sticker for every purchase; when the card is full with stickers, you receive a free Kauai drink. Boost Juice offers you a member card after a certain number of purchases, after which you receive a 10% discount on every purchase indefinitely. Each reward programme has a different offering and thus would appeal to different types of consumers (Boostjuice, 2011; Clicks, 2011; Kauai, 2011).

It can also be seen that reward programmes exist in a variety of industries and sectors. From the financial sector, to the retail sector, to the FMCG sector; reward programmes

are not bound by the nature of the business. Reward programmes can be managed under the company's brand (i.e. in the case of Pick 'n Pay Smart Shopper) where the rewards are earned and spent in-house to the reward programme. They can also be managed as a separate entity from the brand (i.e. in the case of eBucks which is the reward programme being managed for First National Bank customers). Some reward programmes (not the majority though) are affiliated to a partner network that offers a wider range of rewards and opportunities for members (eBucks, 2011; Smart-Shopper, 2011).

Even though the reward programme industry in South Africa is fairly new, it is a highly developed industry that is fast becoming more and more competitive. This research will only focus on 6 of the reward programmes in South Africa and 5 reward partners affiliated with these reward programmes. The following is a brief description of the reward programmes and the partners.

4.3.1 *The eBucks Reward Programme*

eBucks – "The Reward of Choice". eBucks was launched by First National Bank in 2000. The partnership was structured in such a way that it would allow eBucks as a business to support the loyalty initiatives of the various product houses of the bank. Saying this, eBucks membership is not limited to FNB customers only. Any person can become an eBucks member and make use of the partner network benefits. The value that eBucks drives in the market place is that of choice. It offers a wide variety of spend and earn opportunities that provides this "choice" to its members (eBucks, 2011).

Table 6: eBucks Programme

	eBucks Programme
Reward Currency	• eBucks (eB). eB10 = ZAR1 • This currency is placed in a separate eBucks account • It can be accessed via the eBucks Card, FNB Internet Banking, FNB Mobile Banking, and via the eBucks Call centre • Discounts are also offered as a reward • Never expire • No interest is earned • eB can be transferred to any other eBucks member at no cost • Part payments allowed, Top-up not allowed
Programme Structure	• Hybrid Programme, i.e. Offers a reward currency, discounts as well as other value-add services. • Both individuals and businesses can belong to the programme • The programme is open to any individual, however, business members need to have a qualifying FNB business account • eBucks recently opened up Rand payments in the eBucks shop making it a fully accessible online mall • Tiered structure exists for certain rewards
Earning & Spending	• eBucks' earn opportunities cover the major categories of banking, shopping and telecommunications • eBucks offers a wide range of spend opportunities as well as a wide range of channels through which members can spend their eBucks (i.e. FNB Mobile, Internet Partners, eBucks Shop, eBucks Card) • Earn up to 1% from FNB Bank. Earn up to 10% from retail partners
Partner Network	• A multi-partner programme - members are able to earn and spend from many different partners • Major partner is the FNB Bank. Allocates on ANY purchase made on the Credit and Cheque cards (1% and 0.8% respectively) regardless of the vendor
Membership Fee	• There is no membership fee to join the programme, however, FNB Credit Card charge an annual linkage fee of ZAR160 (per annum) to link the credit card to eB

4.3.2 *ABSA Rewards*

ABSA Rewards – "Rewarding the Everyday". ABSA Rewards programme was re-launched by ABSA and is only open to ABSA members. The value that ABSA Rewards is offering speaks to rewarding everyday activities of their customers. In order for this value to be delivered, ABSA's partner network has to cater for the everyday activities (ABSA-Rewards, 2011).

Table 7: ABSA Rewards Programme

	ABSA Rewards Programme
Reward Currency	• Referred to as an ABSA Reward (AR). AR1 = ZAR1 • Marketed as 'cash' back, but members can only get the cash out once they have accumulated a balance of ZAR50 • No interest earned on the 'cash' in the ABSA Rewards account • Expires after 5 years and can't transfer the 'cash' • Part payments allowed from an ABSA account, no top-ups allowed
Programme Structure	• Hybrid Programme, i.e. Offers a reward currency, discounts as well as other value-add services. Tiered structure exists • Available only to ABSA customers. ABSA account holders without a transactional card can still be part of the programme, but will only have access to the bonus benefits
Earning & Spending	• No earn on any ABSA products, members only earn 1% for spend with retail partners. This means members are not rewarded by the bank for the general spend on their ABSA cards • Spending rewards is equivalent to spending cash. Rewards generated can be drawn from the account to be used as cash • Can redeem rewards on a variety of ABSA Rewards offerings and can donate is the identified charities. • Earning from ABSA products spend (i.e. spend on credit cards) will be introduced in the near future. It is unclear whether this will also still apply to spend at the partner network only or if rewards will be awarded for any spend
Partner Network	• A large partner network offering discounts, rewards, value-adds • A large value-add service and discount benefit network • Emphasis is placed on these rather than the rewards
Mem Fee	• ZAR 19.50 per month

4.3.3 *Discovery Vitality*

Discovery Vitality – "Rewarding Healthier Living". Discovery Vitality is a reward product of Discovery Health. It is available to Discovery Members and is linked to all of Discovery's products (i.e. Life, Health, Insurance, etc.). The value that Discovery Vitality offers is the motivation for a healthier lifestyle. Its website states that: "Through Vitality, Discovery's wellness programme, you can access a wide range of tools and partners to help you get healthier. And the more you do to know your health and improve it, the more Vitality rewards you" (Discovery-Vitality, 2011).

Table 8: Discovery Vitality Programme

	Discovery Vitality Programme
Reward Currency	• Vitality Points are rewarded (no monetary value is attached to this) • Discovery rewards members for healthier living. These rewards can be in the form of discounts, bonuses, points and value-adds • Discovery points are valid for a year. Each annual cycle starts members from a zero balance (except for Diamond members)
Programme Structure	• The discovery vitality programme is a fully tiered programme • Members earn discovery points to increase their vitality status • The higher a member's vitality status, the more bonuses are received with partner products and through the partner network
Earning & Spending	• Vitality points cannot be spent. They are there to determine the member's status which in-turn determines the level of discounts/bonus that are received • Vitality points are earned by following a prescribed healthy lifestyle (e.g. using gym facilities, having screening tests conducted regularly • The benefits from this status are experienced through various initiatives. There is no real spend opportunity, but rather access to various other benefits
Partner Network	• Discovery Vitality has a large partner network, mostly related to the healthy living value that it drives • Partners offer discounts based on the vitality status of the members and on the number of other Discovery products that are held (i.e. a member with a Discovery Credit Card and a Gold Vitality status can earn 40% back in cash from BP on fuel purchases)
Mem Fee	• ZAR 125.00 per member per annum (multiple members can be linked to a single vitality membership at a discounted rate)

4.3.4 *SAA Voyager*

SAA Voyager – "A world where your currency is Miles and the Rewards are Exceptional". SAA Voyager is a reward programme that is linked to South African Airways and the Star Alliance. It offers a value in the form of access to travel. This value is fulfilled by a substantial partner base related to the travel industry (SAA-Voyager, 2011).

Table 9: SAA Voyager Programme

	SAA Voyager
Reward Currency	• The rewards are called Miles (Voyager Miles and Tier Miles exist • There is no monetary value attached to a Mile • Tier Miles determine the membership tier which in-turn determines the level of Voyager Mile reward • Bonus miles are awarded for specific partners • Voyager Miles are valid for 3 years
Programme Structure	• Tiered programme based on the travel activity within the Partner network and the use of the non-travel partners • Tier status is valid for the balance of the year in which you earn it and the next calendar year. After this the status is reset • Complex rules and difficult to understand the programme structure and its regulations/limitations
Earning & Spending	• Different amount of Voyager Miles are rewarded by various partners for various transactions/behaviours • Spending of Miles can take place at any partner allowing for spend (Travel and Non-travel) • Miles are also earned by spending on an SAA Visa credit Card (any spend through the card received Miles) • Varied earn rate and spend rate (no clear mathematics behind the pricing of products quoted in Miles)
Partner Network	• SAA is the primary earn and spend partner • Substantial partner network (both travel related and non-travel related) • Partner of Star Alliance
Membership Fee	• No membership fee is required

4.3.5 *Pick 'n Pay Smart Shopper*

Pick 'n Pay Smart Shopper – "Earn points every time you shop". The smart shopper programme is Pick 'n Pay's recently launched loyalty programme. It is open to anyone who subscribes to the membership in-store. The value that the programme offers is simply to say "Thank You" to the shoppers who are loyal (Smart-Shopper, 2011).

Table 10: Pick 'n Pay Smart Shopper Programme

	Pick 'n Pay Smart Shopper
Reward Currency	• The rewards are offered as Smart Points (SP) • SP100 = ZAR1 • There is no expiration of points. If the card is not active for 3 years however, the card is deactivated and the points are lost • Pick 'n Pay Vouchers (which can be purchased with SP) expire after 1 year
Programme Structure	• Not a tiered programme. All members earn the same rate of reward • Other reward programmes (i.e. Discovery Healthy Foods) can be used in conjunction with this programme • The programme offers rewards for the online shopping channel • All balances and programme related information is presented at dedicated points at all stores
Earning & Spending	• Every time SP1000 are earned (i.e. R10) they can be switched into ZAR for spending purposes • Earning is only possible if the smart shopper card is swiped at the POS • Points can be spent at the POS as a part payment to a purchase • There is no earning on certain products such as Tobacco • There is a standard earn rate of 1% and special earn rates of up to 3% on specials
Partner Network	• A closed-loop programme, i.e. members can only earn and spend at Pick 'n Pay stores
Membership Fee	• No membership fee is required

4.3.6 *Dis-Chem Benefit Programme*

Dis-Chem Benefit Programme – "You Can Make a Difference". The Dis-Chem Benefits Programme is a loyalty programme for all of Dis-Chem's shoppers who have subscribed for a membership. The value that the programme offers is that of all of a member's purchases, not only does a member get rewarded, but Dis-Chem contributed a percentage to selected charitable organisations through the Dis-Chem Foundation (Dis-Chem, 2011a).

Table 11: Dis-Chem Benefits Programme

Dis-Chem PHARMACIES Pharmacists who care	Dis-Chem Benefit Programme
Reward Currency	• Dis-Chem rewards members with Dis-Chem points (DP) • There is no specific monetary value attached but each DP is equivalent to ZAR1.00 • Points do not expire
Programme Structure	• The programme as a variety of products aimed at different customer groups • Beautiful Women Card • Healthy Living Card • 60 Plus Card (for members who are 60 years or older) • Zone Card (for members between the ages of 11 and 18) • Moms and Tots Card
Earning & Spending	• There is a standard 1% reward for all purchases where the Dis-Chem card is swiped • There are additional benefits (i.e. double points of specific days, free services, etc.) • No points are earned on prescription medication • Spending of points is in store
Partner Network	• A closed-loop programme, i.e. members can only earn and spend at Dis-Chem stores
Membership Fee	• No membership fee is required

4.3.7 *Ster-Kinekor (Reward Partner)*

Ster-Kinekor – "Your Happy Place". Ster-Kinekor, a prominent South African cinema group offers over 68,000 cinema seats in a variety of cinema types (including, classic cinemas, cinema nouveau, and 3D cinemas). The value that Ster-Kinekor offers to the market is the experience of quality entertainment and variety. Ster-Kinekor partners with 3 loyalty programmes and runs its own reward programme as well (Ster-Kinekor, 2011).

Table 12: Ster-Kinekor (Reward Partner)

	Ster-Kinekor – Reward Partner
Affiliations	• Ster-Kinekor Movie Club • Discovery Vitality • Edgars Club • Jet Club
Programme Structure	• The reward programmes are discount based and drive volumes into the cinemas • The Ster-Kinekor Movie Club is a card based programme which offers different benefits for the type of card that a member holds • The other programmes offer benefits according to their tiers as well
Earning & Spending	• Ster-Kinekor Movie Club – Discounts are offered on certain days and points are accumulated for every swipe (every time a member watches a movie). Once a certain number of points (Movie Moola) are accumulated, the member is entitled to redeem these for free movie tickets • Discovery Vitality – Discounted tickets are offered at any time for members • Edgars Club – Discounts are offered for the purchase of 2 movie tickets (between 30%-50%) • Jet Club – Offers a variety of discounts and benefits, and also rewards ticket purchases with Movie Moola
Programme Cost	• There is a membership activation cost for these programmes. It starts from ZAR39.00 as a once-off payment

4.3.8 *Nashua Mobile (Reward Partner)*

Nashua Mobile – "Saving you time. Saving you money. Putting you first". Nashua Mobile offers a variety of mobile telecoms and broadband solutions for consumers and businesses. It is an independent network provider that is affiliated with the major telecoms brands of South Africa (i.e. Vodacom, MTN, and Cell C). It offers value in the form of convenience and cost savings to its customers. Nashua Mobile partners with 2 loyalty programmes (i.e. the eBucks Programme and the Investec Dividends programme) (Nashua-Mobile, 2011).

Table 13: Nashua Mobile (Reward Partner)

NASHUA MOBILE	Nashua Mobile – Reward Partner
Affiliations	• eBucks Programme • Investec Dividends
Programme Structure	• The programmes reward cell phone usage by customers. Rewards are given on the monthly debit orders.
Earning & Spending	• eBucks Programme – eBucks members who are Nashua Mobile customers can earn up to 10% of their monthly spend back in eBucks. • Investec Dividends – Investec customers who are hold a Nashua Mobile contract will earn 1 dividend point for every 1ZAR spent with Nashua Mobile
Programme Cost	• There is no membership fee required

4.3.9 *South African Airways (Reward Partner)*

South African Airways – "10 Times A Day, 7 Days A Week, Both Ways". South African Airways in the national carrier of South Africa. It forms part of the Star Alliance group which host many leading airlines and other travel related vendors as members. The value that it offers its customers is that of having the freedom to travel to any major destination at the most convenient times and with quality facilities. South African Airways is affiliated to its own reward programme (i.e. SAA Voyager Programme) and due to its status as a Star Alliance partner, has access to the networks and loyalty programmes of the Star Alliance partners. Other Star Alliance partners also have access to SAA Voyager members due to this relationship (South-African-Airways, 2011).

Table 14: South African Airways (Reward Partner)

	South African Airways – Reward Partner
Affiliations	• SAA Voyager Programme • Star Alliance
Programme Structure	• Miles are awarded to SAA Voyager members every time they fly on South African Airlines
Earning & Spending	• SAA Voyager members earn through South African Airways every time they fly on any SAA flight • The number of miles varies depending on the route flow (i.e. the distance flown) • Miles earned by SAA Voyager members (through flying with SAA or by using other Star Alliance partners) can be spent with South African Airways (to subsidize for the flight ticket). • There are several limitations to redeeming miles for specific flights (limited seats per flight, cost of seats varies, etc.)
Programme Cost	• There cost to redeem miles varies from flight to flight

4.3.10 *Pick 'n Pay (Reward Partner)*

Pick 'n Pay – "Inspired by You". Pick 'n Pay is one of South Africa's largest and oldest retail chains. It has nearly 800 stores around South Africa. Pick 'n Pay is both a franchised business as well as a company held business. Its business is standardised across both these ownership types and thus offers brand consistency. The value that Pick 'n Pay offers is that of providing products that customers need. It offers every day relevance and innovative products through the inspiration of its customers. Pick 'n Pay are part of the Discovery Vitality Healthy Foods programme and also manage an in-house reward programme (i.e. Pick 'n Pay Smart Shopper) (Pick-'n-Pay, 2011).

Table 15: Pick 'n Pay (Reward Partner)

Pick n Pay	Pick 'n Pay – Reward Partner
Affiliations	• Pick 'n Pay Smart Shopper • Discovery Vitality
Programme Structure	• Pick 'n Pay Smart Shopper – Pick 'n Pay rewards a percentage back to the member for every purchase made. This is transferred onto the Smart Shopper card and can be used as cash • Discovery Vitality – Pick 'n Pay funds discounts (in conjunction with Discovery Vitality) to vitality members for the purchase of any healthy foods through Pick 'n Pay
Earning & Spending	• Pick 'n Pay Smart Shopper – Members earn between 1% and 3% back on purchases (1% is on all purchases, promotional items have a higher percentage reward). These points can be redeemed at Pick 'n Pay only. • Discovery Vitality – Vitality members earn up to 40% back on their purchases of healthy foods. The percentage reward depends on the Discovery product holding and vitality status of the member. Vitality points cannot be redeemed but allow the member to claim higher benefits at partners
Programme Cost	• There is no membership fee required

4.3.11 *Dis-Chem Pharmacies (Reward Partner)*

Dis-Chem – "Pharmacists who Care". Dis-Chem pharmacies are a privately owned pharmacy group that has a spread of about 60 pharmacies throughout South Africa. Offering not only a pharmacy, Dis-Chem also offers a general retail store with competitive pricing in the areas of cosmetics, health, fitness, and other related products and services. The value that Dis-Chem offers is that of being considerate to the needs of their customers (Dis-Chem, 2011b).

Table 16: Dis-Chem Pharmacies (Reward Partner)

Dis-Chem PHARMACIES Pharmacists who care	Dis-Chem Pharmacies – Reward Partner
Affiliations	• Dis-Chem Benefits Programme • eBucks Programme • ABSA Rewards Programme
Programme Structure	• Dis-Chem Benefits – Dis-Chem rewards members with a 1% back on their spend and also donates a percentage to various charities through the Dis-Chem foundation • eBucks – eBucks members earn at Dischem by using their eBucks Card. This is in addition to any earn that the member might get from being a Dis-Chem member as well. The rewards are given regardless if the members pays with cash or using any FNB product • ABSA Rewards – ABSA Rewards members earn from Dis-Chem as well by using their ABSA products to pay for their purchases
Earning & Spending	• Dis-Chem Benefits – Members earn 1% as a standard rate. Members can redeem their points only at Dischem • eBucks – Members earn 1% from Dischem and an additional 1% from FNB Bank (if an FNB product is used to pay for purchases). The full eBucks balance of members (regardless of where they were earned) can be spent at Dis-Chem using the eBucks Card • ABSA Rewards – Members earn 1%. Members can use all their rewards points as cash(regardless of which partner they were earned through) at Dis-Chem using the ABSA Rewards card
Programme Cost	• There is no membership fee required

4.4 Results pertaining to Proposition 1 – Value to the Reward Member

The following is a summary of the responses received for all 14 questions forming part of the reward member interviews. The responses have been presented in the form of pie charts (to show the proportion of responses for a specific question). The interviews probed for certain themes in the questions which are discussed in the descriptions below each figure.

Question 1: How did you find out about and join the programme?

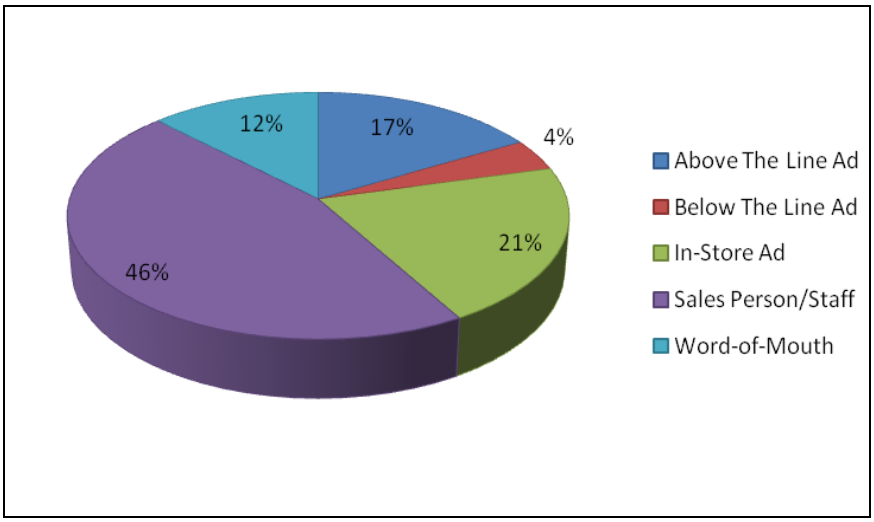


Figure 2: Summary Responses: Programme Education

The figure above represents the method through which the members came to learn about the reward programme and subsequently join. The methods described were:

- Above the line advertising – media advertisements, billboards, etc.
- Below the line advertising – email/SMS/mail communication
- In-store advertising – conducted by reward programme/partners in store
- Sales person/staff – through direct sales at till points, cross-selling
- Word-of-mouth – through personal and professional networks)

Question 2: Was the joining progress simple? Did you have to go through a lot of admin before you were able to join?

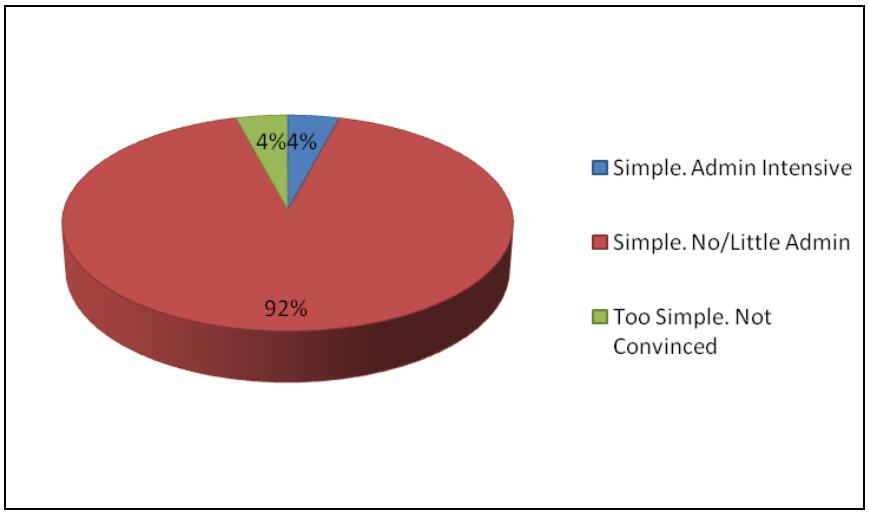


Figure 3: Summary Responses: Joining Process

The figure above represents the simplicity and the admin-intensity of the joining the reward programme as experienced by the member. A combination of the two descriptions, and a variation in the combinations, are represented in the figure above. "Simple" refers to the following:

- Time taken to join
- Complexity of the process
- Any special arrangements that needed to be made in order to join
- The amount of effort needed by the member in order to join
- Support provided by the reward programme in simplifying the process

Question 3: How long have you been with the programme?

The figure below represents the length of time that a member has been with a reward programme. In this representation, the length of time is related to the level of understanding of, and experience that a member has with the reward programme.

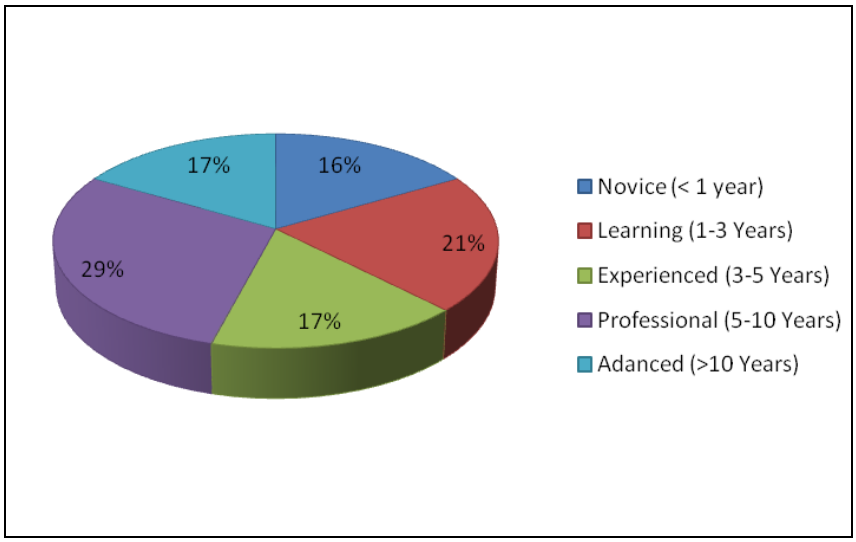


Figure 4: Summary Response: Member Experience Level

Question 4: Has the programme managed to change your day-to-day behaviour? (I.e. have you been convinced to move the majority of your relevant spend to the programme?).If not, why?

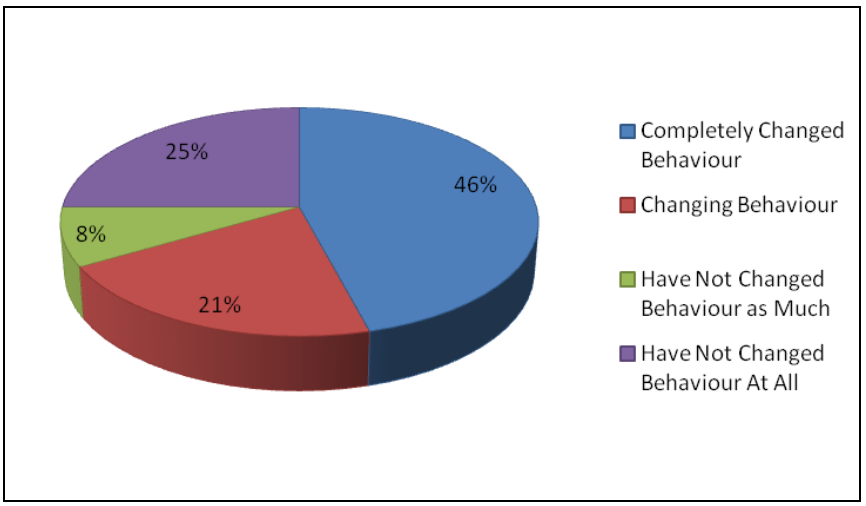


Figure 5: Summary Response: Member Behaviour Change

The figure above represents the level of change that a reward programme has managed to make in the behaviour of the member. Detailed descriptions of the reasons, as provided by the members, can be found in Appendix C. The categories above can be described as follows:

- Completely changed behaviour – members have changed their spending behaviour as prescribed by the reward programme

- Changing behaviour – members are becoming more familiar with the programme and slowly abiding by its rules in order to maximize the benefits
- Have not changed behaviour as much – members have tried but have not seen as much value in changing the behaviour as yet
- Have not changed behaviour at all – members have not been given the opportunity or have not actively tried to change their behaviour

Question 5: Do you understand the structure/benefits/offerings of the programmes? Have you received an information pack, personal contact, etc. to explain this?

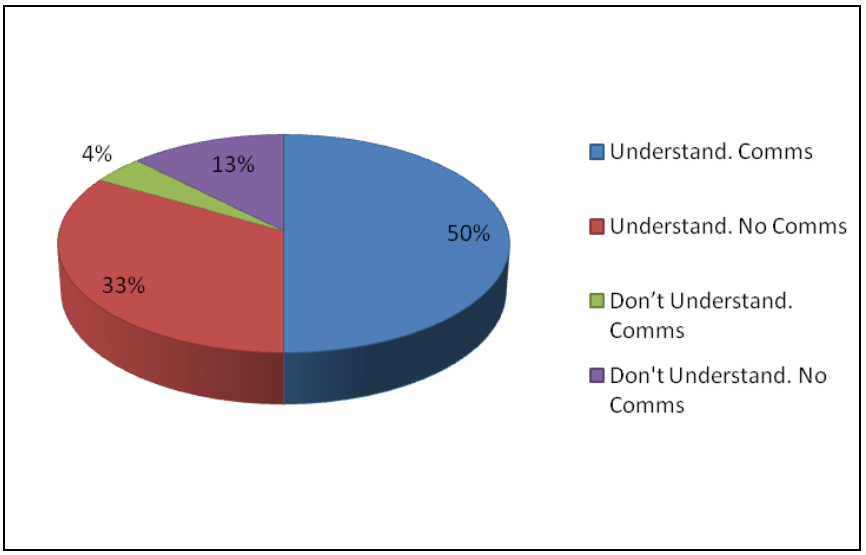


Figure 6: Summary Response: Member Education

The figure above represents the level of education the member has with regards to the reward programme. A combination of whether or not the member has received some form of communication from the reward programme as well as a whether or not the member understands the reward programme structure is used to categorise the responses. Communication by the reward programme can be in the form of welcome packs, walk-through sessions, personal education of the programme, etc.

Question 6: Do you receive any communication from the reward programme? What are your views on the quality of the communication you receive from the reward programme (i.e. emails, statements, SMS's, etc.)?

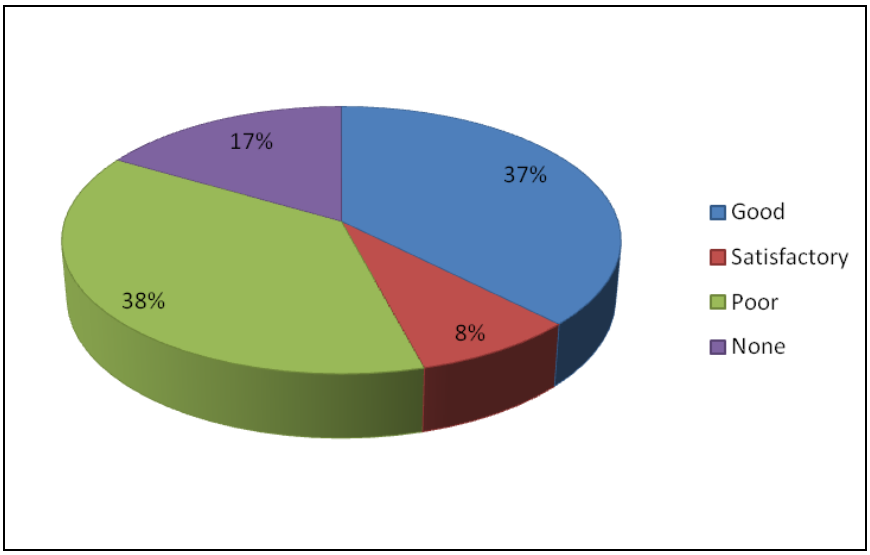


Figure 7: Summary Response: Ongoing Communication

The figure above represents the level of ongoing communication that is received by the member from the reward programme. This entails the frequency and quality of the communication that is received.

Question 7: What were your expectations of the programme when you joined?

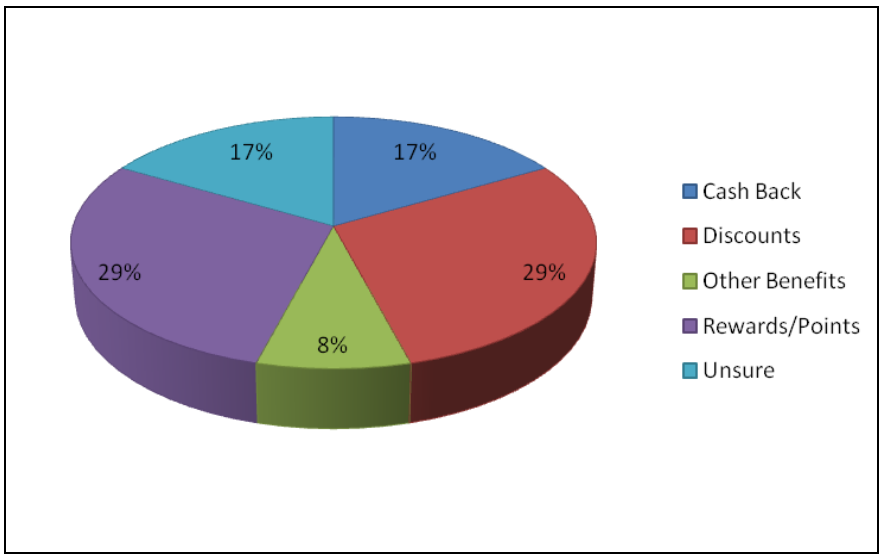


Figure 8: Summary Response: Member Expectations

The figure above represents the initial expectations of the members at the time of their joining of the reward programme. Descriptive responses can be found in Appendix C.

Question 8: Have your expectations been met thus far? Please provide a brief explanation.

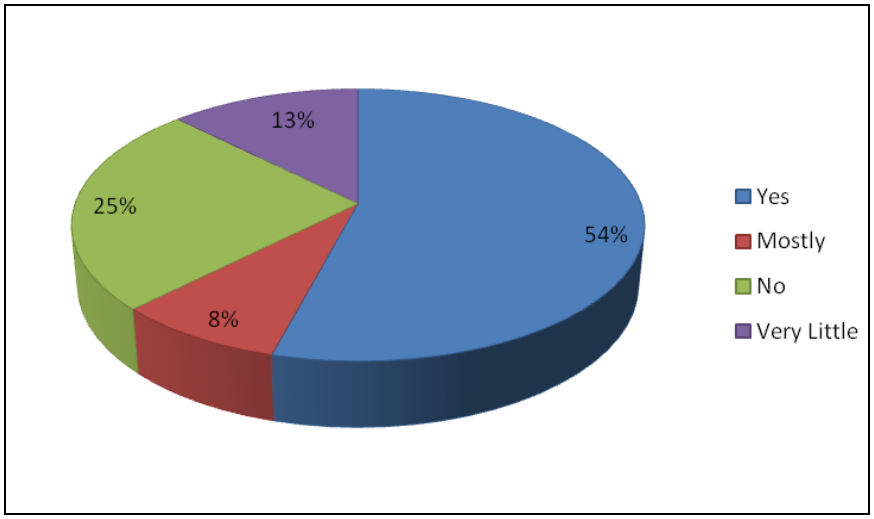


Figure 9: Summary Response: Meeting of Expectations

The figure above represents the fulfilment of the members' expectations (as described in the responses to question 7) by the reward programmes. Descriptive responses can be found in Appendix C.

Question 9: Are you loyal to the reward programme? Please provide a brief explanation.

The figure below represents the level of loyalty displayed by the member towards the reward programme. Loyalty here is measured though:

- The number of reward programmes a member belongs to
- The level of behavioural change displayed by the member (in terms of the level of activity and the behaviour prescribed by the reward programme in order to experience the maximum benefit)

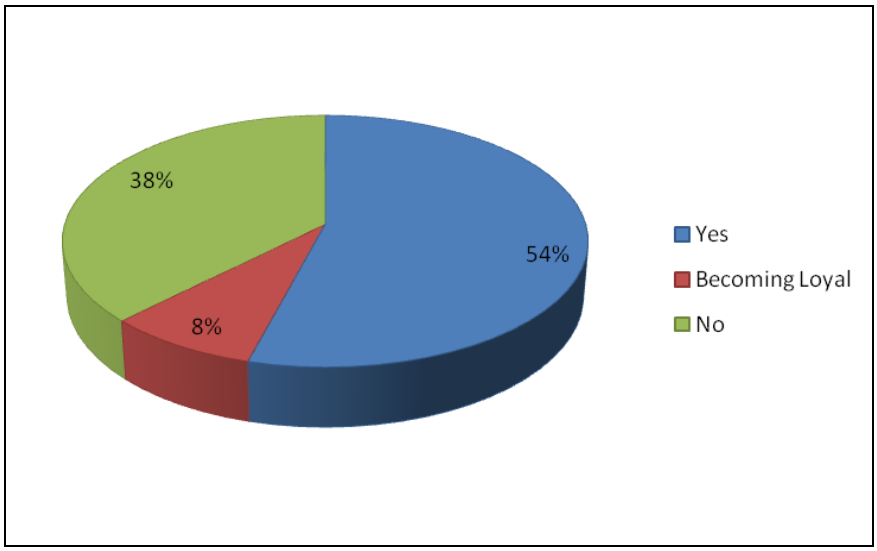


Figure 10: Summary Response: Reward Programme Loyalty

Question 10: Each reward programme is structured on a triangular model. There are three players in a reward programme relationship (i.e. the members – you, the reward programme, reward partners). Some reward programmes do not have specific reward partners as you are only able to earn and redeem at the reward store. As you are, as a member, vital in this relationship, how do you view this relationship? Is it well managed? Do you feel valued? Do you feel that the relationship is not being well managed by the reward programme? Do you feel each of the three parties are benefiting from the relationship of is this relationship there to benefit only some of the parties?

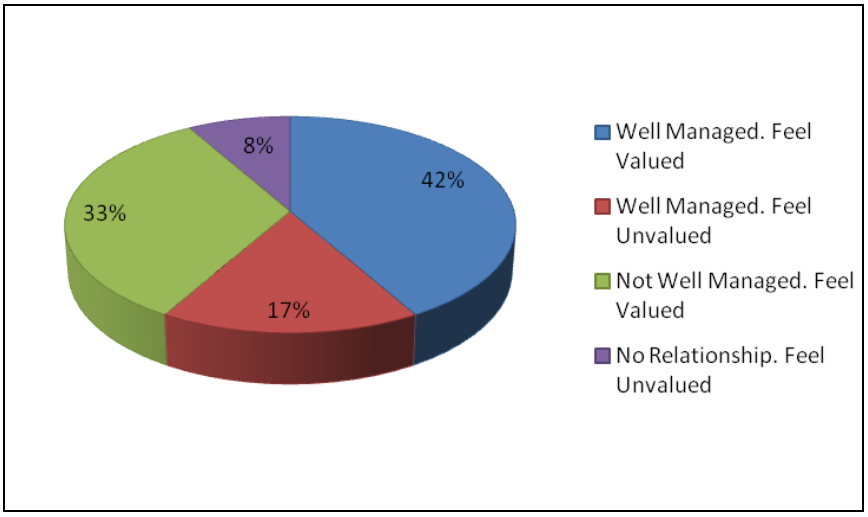


Figure 11: Summary Response: View of Relationship

The figure above represents the member's view of the triangular relationship of the reward programme. The responses give an indication of whether or not the member feels valued in this relationship. Detailed responses describe the member's view of the relationship in terms of the value generated, the benefits experienced by each party, and the relationship management aspects. These can be found in Appendix C.

Question 11: Are you satisfied with the range of earn and spend partners that the reward programme offers? If there aren't any external earn/spend partners linked to the programme, do you feel there should be?

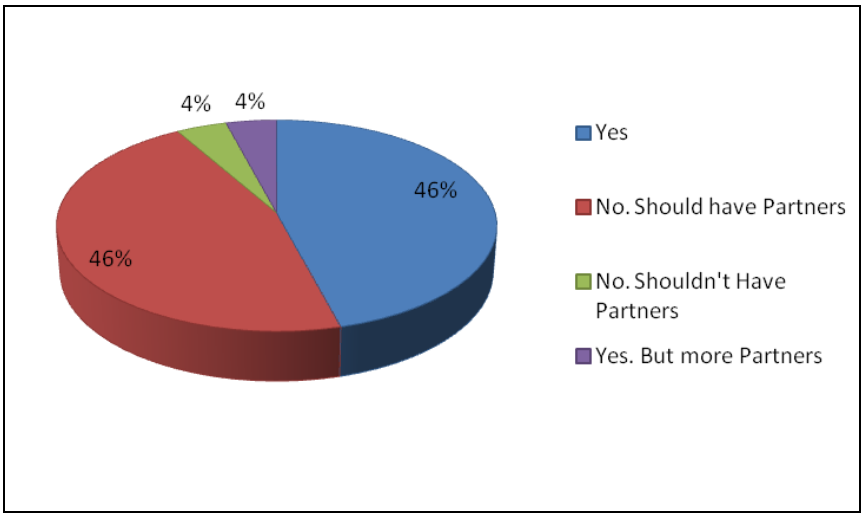


Figure 12: Summary Response: Satisfaction with Partner Network

The figure above represents the level of satisfaction that the member has in relation to earn and spend partner network offered by the reward programme. Where no partner network exists (i.e. where the reward programme is the sole partner for earning and spending rewards), the member is probed to provide an opinion as to whether or not there is a need for a partner network in this reward programme structure. Detailed responses can be found in Appendix C.

Question 12: How many of these partners (if any) do you use to earn or spend from? Please provide names of these partners.

The figure below represents extent to which the members utilise the partner network of the reward programme. Where there is no partner network, the reward programme itself is seen as a reward partner. In order to protect the identity of reward

programmes through the detailed responses, the names of the reward partners have been removed. The detailed responses can be found in Appendix C.

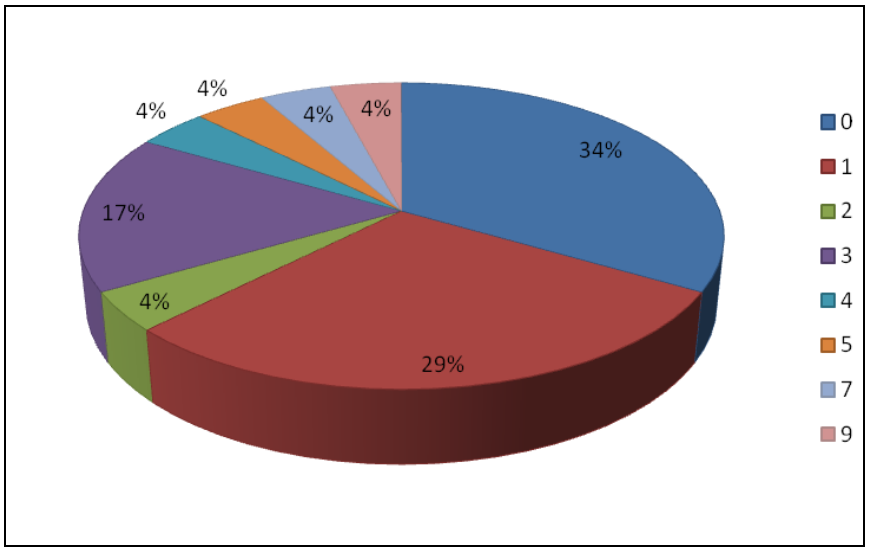


Figure 13: Summary Response: Number of Partners Used

Question 13: If your reward programme were to approach you and insist that you only spend with them (or their partners), that you should spend more frequently, and should spend more in terms of value of transactions; what would you like in return for you to agree to this? (I.e. what would the reward programme need to do to make you a loyal customer?).

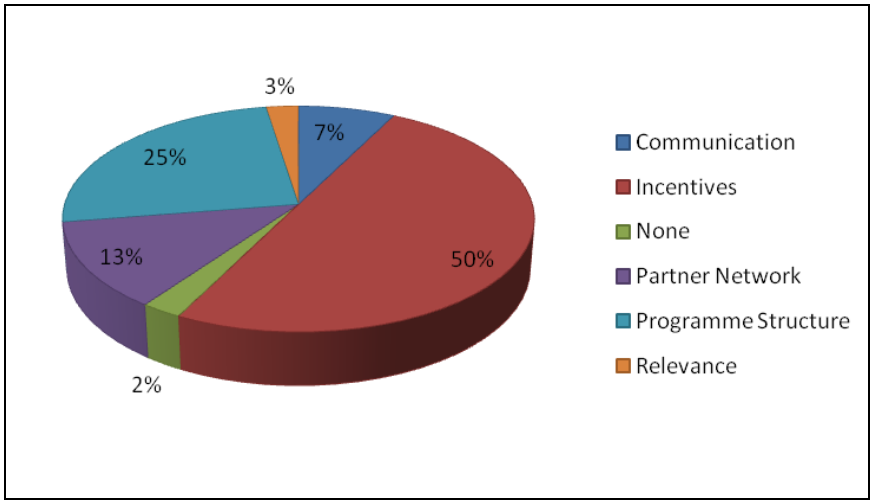


Figure 14: Summary Response: Behavioural Drivers

The figure above represents the factors that would be able to drive behavioural change in reward members. Members indicated that they would change their

behaviour, to align to that as prescribed by the reward programme, if the above factors where better integrated in the reward offering.

Question 14: What are three most important things that you feel would provide better value in a reward/loyalty programme in South Africa?

The figure below represents the factors that drive value for members. Members measure value in a reward programme based on the level of integration of the above factors into the reward offering.

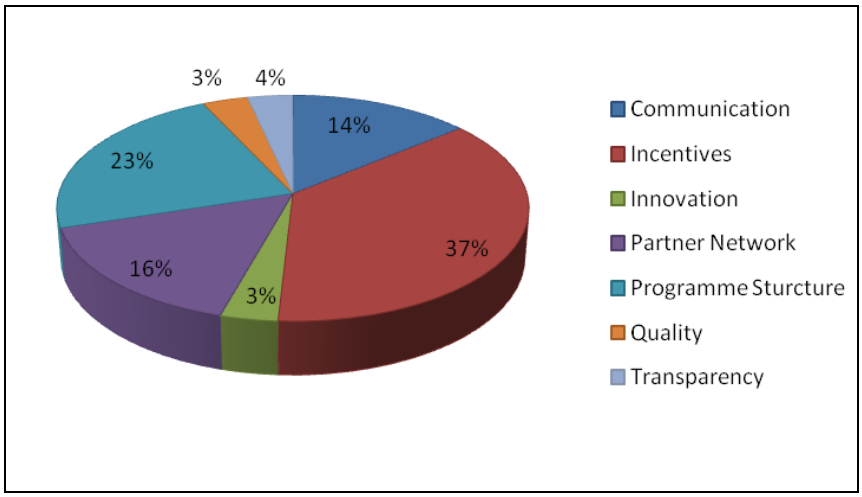


Figure 15: Summary Response: Value Drivers

Conclusion regarding Proposition 1 – Value to the Reward Member

From the results above, value for the reward member can be clearly seen in the responses for questions 13 & 14. Members find value in the following factors:

- Communication
- Incentives
- Choice of partner network
- Reward programme structure
- Relevance of rewards
- Innovation
- Quality of service and reward offering
- Transparency

4.5 Results pertaining to Proposition 2 – Value to the Reward Programme

The following is a summary of the responses received for all 6 questions forming part of the reward programme interviews. The responses have been presented in the form of pie charts (to show the proportion of responses for a specific question). The interviews probed for certain themes in the questions which are discussed in the descriptions below each figure.

Question 1: How do you feel that members and partners benefit from the Reward programme?

Member Benefits:

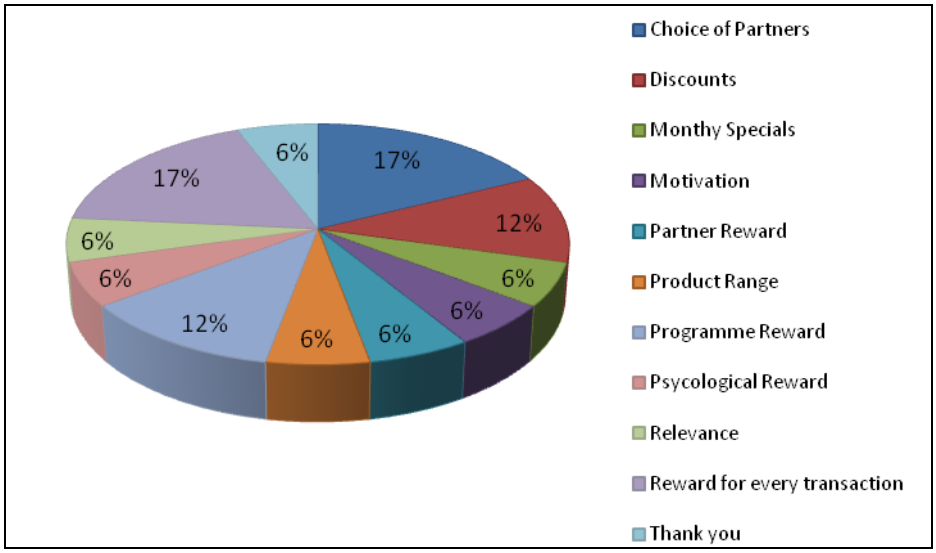


Figure 16: Summary Response: Member Benefits

The figure above represents the benefits that reward programmes feel the members receive through the triangular relationship. The responses here are based on the reward programmes' perceptions of the benefits they feel that members receive, and does not reflect the true benefits that members experience. To some extent this is aligned to what the reward programme would like to offer to members as benefits.

Partner Benefits:

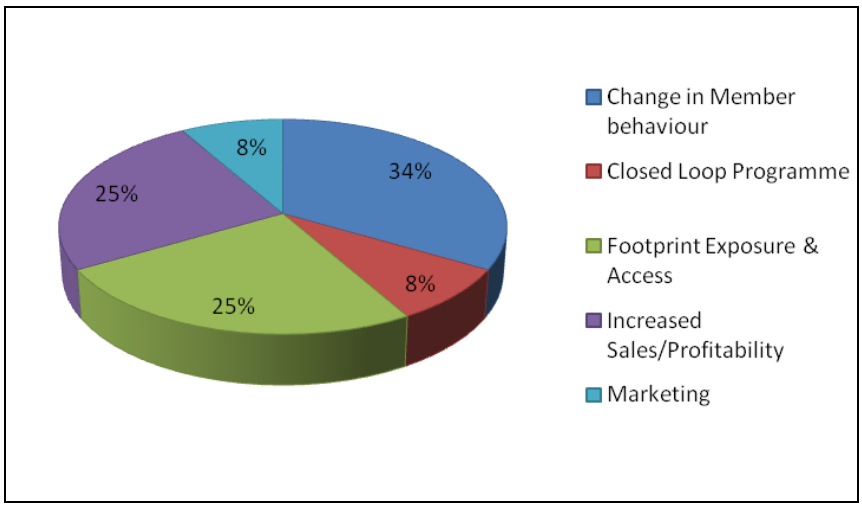


Figure 17: Summary Response: Partner Benefits

The figure above represents the benefits that reward programmes feel the reward partners receive through the triangular relationship. The responses here are based on the reward programmes' perceptions of the benefits they feel that partners receive, and do not reflect the true benefits that partners experience. To some extent this is aligned to what the reward programme would like to offer to partners as benefits.

Question 2: How do you measure Customer Loyalty, Customer Satisfaction (Customer Behaviour, Customer Attitude), and Customer Life Time Value

Customer Loyalty:

The figure below represents the different tools/methods/processes that reward programmes utilise in order to measure and/or calculate customer loyalty in their environment. These range from using customer and other forms of data to measure loyalty or by researching customer perceptions in order to determine the loyalty towards a reward programme. Customer loyalty is dependent on customer behaviour and customer attitude. These have been accounted for in the interview question probing.

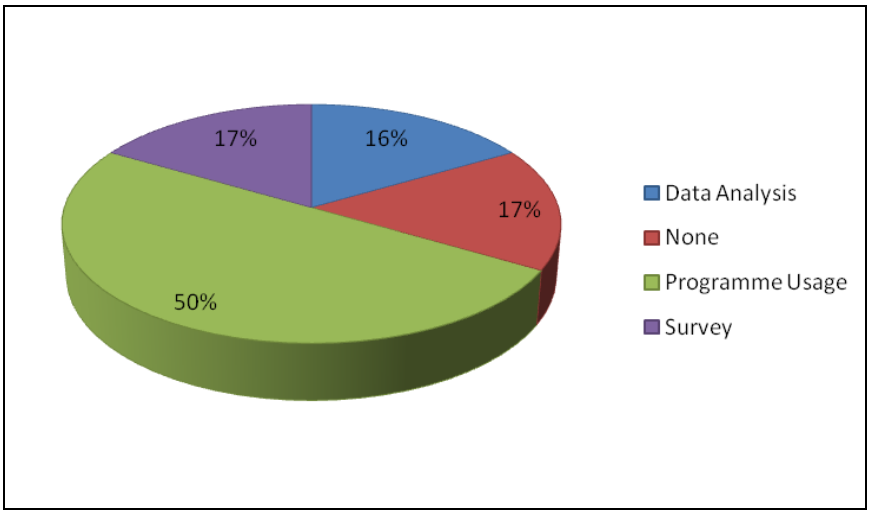


Figure 18: Summary Responses: Measurement of Customer Loyalty

Customer Satisfaction:

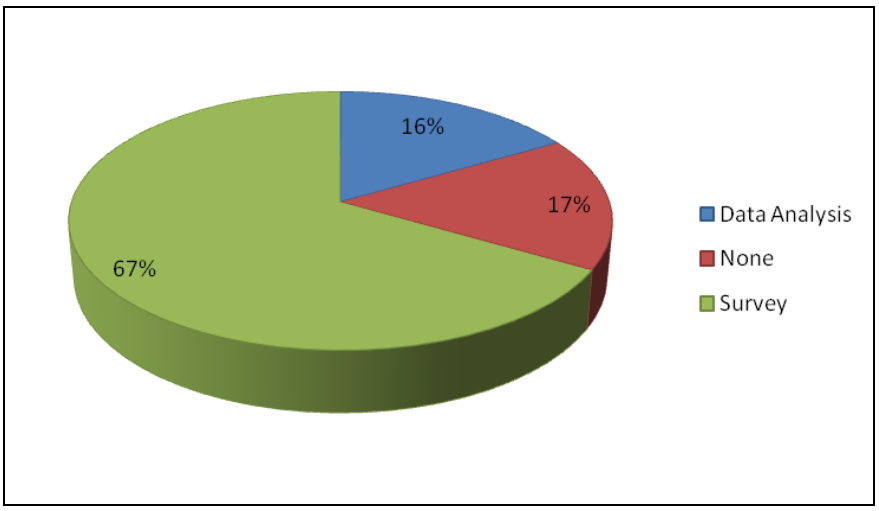


Figure 19: Summary Responses: Measurement of Customer Satisfaction

The figure above represents the different tools/methods/processes that reward programmes utilise in order to measure and/or calculate customer satisfaction in their environment. These range from using customer and other forms of data to measure satisfaction or by researching customer perceptions in order to determine the general satisfaction towards a reward programme. Customer satisfaction is dependent on customer behaviour and customer attitude. These have been accounted for in the interview question probing.

Customer Lifetime Value:

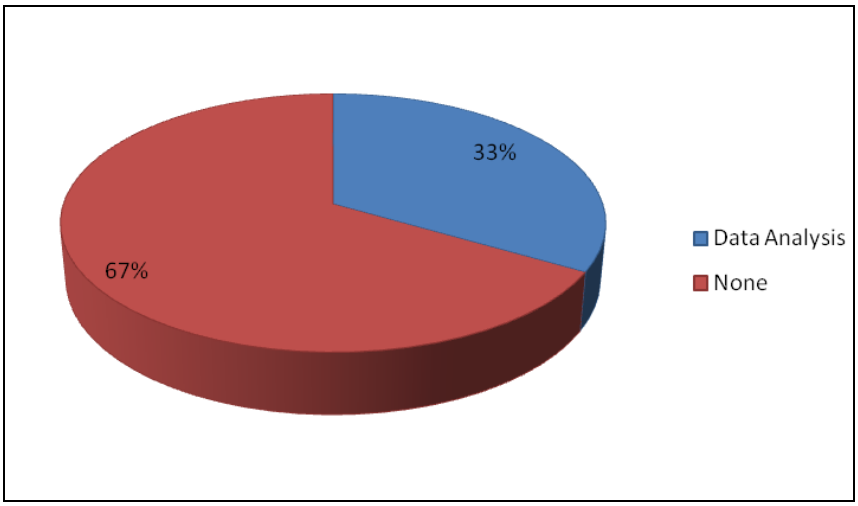


Figure 20: Summary Responses: Measurement of Customer Lifetime Value

The figure above represents the different tools/methods/processes that reward programmes utilise in order to measure and/or calculate customer lifetime value in their environment. This depends on customer and other forms of data to measure lifetime value. Customer lifetime value is a complex measurement as it looks at the value (in terms of profitability) the customer will bring in throughout his/her lifespan with the reward programme.

Question 3: Do you think members are really loyal?

The figure below represents the perception of the reward programme as to whether or not they feel the programme members are loyal towards the reward programme and its partners. Reward programmes use various ways to determine loyalty but this question was aimed at determining the reward programmes "gut feel" on the state of its members' loyalty towards the programme. Reward programmes provided reasoning behind why they feel members are or are not loyal or why they feel that members have the potential to be loyal but are not as yet. These details can be found in Appendix C.

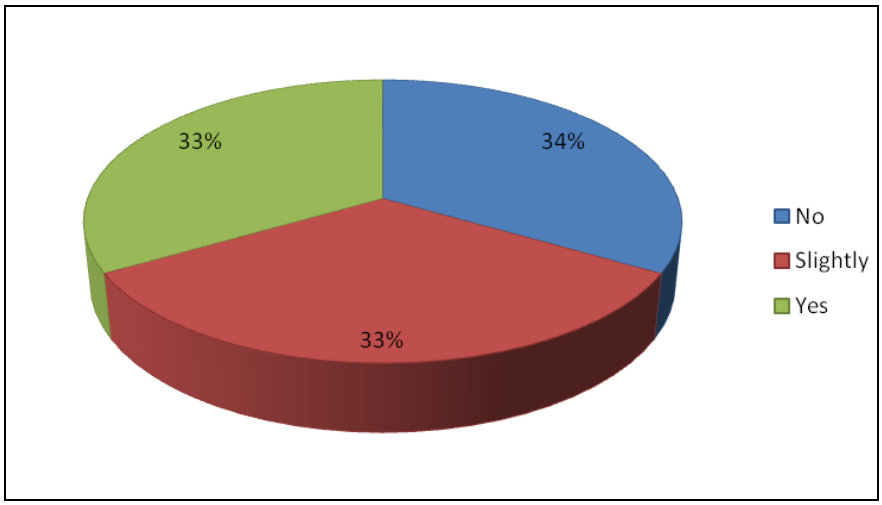


Figure 21: Member State of Loyalty

Question 4: What experience does your Reward Programme promote to its customers? Is this aligned with the perception of value out there?

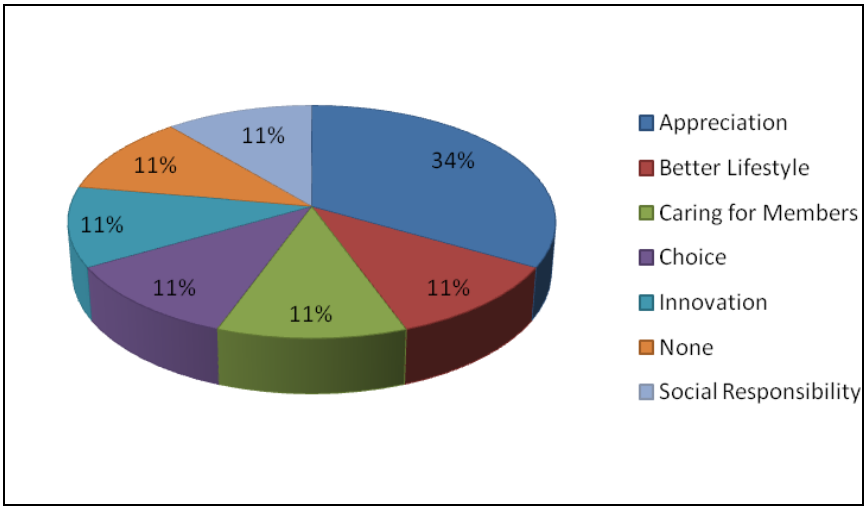


Figure 22: Summary Responses: Experience & Perception of Value

The figure above represents the actual experience that the reward programmes believe they offer to their members. Through various marketing activities and product development activities, reward programmes create a perception of what they offer as an experience. They then need to place efforts in order to ensure that this perception is truly met and that the members' experiences are aligned to their message.

Question 5: What value do you think each party expects?

Reward Programme Member:

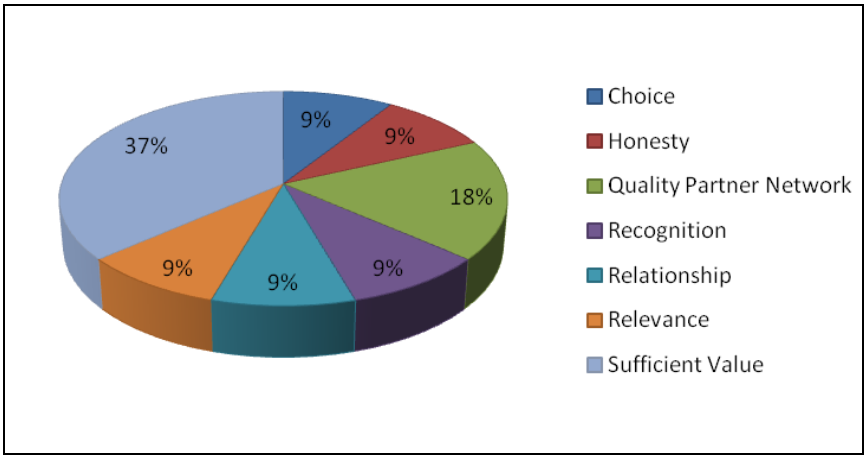


Figure 23: Summary Responses: Reward Member Expectations

The figure above represents the value that the reward programmes feel their members would expect from the triangular relationship. This is not necessarily aligned to what the reward programmes offer to their members but is recognition that there are certain expectations that need to be met by the reward programmes and their partners in order to satisfy their members.

Reward Programme:

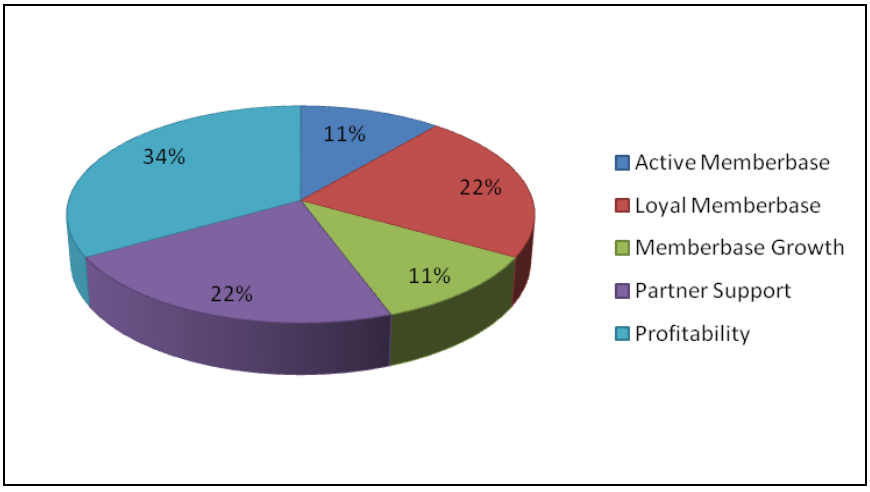


Figure 24: Summary Reponses: Reward Programme Expectations

The figure above represents the value that the reward programmes feel they would expect from the triangular relationship. This is not necessarily aligned to what the

reward programmes actually realise but is recognition that there are certain expectations that they would value and might even reward if they are met by the members and the partners in the relationship.

Reward Programme Partner:

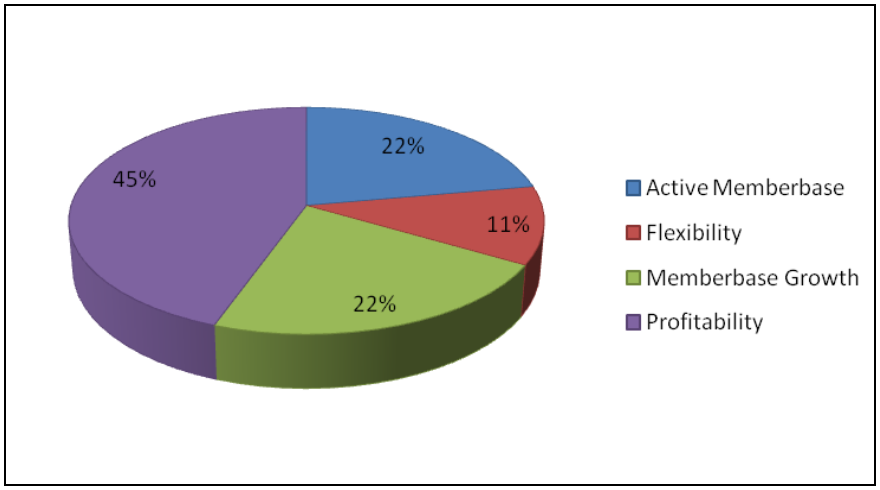


Figure 25: Summary Responses: Reward Programme Partner Expectations

The figure above represents the value that the reward programmes feel their partners would expect from the triangular relationship. This is not necessarily aligned to what the reward programmes offer to their partners but is recognition that there are certain expectations that need to be met by the reward programmes and the members in order to satisfy their partners.

Question 6: What do you think is state of the relationship between all three parties in reward programme triangle?

The figure below represents the views of the reward programmes in terms of the state of the triangular relationship. These responses have been based on a brief analysis of the relationship and whether or not is has shown any positive or negative signs. Aspects such as the experiences, expectations and the level of loyalty as described in previous questions have been drawn on in the responses for this question. There are instances where there are both positive and negative experiences. This will have an overall impact on what the reward programme feels is the state of the triangular relationship at present.

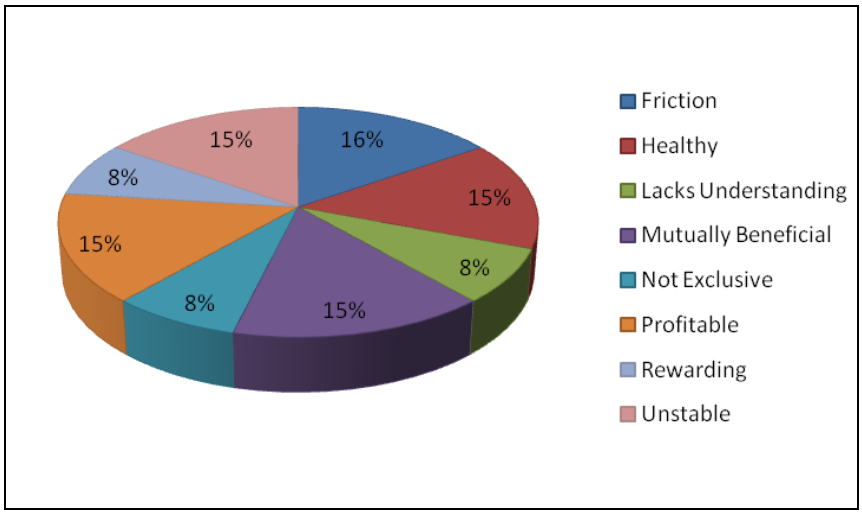


Figure 26: Summary Responses: State of Triangular Relationship

Conclusion regarding Proposition 2 – Value to the Reward Programme

From the results above, value for the reward programme can be clearly seen in the responses for questions 5 & 6. Reward Programmes find value in the following factors:

- A healthy, mutually beneficial relationship
- A member-base that is:
    - Active;
    - Growing; and
    - Profitable
- Partners that support the programme
- Partners that offer a quality service to members

4.6 Results pertaining to Proposition 3 – Value to the Reward Partner

Question 1: Has the reward programme been able to deliver on your expectations? Are you satisfied with the offerings?

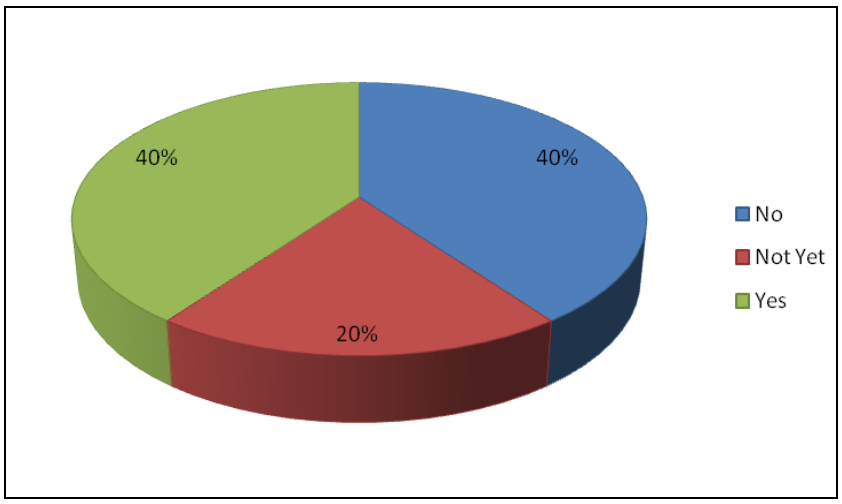


Figure 27: Summary Responses: Delivery of Expectations

The figure above represents the level of satisfaction the reward partners are currently experiencing in terms of the delivery of expectations from the reward programmes. It takes into the account various factors such as the member base, the level of activity, profitability and the general relationships that the partners share with the reward programmes and the members.

Question 2: Are you loyal to the reward programme?

The figure below represents whether or not the reward partners are loyal to a specific reward programme. Reward partners who are affiliated with more than one reward programme (including any reward programme that may be managed by them) are regarded as not loyal to the programme.

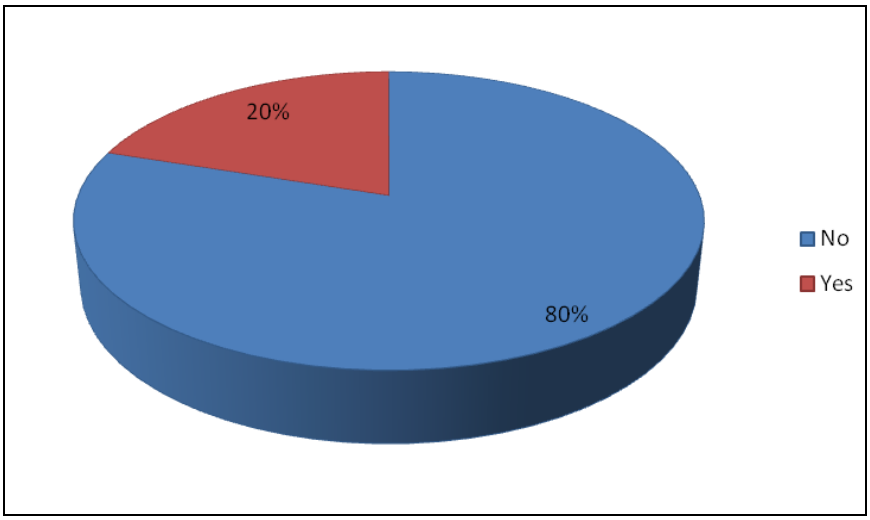


Figure 28: Summary Responses: Loyalty to Reward Programme

Question 3: What is you view around the relationships with the reward programme triangle?

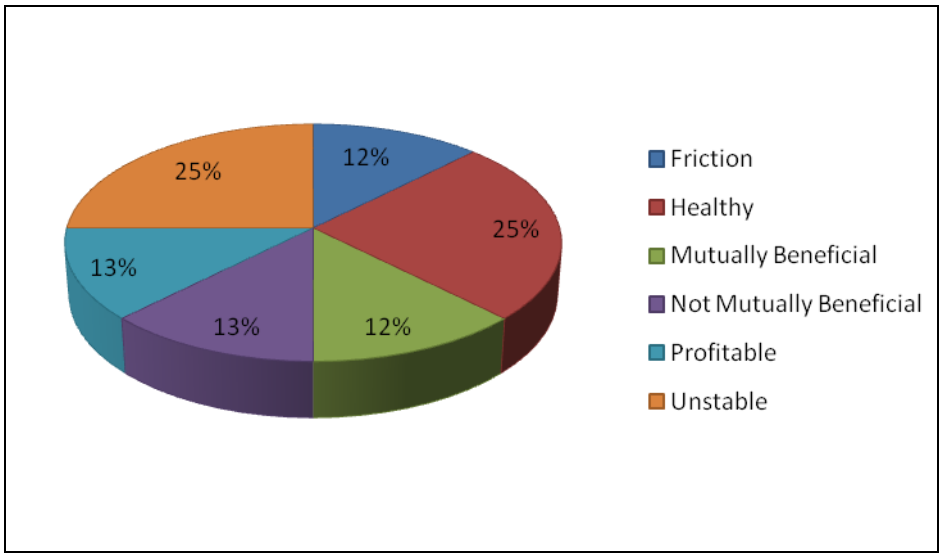


Figure 29: Summary Responses: View of Triangular Relationship

The figure above represents the views of the reward programme partners in terms of the state of the triangular relationship. These responses have been based on a brief analysis of the relationship and whether or not is has shown any positive or negative signs. Aspects such as the experiences, expectations and the level of loyalty, profitability, etc. have been drawn on in the responses for this question. There are instances where there are both positive and negative experiences. This will have an

overall impact on what the reward programme partners feel is the state of the triangular relationship at present.

Question 4: Are you satisfied with the member base? What % of the base do you think shop with you?

Satisfaction with Member Base:

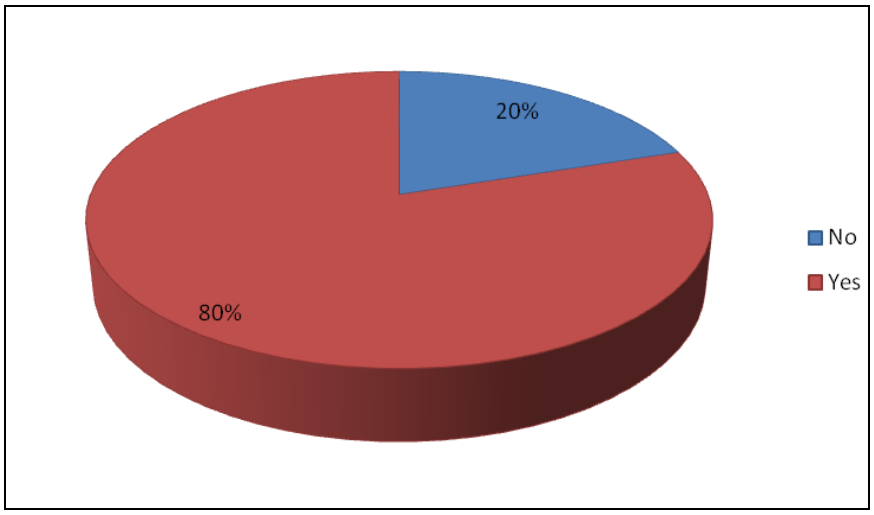


Figure 30: Summary Responses: Satisfaction with Member Base

The figure above represents whether or not the reward programme partners are satisfied with the member base that they have access to. The member base is determined by the efforts of the reward programme as well as the value generated by the partner for the reward members. This question refers to the efforts placed by the reward programme in providing access to an acceptable member base for the reward partner.

Percentage of Member Base:

The figure below represents the percentage of the reward programmes' member base that the reward partner feels it has penetrated into. Not all members will favour the specific products/services of the reward partners; hence there is an expectation that not 100% of the member base will use the reward partner. The question's responses try to determine the percentage of member utilising the reward partners'

products/services from the view of the reward partners (who might or might not have access to actual data and may be predicting the percentage of members).

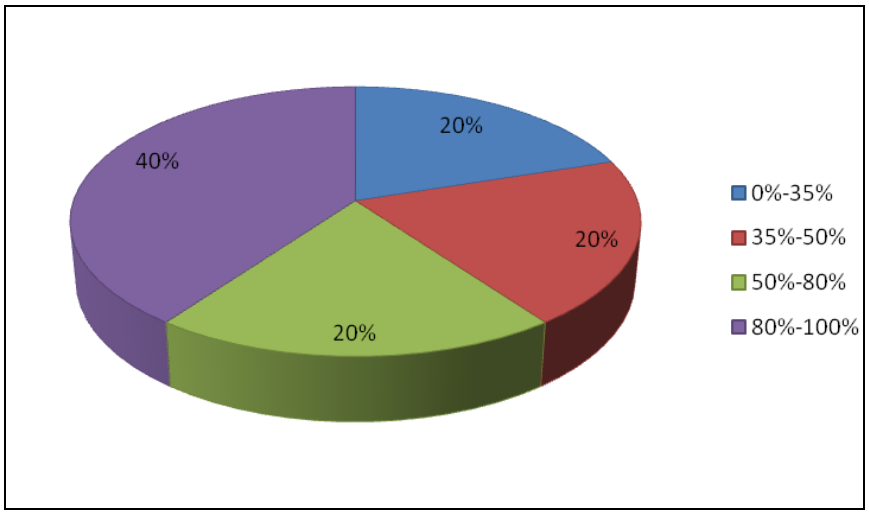


Figure 31: % Member Base Captured

Question 5: What changes would you recommend to the reward programme/ member base in order to better the offerings and to improve on customer satisfaction and loyalty?

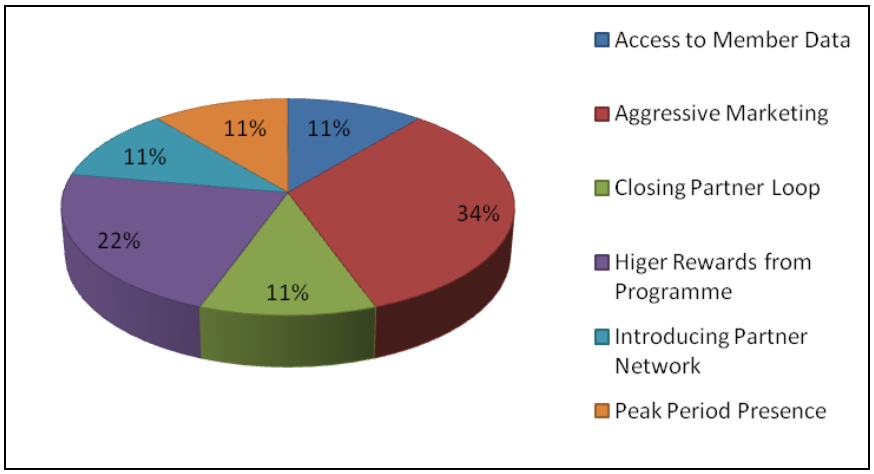


Figure 32: Summary Responses: Recommended Changes

The figure above represents the various recommendations and suggestions that the reward partners have (directed towards the reward programmes) that they feel will lead to a better relationship, will lead to customer satisfaction, and will lead to better profitability in the triangular relationship. Many of these responses speak directly to

their needs from the relationship through which they will be able to better their offerings to the reward members.

Question 6: What do you think each party expects as value coming out of the reward programme relationship?

Reward Programme Member:

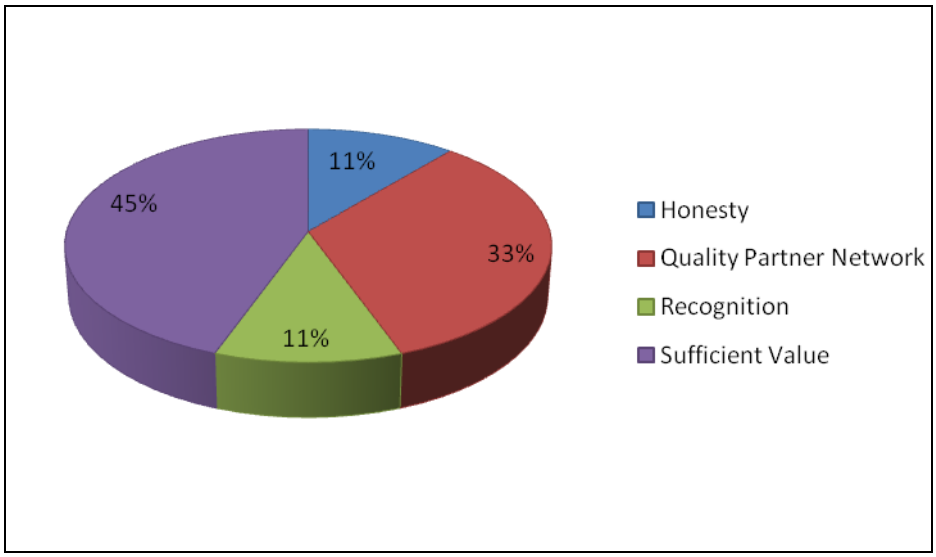


Figure 33: Summary Responses: Reward Programme Member Expectations

The figure above represents the value that the reward programme partners feel the reward members would expect from the triangular relationship. This is not necessarily aligned to what the reward programme partners offer to the reward members but is recognition that there are certain expectations that need to be met by the reward programme partners and the reward programmes in order to satisfy the reward members.

Reward Programme:

The figure below represents the value that the reward programme partners feel the reward programmes would expect from the triangular relationship. This is not necessarily aligned to what the reward programme partners offer to their affiliated reward programmes but is recognition that there are certain expectations that need to be met by the reward programme partners and the members in order to satisfy their reward programmes.

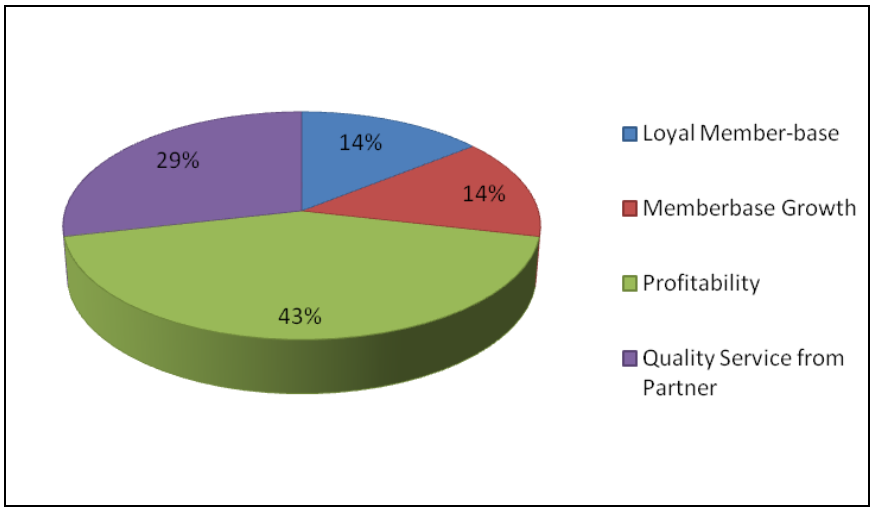


Figure 34: Summary Responses: Reward Programme Expectations

Reward Programme Partner:

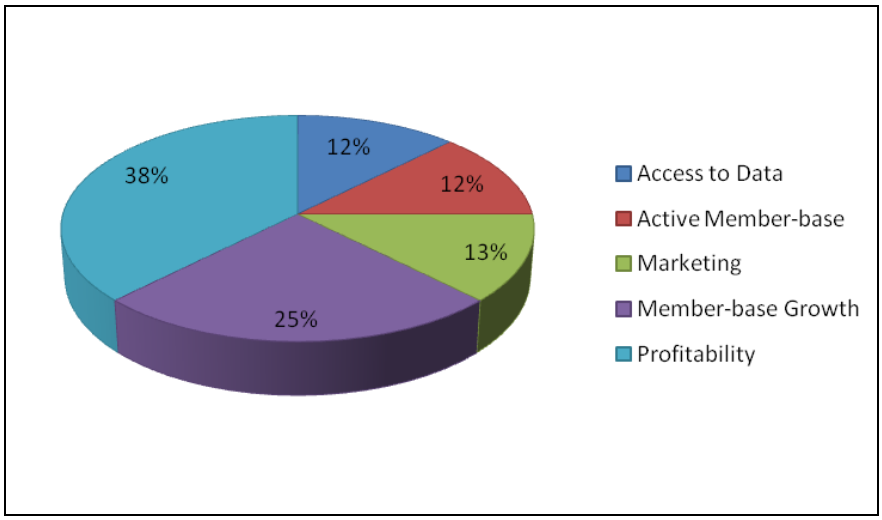


Figure 35: Summary Responses: Reward Programme Partner Expectations

The figure above represents the value that the reward programme partners feel they would expect from the triangular relationship. This is not necessarily aligned to what the reward programme partners actually realise but is recognition that there are certain expectations that they would value and might even reward if they are met by the members and the reward programmes in the relationship.

Conclusion regarding Proposition 3 – Value to the Reward Programme Partner

From the results above, value for the reward programme partners can be clearly seen in the responses for questions 3, 5 & 6. Reward programme partners find value in the following factors:

- A healthy, mutually beneficial relationship
- A member-base that is:
    - Active;
    - Growing; and
    - Profitable
- Marketing efforts from the reward programme
- Access to member-base data from the reward programme

4.7 Summary of the Results

The results for all three parties show specific factors that would add value to the relationship. Each party provides their expectations and what they feel are the expectations of the other parties in the relationship. The following table summarises the factors which create a perception of value for each party in the triangular relationship:

Table 17: Summary of Results

Value for Member	Value for Reward Programme	Value for Reward Partner
Communication	A healthy, mutually beneficial relationship	A healthy, mutually beneficial relationship
Incentives	Active member-base	Active member-base
Choice of partner network	Member-base growth	Member-base growth
Reward programme structure	Profitable member-base	Profitable member-base
Relevance of rewards	Partners that support the programme	Marketing efforts from the reward programme
Innovation	Partners that offer a quality service to members	Access to member-base data from the reward programme
Quality of service and reward offering		
Transparency		

5 DISCUSSION OF THE RESULTS

5.1 Introduction

In this chapter an attempt is made to link each value driving factor (as identified from the literature review) to the results obtained through the interviews with the three parties. Where value driving factors can be linked, a discussion will follow in which the interview findings are discussed in more detail. Where value driving factors cannot be conclusively linked to any of results obtained, a discussion will follow through which this can be explained. Essentially, this chapter aims to bring out the similarities and differences between the literature review conducted and the results obtained from the various interviews. The chapter is divided into three parts (allowing a separate discussion for the reward members, the reward programme, and the reward partners). Where specific references related to the interviews are pointed out, these references are shown in brackets and can be viewed in the relevant appendices. References relating to the literature are also shown in brackets where applicable. The interview questions numbers relating to each value are also stated upfront and can be viewed in the relevant appendices.

5.2 Discussion pertaining to Proposition 1 – Value to the Reward Member

In this section, an analysis (relating to the reward programme members) is conducted using the literature review and the results relating to the reward programme members. Value driving factors (as identified previously) are discussed individually. Additional value driving factors, identified through the interviews, are listed and discussed at the end of this section.

5.2.1 *Value Driving Factor 1: Choice*

Choice, as a value driving factor, is directly or indirectly addressed in the following questions of the reward member interviews: Q4, Q10, Q11, Q12, Q13, and Q14.

According to O'Malley (1998), the choice of partners also has an impact on the level of change in behaviour that the member displays (as shown through Q4). Out of all the member responses, 46% of the members feel that they have changed their behaviour in accordance to that of the reward programme's requirements. 21% of the members feel that they are changing their behaviour, whereas 33% of the members agree not to have changed their behaviour. Certain responses from the interview script provide insight into as to why a third of the members are not actively changing their behaviour. Members allude to not changing their behaviour because the partners that motivated them to join initially are no longer part of the programme and no similar partner has been introduced to replace the partners. Other members point out that the partners are expensive and, that even though they will receive a reward, the reward that they receive will not justify their spending at the partner. Thus, if they had a wider choice of partners to spend at, they would not mind spending at these partners. Other members, who have changed their behaviour, agree that the choice of partners has motivated them to make the change (O'Brien and Jones, 1995). Where the partner network appeals to the members, the members tend to move their spending from other competitor stores. It must be said that members are price sensitive and mention that if the partner is more expensive, they will probably not to move their spending to the partner (Mascarenhas et al., 2006).

Some members' responses show that there is a link between the feeling of being valued in a reward programme and the choice of partners/earning/spending opportunities that the reward programme offers (as shown through Q10). There is also a link to the perception of a programme being well managed and the choice that the programme offers to the members (also shown through Q10). A well managed programme, in the mind of the member, would mean that the structure of the programme is such that the member is able to extract the maximum benefit from the programme (Mascarenhas et al., 2006). Choice allows the member to extract this value. 45% of the members feel that they are able to extract sufficient value from the programme and feel that the programme is being well managed currently. 25% of the members however feel that they are not able to extract sufficient value from the programme. This is a significant percentage of the member base. Of these, 8% feel that

the programme has not made any effort to build a relationship with them. The reasons for this can be seen through the member responses. Member responses show that they feel unvalued due to a lack of relevant partners, i.e. choice of partners (M10-14, M10-16). Members who feel that the programme is delivering value and that it is well managed do so partly because of the choice that they have in terms of earning, spending, and the partner network. These members feel that the programme is balanced (i.e. that the choice provided is able to provide value to all three parties).

Q11 directly asks members if they are satisfied with the choice of reward partners that the reward programme offers. 50% of the members feel satisfied with the choice (of which 4% feel that, even though they are satisfied, it would benefit the members to have more reward partners) that is offered by the programme. 46% of the members are dissatisfied with the choice of partners. The remaining 4% feel that a reward programme should be closed loop. Members show that the alignment of the partners to the needs of the members impacts the level of satisfaction. Where partners form part of the spending needs of members, members are satisfied. Where members cannot align to the partner network provided, there is dissatisfaction (Kumar and Shah, 2004). Of the 50% of member satisfied, each show that they use their partners hence they are satisfied. The 46% that are not satisfied show that they are unable to use the partners and need a wider choice to earn from or spend at in order for them to be satisfied with the partner network.

Q12 directly asks members to give the number of partners that they have used since joining the programme. 34% of the members say that they have used no partners in the programme. A certain percentage of this could be due to the member not having enough points to redeem. 29% of the members say that they have only ever used 1 partner. This again links to choice. Members would like to earn and spend but do not have the choice of partners to do so from. Only 12% of the members have been active at 5 or more partners.

Q13 asks members to identify factors that would lead them to becoming more loyal to a reward programme. 13% of members say that a better partner network will result in them being more loyal to the programme. This shows that members value choice in a

reward programme. Q14 similarly asks members to identify factors that would enhance the perception of value that is being provided by the reward programme. 16% of the members identify that a better partner network would lead to a programme that provides better value to the members.

As per the conclusions of Mascarenhas et al. (2006), it is clear from the member responses that they value choice and that a better choice (of partners, earning and spending opportunities) will lead to an enhanced relationship and an enhanced perception of value being creating by the reward programme.

5.2.2 *Value Driving Factor 2: High-value Rewards*

High-value rewards, as a value driving factor, is directly or indirectly addressed in the following questions of the reward member interviews: Q4, Q7, Q8, Q13, and Q14.

Q4 again provides a link to the members' changing behaviours as a result to the value of the rewards being provided. Members show that they change their behaviour as they earn higher rewards (M4-5, M4-8, M4-17, and M4-19). In contrast, members show that there is a definite link to the level of rewards and the level of change in behaviour that the member displays. Members would like to be rewarded on their spending in totality and thus gain higher rewards (M4-4).

Q7 asks members of their expectations when they had joined the programme. 75% of the members had expected some monetary gain from the programme (i.e. cash back, discounts, rewards/points). This shows their preference for gaining high-value rewards from the programme (Nunes and Drèze, 2006). Members reflect on whether or not these expectations have been met (Q8). 38% of members' expectations have not been met. When analysing the actual responses, it can be seen that many members feel that they have not been able to receive the maximum benefit from the programme (M8-1, M8-2, and M8-21). These members feel that a higher value reward would lead to their expectations being fulfilled.

Q13 asks members to identify factors that would lead them to becoming more loyal to a reward programme. 50% of members say that better incentives will result in them

being more loyal to the programme. This shows that members value high-value rewards in a reward programme. Q14 similarly asks members to identify factors that would enhance the perception of value that is being provided by the reward programme. 37% of the members identify that a better incentive structure would lead to a programme that provides better value to the members.

In agreement with what Nunes and Drèze (2006), Dick and Basu (1994), and Keh and Lee (2006) have said; high-value rewards certainly provide an enhanced perception of the value that a reward programme generates for its members.

5.2.3 *Value Driving Factor 3: Relevance*

Relevance (of the partner network and the reward), as a value driving factor, is directly or indirectly addressed in the following questions of the reward member interviews: Q7, Q9, Q11, and Q13.

In Q7, members show that they would prefer rewards that are relevant by stating specific types of rewards that they would like to gain from the programme. This relevance of the type of reward leads the member to becoming loyal (O'Brien and Jones, 1995). 38% of the members say that they are not loyal to the reward programme. When investigating the actual responses, it can be seen that members feel strongly on the alignment of their needs and the offerings of the programme (i.e. the relevance of the rewards and choice that is provided). Q11, too, investigates the same value of relevance. One of the reasons why 46% of members are dissatisfied with the partner network is due to the irrelevance of the partners in their lives. An irrelevant partner network means that members will not want to use them and thus will not find value in the programme (Mascarenhas et al., 2006).

Q13 asks members to identify factors that would lead them to becoming more loyal to a reward programme. 25% of members say that a more relevant programme (i.e. rewards and partner network) will result in them being more loyal to the programme. This shows that members value the alignment of their needs to the reward programme offerings.

In agreement with the points stated by Nunes and Drèze (2006), O'Brien and Jones (1995), and Mascarenhas et al. (2006); it is evident through the member responses that the relevance of a programme and its offerings will create an enhanced perception of value in the relationship.

5.2.4 *Value Driving Factor 4: Ease of Understanding Programme Structure*

Ease of understanding the programme structure, as a value driving factor, is directly or indirectly addressed in the following questions of the reward member interviews: Q4, Q5, Q9, Q10, Q13 and Q14.

It can be said that if a member finds the structure of a programme easy to understand and it aligns to the needs of the member, the member will be inclined to change his/her behaviour as per the reward programme (Nunes and Drèze, 2006). In Q4, 33% of members have not changed their behaviour partly due to this. The difficulty in understanding and aligning to the programme structure (M4-2 and M4-3) shows that an easier structure can lead to a change in behaviour. This also links to the level of loyalty that a member expresses towards a reward programme. 38% of members (from Q9) say that they are not loyal and some members express their lack of understanding of the programme as a probable cause for this low level of loyalty.

Q5 directly asks members if they have an understanding of the reward programme. 83% of the members say that they have an understanding of the reward programme and 17% say that they do not have a good understanding. The members who have an understanding of the programme state that this is of great value to them as they are able to use the reward programme to generate value for themselves and to experience the maximum benefit that a reward programme offers to them. The feeling of being valued in a programme can be linked to the level of understanding of the programme that a member has. If the member understands the various players, the benefits that each derives from the relationship, the rules of the programme, etc., the member would be better placed to extract the desired value from the programme. This would lead to an enhanced perception of value (O'Brien and Jones, 1995).

Q13 asks members to identify factors that would lead them to becoming more loyal to a reward programme. 2% of members say that a better programme structure (i.e. an understanding of the programme structure) will result in them being more loyal to the programme. This shows that members value the alignment of their needs to the reward programme offerings. Q14 similarly asks members to identify factors that would enhance the perception of value that is being provided by the reward programme. 23% of the members identify that a better understanding of the programme structure would lead to a programme that provides better value to the members.

An easy to understand programme presents more value for the member as the member is able to better utilise the programme and its benefits (O'Brien and Jones, 1995; Nunes and Drèze, 2006).

5.2.5 *Value Driving Factor 5: Fair Opportunity*

Fair opportunity (to earn and spend), as a value driving factor, is directly or indirectly addressed in the following questions of the reward member interviews: Q4, Q10, Q11 and Q12.

Once again, Q4 provides insight into the link between the change of behaviour and the opportunity that a reward programme offers its members. Members show that they are willing to change their behaviour on condition that there is sufficient opportunity provided by the reward programme for them to earn and spend their rewards. Where members have not changed their behaviour, one of the reasons is that they have not yet been given the opportunity to do so.

A well managed programme (as per Q10) for members could be one that provides a fair opportunity for each party to benefit from the programme. This is shown through the responses of members who feel that by allowing each party to benefit from the programme, the programme is creating value for each party (M10-6, M10-9 and M10-15).

A fair opportunity also links to the partner network again (Q11). By providing a choice of relevant partners, a reward programme is providing its members with a fair chance to earn and spend rewards (M11-18). This is again shown in Q12 where there is a definite gap between the numbers of partners that a member has used in the programme. A fair opportunity would result in a wider spread of partners used in a programme by the individual members.

As per the arguments of Lacey and Sneath (2006) and Rowley (2004), by providing a fair opportunity to members, reward programmes enable the members to become active in the programme and thus enhance the value that they extract from the programme.

5.2.6 *Additional Value Driving Factors – Identified from Interviews*

Through the interviews held with the members, several additional factors where raised by the members that would aid in enhancing the perception of value and the relationships in the programme.

a. *Communication*

Communication (that is honest and transparent), as a value driving factor, is directly or indirectly addressed in the following questions of the reward member interviews: Q5, Q6, Q13 and Q14.

An understanding of the programme (Q5) relies highly on the level of communication that the programme provides to its members. 46% of members claim that they have not received communication regarding the reward programme which may lead to a lower level of activity in the programme, ultimately impacting on the perception of value that is being derived from the programme. This is seen in the member responses where members are unable to use the programme due to their lack of understanding of it (M5-3 and M5-14). Q6 also raises the issue of continuous communication with the member. 38% of members feel that the level of ongoing communication is poor and a further 17% feel that there is no communication at all. The impact of this is seen through the member responses, where members cannot properly use the programme

due to poor communication (M6-4 and M6-24). In contrast, members who are receiving good communication are able to derive value from the programme (M6-6 and M6-13). These members are in-touch with the programme and can participate in it with confidence.

Q13 asks members to identify factors that would lead them to becoming more loyal to a reward programme. 7% of members say that better communication (i.e. honest and transparent) will result in them being more loyal to the programme (trust and confidence is built up through this). Q14 similarly asks members to identify factors that would enhance the perception of value that is being provided by the reward programme. 14% of the members identify that better communication would lead to a programme that provides better value to the members. 4% also stated that transparency would aid in providing better value to the member.

Communication is essential in informing the member on how to use the reward programme, the challenges that the reward programme is having in making the programme relevant and the efforts that the programme is undertaking in resolving any issues.

b. *Innovation and Quality*

Innovation and quality (keeping the reward programme fresh and establishing some brand value), as a value driving factor, is directly or indirectly addressed in the following questions of the reward member interviews: Q14.

Q14 asks members to identify factors that would enhance the perception of value that is being provided by the reward programme. 6% of the members identify that innovation and quality in the reward programme would lead to a programme that provides better value to the members. By developing innovative and quality rewards, reward programmes are able to motivate members to become active in the programme and hence derive better value.

5.2.7 *Conclusion: Value to the Reward Member*

From the literature review above and the responses received from members, the following propositions can be concluded regarding the perception of value for the reward member:

- Choice
- High-value Rewards
- Relevance
- Ease of Understanding Programme Structure
- Fair Opportunity
- Honest and Transparent Communication
- Innovation and Quality

5.3 Discussion pertaining to Proposition 2 – Value to the Reward Programme

In this section, an analysis (relating to the reward programme) is conducted using the literature review and the results relating to the reward programmes. Value driving factors (as identified previously) are discussed separately. Additional value driving factors, identified through the interviews, are listed and discussed at the end of this section.

5.3.1 *Value Driving Factor 1: Larger Share of Wallet*

Larger share of wallet (i.e. larger market share), as a value driving factor, is directly or indirectly addressed in the following questions of the reward programme interviews: Q1, Q3, Q4 and Q5.

The reward programmes identify the factors that they feel add value to the members in Q1. Surprisingly, these factors are in line with the factors that were identified by the reward members themselves. “Choice of Partners” along with “Reward for Every

Transaction" tops the list with a 17% preference by the reward programmes. 12% of the value is derived from the type of reward that the programme offers. These account for almost 50% of the value driving factors that reward programmes believe create and enhanced perception of value for the members. The question was asked in such a way as to probe for the factors that the reward programmes feel that they themselves deliver to the reward partners. It can be said that if the reward programmes feel that these are the top three factors that they provide to members, they are seeking to gain a larger share of the members' wallet (i.e. market share) which will be of value to the reward programme in return for the reward provided.

Q4, too, probes the reward programme to identify the experiences that it promotes to its members. Reward programmes identify appreciation as the most promoted experience (with a vote of 34%) showing that reward programmes want members to feel appreciated and hence become more active with the programme. This would probably lead to a larger share of wallet (Meyer-Waarden, 2007).

Loyalty according to the reward programme (as asked in Q3) is measured on the number of transactions and the value of these transactions that a member can be linked to in a reward programme environment (i.e. along with the reward partners). 66% of the reward programmes feel that there is some level of loyalty displayed by the members and this is driven by activity in their environment (R3-1 and R3-6). Those reward programmes that feel that members are not really loyal also base their conclusion on the level of activity that is shown in their environment (R3-3). Activity again can be linked to the market share that the reward programme has. The more the members are active in the programme, the higher the market share of the programme and its reward partners. This shows again that larger share of wallet provides enhanced value to the reward programme (Meyer-Waarden, 2007)

When asked to identify the factors that they, as reward programmes, value in the triangular relationships, the reward programmes identified factors related to the member base as providing 44% of the value to them in the relationship. An active member base that is loyal and growing all amount to a larger share of the market in which they operate (Meyer-Waarden, 2007). This again shows that a larger share of

wallet will lead to an enhanced perception of value and relationship in the triangular reward programme.

5.3.2 *Value Driving Factor 2: Aligning to Required Behaviour*

Having members that align to the required behaviour (in order to experience the maximum benefits provided by the reward programme and its partners), as a value driving factor, is directly or indirectly addressed in the following questions of the reward programme interviews: Q1, Q4 and Q6.

According to O'Malley (1998), this factor is of strategic importance to the reward programme. One of the aims of a reward programme is to change member behaviour (i.e. spending patterns, use of loyalty cards, etc.) which would provide value to the members and the partners (Kumar and Shah, 2004). From Q1 it can be seen that the reward programmes feel that they provide this change in behaviour for the partners' benefit. They feel that 34% of the benefit that partners gain from the relationship is through a change in member behaviour (R1-2, R1-3, R1-4 and R1-5). By influencing member behaviour, reward programmes believe that they generate enhanced value for the triangular relationship as a whole. This is again seen in Q4 where reward programmes show that they try to promote the experience of a better lifestyle (11% of what experience they try to promote) which links to a change in member behaviour (i.e. the member will experience a better lifestyle if he/she changes their behaviour as per the requirements of the programme).

In Q6, reward programmes give their view on the state of the relationship. A healthy relationship is experienced 15% of the time only. In total, reward programmes feel that the relationship is positive only 53% of the time (includes mutually beneficial, profitable and rewarding relationship status). The actions and behaviour of members have an impact on this state of the relationship according to the reward programmes. Customers behave profitably, use the partner network and want to earn and spend; these are a few reasons for this positive perception of the relationship (R6-2, R6-3 and R6-1).

Customer behaviour has an impact on the level of value that is generated for the all parties in the triangular relationship. According to Kumar and Shah (2004), Rowley (2004), and O'Malley (1998) however, there is a greater impact of the customer behaviour on the level of success that is measured by the reward programmes and the reward partners.

5.3.3 *Value Driving Factor 3: Customer Profitability*

Having members that lead to profitability (for both reward programmes and its partners), as a value driving factor, is directly or indirectly addressed in the following questions of the reward programme interviews: Q1, Q3, Q5 and Q6.

From Q1 it can be seen that reward programmes feel that 25% of the programmes benefits (to the reward partners) is brought about by the level of profitability seen through the programme. There is a ROI that is required by the programme and its partners which needs to be achieved through member behaviour changes primarily (R1-1). A profitable customer, measured differently for different programmes (i.e. based on activity level, transactional value generated, loyalty, etc.), enhances the value for the reward programme and its partners (Lacey and Sneath, 2006).

Reward members show that loyalty and profitability go hand in hand (R3-4). A loyal member will be one who generates value. Since reward programmes are in the business of creating customer loyalty, customer profitability is important to them (Mascarenhas et al., 2006). Profitability is a high expectation for both reward programmes and its partners. Reward programmes rate profitability as the most important expectation (34%, as seen in Q5) and also rate it the most important expectation for the reward partners (as per their understanding of the expectations) at 45%. This once again shows that reward programmes want their customers to change behaviour to be a more profitable and in-turn generate sufficient value for themselves as members of the reward programme (O'Malley, 1998). This is backed up by Q6 where reward programmes feel that the relationship is only profitable 15% of the time due to member behaviour not being aligned to the requirements of the programme (R6-3).

5.3.4 *Value Driving Factor 4: Rich Source of Market Intelligence*

Having a competitive advantage in the market place through the access to a rich source of market data (market intelligence), as a value driving factor, is directly addressed in the following question of the reward programme interviews: Q2.

It is surprising to see that 16% of the reward programmes do not measure customer loyalty or customer satisfaction even though they have access to all the member data. 66% of reward programmes do not measure customer lifetime value as well. The programmes that use data to measure customer behaviour show the importance of this market intelligence in keeping them competitive in the market place. There is better understanding of customer behaviour, customer requirements, trends, weaknesses in their offerings, etc. (O'Malley, 1998). They can then use this to design better product offerings that would enhance the relationship with the members and partners. By having access to a rich source of member data, reward programmes are able to better design their partner network and align the needs of the members to the offerings of the programme (Kumar and Shah, 2004). This in-turn leads to member satisfaction which can lead to loyalty and profitability (Rowley, 2004). They feel that data analysis in understanding the member leads to competitive advantage in the market place (R2-3, R2-5 and R2-6).

5.3.5 *Value Driving Factor 5: Partner Contribution*

Having a cooperative partner network that contributes to the relationship (by providing value-adding services, rewards, and an aligned member experience with that of the reward programme), as a value driving factor, is directly or indirectly addressed in the following questions of the reward programme interviews: Q1, Q4, Q5 and Q6.

One of the benefits that the reward programme offers to its members is a choice of partners. In Q1, reward programmes state that 17% of the total benefits that they offer are based on the choice of partners in the programme. A further 6% is attributed to the additional rewards that partners will offer to the members. Thus nearly a quarter of the rewards that programmes offer to members have a link to the reward

partners. Thus partner contribution in making the reward programme valuable to the members is essential to the programmes success. The experience that reward programmes promote to its members is mainly dependant on the experience that the partners offer to the members in their stores (shown in Q4). The service that the partner offers has an impact on the appreciation and care that members experience in the interaction with the programme.

Reward programmes agree that partners are important. Q5 shows that reward programmes feel that 9% of the value that members want to experience links directly to a quality partner network (R5-5 and R5-6). Reward programmes too need partner support in order to provide an enhanced experience. 11% of the total value that a reward programme expects comes from the support from a value-adding partner network (R5-5). Reward programmes also make a link between the state of the relationship and the sharing of benefits in the relationship. A healthy relationship is one that is mutually beneficial for all parties (R6-2). In agreement with O'Brien and Jones (1995), a partner network thus has an impact on the quality of service that a reward programme provides and thus is valuable to the reward programme.

5.3.6 *Additional Value Driving Factors – Identified from Interviews*

Through the interviews held with the reward programmes, an additional factor was raised by the programmes that would aid in enhancing the perception of value and the relationships in the reward programme.

a. *Trust*

Trust (between the three parties), as a value driving factor, is directly or indirectly addressed in the following question of the reward member interviews: Q6.

One of the reasons why the relationship was rated as unstable and with some friction in it was due to a lack of trust between the parties. Reward programmes need to trust their partners to implement their own strategy. Partners need to trust reward programmes to provide a sufficient member base. Members need to trust both the partners and the reward programme that they will be rewarded for displaying the

correct behaviour and being active in the programme. Without the parties trusting each other, the programme cannot enhance the value for each of the parties (R6-4 and R6-6).

5.3.7 *Conclusion: Value to the Reward Programme*

From the literature review above and the responses received from reward programmes, the following propositions can be concluded regarding the perception of value for the reward programme:

- Larger Share of Wallet
- Alignment of Member behaviour
- Customer Profitability
- Rich Source of Market Intelligence
- Partner Contribution
- Trust

5.4 Discussion pertaining to Proposition 3 – Value to the Reward Partner

In this section, an analysis (relating to the reward partners) is conducted using the literature review and the results relating to the reward partners. Value driving factors (as identified previously) are discussed individually. Additional value driving factors, identified through the interviews, are listed and discussed at the end of this section.

5.4.1 *Value Driving Factor 1: Larger Share of Wallet*

Larger share of wallet (i.e. larger market share to that of direct competitors), as a value driving factor, is directly or indirectly addressed in the following questions of the reward programme interviews: Q1 and Q5.

As per Q1, an increase in usage is used as a proxy for meeting expectations by the reward partners (P1-4). Partners expect an increase in usage, i.e. an increase in the share of wallet of members. Thus members of reward programmes who move their spending from a competitor to the partner (in order to earn and spend rewards) would result in an increase in wallet and the meeting of expectations (Meyer-Waarden, 2007).

In Q5, partners raise some improvements that they feel reward programmes can make to the programme in order for them to better provide value to the members. 11% of the responses tended towards urging reward programmes to increase peak period presence and 34% tended towards more aggressive marketing. Both of these would enable the partners to experience a larger share of wallet (Meyer-Waarden, 2007). This will allow the value being generated for the reward partners to be enhanced and thus having a positive impact on the relationship (O'Malley, 1998).

5.4.2 *Value Driving Factor 2: Exposure*

Exposure (in terms of marketing, and to a wider group of members), as a value driving factor, is directly or indirectly addressed in the following questions of the reward programme interviews: Q1 and Q6.

Exposure to a substantial member base and exposure in the market place through marketing efforts initiated by the reward programmes can enhance the value for a reward partner (Matthews, 2006). By partnering with a reward programme, a reward partner expects that there is an increase in foot-flow into their stores which provides greater exposure for them in the market place. The role of a reward programme would be to provide a greater presence for their partners in the market through additional marketing efforts (Rowley, 2004). This is shown by the partners in Q1 through their expectation of experiencing growth and exposure to the reward programme member base (P1-1, P1-3 and P1-4). Reward partners feel that 13% of the value that is generated for them through the relationship comes through the marketing exposure that is provided by the reward programmes (Q6). Partners feel that for them to be able to add value in the triangular relationship, they need the extra support from the reward programme in this regard (P6-5).

In this way, reward partners require some form of additional exposure to see the relationship as being valuable to them, and thus enable them to enhance the value that they add in the relationship. This is in agreement with Rowley (2004) and Matthews (2006).

5.4.3 *Value Driving Factor 3: Customer Profitability*

Having members that lead to profitability (for both reward programmes and its partners), as a value driving factor, is directly or indirectly addressed in the following questions of the reward programme interviews: Q1, Q3 and Q6.

In Q1, reward partners again refer to customer activity as being part of their expectations from the programme and relationship. Increased activity is seen as profitable behaviour by the partners (P1-4 and P1-2). Partners view the state of the

relationship as being profitable 13% of the time. Profitability is linked to a healthy programme (P3-4) which shows that partners see enhanced value being derived from customer profitability.

In Q6, reward partners show that 38% of their expectations lie in experiencing a profitable relationship. Activity drives profitability (P6-1, P6-3 and P6-4). Thus members who are active in earning and spending in the partner shows will lead to the partners experiencing enhanced profitability through the programme (Lacey and Sneath, 2006). Reward partners find enhanced value through customer profitability and thus provide can better rewards to members creating a mutually beneficial relationship (O'Malley, 1998).

5.4.4 *Additional Value Driving Factors – Identified from Interviews*

Through the interviews held with the reward partners, an additional factor was raised by the partners that would aid in enhancing the perception of value and the relationships in the reward programme.

a. *Access to Member Data*

Access to Member Data (and market data), as a value driving factor, is directly or indirectly addressed in the following questions of the reward member interviews: Q5 and Q6.

In Q5, reward partners recommend to the reward programmes that they would value access to member data in order to better develop their product offerings, thus providing enhanced value to the members of the reward programme. 11% of the additional value that they feel reward programmes can add is in the form of this (P5-5). Reward partners would feel active in the relationship if they were able to provide valuable insight into member behaviour and preferences through the analysis of the member data. In Q6, partners again show that 12% of the expected value comes from accessing member data in order to better their product offering. Thus partners show that access to data would enhance their value in the reward programme triangular relationship.

5.4.5 *Conclusion: Value to the Reward Partner*

From the literature review above and the responses received from reward partners, the following propositions can be concluded regarding the perception of value for the reward partners:

- Larger Share of Wallet
- Exposure
- Customer Profitability
- Access to Member Data

5.5 Conclusion

All of the factors that enhance relationship in the reward programme, as identified through the literature review, were shown to be true through the interview process. For each party however, there were additional value enhancing factors that were identified through the interviews with the three parties. The value enhancing factors, from the literature, shown to be true are as follows:

Table 18: Summary of Discussion as per Literature

Value for Member	Value for Reward Programme	Value for Reward Partner
Choice	Larger share of wallet	Larger share of wallet
High-value Rewards	Aligning to required behaviour	Exposure
Relevance	Customer profitability	Customer profitability
Ease of understanding programme structure	Rich source of market intelligence	
Fair opportunity	Partner contribution	

The additional value enhancing factors, identified from the interviews, are as follows:

Table 19: Summary of Discussion as per Interview

Value for Member	Value for Reward Programme	Value for Reward Partner
Innovation & Quality	Trust	Access to Member Data
Communication		

These factors have been shown to add an enhanced level of value for the various parties in the triangular relationship. They have been backed by the actual responses of members and can be logically placed as value enhancing factors in a reward programme.

6 CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

This chapter contains the final conclusions of the study based on the findings from the literature review and the interviews conducted with the reward programmes, the reward members, and the reward partners. The conclusion will state the key factors that enhance relationships and perception of value in the triangular relationship. This chapter also contains recommendations to the reward programme and the reward partners based on the finding of the study, based primarily on the keys factors that drive value for the reward members. Finally, this chapter will provide a suggestion for further research related to the research that has been conducted in this study.

6.2 Conclusions of the study

6.2.1 *Conclusion: Value to the Reward Member*

From the interviews conducted with the reward members of the various reward programmes and the literature that was reviewed relating to the key factors that enhance relationships and the perception of value for the reward member, it can be concluded that the following key factors drive value for the reward members:

- Choice
- High-value Rewards
- Relevance
- Ease of Understanding Programme Structure
- Fair Opportunity
- Honest and Transparent Communication
- Innovation and Quality

Choice relates to the choice of reward partners, means of earning rewards and spending of rewards in the reward programme environment. Members value the wide choice that they have to utilise the reward programme to its maximum.

High-value rewards relates to the quality and quantity of the rewards that are offered by the reward programmes and the reward partners. The value of the rewards is measured as the total reward that a member will receive for a specific transaction from both the programmes and the partners. Members value rewards that can be used by them for meaningful redemptions and thus a sufficient valued reward will prove to be valuable to the member.

Relevance relates to the alignment of the reward programme structure to the needs of the reward members. Reward programmes and its partners who provide a relevant reward to the members will find that member derive value out of such a relationship. Relevance relates to the type of reward, the nature of the reward programme structure, and the relevance of the reward partners as per the needs of the reward partners.

Ease of understanding the programme structure relates to the level of complexity of the reward programme. Reward members find value in programmes that have simple rules that are achievable and engage them. By understanding the programme structure (i.e. the tiering rules, the earning and spending rules, specific partners, etc.) members can take full advantage of the reward programme offerings and hence find value in the programme.

Fair opportunity relates to the level of equality a member experiences in a programme in relation to other members. Members realise that there is a need to distinguish between different tiers of members, etc. But the opportunity for each member to reach the highest tier must be fair and achievable. The challenge of achieving this is valuable to the member.

Honest and transparent communication relates to the openness of the communication provided by the reward programme and its partners. Communication relating to changes in the programme structure, rules, developments, challenges, etc. is valuable

to the member as it impacts the earning and spending ability of the member in the programme. Honesty and transparency relates to trust. Members value a relationship where they are able to trust the reward programmes and its partners to deliver on the programme's promises or communicate openly if these cannot be met. Communication that is timeous and direct, too, will be valued by the member.

Innovation and quality relates to the freshness of the reward programme. Members value a programme that moves forward with the changing consumer environment. Reward programmes that are in the forefront of innovation (in terms of technology, rewards, structure, communication, etc.) are valued by their members. Partners that join in this innovation and even lead some of the innovation too are valued by members. Quality of the programme (specifically the quality of partners, rewards, etc.) is also valued by the reward programme as it shows the dedication of the programmes and the partners in delivering a service that meets the members' expectations.

6.2.2 *Conclusion: Value to the Reward Programme*

From the interviews conducted with the various reward programmes in South Africa and the literature that was reviewed relating to the key factors that enhance relationships and the perception of value for the reward programme, it can be concluded that the following key factors drive value for the reward programmes:

- Larger Share of Wallet
- Alignment of Member behaviour
- Customer Profitability
- Rich Source of Market Intelligence
- Partner Contribution
- Trust

Larger share of wallet relates to the size of the market that the reward programme has captured. It's an ROI (return on investment) calculation for the reward programme that would measure the extent of its investment in the market (in terms of the rewards, effort, etc.) and the share of the market that it has gained through this

investment. This is practically measured by the level of activity that is displayed by the member in the reward programme environment. The more active a member (i.e. the more spend that is generated by the member at a greater frequency); the more return on investment the programme experiences. This has an impact on the bottom line profitability of the reward programme which enhances its value in the relationship if the impact is positive.

Alignment of member behaviour relates to the extent to which a member changes his/her behaviour as per the requirements of the reward programme. Reward programmes sell changes in member behaviour to its partners in return for monetary gain from the partners (in most instances). Thus, the greater the influence of the reward programme on the member, the more profitable the relationship tends to be which enhances value for the reward programme.

Customer profitability relates to the extent to which a customer will generate a profit for the reward programme (both in the present and the future). Profits in this instance again relate to the activity levels of the members and the changing behaviour. Member who spend more at the partners of a reward programme and also redeem rewards with them show a more profitable behaviour. A change in customer behaviour can be used to gauge the levels of profit that a member will be likely to generate going forward for the programme. Members that display profitable behaviours and show that they can be profitable in the future enhance the value for reward programmes.

Rich source of market intelligence relates to the level of understanding the reward programme has about its members. Member behaviour can be gauged from their spending habits and preferences. This can be used strategically to provide reward offers to them that can be both value adding to the member and profitable to the reward programme and its partners. Data analysis also allows the reward programme to align its offerings to that of the members, meeting the member value factors of relevance. This will generate a profitable relationship that enhances the value for the reward programme.

Partner contribution relates to the extent of the involvement of the partner the operations of the reward programme. Partners are the face of the reward programme and reward programmes would expect that they contribute to the relationship (in terms of the level of service they offer to the members, the value for the rewards that agree to offer, and the innovation and support of similar that they portray in the relationship). By gaining the support of the partner network, reward programmes are able to offer greater value to the members which in-turn will enhance the value generated in the relationship.

Trust relates to the level of trust the reward programme has that its partners will deliver on their promises. They are highly reliant on the partners to implement the programme in the market and thus need to be able to trust them to follow through on that which is required. By being able to trust the partners, reward programmes are able to be more innovation which in-turn generates enhanced value in the relationship.

6.2.3 *Conclusion: Value to the Reward Programme*

From the interviews conducted with the various reward partners affiliated to the reward programmes interviewed and the literature that was reviewed relating to the key factors that enhance relationships and the perception of value for the reward partner, it can be concluded that the following key factors drive value for the reward partners:

- Larger Share of Wallet
- Exposure
- Customer Profitability
- Access to Member Data

Larger share of wallet refers to the market share that the partners hold in relation to their direct competitors in the market. Partners expect that, due to the programme having some influence over the members, members will change some of the spending preferences and start spending at the reward partners. This will enable members to

earn from and spend in the partner environment (stores or similar) and this will lead to a larger market share. The level of activity too has an impact on this. Members who move their spending preferences to start shopping with partners should also increase the value of their spending (as they should be enticed by the rewards that are being offered in return for their spending) leaving with partner with a true greater market share. If such a result arises from the relationship, then the partner will have experienced enhanced perceived value being derived from the relationship.

Exposure relates to the level of exposure that the reward programme offers the partners. Reward programmes can offer exposure through marketing efforts (both above and below the line), through an interactive partner network environment and through an increased customer base (provided by the member base of the programme). Reward partners expect this exposure in return for high value rewards and a service quality to standard that they will provide to members on behalf of the reward programme. By gaining the exposure, partners are able to build credibility for their brand and gain a loyal member base. These will in-turn lead to a greater market share which would enhance the value for the reward partner.

Customer profitability relates to extent to which the customer behaves so as to generate a profit for the reward partner. Profitability here, too, refers to activity. The more active members are (in terms of the value of transactions and the frequency of spending), the greater the profits they will be able to generate for the reward partner. If these customers are loyal, this would mean that the customers will be profitable in the future as well which will enhance the value experienced by the reward partner.

Access to member data refers to the market intelligence data that is held by the reward programme. Reward programmes may or may not use this market intelligence to their advantage, but they hardly provide this data to the reward partners. Reward partners would find value in conducting analysis on such data so as to recommend any innovations, improvements, developments, etc. that they may pick up from the data. Having access to this member data will also give them the feeling that they are part of the development of the programme and not only the face of the programme. This will

enhance the value for the reward partners and also enhance the relationship as it allows greater innovation and transparency in the triangular relationship model.

In the context of the study, that describes that value generation in the triangular reward programme is dependent on the inputs and support of each party in the relationship, there are definite links that arise from the literature and the research results. It is evident that each party depends on the other two for various key factors to generate enhanced levels of value on the relationship. The reward programme relies on the reward partner for support, whereas the reward partner relies on the programme for exposure and foot-flow in their stores. The member relies on the programme and partner to provide rewards for displaying the correct behaviour, whereas the reward programmes and partners rely on the member for increased profitability and market share. This triangular relationship needs its parties to work in unison in order for it to generate and enhanced perception of value and then create a value adding relationship. A balance needs to be found between the offerings of each party and the gains of each party. Each party should be able to experience a good ROI for their investment in the relationship (mental, psychological, and monetary). In this way, value generation in a triangular reward programme needs to take each party's needs into account. Each party needs to give up a little in order to gain a lot. This will ensure a balanced programme that is mutually beneficial to all parties.

6.3 Recommendations

Since this report would not necessarily be used by the reward programme members and also since the reward programme members are the party that need to serviced in the relationship (i.e. generally, the reward programme and the reward partner need the reward member more than the member needs the other two parties); the recommendations provided will only be directed at the reward programme and the reward partners. There are some recommendations that apply to both the programmes and the partners, and there are some which need to be considered by them individually. These will all be discussed separately below. The following recommendations apply to both the reward programmes and the reward partners:

- Design a reward that truly benefits the member. Members require high-value rewards from the programme and its partners but this does not necessarily mean that the reward needs to have a high monetary value. It can have sentimental value, social value and other non monetary value attached to it. As long as it is relevant to the member and is communicated properly, the member will see it as having high-value. From the interviews, it could be seen that the reward programme dictates the reward type and looks to the reward partners to provide it. It may be of more value to both the programmes and the partners if the rewards are designed by both parties where each party has input into their contribution, what they feel the parties should contribute and how to align the reward to the needs of the members. Both the reward programmes and the reward partners would like to change the members' behaviour to be more aligned to the required behaviour of the programme (i.e. spending at partner network stores, using a specific credit card, etc.). By incentivising the members with high-value rewards, reward programmes and partners can motivate this change in members. Instead of pleading with members, let them experience the benefits first-hand which might have a bigger impact on the member. Also, as mentioned earlier, rewards should also be relevant to the needs of the members. A balance between a reward that has high-value and is relevant will lead to a truly valuable reward for the member. This would enhance the perception of value in the reward programme relationship.

- Communication between all parties in the relationship removes any doubt that each party may have not created an environment of trust. Reward programmes and partners should send out consistent communication to the members and the market. They should not portray themselves as being separate in the relationship but rather as a team. The reward partner is the face of the reward programme in the market and hence needs to be consistent in the programmes communication in order to portray the correct image in the market. Communication, both good and bad, should be sent out timeously and with the required level of detail. From the interviews, it was seen that members need

information in order for them to use the programme and find benefit in it. It is understandable that the programme cannot communicate to each member on an individual level but by addressing member issues and communicating progress being made in dealing with issues etc., the reward programmes and the partners will be able to build a better relationship with members and enhance the perception of value for all three parties in the relationship. Communication between the reward programmes and the partners should also be transparent. This internal communication (through meetings, conferences, workshops, reports, etc.) should also be regular and should directly raise issues that need to be raised by both parties. The relationship will work if the issues are raised (be it relating to the contribution from each party, the lack of marketing, the level of profitability, etc.).

- Joint marketing efforts could enable the reward programme and its partners to benefit in the market place. Currently all the marketing efforts are conducted by the reward programme with minimal input from the partners (both in terms of content and financial contribution). By developing a sort of joint-venture in the marketing efforts (where the reward programme and the reward partners contribute financially and develop material that sends a common message to the members and the market), both the parties will be able to gain much more exposure through the efforts. Partners would normally have a budget for marketing which can be used in this venture as it will be directed to the entire market as well. Currently, the reward programmes and the reward partners separately try and grow their member base. If these efforts too were conducted in a joint venture, there could be a bigger impact on the growth achieved. Specifically for the reward partners, they rely more on the reward programmes for a source of members to drive activity in their stores. They have a larger customer base that they have access to who may not be members of the reward programmes. They could place efforts to convert these customers into members of the programme and hence grow the overall member base. Even though this is not real growth for the partners' base, this will enable the new members to experience the reward programme and they could potentially

become word-of-mouth agents for the programmes and the partners. This could potentially lead to the conversion of other consumers who use competitor stores and hence grow the overall member base and customer base for the reward programmes and partners. Thus, with greater financial backing and joint effort, the marketing efforts can be more impactful and hence valuable to the relationship.

- Customer loyalty and customer relationship management is on top of any successful company. In order to stay competitive, being customer centric will not be enough. Reward programmes and partners need to be innovative in their approach when designing rewards and structuring the reward programme. The reward industry is still young in South Africa and there are many more matured and innovating reward programmes abroad in both the developed and emerging markets. By bringing in ideas from these programmes, reward programmes and partners in South Africa can accelerate their growth in the market. Innovation attracts members and provides them with a sense of being in the forefront of cutting edge development. By offering this value to members, reward programmes can generate a profitable relationship and in-turn enhances the value for all parties in the triangular relationship.

- Choice is an important factor for members. Being given a choice of partners where members can earn and spend a choice of types of rewards that a member can aim to achieve, and a choice of options that the rewards can be used for each can be valuable to the member. The members would feel that they are not inhibited in the programme and have some degree of freedom to dictate their own growth path in the programme. The design of the reward programme and any changes to existing programmes should take this preference into account as it would enhance value for the member. Reward programmes should specifically focus on this when designing the reward programme offering. They need to ensure that the partner network that they partner with will be able to provide the choice that is required by the members. By providing a partner network that offers choice and alignment to the

member, reward programmes can have a positive impact on the behaviour of the member. This in-turn would probably lead to customer loyalty and increased activity, which would enhance the value for the reward members and the reward partners.

- Specifically to the reward programmes, reward programmes need to provide enough exposure to the reward partners to make the programme viable for them. Marketing efforts, subsidising rewards, providing support, getting their buy-in on processes, and including them on development would provide partners with enough involvement and exposure that they would find value in the programme. The reward partners do not always need to be part of the reward programme to be profitable as many partners are well established businesses. Reward programmes, however, rely highly on the reward partners to attract members and drive earning and spending in their environment. Reward programmes should realise this and give due credit to the partners by providing sufficient exposure and allowing sufficient involvement. This would lead to an enhanced relationship between the two parties.

- Also specifically for the reward programmes, the design of the reward programme needs to offer a fair opportunity for the members to progress in the progress if they wish to. Tiering rules, earning rules, progression methods all need to clearly stated and implemented. By making the programme easily understandable and by offering a fair opportunity for each member to succeed in the programme, the reward programme is able to enhance the value for the member who would drive activity and profitability benefiting the programme as a whole.

- Specifically for the reward partners, members see partners as the face of the reward programme. The level of service that is experienced, the professionalism displayed and the quality of the rewards as provided by the reward partners is a reflection of the brand value offered by the reward programme brand. In order for the partner to maintain a good relationship with the reward programme, they would need to show that they are trying to

provide a service that is at the quality that the reward programme and the members expect. This will also aid them in building brand equity for their own brand as well. By displaying this type of quality in the programme, they are able to build credibility with the programme. This will lead to an enhanced relationship experience by each party.

6.4 Suggestions for Further Research

The research conducted here has been a fully qualitative in nature and has thus not been focused on measuring the customer lifetime value (CLV) of members in a reward programme. By gaining an understanding of the CLV of individual members or groups of members, reward programmes and partners could be able to better plan for the effort that is required in servicing those members. The value that a customer can generate over his/her lifetime as compared to the effort and costs incurred in acquiring the member (i.e. marketing costs, promotional costs, setup and welcome costs, training costs), the costs incurred in servicing the member (in terms of the rewards the member has been granted, the technology needs in order to allow streamlined processes to take place, etc.) and the costs and effort incurred in maintaining the relationship with the member (in terms of ongoing communication, support, etc.) can be analysed and a decision can be made as to what extent a member needs to be serviced by the programme, or which members need to be the focus of the programme's efforts.

The proposed research would predominantly be of a quantitative nature and could use this research as a background study to draw on for information regarding value generation in the triangular relationship model. The proposed research itself would be able to place a quantitative value to the key factors that enhance relationships and the perceptions of value in the triangular relationship.

This research has been focused on the reward programmes, partners and members of South Africa only. The proposed CLV research can be conducted on a much broader field by including leading reward programmes from around the world and derive their

value-adding factors which would enhance the perception of value and relationships in the South African reward programme industry.

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8 APPENDICES

8.1 Appendix A - Research Instruments

8.1.1 *Interview Questions & Questionnaire – Reward Programme*

1) How do you feel that members and partners benefit from the Reward Programme?
_____
_____

2) How do you measure the following:
   a. Customer Loyalty
      _____
   b. Customer Satisfaction
      _____
   c. Customer behaviour
      _____
   d. Customer attitude
      _____
   e. CUSTOMER LIFETIME VALUE?
      _____

3) Do you think members are really loyal?
_____

4) What experience does your Reward Programme promote to its customers? Is this aligned with the perception of value out there?
_____
_____

5) What value do you think each party expects out of the relationship:
   a. Reward Programme
      _____
   b. Reward Programme Partners
      _____
   c. Reward Programme Members?
      _____

6) What do you think is the relationship between all three parties in reward programme triangle?
_____
_____

8.1.2 *Interview Questions & Questionnaire – Reward Programme Members*

1) How did you find out about and join the programme (Cashier, In-store Advertisement, Word-of-Mouth, etc.)?

   _____

2) Was the joining progress simple? Did you have to go through a lot of admin before you were able to join? Please elaborate.

   _____
   _____

3) How long have you been with the programme?

   _____

4) Has the programme managed to change your day-to-day behaviour? (I.e. have you been convinced to move the majority of your relevant spend to the programme?). E.g. Pick 'n Pay Smart Shopper – Have you moved all your grocery spend over to Pick 'n Pay to maximize the programme benefits? If not, why?

   _____
   _____
   _____

5) Do you understand the structure/benefits/offerings of the programmes? Have you received an information pack, personal contact, etc. to explain this when joining?

   _____
   _____
   _____

6) Do you receive any communication from the reward programme? What are your views on the quality of the communication you receive from the reward programme (i.e. emails, statements, SMS's, etc.)

   _____
   _____
   _____

7) What were your expectations off the programme when you joined?

   _____
   _____
   _____

8) Have your expectations been met thus far? Please provide a brief explanation.

   _____
   _____
   _____

9) Are you loyal to the reward programme? Please provide a brief explanation.

_____
_____
_____

10) Each reward programme is structured on a triangular model. There are three players in a reward programme relationship (i.e. the members – you, the reward programme, reward partners). Some reward programmes do not have specific reward partners as you are only able to earn and redeem at the reward store (e.g. Dischem – you can only earn and redeem at Dischem as opposed to eBucks where you can earn from and spend at a variety of retail partners).

_____
_____
_____

11) Are you satisfied with the range of earn and spend partners that the reward programme offers? If there aren't any external earn/spend partners linked to the programme, do you feel there should be?

_____
_____
_____

12) How many of these partners (if any) do you use to earn or spend from? Please provide names of these partners.

_____
_____
_____

13) If your reward programme where to approach you and insist that you only spend with them (or their partners), that you should spend more frequently, and should spend more in terms of value of transactions; what would you like in return for you to agree to this? (I.e. what would the reward programme need to do to make you a loyal customer?)

_____
_____
_____

14) What are three most important things that you feel would provide better value in a reward/loyalty programme in South Africa?

_____
_____
_____

8.1.3 *Interview Questions & Questionnaire – Retail Partners*

1) Has the reward programme been able to deliver on your expectations? Are you satisfied with the offerings?

   _____
   _____

2) Are you satisfied with the member base? What % of the base do you think shop with you?

   _____
   _____

3) Are you Loyal to the Reward Programme?

   _____

4) What changes would you recommend to the reward programme/member base in order to better the offerings and to improve on customer satisfaction and loyalty?

   _____
   _____
   _____

5) What value do you think each party expects out of the relationship:
   a. Reward Programme

      _____
   b. Reward Programme Partners

      _____
   c. Reward Programme Members?

      _____

6) What do you think is the relationship between all three parties in reward programme triangle?

   _____
   _____

8.1.4 *Letter to Reward Programmes/Reward Partners*

(Date)

Dear Sir/Madam,

My name is Mrunal Bhagwan and I am currently completing an MBA qualification through the Wits Business School. I am in the third year of my studies and am in the process of collecting data for a research project in the field of reward programmes, customer loyalty and profitability. The research is aimed at understanding the key factors that drive sustainable value creation in a reward programme (for all the parties involved), factors that enable healthy relationships to be formed, and models that enable a valuable offering.

I am currently in the process of data gathering and would like the opportunity to interview you with regard to your programme's role in the reward programme "triangle" as a reward programme administrator and a reward partner. I have obtained your contact through my colleague, Jenny Hoggarth.

Your input into this research will be kept confidential and will only be used for analysis purposes. Under no circumstances will you personal details be released to anyone. The interview will last between 30-60 minutes at a time and venue convenient to you. The interview questions will draw on your experiences and opinions and thus no pre-preparation will be required from your part.

Please could you kindly confirm your participation in this interview?

Thank you.

Yours Sincerely,

_____

Mrunal Bhagwan
mrunalbhagwan@gmail.com
0834000884
MBA Student – Wits Business School

8.1.5 *Letter of Confidentiality*

(Date)

Dear Sir/Madam,

I would like to take this opportunity to thank you for allowing me to interview you and for providing very insightful information regarding the (Name of Programme). Please be assured that the information provided by you will only be used for my academic research.

Your input into this research will be kept confidential and will only be used for analysis purposes. Under no circumstances will you personal details be released to anyone. I understand that a lot of the information provided by you is of a sensitive nature and, as I am affiliated with one of the other reward programmes in South Africa, you may feel that this information could be used against your organisation by me. I assure you that this information will not be used in any way (i.e. formal meetings, informal discussions, product development, etc.) at my workplace. The information will not influence my day-to-day work as well.

I will only use this information as a source for my research for the MBA programme. Once this is done, all documented information will be destroyed. Summary data relating to your organisation will be provided back to you. I will also provide to you a total market analysis coming out of my research. The same will apply to all the other reward programmes that I am interviewing.

Once again, thank you for your time and the valuable information.

Yours Sincerely,

_____

Mrunal Bhagwan
mrunalbhagwan@gmail.com
0834000884
MBA Student – Wits Business School

8.1.6 *Letter to Respondent*

(Date)

Dear Sir/Madam,

My name is Mrunal Bhagwan and I am currently completing an MBA qualification through the Wits Business School. I am in the third year of my studies and am in the process of collecting data for a research project in the field of reward programmes, customer loyalty and profitability.

The research is aimed at understanding the key factors that the drive perception of value creation in a reward programme (for all the parties involved), factors that enable healthy relationships to be formed, and models that enable a valuable offering.

I am currently in the process of data gathering and would like the opportunity to interview you (face-to-face or through a questionnaire) with regard to your role in the reward programme as Member.

I will not disclose your decision to participate in this interview. Your input into this research will be kept confidential and will only be used for analysis purposes. Under no circumstances will you personal details be released to anyone. The interview will last between 20-30 minutes at a time and venue convenient to you. There are a total 14 questions in the interview. The interview questions will draw on your experiences and opinions and thus no pre-preparation will be required from your part.

Thank you for allowing me this opportunity.

Yours Sincerely,

_____

Mrunal Bhagwan
mrunalbhagwan@gmail.com
0834000884
MBA Student – Wits Business School

Appendix B – Research Planning

8.1.1 *Consistency matrix*

Table 20: Consistency matrix

Key factors that enhance relationships and perceptions of Value in a triangular Reward Programme in South Africa					
Propositions	**Literature Review**	**Propositions**	**Source of data**	**Type of data**	**Analysis**
Key factors: Reward Member	(Mascarenhas et al., 2006) (Kumar and Shah, 2004) (O'Malley, 1998) (O'Brien and Jones, 1995) (Dick and Basu, 1994) (Keh and Lee, 2006) (Nunes and Drèze, 2006) (Rowley, 2004)	Key factors that enhance relationships and the perceptions of value for reward members, as identified through peer-reviewed literature, are: • *Choice* • *High-value rewards* • *Relevance* • *Ease of earning and spending* • *Opportunity*	Interviews Literature Review	Qualitative Data	Coding Categorising Data presentation Conclusion
Key factors: Reward Programme	(Nunes and Drèze, 2006) (Rowley, 2004) (Mascarenhas et al., 2006) (Lacey and Sneath, 2006) (O'Malley, 1998) (O'Brien and Jones, 1995)	Key factors that enhance relationships and the perceptions of value for reward programmes, as identified through peer-reviewed literature, are: • *A larger SOW* • *Aligning to required behaviour* • *Customer profitability* • *Rich source of market intelligence* • *Partner contribution*	Interviews Literature Review	Qualitative Data	Coding Categorising Data presentation Conclusion
Key factors: Reward Partner	(Meyer-Waarden, 2007) (Matthews, 2006) (Nunes and Drèze, 2006) (Rowley, 2004) (O'Malley, 1998)	Key factors that enhance relationships and the perceptions of value for reward partners, as identified through peer-reviewed literature, are: • *A larger SOW* • *Exposure* • *Customer profitability*	Interviews Literature Review	Qualitative Data	Coding Categorising Data presentation Conclusion

8.1.2 *Time-table*

Table 21: Time-plan for completion of research report by 31st November 2011

	Mar 2011	April 2011	May 2011	June 2011	July 2011	Aug 2011	Sept 2011	Oct 2011	Nov 2011
Finalise proposal	x								
Gain approval	x	x							
Gather data		x	x	x	x				
Do data analysis					x	x			
Write report						x	x	x	
Finalise report							x	x	x

8.2 Appendix C – Interview Data

8.2.1 *Reward Programme Member Data*

Code Book	Member Responses	Code Book	Member Responses	Code Book	Member Responses
M1	Direct Communication (Below The Line)	M2	Simple. No/Little Admin	M3	Novice Members (<1 Year)
	Above The Line Advertising		Complex. No/Little Admin		Learning Members (1-3 Years)
	Sales Person/Staff		Simple. Admin Intensive		Experienced Members (3-5 Years)
	In-Store		Comple. Admin Intensive		Professional Members (5-10 Years)
	Word-of-Mouth		Too Simple. Not Convinced		Adanced Members (>10 Years)
M4	Completely Changed Behaviour (CCB)	M5	Understand. Comms	M6	No Communication (None)
	Changing Behaviour (CB)		Understand. No Comms		Poor Communictaion
	Have Not Changed Behaviour as Much (HNCM)		Don't Understand. Comms		Satisfactory Communication
	Have Not Changed Behaviour At All (HNCA)		Don't Understand. No Comms		Good Communication
M7	Discounts	M8	Yes	M9	Yes
	Cash Back		No		No
	Rewards/Points		Mostly		Becoming Loyal
	Unsure		Very Little		
	Other Benefiits				
M10	Well Managed. Feel Valued (WMV)	M11	Yes	M12	Number of Partners Used
	Well Managed. Feel Unvalued (WMU)		No. Should have Partners (Noy)		
	Not Well Managed. Feel Valued (NWMV)		No. Shouldn't Have Partners (Non)		
	Not Well Managed. Feel Unvalued (NMWU)		Yes. But more Partners (Yesy)		
	No Relationship. Feel Valued (NRV)				
	No Relationship. Feel Unvalued (NRU)				
	Unsure				
M13	Communication	M14	Communication		
	Partner Netwrok		Partner Netwrok		
	Incentives		Incentives		
	Programme Structure		Programme Structure		
	Relevance		Innovation		
	Relationship Building		Transparency		
	None		Quality		

Figure 36: Code Book - Member Responses

Question 1: How did you find out about and join the programme (Cashier, In-store Advertisement, Word-of-Mouth, etc.)?		
Ref	**Response**	**Code**
M1-1	A Consultant called me over the telephone. She explained the programme to me and I joined over the phone	Sales Person/Staff
M1-2	I received SMS's promoting the product and responded to these to join	Below The Line Ad
M1-3	I am an employee of the reward programme so hence was linked to the program though my bank account	Sales Person/Staff
M1-4	An agent called me up about the programme	Sales Person/Staff
M1-5	Advertising from the reward programme when I signed up to be a member of the parent product	Sales Person/Staff
M1-6	I was a member of the parent product which marketed the reward programme	Sales Person/Staff
M1-7	Through a Broker	Sales Person/Staff
M1-8	Through my Employer	Sales Person/Staff
M1-9	Via the reward programme various marketing and advertising campaigns	Above The Line Ad
M1-10	Word-of-Mouth, TV Advertisement	Above The Line Ad
M1-11	I was automatically joined through my bank account	Sales Person/Staff
M1-12	Sales consultant assisted me in joining when I opened a Bank account	Sales Person/Staff
M1-13	The reward programme's Website as well as calls from agents	Sales Person/Staff
M1-14	Word-of-Mouth through friends who use the programme	Word-of-Mouth
M1-15	Advertisements and word of mouth	Above The Line Ad
M1-16	Opening up a Bank account and was informed about this programme. Also through Word of mouth	Sales Person/Staff
M1-17	In-Store advertising	In-Store Ad
M1-18	In-Store advertising	In-Store Ad
M1-19	Advertised on TV. Cards being issued at entrance of store. It was simple and quick to join. Card issued immediately	Above The Line Ad
M1-20	In store advertising	In-Store Ad
M1-21	Word-of-Mouth. I heard of the programme though a friend	Word-of-Mouth
M1-22	In store and Word of Mouth	Word-of-Mouth
M1-23	In store advertising	In-Store Ad
M1-24	In-store Advertising	In-Store Ad

Question 2: Was the joining progress simple? Did you have to go through a lot of admin before you were able to join? Please elaborate.		
Ref	**Response**	**Code**
M2-1	No, not at all admin. It was simple and quick. I agreed over the telephone and the consultant put me on the Reward programme straight away.	Simple. No/Little Admin
M2-2	I've only dealt with SMS's; no one has ever called me regarding the status with this product. It was too simple.	Too Simple. Not Convinced
M2-3	Not certain, I think it's linked automatically to the credit card	Simple. No/Little Admin
M2-4	A few simple questions, and telephonic approval and I was part of the programme. The only gripe was trying to understand exactly how the programme worked, the agent didn't seem to have too much knowledge about the workings of the product	Simple. No/Little Admin
M2-5	Yes, very simple. No hassle.	Simple. No/Little Admin
M2-6	Simple. Personal details were already captured from the medical aid sign up so it just involved a confirmation of signup which I did telephonically	Simple. No/Little Admin
M2-7	Very simple, one meeting with the broker and that was all	Simple. No/Little Admin
M2-8	Yes absolutely - if you have access to the internet and you can manage your programme status yourself	Simple. No/Little Admin
M2-9	I was registered as a member in the late 90s I recall when I had a specific banking product. I can't recall the process to becoming a member. The account was dormant until the mid 2000s when I opened up another banking product	Simple. No/Little Admin
M2-10	It was simple but can't really remember the details	Simple. No/Little Admin
M2-11	The process was simple and very streamlined. Everything was done for me, I received all the information via email	Simple. No/Little Admin
M2-12	The process was simple and as a customer of the parent product, you join automatically	Simple. No/Little Admin
M2-13	Yes, joining was fairly simple-a credit card was issued which I had to pick up, and a membership card was posted to me.	Simple. No/Little

		Admin
M2-14	Simple	Simple. No/Little Admin
M2-15	Yes, the process was simple and time efficient. I supplied personal details online and faxed through a copy of my ID. Membership card was sent in the post	Simple. Admin Intensive
M2-16	Joining process was simple, just completed a form. To reactivate it had to just call in	Simple. No/Little Admin
M2-17	Very fast and easy. Not much admin required	Simple. No/Little Admin
M2-18	Very simple. Just swipe and fill in a short form	Simple. No/Little Admin
M2-19	It was really easy. We had to fill in a couple of answers. No hassle at all	Simple. No/Little Admin
M2-20	Very simple. One form to fill in	Simple. No/Little Admin
M2-21	Very easy, all we had to do was complete an application form and submit it at the cashier. Our card was activated straight away	Simple. No/Little Admin
M2-22	Received card immediately and able to use it instantly	Simple. No/Little Admin
M2-23	Yes it was simple. Not much admin, just forms to fill	Simple. No/Little Admin
M2-24	Very simple to join, was done immediately with the cashier	Simple. No/Little Admin

Question 3: How long have you been with the programme?		
Ref	**Response**	**Code**
M3-1	2 months	Advanced (>10 Years)
M3-2	2 years	Learning (1-3 Years)
M3-3	1 year	Learning (1-3 Years)

M3-4	1 year	Learning (1-3 Years)
M3-5	5.5 Years	Professional (5-10 Years)
M3-6	6 years	Professional (5-10 Years)
M3-7	6 years	Professional (5-10 Years)
M3-8	10 Years	Advanced (>10 Years)
M3-9	Since late 90s	Advanced (>10 Years)
M3-10	9 years	Professional (5-10 Years)
M3-11	10 years	Advanced (>10 Years)
M3-12	1 year	Novice (< 1 year)
M3-13	since 2007	Experienced (3-5 Years)
M3-14	6 years	Professional (5-10 Years)
M3-15	6 years	Professional (5-10 Years)
M3-16	3 years	Experienced (3-5 Years)
M3-17	Approx 1 Year	Learning (1-3 Years)
M3-18	6 months	Novice (< 1 year)
M3-19	6 months	Novice (< 1 year)
M3-20	6 months	Novice (< 1 year)
M3-21	Approx 3 Years	Experienced (3-5 Years)
M3-22	1 year	Learning (1-3 Years)
M3-23	6 years	Professional (5-10 Years)
M3-24	3 years	Experienced (3-5 Years)

Question 4: Has the programme managed to change your day-to-day behaviour? (I.e. have you been convinced to move the majority of your relevant spend to the programme?).If not, why?		
Ref	**Response**	**Code**
M4-1	No not yet as I only use my reward card when I don't have any cash. It would make a difference if I purchased bigger items like furniture. Where I would get a discount.	HNCA
M4-2	No not at all. No one has really bothered to explain the benefits to me. I only receive occasional SMS's with links to websites. I don't have the time to go and read all this info.	HNCA
M4-3	Not sure - I have not managed to read about it anywhere - I have no info - my husband does, but we use the Credit Card so I think we are earning some sort of reward	HNCA
M4-4	Not really, the reason I joined was that a specific cell phone provider was a partner at the time and I spend a good deal on my cell phone. The rest of the partners are not really shops I would visit, as such my behavior has hardly changed due to the programme. There is a very limited partner programme in my opinion, a better programme would be something that rewarded you for every cent you spend	HNCA
M4-5	Yes, the points one can earn to move up the ladder motivates you to work harder at being more healthy and fit (buying healthier foods, stress management, gyming/exercise etc.)	CCB
M4-6	Yes, the program has changed my behavior in that physical activity has increased – gym twice a month to maintain membership! Cheaper movies at a specific cinema so most movie outings are now at that cinema house. Staying at partner Hotels when travelling	CCB
M4-7	Yes, most of my spending is done through the partner network	CCB
M4-8	Yes definitely. Great saving based on the level of membership. Great encouragement and incentives to manage lifestyle and wellness. Due to great saving - all rewards partners are always considered first before looking elsewhere	CCB
M4-9	It hasn't affected any day-to-day behavior and I've only ever used it a few times to purchase items off certain internet partners	HNCM
M4-10	Yes, make all purchases on the banking card to collect points (despite the cost of a card swipe I see the benefit outweighs this). In the past I used to draw cash and make purchases, now I swipe my card at all merchants	CCB
M4-11	Most definitely whenever I go shopping I use by debit or credit card to pay, with this I automatically earn points. I also use my debit or credit card to fill petrol , in this way I earn points as well as discounts on my next fill up	CCB
M4-12	Yes, I swipe more often instead of paying cash to ensure I get the rewards and maximum use of my rewards available	CCB
M4-13	Yes, I prefer using my credit card in order to earn points, and then I pay off the card at month end. I also feel that this is safer than carrying around cash.	CCB

M4-14	Not, because there are sometimes cheaper options which outweigh the rewards of sticking with the reward programme partners	HNCA
M4-15	Initially yes. I used to use the structured provided to earn rewards but now I see that there are other products out there that provide the same service but are cheaper. Even with the discount that I receive I will not save as much as I do with the other products, Hence I use them much more often	CB
M4-16	I do tend to use the reward partners more often	CCB
M4-17	Yes. It's prompted us to work off a grocery shopping list which forces us to plan or shopping better. We have moved the bulk of our spend here	CCB
M4-18	Not really. I shop here out of convenience as it is close to me and It has a wide range (One stop shop)	HNCA
M4-19	I definitely do most of my shopping here now. I also go online every day to see the specials whereas before I bought certain things from other retailers	CCB
M4-20	Most shopping done here but certain products are cheaper elsewhere so I buy these from there	CB
M4-21	Yes our shopping is more planned as we try to buy most of our cosmetics when they are on promotion and we try not to buy from other stores unless we have no alternative	CB
M4-22	Where there is a partner store, I do try to go there as much as possible	CB
M4-23	No I haven't changed my shopping spend, I do most of my shopping at the partner so it seems more convenient	HNCM
M4-24	Yes, the rewards are an incentive to the majority of the shopping there, and being part of a chain the general prices are competitive	CB

Question 5: Do you understand the structure/benefits/offerings of the programmes? Have you received an information pack, personal contact, etc. to explain this?

Ref	Response	Code
M5-1	Yes I am getting to understand the programme a bit more as a pack was sent to me via post detailing all the stores that would reward me in terms of a discount.	Understand. Comms
M5-2	No nothing at all	Don't Understand. No Comms
M5-3	No I as a spouse linked to my husband's Credit Card have not received any info or been contacted by the Reward Program personally.	Don't Understand. No Comms
M5-4	I have received the information pack which was helpful. I understand the structure and benefits	Understand. Comms

M5-5	Yes, I understand how the concept works. I remember receiving a welcome pack and receive annual magazines explaining any new rewards and how to earn points. The website is a great tool to monitor progress and to learn how you can earn more points.	Understand. Comms
M5-6	I understand the benefits and offerings of the program. But the structure I don't know much about. Yes, I received an information pack on joining and basic information was explained by the agent	Don't Understand. Comms
M5-7	Yes, full information provided.	Understand. Comms
M5-8	Yes, very well communicated. Received info continuously by mail as well as on-line. Personal contact is great too	Understand. Comms
M5-9	Yes, I understand fully how the concept works and what the benefits are	Understand. Comms
M5-10	No I don't remember receiving any info pack. I would believe that I do understand the benefit/cost of the programme. I remember in the past the website was not very clear on the rewards per card type (i.e. cheque, credit card, gold, and platinum). This info should be easily available on front of website. I don't know if this has changed	Understand. No Comms
M5-11	Yes I do understand, and I have continually received communication via email on the benefits and offering of the programme.	Understand. Comms
M5-12	Yes I do, also a pack was received	Understand. Comms
M5-13	I think I did receive a pack a long time ago when I joined, however, I find that all the relevant information is readily available on the website, further to this, the call centre offers a good level of service and they are happy to answer any queries that I may have. I think I understand the benefits and limitations to a good degree	Understand. Comms
M5-14	Don't fully understand all the structures; have not received an information pack.	Don't Understand. No Comms
M5-15	No, I did my own personal research and filled in the online application form. The information is available on the website which I read through but no personal contact was made with a sales agent to explain the details of the programme.	Understand. No Comms
M5-16	Yes I do, information is also available online	Understand. Comms
M5-17	We received a pamphlet explaining the benefits in detail	Understand. Comms
M5-18	Communication is poor. No info pack or explanation. I understand that I receive a % back in purchases. It's simple	Understand. No Comms
M5-19	The most obvious benefit would be the cash back. I have not received any personal contact	Understand. No Comms

M5-20	I understand the structure but no information packs received	Understand. No Comms
M5-21	We received a brochure explaining the benefits with our introduction pack	Understand. Comms
M5-22	Yes I do understand. No information pack was received	Understand. No Comms
M5-23	Yes I do. No information pack was received. Benefits were explained over the counter and a pamphlet was given	Understand. No Comms
M5-24	Brief understanding, no calls or interaction from the reward programme	Understand. No Comms

Question 6: Do you receive any communication from the reward programme? What are your views on the quality of the communication you receive from the reward programme (i.e. emails, statements, SMS's, etc.)		
Ref	**Response**	**Code**
M6-1	I was pleased to see the intro pack that was sent, but to date not much else was sent except the charge for being on the programme does get SMS'd to me once a month.	Poor
M6-2	Occasional SMS, very poor communication	Poor
M6-3	My husband receives an SMS on the amount of Rewards earned, I think	Poor
M6-4	Receive quarterly booklet with coupons and updates on the rewards partners. Receive SMS's updating me on my rewards balance once a month. Communication is very poor in that I have yet to see a statement telling me how they have calculated the rewards balance, so I have no idea if I am being ripped off or not	Poor
M6-5	Yes: emails, magazines, SMS's	Good
M6-6	Yes, I do receive communication. I think the quality and material is good. It keeps you up to date with what the program is involved in any updates etc.	Good
M6-7	Yes, the website is very impressive, I can keep a full track of my accounts and points earned	Good
M6-8	Yes Sufficient Info is provided	Good
M6-9	I receive statement updates and SMS's pertaining to any purchases made using my account.	Good
M6-10	Yes, I get emails. But the frequency is very low. It should be sent out together with the monthly statement	Poor
M6-11	The quality of the emails and SMS's are good.	Good

M6-12	Yes I do, the quality and frequency has been very good	Good
M6-13	Yes, I receive monthly mileage summary reports that tell me how many miles I have earned. It's a very detailed report that breaks down each purchase, spend, etc	Good
M6-14	I receive emails once in a while. Little communication regarding statements with miles balances etc.	Poor
M6-15	Yes. I receive electronic newsletters and statement summaries. The content of the newsletter is boring and doesn't even get my attention/read Statements are good, with all necessary information available. Nothing more needed I suppose	Satisfactory
M6-16	I receive emails. Quality is good and not too many emails too often	Good
M6-17	Very little communication via post. No SMS or Emails but we don't really feel that more communication is needed except for an update on points earned.	Satisfactory
M6-18	No communication. Very poor. This needs improvement	Poor
M6-19	I have not received any communication/email/SMS yet	None
M6-20	Have not received any communication from them	None
M6-21	We do not receive any communications. We also have to enquire in-store to determine our points accumulated. We don't get promotional pamphlets either, so I believe communication is very poor if not non existent	None
M6-22	Received mail with promotions in store. No other communication	Poor
M6-23	No personal communication	None
M6-24	No communication from the reward programme. You have to go in store to check your points. Communication very poor, no statements on points are sent out. I get SMS's but only for promotions, not to do with the reward programme	Poor

Question 7: What were your expectations off the programme when you joined?		
Ref	**Response**	**Code**
M7-1	To receive discounts on purchases	Discounts
M7-2	All I want to do is save money, or get something back for spending my money	Cash Back
M7-3	Cannot comment because I joined it by default.	Unsure
M7-4	I was hoping for something that paid for itself and provided rewards on everything I spent on the card; however I only earn rewards when shopping at partner stores and these are not everyday stores.	Rewards/Points

M7-5	The program already had a good reputation when I joined, so I was looking forward to earning the points and moving up the ladder. The tier structure also allowed me to earn discounts at partner stores which were very appealing.	Discounts
M7-6	My expectation was to benefit from their partners	Discounts
M7-7	To save money and get additional benefits	Discounts
M7-8	The expectation at first was just reduced rates for the gym membership, and great other related benefits	Discounts
M7-9	I didn't have any expectations as the program was still in its infancy when I joined and I wasn't really exposed to the world of reward programmes back then	Unsure
M7-10	"Free Money" i.e. effectively a % of purchases comes back to you to use at any store registered with the programme. I had very high expectations	Cash Back
M7-11	The more I spend the more I earn and the program has lived up to my expectation	Rewards/Points
M7-12	To gain maximum benefit, receive timeous communication and for it to be easy to use	Other Benefits
M7-13	I expected to receive free flights for points that I earned. So I didn't really have that high expectations	Rewards/Points
M7-14	To earn points more easily.	Rewards/Points
M7-15	I had fairly low expectations for the program and it was only intended as a way to get something out of the local travel that I book. I wasn't interested in using the global reach via other partners etc	Unsure
M7-16	To be part of the programme and obtain points. Use points to upgrade as well	Rewards/Points
M7-17	I wanted to earn rewards to get better value for my money.	Rewards/Points
M7-18	Get 1% back in points, I will spend and I should receive	Cash Back
M7-19	People were going crazy about the card when it first came out. It is definitely worthwhile to be a member	Other Benefits
M7-20	Cash Back benefits	Cash Back
M7-21	We expected to receive discounts as well as a fair amount of points as we buy for an entire family which includes three females	Discounts
M7-22	To receive points for futures discounts on store purchases	Rewards/Points
M7-23	I do most of my spending there so it works out for me	Unsure
M7-24	Was hoping to save a lot more on my purchases	Discounts

Question 8: Have your expectations been met thus far? Please provide a brief explanation?		
Ref	**Response**	**Code**
M8-1	I have not as yet seen much as I'm not long on the programme but I'm sure I will see the benefits as time moves on. Airline ticket or hotel accommodation applies when you have the credit card I Don't have a credit card only a savings card.	Very Little
M8-2	No, but then again I haven't really used the product to its maximum benefits, I just don't know how to and what it really offers.	No
M8-3	Not well communicated to spouse or secondary card holders.	No
M8-4	No, my expectations have not been fully met as my service provider has left the programme, and now I am not sure how I will earn any rewards from my remaining spend. At the moment it is paying for itself, but when it stops paying for itself, I will cancel it	No
M8-5	Yes, I feel that the model of earning points based on health and fitness levels is a good motivator to live a healthier lifestyle and have never been made to feel dissatisfied.	Yes
M8-6	Yes, the programme has a variety of partners which has enabled choice and has increased the chances of benefiting. So my expectation in this regard has been met	Yes
M8-7	Yes, with some good planning it's not very difficult to improve my tier and the higher my tier the more benefits I enjoy	Yes
M8-8	Yes far exceeded my expectations, it's no longer a reward program but a more of a lifestyle management program Great benefits. Well motivated	Yes
M8-9	Yes, in terms of using the service to purchase items from other sources. It has virtually allowed me to purchase items for free through the number of points that I've had over the years, so very happy with the service.	Yes
M8-10	Yes, I am receiving my points per swipe.	Yes
M8-11	Yes, I managed to buy a deep freezer and other small items merely with reward points	Yes
M8-12	So far yes	Yes
M8-13	I think that they have been met; however it's not as "easy" as it sounds. There were many limitations on the points that I was awarded, which I was not really aware of. However, after having been a member for some time, I think I now understand the program better. There a limited number of redemption options available, so there may be times when you are unable to use them at a time of your choice. Also there are options to use "extra points" just to guarantee redemption, (if you do not get the "cheap options" so it may cost you "more". One thing that initially shocked me was the level of taxes charged-sometimes the taxes are more than an alternate option through competitors. However, I learnt that if I expect to redeem a service within 7 days or less than a bigger fee will be charged to me. I recently redeemed a service and had to pay 750 Rands on taxes/penalties. However, this could	Very Little

	have been reduced if I redeemed earlier. A good thing about redeeming points is that it enable one to gift the service to a friend, I have done this on a few occasions and found the process very simple. There are no hassles, all you need is the name. Not even an ID is required! Another reward that we have received is a "free" companion service. At first I was very excited to get this, but when I read the fine print it didn't seem like a reward. There are requirements that the service has to be of a premium level. This effectively renders the free service void because the cost of a premium service is generally equal (if not more than) to the price of 2 normal services. However, I think that if we are planning in advance we may consider using it. But another thing is that these points have expiry dates and generally have to be used within a year.	
M8-14	No, if I compare it to other related loyalty programs, this one offers far less	No
M8-15	Yes, I use the loyalty program for purpose I intended. I have received many points in return which were used to redeem services. However as mentioned above, this has become less cost efficient. The gap between the values adds that the rewards provide and price of an alternative service from a competitor has narrowed. I also don't think that the program offers enough to warrant me paying the extra amount.	Yes
M8-16	Yes to an extent. Claiming points with partner is a tedious task as involves too much admin	Mostly
M8-17	Yes. The points we receive can be seen as a discount for loyalty. We are buying nothing outside our daily grocery needs so it's a bonus.	Yes
M8-18	I don't know, as I have not received any communication from them. I haven't really looked into it	Very Little
M8-19	I would say so. Not many cards are as simple to check balances/special offers etc. They have three checkpoint machines in store for this	Yes
M8-20	Yes, but would like some incentives	Yes
M8-21	Based on the money we have spent I don't feel we receive enough discounts or points for being part of the loyalty program. We don't feel the loyalty program offers sufficient rewards to warrant membership	No
M8-22	No not as yet.	No
M8-23	Yes I have used the benefit points. They don't expire as quick as others do	Yes
M8-24	At least I get back a little for all the money I spend. I didn't have very high expectations when I joined, as I know these are all businesses and their aim is to make maximum profits, but as I mentioned earlier if I get back something for spending my money loyally I'm happy, of course the more I get I would be happier.	Mostly

Question 9: Are you loyal to the reward programme? Please provide a brief explanation.		
Ref	**Response**	**Code**
M9-1	Yes to an extent because when I do not have any cash on hand I depend on my debit card completely.	Becoming Loyal
M9-2	Not really, I seem to use other reward programs much more	No
M9-3	If loyalty program is applicable to certain stores then this needs to be advertised at the Till point so benefits are achieved.	No
M9-4	No, the partners do not reflect my normal spending habits, making it difficult to be loyal to the programme	No
M9-5	Yes, I love the concept and would hate to leave the program one day.	Yes
M9-6	Yes. Again, The loyalty program has a partner offering superior to others and to move away is not considered at this point	Yes
M9-7	Yes, I spend as much as I can with my credit card at partners	Yes
M9-8	Yes, most definitely, I have great benefits personally from a Health and Wellness. Also great savings and Awesome incentives	Yes
M9-9	I haven't been earning points since I cancelled my Cheque card early 2010. So all my points have remained as is since cancelling then. However I believe strongly in the concept as I stand for the visions in terms of innovation and client satisfaction.	Becoming Loyal
M9-10	Yes very loyal. I purchase everything on Card now to collect points. Haven't spent any yet though	Yes
M9-11	Yes I am , and will not change for any other programme	Yes
M9-12	Yes, as mentioned I ensure I swipe to get the points	Yes
M9-13	Not really, I earn points mostly with the credit card; I hardly ever earn points using partners as I use any service provider that I find is convenient at the time. The points are earned at any store-so even if go to the salon I earn points. It doesn't foster any loyalty to use partners at all. Which I think defeats the purpose of the loyalty card from the partner's point of view.	No
M9-14	No, I have other loyalty programs	No
M9-15	Yes. Many of the other vendors have launched their own programs but I think the big plus with this is that you can benefit from spend on their co-branded credit card. I won't change programs to another co-branded card without some due consideration because of this reason. The hassle of re-opening banking accounts etc will be a deterrent to change	Yes
M9-16	Yes only use partners in the network	Yes
M9-17	Yes. We shop at the stores least twice a month.	Yes
M9-18	Not really, 1% is too small to make me move all my purchases	No
M9-19	If the programme works for me I will be supportive and loyal. Time will tell	Yes

M9-20	Definitely	Yes
M9-21	No. We do not have a store in our area so we don't have easy access to the stores	No
M9-22	Not really, do shop at competitors and other similar stores depending on the mall visited.	No
M9-23	I don't do my shopping solely for the reward programme. If the price is better elsewhere I would look into it	No
M9-24	Yes I am. I do all my medical and cosmetic shopping with them, their prices are very competitive	Yes

Question 10: Each reward programme is structured on a triangular model. There are three players in a reward programme relationship (i.e. the members – you, the reward programme, reward partners). Some reward programmes do not have specific reward partners as you are only able to earn and redeem at the reward. As you are, as a member, vital in this relationship, how do you view this relationship? Is it well managed? Do you feel valued? Do you feel that the relationship is not being well managed by the reward programme? Do you feel each of the three parties are benefiting from the relationship of is this relationship there to benefit only some of the parties?

Ref	Response	Code
M10-1	I'm sure the other parties benefit too by securing a regular cliental. It is pleasing to know that you can be rewarded if you use your Debit card and automatically you would receive points. Yes one does feel more valued.	WMV
M10-2	I don't feel valued at all. Very poor handling from the programme	NWMU
M10-3	If it was worth something I would be yes, re the reward program I do not know enough to comment, but if I did I would use it to my benefit.	NWMU
M10-4	As a member I do not feel valued, as the rewards partners are not to my liking, and I get charged a fee no matter whether I shop at them or not	NWMU
M10-5	I believe the model is good. The points earned can be used at a variety of Mall stores. I've always used my tier Status to purchase airline tickets which have proved to be to my benefit as I've saved on airline costs in the past (based on the my status and using the discount benefit) I've never purchased a major item from the store as I believe the cost of each item was higher than the normal retail price. The fact that I also earn discounts at certain stores when using my Credit Card has also been beneficial to me.	WMV
M10-6	The triangle model relationship to me is fair. Any situation that will provide me with choice and flexibility and at the same time benefit me in some way is a value-add. So yes, I do fell valued if more partners are added. I think all parties benefit in some way. The relationship is mutual where everyone gets something out, but I do think that under all the marketing and advertisements, the consumer is the one that benefits the least. The reward, I think, has managed this and marketed it perfectly	WMU
M10-7	I think the programme is running great benefits for its members, I think all three parties are benefitting, well managed and as a	WMV

	member I feel valued by the scheme.	
M10-8	Yes, I do feel like our membership is well managed and well rewarded. I am very happy with the program so yes I do feel valued. Third Parties are most definitely benefiting	WMV
M10-9	I believe the structure of a rewards relationship has to benefit all parties involved. If 3rd parties offer a certain rewards plan that's only related to them then this is something, that I feel, should be respected. The overall offering provides rewards at a multitude of rewards partners and services. Hence there is plenty of choice when it comes to redeeming any rewards earned	WMV
M10-10	The programme is very balanced as opposed to others. I don't think its benefiting all three parties.	WMU
M10-11	Very well managed. Have many relationship and this is managed very well	WMV
M10-12	I think it is very well managed, the amount of communication makes me feel valued and I think all 3 parties are benefitting from this.	WMV
M10-13	I think that the relationship is definitely well managed and I find that when I wish to redeem points, the process is very simple as well. The only caveat to that is that one needs to be fully aware of the rules/restrictions of redeeming points.	WMV
M10-14	The reward programme does have reward partners however it is difficult to link the reward partner and the reward program. Supplying proof to show your loyalty program is a tedious and frustrating task in my experience.	NWMU
M10-15	The triangle model relationship to me is fair. Any situation that will provide me with choice and flexibility and at the same time benefit me in some way is a value-add. So yes, I do feel valued if more partners are added. I think all parties benefit in some way. The relationship is mutual where everyone gets something out, but I do think that under all the marketing and advertisements, the consumer is the one that benefits the least. The reward programme does have a few partners but I don't think that it is being managed well. They have not grown their partner base as I would have liked such as other partners	WMU
M10-16	With regards to the reward programme and its partner, code share and reward partners it is not always managed well. Claiming points for code share and partner airlines is very tedious and causes many delays. With reward partners they are not suitable as you cannot claim any miles against them	NWMU
M10-17	I believe the added Charity program is a great idea to give back to the disadvantaged and I feel it is very socially responsible for the reward programme to give us the opportunity to assist via their loyalty program.	WMV
M10-18	Only the reward programme benefits from this. For them, 1% cost but their benefit is unlimited due to more purchases by customers. It needs to be more balanced. Too slanted in the programme's favour	NWMU
M10-19	I do valued as I finally being rewarded for shopping with the programme	WMV
M10-20	I think the reward programme are benefiting more than other parties and should give more incentives to the other parties	NWMU

M10-21	I don't believe the program rewards the consumer sufficiently. It seems to me that it is a marketing strategy to attract buyers	NWMU
M10-22	Have not received any rewards to date although have done most of my shopping at that store.	NRU
M10-23	Yes, the member and the programme benefits. Valued maybe by getting the discounts but it not real value	WMU
M10-24	With the reward programme you get the direct points. I don't feel anymore valued then a non member. The only one extra benefit that I know of is that as a member I'm entitled to get a free magazine very quarter or so.	NRU

Question 11: Are you satisfied with the range of earn and spend partners that the reward programme offers? If there aren't any external earn/spend partners linked to the programme, do you feel there should be?		
Ref	**Response**	**Code**
M11-1	There could be more spend partners. The market is vast so more parties could be incorporated	Noy
M11-2	Can't really comment because I haven't used the product to the maximum benefits	Non
M11-3	No not at all. Only benefit is that I don't have separate loyalty card for the program rewards are calculated from the Credit Card Spend.	Noy
M11-4	The partners are too narrowly focused – mostly on white Afrikaans people in my opinion. More range and everyday shopping should make it much more rewarding	Noy
M11-5	Yes, extremely satisfied. Was disappointed when a certain partner was taken off the list of partner stores, but it didn't matter when we started earning cash back from purchases made at another. The cash back was paid directly into my Credit Card, thus reducing my outstanding balance – a major win.	Noy
M11-6	Yes. The range of partners covers my spending habits so I am satisfied	Yes
M11-7	Yes large range, but the more partners the better the choice I have to spend and benefit	Yes
M11-8	Yes I am definitely greater incentives for members that are show effective loyalty and great health management.	Yes
M11-9	Yes, I feel the spectrum of rewards are wide and always served my needs in terms of purchasing goods and services through the program	Yes
M11-10	As far as I know, you earn per swipe (so it doesn't matter where you swipe as you will always earn). Spend a good range of partners. In order to be competitive, the reward programme has to extend the range in future as this space is very competitive, esp. if they want to win over customers from other reward programmes	Yes
M11-11	Yes	Yes
M11-12	It would be nice if a wider variety of partners were available	Yesy
M11-13	I am satisfied with the range of earn partners as I can earn every time I swipe my credit card as well as when I use the reward programme or its partners	Yes

M11-14	The range is adequate	Yes
M11-15	No, the reward has failed to increase their partner base to a broad client offering	Noy
M11-16	Yes I am	Yes
M11-17	Yes I am.	Yes
M11-18	No. It is too limited to the reward programme only. They should extend the range of benefits (other consumer goods, i.e. bring on other partners such as restaurants, cinemas, etc)	Noy
M11-19	Would be nice if a portion of the money spent could go to SPCA and unaided old age homes as well	Noy
M11-20	No	Noy
M11-21	No I am not satisfied with the program. The points to spend ratio is inadequate. i.e. Not many points are given for amount of cash spent	Noy
M11-22	No partners / n/a	Noy
M11-23	I think there should be other partners, it widens the choices	Noy
M11-24	I'm satisfied with spending the rewards back in store, as I spend my money there on a monthly basis.	Yes

Question 12: How many of these partners (if any) do you use to earn or spend from? Please provide names of these partners.		
Ref	**Response**	**Code**
M12-1	2	2
M12-2	None.	0
M12-3	I don't know enough about the program	0
M12-4	Used to be 1, but they have now left the programme	0
M12-5	3	1
M12-6	4	1
M12-7	3	1
M12-8	9	1
M12-9	1	1
M12-10	3	3
M12-11	1	1
M12-12	None yet, waiting to get more points	0

M12-13	3	1
M12-14	7	0
M12-15	None, Only spend and earn on reward programme related items	0
M12-16	5	0
M12-17	None needed.	3
M12-18	None	4
M12-19	None	3
M12-20	None	9
M12-21	None	3
M12-22	N/A	7
M12-23	1	0
M12-24	None	5

Question 13: If your reward programme where to approach you and insist that you only spend with them (or their partners), that you should spend more frequently, and should spend more in terms of value of transactions; what would you like in return for you to agree to this? (I.e. what would the reward programme need to do to make you a loyal customer?)

Ref	Response	Code		
M13-1	Regular notification of specials and feedback on points earned	Communication		
M13-2	The incentives and rewards need to be such that I won't be able to refuse them.	Incentives		
M13-3	A substantial saving for sure, especially if it's based on frequency and loyalty	Incentives		
M13-4	They would need to ensure that they choose partners more convenient and widespread to shop at, at not all the niche stores they currently have partnered with. The only reward that will force me to change my habits would be visible rewards in the shape of statements showing how much I have earned in rewards and from which store. Money in my pocket will make me consider changing my shopping habits	Partner Network	Communication	
M13-5	More points earned based on value of credit card transaction (maybe a tiered approach whereby you earn a certain number of points based on value of the transaction, and not fixed to R10 = 1 mile)	Incentives		

M13-6	They would need to increase their partners, giving me more choice, Increase my benefits – higher discounts/ more points earned	Incentives	Partner Network	
M13-7	Bigger money back rewards and benefits and discounts	Incentives		
M13-8	Greater Savings	Incentives		
M13-9	I would feel reluctant to conform to any particular rules around the frequency of use as this would put me under pressure to use the service. I believe the offering should be used at one's convenience and time. If I agree to the suggestion, I would also for more points earned per Rand spend	Incentives	Programme Structure	
M13-10	More rewards, i.e. a higher % per swipe given back to the customer to spend. More spending channels, I.e., more places to spend at. Remove the annual charge to link the programme to the credit card. This will make it more appealing to people who will be able to join the programme through the CC, as I feel that this change stops people from joining. Why is it that for the Cheque product there is no annual fee and yet for the Card product there is an annual charge	Incentives	Programme Structure	Partner Network
M13-11	More points	Incentives		
M13-12	Non expiry, guarantee on certain brands	Incentives	Programme Structure	
M13-13	I don't think would change my behavior as the reward programme are sometimes much more expensive than other competitors. The points are just a bonus. Also one has to have about 19000 points to get a "free" service which takes around 6 months depending on our spending.	Programme Structure		
M13-14	Offer better rewards for the amount of rewards spent and earned, Make it easier to enquire about the program, statement, Make more services available for especially during peak times, and Lower the threshold to change to premium services in the reward program or increase the length of time in a higher tier	Programme Structure	Incentives	Communication
M13-15	They would need to increase their partners, giving me more choice, Increase their earn to spend ratio – in which my spend benefits me more	Incentives	Programme Structure	Partner Network
M13-16	Ensure that all points including from partners are automatically claimed Provide better deals for members	Incentives	Programme Structure	

M13-17	Nothing would change our spending habits as we stick to a spending budget	None		
M13-18	A higher % return. Discounts on other products	Incentives	Programme Structure	
M13-19	Good customer care - lacking at present, A higher reward for monthly shopping, A higher reward for daily specials - for reward programme, A family card so that all points could be added together, working towards a target e.g. a gold card. If you spend over a certain amount a month	Incentives	Programme Structure	
M13-20	Loyal Customer cards, More value per transactions	Incentives	Programme Structure	
M13-21	No I would not agree with this. They would have to show more value in terms of choices and also better value for money products	Partner Network	Incentives	
M13-22	Need to provide relevant benefits, Rewards to be provided at least quarterly for points earned regarding purchases made	Relevance	Incentives	
M13-23	They should offer more discounts, more points	Incentives		
M13-24	I would like much more rewards and benefits	Incentives		

Question 14: What are three most important things that you feel would provide better value in a reward/loyalty programme in South Africa?

Ref	Response	Code		
M14-1	Regular communication from the reward programme, Transparency, who else benefits, More partners	Communication	Transparency	Partner Network
M14-2	Communication, user friendly product, incentives and rewards	Communication	Programme Structure	Incentives
M14-3	Great savings, Incentives, Motivation	Communication	Incentives	
M14-4	Better visibility into how rewards are earned, Decent rewards percentage i.e. earn 5% cash back rather than 1%, Wide selection of partners including fuel stations	Communication	Incentives	Partner Network
M14-5	Pricing, Product Offering, Innovation	Incentives	Programme Structure	Innovation
M14-6	Choice , Benefit , Ease of use	Incentives	Programme Structure	Partner Network
M14-7	Communication i.e. what the programme offers, Rewards and partners, Big name loyalty partners	Communication	Partner Network	

M14-8	Great Saving, Incentives, Great Lifestyle and health management	Incentives	Programme Structure	
M14-9	Pricing, Product offering, Innovation	Incentives	Partner Network	Innovation
M14-10	Lower/Zero Costs, Higher Benefits, Wider spending range	Incentives	Partner Network	
M14-11	More incentives, Increase the reward programme, Keep it simple	Incentives	Programme Structure	
M14-12	Honesty, transparency and value	Incentives	Transparency	Communication
M14-13	More services, Less taxes/charges when redeeming points, Less rules regarding awards	Incentives	Programme Structure	
M14-14	Personal contact with an individual handling your loyalty account, Make it easier for the customer to earn or spend miles	Communication	Programme Structure	
M14-15	Choice , Benefit, Ease of use	Incentives	Programme Structure	Partner Network
M14-16	Rewarding members, Loyal member to received added benefits, No administration hassles	Incentives	Programme Structure	
M14-17	Value for Rewards vs. Money spent, Quality of service & products, Diversity of Services	Incentives	Quality	Partner Network
M14-18	Increase % return, Increase rewards (double points, Discounts at movies with card, etc.)	Incentives	Programme Structure	
M14-19	Extra points on essentials not luxuries. Extra points on in-house brands, more free things	Incentives	Programme Structure	
M14-20	Better specials on House brands, Double points on everyday purchases (vegetables, bread, etc), Bonus points for high spending	Incentives	Programme Structure	
M14-21	Value for Rewards vs. Money spent, Quality of service & products, Diversity of Services	Incentives	Quality	Partner Network
M14-22	Rewards for loyalty i.e. bonus points etc	Incentives		
M14-23	The programme should increase their points earned range and people would earn more points. More points would lead to more spend	Incentives		
M14-24	Communication, User Friendly Product i.e. less terms and conditions, Greater Rewards	Communication	Programme Structure	Incentives

8.2.2 *Reward Programme Data*

Code Book	Reward Programme Responses
R1-M	Choice of Partners
	Discounts
	Monthly Specials
	Motivation
	Partner Reward
	Product Range
	Programme Reward
	Psycological Reward
	Relevance
	Reward for every transaction
	Thank you
R1-P	Footprint Exposure & Access
	Closed Loop Programme
	Increased Sales/Profitability
	Change in Member behaviour
	Marketing
R2	Survey
	Programme Usage
	Data Analysis
	None
R3	Yes
	Slightly
	No
R4	Caring for Members
	Appreciation
	Choice
	Innovation
	Social Responsibility
	Better Lifestyle
	None
R5-M	Relationship
	Honesty
	Choice
	Sufficient Value
	Recognition
	Relevance
	Quality Partner Network
R5-R	Loyal Memberbase
	Profitability
	Active Memberbase
	Partner Support
	Memberbase Growth
R5-P	Flexibility
	Profitability
	Active Memberbase
	Memberbase Growth
R6	Not Exclusive
	Healthy
	Rewarding
	Unstable
	Mutually Beneficial
	Friction
	Profitable
	Lacks Understanding

Figure 37: Code Book - Reward Programme Responses

Question 1: How do you feel that members and partners benefit from the Reward programme							
Ref	**Response**	**Code-Member**			**Code-Partner**		
R1-1	Members benefit from both Partner earn and Bank earn (only for partner spend). They also benefit through various bonus benefits and monthly specials. The partners benefit from exposure to the bank's customers, access to member data, a bigger footprint and increased sales due to this, higher ROI measured for them and various below the line marketing efforts from the Reward Programme.	Monthly Specials	Partner Reward	Programme Reward	Footprint Exposure & Access	Increased Sales/ Profitability	Marketing
R1-2	Members benefit from the programme by being able to get something in return for every purchase. As our prices are very competitive in the market and our product range is one of the largest in the industry, an additional "discount" in the form of a reward is valuable to members. Even though ours is a closed loop programme, members are more often repeat buyers and thus points act as discounts or up selling aids for them. We are the sole partner in our programme, hence we definitely benefit as we see that the discounts we offer and the points that we reward come back into our environment. Members also feel satisfied with the programme as we donate a certain % to various charitable organisations. This service is supported by our members hence they see the benefit of being part of the programme.	Discounts	Psychological Reward	Product Range	Closed Loop Programme	Change in Member behaviour	

R1-3	Members earn a reward currency based on how well they interact with the reward programme. So the more they choose to pay with the card for things they are paying for anyway, the more they earn. This gives members a direct reward for each transaction - very tangible and has a direct value attached. The reward currency is perceived to be another currency and this presents members with a very wide variety to spend their points on - like getting stuff for free! This choice factor of being able get almost anything with your points is the REAL benefit for members. A point that cannot be spent on something meaningful or relevant to me is useless. Partners gain by driving customer behaviour in a way that creates more profitable customers. Swipe more, shop more with partners etc... Partners that accept the reward currency as payment and allocate rewards on rand payments see increased Rand spend as well as bigger baskets than non members. In the retail world this can create significant bottom line gains.	Reward for every transaction	Choice of Partners	Relevance	Increased Sales/ Profitability	Change in Member behaviour
R1-4	It's a Thank you to our customers/members who loyally shop at the reward programme stores. It benefits us as the spend partner as it allows us to pull other retailer's customers into our stores and it allows us to better retain our customer	Thank you	Programme Reward	Discount	Increased Sales/ Profitability	Change in Member behaviour
R1-5	All of our partners offer a healthier and enriching lifestyle to our members. Members are able to access facilities, services and information that would normally be very difficult to. Our programme creates a platform for these two parties to interact and provide benefits (both financial and psychological) to each other. Partners gain access to a very large member base and as there is no point redemption	Motivation	Choice of Partners	Reward for every Transaction	Footprint Exposure & Access	Change in Member behaviour

	system, the members are allowed to take advantage (based on the membership level) of the benefits agreed upon by us and the partner.					
R1-6	Partners benefits from the overall product structure where they are able to link in to the existing member base of several partners who all form part of the reward programme. Partners also benefit as they are able to provide facilities benefits to their members through the programme. The members benefit from the exposure they have to 54 different partners in 5 industries. The programme has the best (i.e. quickest) earning ratio which makes a difference in the daily spending habits of members. Members find it difficult to understand as there cannot be a Rand value attached to each point due to the vast partner network and individual agreements with them in order to award a point	Choice of Partners	Reward for every Transaction		Footprint Exposure & Access	

Question 2: How do you measure Customer Loyalty, Customer Satisfaction, Customer Behaviour, Customer Attitude, Customer Life Time Value				
Ref	**Response**	**Code-Loyalty**	**Code-Satisfaction**	**Code-CLV**
R2-1	We use three tools: Customer satisfaction tool. This is a quarterly survey done on a % of our member base to get feedback on our service, products and relationship management with the customer. Net promoter score. This too is a survey to ask if our customers will promote the reward programme and why (for both a negative and positive response). Success of the Programme measures. We look at key loyalty measures such as acquisition, customer spend, retention (difference between opening and closing of a membership), cross sell (of other products so that more earn can be experienced). This helps us determine the success of the programme on a monthly basis	Survey	Survey	Data Analysis

R2-2	We measure customer loyalty and customer lifetime value by tracking the usage of the membership card in terms of the number of transactions where the card is used as a % of total transactions in stores. Repeat customers are identified and shopping habits are measured. Customer satisfaction is measured through various surveys and feedback points in store. We ask customers for feedback on the resolution of queries, etc in order to ascertain their satisfaction levels in the worst case scenario.	Programme Usage	Survey	None
R2-3	All the below can be measured in a number of different ways depending on the industry etc. Some looks at actual data, others requires research. It usually requires a benchmark measurement and then tracking against that. Also looks at customers who belong to your programme versus those who don't, customers before and then after joining. Customer Loyalty: Some examples are: number of products used, higher frequency, higher transaction values, higher share of wallet, referral likelihood, increased usage, brand affiliation, response to direct marketing, has given permission for you to contact them, will be more tolerant of service failures. Customer Satisfaction: Best measured via surveys and research. Short quick questionnaire (can be as short as 1 to 3 questions) should be asked directly after specific customer interaction. Customers can also be satisfied with certain aspects and not with others. Satisfaction should be measured across all touch points. Repeat usage can be an indication of satisfaction in some instances. Again, likelihood of referral is another indicator - it is one simple question "would you refer the programme to your friends or family?" We use a 3 question survey after certain interactions and we measure repeat spend as an indication of satisfaction. We use a combination of all of the above, with focus on a massive research survey with customers. Customer behaviour: This is very dependent on each industry and business. Usually a combination of data analytics, research and surveys will give an idea of what customers are doing (data) and more importantly, why they doing it (research/surveys). We also incorporate segmentation to understand variances in behaviour as well. Customer attitude: Mainly only done through various research methods, predominantly focus groups. Surveys can be give high-level insights. Again, likelihood of referral as well. CUSTOMER LIFETIME VALUE: Again, this is very industry and business specific. Generally businesses will analyse and then set benchmarks and track against them. Determining CLV is generally under pinned by customer profitability and how this changes over time, which differs vastly for different businesses. The bank tracks this, not us.	Data Analysis	Survey	None

R2-4	It's too early in the programme to measure these factors but the data that we currently analyse looks at frequency of shopping, the size of the basket and the categories of items purchased (through swiping the loyalty card). Through this we are developing tools to measure customer attitude. It makes it difficult for us to analyse this against anything as prior to this there was no other means to look at specific customer behaviour. With the loyalty card, we are able to collect real time data for analysis (regardless of payment method which works in our retail space)	None	None	None
R2-5	We measure customer loyalty by the behaviour of our members. In order for members to move into higher tiers, they need to behave in a certain way and earn points as such. A large % of our member base move out of the lower tier which shows that they are loyal to the programme. Customer satisfaction too can be seen by such behaviour and also by consistent trends over years. Members tart off at the bottom tier each year and our data shows that members who have been with the programme for many years will strive each year to move into higher tiers to earn the higher benefits. This talks to customer lifetime value as well. We find that the healthier our members live, the more value we see as we are able to reduce the risk of our parent company.	Programme Usage	Data Analysis	Data Analysis
R2-6	Customer loyalty is basically measured through spending behaviour, tiering and segmenting goals by members. There is constant watch over the elite tiers to see the growth and movement in and out of these tiers. Movement in would indicate that members are loyal and are working towards achieving the highest tier. Customer satisfaction, behaviour and attitude are all measured through customer feedback initiatives (such as surveys, etc.) and looking at the various queries/complaints that are coming in from the members of the programmes. Focus groups are run to understand attitudinal aspects of the programme. One important initiative is to do focus groups and analysis of the attitudes of the staff member members which provides insight into the members' state of mind as the staff is the ones who deal with the members on a daily basis.	Programme Usage	Survey	None

Question 3: Do you think members are really loyal		
Ref	**Response**	**Code-Loyalty**
R3-1	Yes I think members are loyal. Especially in tougher times. Customers really want something out of the products that they hold. The programme provides cash back and not a reward in terms of points, etc. So this becomes a very good proposition in these times. Loyalty is also shown when people in higher wealth segments phone to query about transactions etc. An active base shows that there is a level of loyalty	Yes

R3-2	To a certain extent they are, we are not as widespread as some of our competitors and thus members who are in an area or shopping mall where we do not have a branch, members will need to go to our competitors. This has a definite negative impact as it gives the competitors a chance to impress. We do find however that a large % of our base are repeat customers which shows that if they had a choice, our members would more than likely shop with us	Slightly
R3-3	I don't think a loyalty programme alone will create loyalty, but the right combination that creates the full brand experience and offering can create VERY loyal customers. Simply ask any Apple user if they loyal to Apple. The iPhone, iPad, iPod - all have mostly loyal users who are unlikely to adopt other brands products... Even if they cheaper and do the same thing. So, yes, I believe for some customers and members we have managed to create the right combination of brand promise, experience, value, product, price, promo, place etc. To make them loyal to us/partners. The question is how do we create this on a more regular and mass scale? However, lifetime loyalty is unrealistic for any brand. You only really want to keep them loyal for as long as they are profitable	No
R3-4	It's difficult to say right now as we cannot compare our current data to anything. In a year or two this data will be rich enough for us to understand the level of loyalty of our customers. I do however feel that customers are loyal based on the phenomenal take up of the PnP smart shopper product (6 million members in 6 months) and the rate at which the card is being swiped	No
R3-5	I think they are. We have a unique product offering and since people today are behind healthy living and lifestyle, there has been a phenomenal uptake of our programme member base over the past few years. We do not currently see the same offering in the market and as such the members are loyal to us for this	Yes
R3-6	Some members are loyal. A lot are not. Members need to work through the tiers to show their loyalty to the programme. A general lack of understanding (due to the complexity of the programme) means that some members do not move out of their current tier and remain there for a long period of time. This would indicate that the members are not as loyal to the programme. Members who show the drive to climb up the tiers and work with the programme and its opportunities show that they are loyal	Slightly

Question 4: What experience does your Reward Programme promote to its customers? Is this aligned with the perception of value out there				
Ref	**Response**	**Code**		
R4-1	We promote the experience of caring about of members. We want to give back something. A reward for loyalty. It's a mutual relationship. We also see ourselves an innovators and thus want members to experience unique products	Caring for Members	Appreciation	Innovation

R4-2	We promote an experience of giving back, both to the member in order to say thank you for being loyal and to the community. This special responsibility is a great value driving factor for our members. The perception of any reward programme is maximum rewards and immediate redemption options, this is not always met as members need to build up a balance in order to make meaningful purchases using their rewards	Appreciation	Social Responsibility	
R4-3	The experience of choice. Based on research feedback, yes, customers perceive us as offering choice and in turn this creates real tangible value. I will find the reward of value if I can get something relevant to me with it. Limited choice = limited value.	Choice		
R4-4	It's definitely a big thank you to our customers. It provides a relief experience in that they feel that they are benefitting from shopping with us and are allowed some great discounts on selected products which they would normally use on a day to day basis	Appreciation		
R4-5	We promote the experience of an enriching and healthier lifestyle. The healthier they live, the more benefits they experience. There is a perception gap however as members need to work up the tiers and only then will they be able to gain the maximum benefits. They also need to hold other related products from our parent company in order to access greater discounts, etc. The perception is that the highest rewards will be reached immediately, but this is not the case. We find members can be frustrated due to this.	Better Lifestyle		
R4-6	There is no specific experience that is promoted to the members. There is a lack of brand focus at the reward programme and hence the message going out to members is not consistent	None		

Question 5: What value do you think each party expects							
Ref	**Response**	**Code-Member**		**Code-Reward Programme**		**Code-Partner**	
R5-1	In this relationship, partners have the freedom to determine the level of marketing and the content of the marketing material that we do for our members. This is valuable to them. We as a Reward programme expect a loyal member base and sufficient input in terms of rewards from the partners to our members. The members expect a good relationship driven programme that provides sufficient rewards to warrant the	Relationship	Sufficient Value	Loyal Member-base	Partner Support	Flexibility	

	cost of joining and staying on the programme						
R5-2	The reward programme would expect to be profitable through such a relationship. By driving activity they would expect to be paid higher commissions. The partners would also expect profitability through increased spend and flow in their stores. The member would expect not to be crooked. They would expect real value that can be accessed when they wish	Honesty	Sufficient Value	Profitability		Profitability	
R5-3	The reward programme expects an active member base that drives partner profits. Partners - same as above. Members expect choice, let me earn for doing everyday things, then let me spend on things relevant to me; offer me a wide variety of things, ways and channels to spend my rewards.	Choice	Relevance	Active Member-base	Profitability	Active Member-base	Profitability
R5-4	In this case we are the partner and the programme. We would expect Customer Loyalty, new feet in our stores. The members would expect that there is some benefit even in the purchase of grudge purchase products and also a discounted offering for these products in some instances	Sufficient Value		Loyal Member-base		Member-base Growth	
R5-5	The members expect that there is some reward for behaving in a certain prescribed way in the market. By living healthier members should be rewarded, this is an expectation for them. They would also expect that a quality infrastructure to be active within is provided by the reward programme. The reward partners would expect that a substantial member base is provided for them to increase their profitability. The reward programme in this case would expect that a quality service is provided by the partner to the member as the reputation of the reward programme is at stake in this relationship	Sufficient Value	Quality Partner Network	Partner Support		Active Member-base	Profitability

R5-6	The reward programme expects that there will be member acquisition from the partner networks and that these members show profitable behaviours. The partners also expect member acquisition into their environment and expect to see an increase in customer value proposition. The members themselves would expect an increase in their ability to earn a reward in the large partner network that the programme offers. They would also like to be recognised and that a personal relationship is built with themselves and the programme	Recognition	Quality Partner Network	Member-base Growth	Profitability	Member-base Growth	Profitability

Question 6: What do you think is the relationship between all three parties in reward programme triangle				
Ref	**Response**	**Code**		
R6-1	Retailers in this relationship vary. There are mostly those retail partners who are trying to gain as much market share as possible and for this they will join several reward programmes. Hence our relationship with the retail partners is not exclusive but we do see a mutual benefit coming out of this relationship. The members on the other hand want more and more on a daily basis. This poses a problem as we are bound by the bank and the retail partners. We can only offer a certain level of reward for the product holdings etc and this makes the relationship with our members somewhat stressful. Saying this however, we have been able to show through impact studies, etc that we have managed an acceptable level of cannibalisation for our members spend at the retail partners. This means that members are genuinely spending more at our retail partners. This means that there is a level of loyalty that we want from our members, members are seeing some benefit at our partners because they are spending more and our retail partners are in a profitable relationship. We also have to deal with the bank and our other internal partners. This too can be difficult but necessary	Not Exclusive	Profitable	Friction
R6-2	The relationship is mutually beneficial we think. The reward programmes are able to please their members with a unique partner such as us. They are able to reward their members for a healthier lifestyle and for spending on products that will aid the community. The members too feel that spending on health products can be financially viable now. If a member belongs to more than one programme, they are rewarded by each of these which increase the value offering for the member. We as partners	Healthy	Mutually Beneficial	

	find value as members of the loyalty programmes would try and buy from us. We have a variety of products. Members move spend from many other retailers into our environment in order to earn more rewards			
R6-3	The first point in the tri-angle is the member. If they feel they are being rewarded relevantly for being loyal, they will use that partner more and more as opposed to the competitors, then partners will be generous in rewarding them to drive more and more profitable behaviour , if customers behave profitably, they earn more rewards, the more profitable they become to partners, the more generous partners can be with rewards, the more this cycle continues, the more the programme has a reason to exist as the aggregator of rewards from multiple partners to members.	Rewarding	Profitable	
R6-4	The decision to stay in a closed loop programme was not the best of moves from us but it was a move they made to stay below the radar in launching this programme. In time there might be a coalition programme which arises but it's too soon to say right now. So at the moment the relationship is very simple. Yes It seems that we eventually benefit, as customers can only redeem the points with us so hence we get our money back but there is some level of discount that the customer does experience. Our relationship with the members is not to the extent as that we would like it to be. It's a once of contact when they sign up and then it carries on from there. It's difficult to communicate to our customers due to us not knowing our customers individually but with this programme more targeted communication will be possible for us.	Unstable		
R6-5	There is good relationship between the three parties we feel. There is a unique offering in the market which members have responded well to. Members are positive about the relationship. We expect that our members follow certain criteria in order to earn the maximum benefits from our partners. Members expect that by following the criteria they would earn the maximum from our partners. Partners expect that by providing maximum benefits, more members will be tempted to utilise them and hence increase their profitability. This relationship is beneficial to each partner. There is a level of understanding in the relationship. There is sometimes a lack of understanding in terms of the tiers but once the member is educated about it once, they hardly ever come back with the same concerns	Lacks Understanding	Mutually Beneficial	Healthy

R6-6	The relationship is currently unstable in this triangle. Because of regulations, we have had to relook at a lot of our revenue recognition and reporting methods and adjust them. This in turn has an impact of the way that we account for a point which has forced us to relook at about 60% of our partners' contacts (some of which go back up to 16 years). Once the new regulations are in, each partnership has to make financial sense to us and thus we will need to renegotiate rates with partners which have led to this instability. Our relationship with our members too is unstable. Members would really like to pin a Rand value to a point in order to understand the programme and its offerings better. This however is very difficult as each point awarded has a different value basis due to different rates as negotiated with partners. This frustrates members as seats on planes can be worth different levels of points. This all depends on load factors and how to allow seats to be released an at what point value. This lack of understanding causes an uneasy relationship. Because the reward programme is part of a vast partner network, it is also difficult as members mostly spend at our other partners and not with us. This has serious service implications for us. We have certain service standards that our customers expect but we have no control over the service of our partners. This means that in poor service situations, members are dissatisfied and partners need to communicated with. This again creates friction in the triangular relationship.	Unstable	Friction	

8.2.3 *Reward Programme Partner Data*

Code Book	Partner Responses
P1	Yes
	Not Yet
	No
P2	Yes
	No
P3	Healthy
	Unstable
	Friction
	Profitable
	Not Mutually Beneficial
	Mutually Beneficial

Code Book	Partner Responses
P4-1	Yes
	No
P4-2	0%-35%
	35%-50%
	50%-80%
	80%-100%
	80%-100%
P5	Peak Period Presence
	Introducing Partner Network
	Closing Partner Loop
	Aggressive Marketing
	Higer Rewards from Programme
	Access to Member Data

Code Book	Partner Responses
P5-M	Honesty
	Sufficient Value
	Recognition
	Quality Partner Network
P5-RP	Profitability
	Loyal Member-base
	Memberbase Growth
	Quality Service from Partner
P5-P	Profitability
	Member-base Growth
	Active Member-base
	Marketing
	Access to Data

Figure 38: Code Book - Reward Programme Partner Responses

Question 1: Has the reward programme been able to deliver on your expectations? Are you satisfied with the offerings?		
Ref	**Response**	**Code**
P1-1	Yes. We have a relationship with 2 external reward programmes and we ourselves run a reward programme. Together the three have certainly delivered on our expectations. We have seen phenomenal growth over the past few years and feel that our investment in the programmes have had a positive return	Yes
P1-2	It's too early for us to measure this. But we have seen a huge increase in our member base. Spend is still low due to balances still being built up	Not Yet
P1-3	We are part of the partner network by force and not choice. Due to cash flow issues at the reward programme there is a need to be part of such a programme so as to be able to draw on the large member base. The programme has not lived up entirely as most of the spending of points take place at other partners and not with us	No
P1-4	Yes. We are currently part of 4 reward programmes and definitely see our expectations being delivered. Members of the reward programmes make it a point to take up the discount offers and we see that there is an increase in usage on the days on which discounts are offered. As the points accumulated can only be used back in our environment, we find that there is definitely value being generated for us. All points earned through us are spent back in our environment	Yes
P1-5	The expected behaviour is being delivered by the members. We are not however satisfied with the programme overall. Our expectations of have a growth in customers through the extensive member base has not been met	No

Question 2: Are you loyal to the reward programme?		
Ref	**Response**	**Code**
P2-1	No we are not loyal. The loyalty industry is too small for us to find value if we were loyal.	No
P2-2	No We have several loyalty programmes linked to us	No
P2-3	We are loyal as the programme has been developed around our products. We are the primary partners in this programme	Yes
P2-4	No. We are affiliated to several loyalty programmes. We find it to be of more value to us as we only have one major competitor in the market. By gaining members from a variety of reward programmes, we are able to extract the maximum value	No

P2-5	No. We are part of 2 loyalty programmes. Both certainly have a different customer base	No

Question 3: What is you view around the relationships with the reward programme triangle			
Ref	**Response**	**Code**	
P3-1	The relationship is mutually beneficial we think. The reward programmes are able to please their members with a unique partner such as us. They are able to reward their members for a healthier lifestyle and for spending on products that will aid the community. The members too feel that spending on health products can be financially viable now. If a member belongs to more than one programme, they are rewarded by each of these which increase the value offering for the member. We as partners find value as members of the loyalty programmes would try and buy from us. We have a variety of products. Members move spend from many other retailers into our environment in order to earn more rewards	Healthy	Mutually Beneficial
P3-2	The decision to stay in a closed loop programme was not the best of moves from us but it was a move they made to stay below the radar in launching this programme. In time there might be a coalition programme which arises but it's too soon to say right now. So at the moment the relationship is very simple. Yes It seems that we eventually benefit, as customers can only redeem the points with us so hence we get our money back but there is some level of discount that the customer does experience. Our relationship with the members is not to the extent as that we would like it to be. It's a once of contact when they sign up and then it carries on from there. It's difficult to communicate to our customers due to us not knowing our customers individually but with this programme more targeted communication will be possible for us.	Unstable	
P3-3	The relationship is currently unstable in this triangle. Because of regulations, we have had to relook at a lot of our revenue recognition and reporting methods and adjust them. This in turn has an impact of the way that we account for a point which has forced us to relook at about 60% of our partners' contacts (some of which go back up to 16 years). Once the new regulations are in, each partnership has to make financial sense to us and thus we will need to renegotiate rates with partners which have led to this instability. Our relationship with our members too is unstable. Members would really like to pin a Rand value to a point in order to understand the programme and its offerings better. This however is very difficult as each point awarded has a different value basis due to different rates as negotiated with partners. This frustrates members as seats on planes can be worth different levels of points. This all depends on load factors and how to allow seats to be released an at what point value. This lack of understanding causes an uneasy relationship. Because the reward programme is part of a vast partner network, it is also difficult as members mostly spend at our other partners and not with us. This has serious service implications for us. We have certain service standards that our customers expect but we have no control over the service of our partners. This means that in poor service situations, members are dissatisfied and partners need to	Unstable	Friction

	be communicated with. This again creates friction in the triangular relationship.		
P3-4	The relationship is good with the reward programmes and us. They see the value in providing a good quality service to their members through us. We offer quality facilities and entertainment opportunities. They pass this on to their members through us. We see the value in that there is an inflow of customers (who may have already been using us, but now will prefer not to go to our competitors because of the reward aspect). The customer sees value in the relationship as they earn rewards for doing what they would normally do. It's definitely a bonus for them. The relationship is mutual. I think all parties benefit. There are commissions and membership fees involved but these are minimal and can be covered very quickly.	Healthy	Profitable
P3-5	We feel that the member definitely gain from the relationship. The members gain discounts without really having to do much other than following the required behaviour. The reward programme also gains from this relationship as they are able to market "another" deal for their members, giving their members more choice. In our instance however we do not feel that we gain. We are not losing money but in terms of changing behaviour, the reward programme has not been able to use their relationship to influence their large member base to change over to use us as their service provider. We pay out commissions as well as rewards. There isn't a loss but definitely not the return on our investment that we expected	Not Mutually Beneficial	

Question 4: Are you satisfied with the member base? What % of the base do you think shop with you			
Ref	**Response**	**Code**	
P4-1	Yes we are. We feel that of the members at least 50% are loyal to us (measured through repeat spending) which is much higher than our expectations	Yes	35%-50%
P4-2	100% of the member base will need to shop with us currently. We are satisfied with the uptake of the programme so far	Yes	80%-100%
P4-3	We are definitely satisfied with the member base. 80% of the programme active base of partner network is our members. But the spend is much lower percentage which we are not satisfied with. We could be really making profits if this spend was directed towards us	Yes	80%-100%

P4-4	Yes we are. We really feel we have captured at minimum 60% of the market. This has greatly been aided by the various reward programmes that operate in our environment	Yes	50%-80%
P4-5	Not at all. We probably have been seeing about 5% of the extensive member base using us as service providers. We would expect at least 25-30% as we were promised	No	0%-35%

Question 5: What changes would you recommend to the reward programme/member base in order to better the offerings and to improve on customer satisfaction and loyalty			
Ref	**Response**	**Code**	
P5-1	We would recommend a greater presence in festive and other peak times. Their marketing efforts are constant throughout the year. An increase during the busier periods would see higher spend in our environment leading to more commissions for them	Peak Period Presence	Aggressive Marketing
P5-2	Definitely by opening up the reward programme to other partners would make the reward programme much better but this is a strategic issue. The level of reward determines the level of spend. As this is low currently we are not seeing the required level of spend coming through. This will change once balances are built up however. We are seeing active members which is a good sign	Introducing Partner Network	Higher Rewards from Programme
P5-3	Ideally, we would want redemption only with us but it's a challenge due to load factors and market pricing.	Closing Partner Loop	
P5-4	More aggressive marketing would be helpful. I also feel that the reward programmes should contribute a bit more to their own members. We both reward the members but the members would be more loyal and would appreciate a bit more rewards (in terms of added benefits, bonuses, etc.). It would valuable if all the reward programmes would offer a common reward to customers (i.e. all rewards can be translated into a single currency regardless of the origin or earn). This would greatly increase the value to the member and would improve the loyalty	Aggressive Marketing	Higher Rewards from Programme

P5-5	Effort placed on the marketing efforts from the reward programme. They have the member data (which they will not allow us to access understandably). They should thus market our services to their member base. We have a valuable offering which would make the relationship very profitable we feel but there is a lack of effort from the reward programme. Customers who are currently with us are profitable. There could be better word of mouth from them. All our market surveys have shown positive results. We haven't however seen this translate into positive market growth.					Aggressive Marketing	Access to Member Data
Question 6: What value do you think each party expects							
Ref	**Response**	**Code-Member**		**Code-Reward Prog**		**Code-Partner**	
P6-1	The reward programme would expect to be profitable through such a relationship. By driving activity they would expect to be paid higher commissions. The partners would also expect profitability through increased spend and flow in their stores. The member would expect not to be crooked. They would expect real value that can be accessed when they wish	Honesty	Sufficient Value	Profitability		Profitability	
P6-2	In this case we are the partner and the programme. We would expect Customer Loyalty, new feet in our stores. The members would expect that there is some benefit even in the purchase of grudge purchase products and also a discounted offering for these products in some instances	Sufficient Value		Loyal Member-base		Member-base Growth	
P6-3	The reward programme expects that there will be member acquisition from the partner networks and that these members show profitable behaviours. The partners also expect member acquisition into their environment and expect to see an increase in customer value proposition. The members themselves would expect an increase in their ability to earn a reward in the large partner network that the programme offers. They would also like to be recognised and that a personal relationship is built with themselves and the programme	Recognition	Quality Partner Network	Member-base Growth	Profitability	Member-base Growth	Profitability

P6-4	The reward programme expects that their members are given a good service by the partners. Through this they expect that the members will utilise the partners and in turn generate a profitable relationship between the members and the programme. The partners would expect that the reward programmes provides active members who will utilise the services regularly thus increasing the revenues. The members would expect that by following certain criteria, the reward programme will reward them. They would also expect the reward programme to provide a quality group of partners for them to use	Sufficient Value	Quality Partner Network	Quality Service from Partner	Profitability	Active Member-base	Profitability
P6-5	The reward programme expects that the partners are up to scratch and provide the service that is promised to the members. They require flexibility and access to data. The partners would expect that the relationship acts as a marketing activity. The amount invested (through commissions, etc.) could have been used as marketing budget so there should be marketing to members. This is great expectation from the partners. The members would expect the reward to be substantial for them to move over to the partners of the reward programme. Members would expect the relationship to be of a better quality as well	Sufficient Value	Quality Partner Network	Quality Service from Partner		Marketing	Access to Data