Creating shared value through a wellness programme for the lower-income market.

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ABSTRACT

There is evidence that supports the integration of the shared value model and the pillars of behavioural economics contributed to the 18 years of success of the globally recognized Discovery Vitality. The wellness programme by Discovery Limited, is predominately joined by individuals from the upper and middle-income markets. There is a dearth of evidence on wellness programmes for the lower income markets. As a result, this case study research project explores a wellness programme that was launched in 2017, Vitality Move, for the South African lower-income market. The dilemma for the protagonists, Drs Broomberg and Nossel, was how to make Vitality Move more attractive as the uptake numbers had been disappointingly low.

The case study invites the reader into the history, operations and successes of the leading health insurance company in South Africa, Discovery Limited. Additionally, the reader gains a better understanding of the South African health sector and the medical aid scheme industry. The aim of the case study is to create a teaching environment for faculty members with students pursuing post-graduate studies in the business field of studies.

Once the students have read the case study, an opportunity will be provided to apply the theories of shared value and behavioural economics. A teaching note was written for faculty members to facilitate teaching with additional model answers.

The teaching note focused on concepts and theories of Behavioural Economics and Shared Value. However, the case study could be taught in subjects that focus on Decision-Making, Business Processes, Competitive and Growth Strategy, Disruptive Innovation and Social Enterprise.

This study contributes to the topical need of creating healthcare access and providing efficient healthcare services to the lower-income market in South Africa. Moreover, the findings of the case study present as a good initial step in bridging the barriers between corporate organisations and the lower income market that is often neglected.
KEY WORDS

Shared value, behavioural economics, wellness programmes, health industry, medical aid schemes, lower-income market.
DECLARATION

I declare that this teaching case study is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. This case study represents my perceptions and has not been approved by the organisation for teaching or examination purposes. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Name: Luthando Jama

Signature: __________________

Date: 13 March 2019
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CHAPTER 1: INTRODUCTION

1.1 Significance of the case study

“So what you see is an organisation that is kind of really incredibly keen to crack this nut. But so far, we haven't, so if you can solve it, you guys can win our R1 million excellence prize.” Dr Jonathan Broomberg, CEO of Discovery Health

The case study research project focused on the theory of shared value. The theory was applied to the dilemma faced by Discovery Limited. A wellness programme, Vitality Move, for the lower-income market had been created, but the uptake was unsatisfactory. The research explored the story of the wellness programme development. For teaching purposes, students will be challenged to apply theory and advise as to how value could be created for the lower-income market through the wellness programme.

1.2 Background of organisation and dilemma

Discovery Limited was founded in 1992 as a medical aid insurance company. Discovery Health and Discovery Limited are subsidiaries of the organisation. Discovery Health administers the Discovery Health Medical Aid Scheme (Porter, Kramer & Sesia). One of the medical scheme options is Key Care. The option is a low-tier medical aid scheme benefit with over 400 000 members, with most members belonging to the lower-income market. Vitality Move was launched in 2017 for the target market, as a modification of a discontinued fitness product, Key Fit. Similarly, Key Fit was designed for the lower-income market belonging to the Key Care medical scheme benefit, but the uptake was disappointingly low. How could Dr Nossel and Dr Broomberg, the head of Discovery Vitality and CEO of Discovery Health, respectively, adapt Vitality Move to become an attractive wellness programme at an affordable price point? Notwithstanding the fact that understanding the needs of the target market still required research.

Discovery Vitality, an existing wellness programme, has had an impact on 8.9 million lives globally, with members predominantly from the middle and upper-income classes (Discovery Limited, 2018). In a collaboration effort, the two subsidiaries had created Vitality Move. However, the uptake numbers of this programme were disappointingly low. How could Dr Nossel and Dr Broomberg, the head of Discovery Vitality and CEO of Discovery Health, respectively, adapt Vitality Move to become an attractive wellness programme at an affordable price point? Notwithstanding the fact that understanding the needs of the target market still required research.

One of the success measures Discovery Vitality was the decreased number of medical aid claims made to the Discovery Health Medical Scheme. Moreover, the decrease in medical aid claims indicated that the programme had helped improve the risks of various
health burdens such as diabetes, cardiovascular diseases, obesity and hypertension (Patel et al., 2010). The health risks are collectively known as non-communicable diseases (NCD). According to a World Health Organisation report on the global status of non-communicable disease, NCDs accounted for 71% of the global mortality figures (World Health Organisation, 2018). Thus, health insurance companies such as Discovery Limited aim to decrease health burdens of NCDs by encouraging members to make health-conscious decisions by signing up and engaging in wellness programmes.

1.3 Academic rationale

One of the applications of a case study research project is when the researcher is exploring a situation wherein the decision that needs to be made by either an individual or an organisation, has no apparent outcome (Yin, 1994). Three chapters were written for the research project, namely the case study, the teaching note and the research methodology.

Preceding the writing of the case study, were in-depth interviews as the primary data collection method. The interviews were conducted at Discovery Limited, the leading health insurance company in South Africa. The participants of the interviews were ‘passive knowledge givers’ and the researcher extracted key information from the interviews for the case study. Although a formal software such as Atlas.ti was not used to create themes after the primary data collection, the interview responses sufficed and were analysed for appropriate quotes and opinions. The secondary data collection method was data collected from research engines concerning the healthcare sector, medical aid insurance sector, and Discovery Limited and its subsidiaries. Both the primary and data collection methods were purposive judgemental (Saunders & Lewis, 2012).

The purpose of the teaching note was to guide the faculty member or facilitator for classroom teachings. The teaching note relied on theoretical models and conceptual frameworks found in literature. Yin (1994), referred to this as the ‘blueprint’ of the case study.

1.4 Conclusion

An important reason that militates in favour of creating a wellness programme for the lower-income market was to decrease the health burden on the South African healthcare industry. The success thereof hinged on the government and the
private sector intentionally working together and putting in a collective effort to improve the lives of the citizens.

1.5 References


CHAPTER 2: RESEARCH METHODOLOGY

2.1 Introduction

This chapter discusses the research methodology used for the case study on Discovery Limited. Two data collection approaches were used. First, the qualitative research design as the primary data wherein an interview schedule was used to conduct interviews at Discovery Health and Discovery Vitality. Second, secondary data collection took place from various sources. In research, it is common practice for secondary data to be used in conjunction with the primary data (Saunders & Lewis, 2012). Yin (1994) proposed that multiple data collection approaches are of vital importance to ensure construct validity and enhance the depth of the case study. Yin referred to this as an “embedded single case study design” (p. 42). Gerring (2007) supported Yin (1994) by arguing that using two approaches provides a clearer picture with applicable numeric and non-numeric parameters.

The proposed headings for the primary and secondary data collection approach are as follows, (a) research design; (b) unit of analysis; (c) population; (d) sample size; (e) sampling method; (f) research instrument; and (g) data collection. At the end of the chapter, the researcher discusses the trustworthiness and rigor, ethical considerations and limitations that were taken into account before and after data collection.

A case study research strategy was undertaken. Gerring (2007) suggests a degree of some analytic focus in a case study to allow students to analyse the numerical content. According to Yin (1994), case study research studies are preferred when “the researcher has little or no control over the events of research” (p. 8) and when there is a focus on an issue that has real-life context to it. As with this research project, a case study research project was befitting. First, the researcher had no control over the events of the research or any association with the organisation. Second, the research and story of Discovery Vitality and Discovery Health, with Dr Craig Nossel and Dr Jonathan Broomberg as the protagonists, is factual and has relatable real-life context.

Of note is that the case study was written with the intention of being used as a source for academic learning in Leadership and Sociology disciplines. In addition, a teaching note was written for the faculty member, wherein theories and models will be discussed in class, parallel with the students having prepared prior to the lesson. This is also known as theory-led case study research, wherein a particular theoretical lens is used (Simons, 2009). Creswell (2007) supported the narrative of using theory, by suggesting the use of theoretical frameworks assists the researchers in shaping their work. As such, the
knowledge obtained from the case study will be transportable by using theories and models that can be learned and applied in other corporate sectors and not only the healthcare sector. The lessons from the case study are significant as they contribute and further assist. The two methods of data collection triangulated, thus informing the choice of prior developed academic theories and methods chosen (Yin, 1994).

2.2 Semi-structured interviews

2.2.1 Research design

A case study research design is typically chosen because it represents interest to the researcher as a result of a dilemma and to transport theory (Ridder, 2017). Of note, a set of causal events had occurred at Discovery, such as innovating various wellness programmes for the lower-income market and trying to modify the programmes due to poor enrolment numbers. Additionally, the two principal subsidiaries, Discovery Health and Discovery Vitality collaborated in creating the wellness programmes. Therefore, an interview schedule with a list of guiding questions allowed the researcher to probe the causal events further. According to Simons (2009), there are four main purposes for in-depth interviewing. First, it documents the perceptions and perspectives of the research participant. Second, it creates a learning environment through active engagement for both the participant and researcher. Third, it allows the researcher to probe deeper into an issue and allows for change of direction, should a different perspective emerge. Last, it reveals uncovered feelings and events. Furthermore, in-depth analysis through interviews informs the choice of research questions. For this reason, it is a commonly used qualitative method (Simons, 2009; Creswell, 2007). Most importantly, research guided interviews permit a sense of trust, professionalism and the ability for the researcher to be reflective when unexpected responses are given is needed during the interview process (Davies & Dodd, 2002).

2.2.2 Unit of analysis

Defining the boundaries of a research project’s unit of analysis is important to maintain the focus on the research question and remain within the limits of the research (Yin, 1994). The unit of analysis was Discovery Health and Discovery Vitality employees who were permanently employed and in managerial positions. The choice of employees who held managerial positions was guided by the knowledge that the managers had more than 10 years of employment at the organisation, thus providing deeper insights and opinions of interest according to the questions asked. Furthermore, the Harvard Business Review had published a case study on Discovery Limited by Porter, Kramer
and Seisa (2014) who relied on the in-depth knowledge of three senior managers as the protagonists.

2.2.3 Population

The population for the case study research comprised the Discovery Vitality and Discovery Health permanent employees. Discovery Vitality and Discovery Health were the two principal subsidiaries focused on. Thus, making the population judgemental purposive (Saunders, Lewis & Thornhill, 2009). Unlike the other Discovery subsidiaries, they have a high number of clients from the lower-income market, which is the focus income category for this case study. Additionally, their collaborative work formed the basis of Vitality Move, the wellness programme that is targeted for the lower-income market and the premise upon which the case study dilemma revolves.

2.2.4 Sample size

The sample size was five participants of whom two were the protagonists and three senior managers from Discovery Health and Discovery Vitality. The sample size allowed the researcher to fully engage with the participants during the research process and this lead to relevant recommendations regarding who would be best suited to interview for deeper understandings (Simons, 2009).

2.2.5 Sampling method

The sample was judgemental purposive. Purposive sampling is when a researcher uses their judgement to actively choose those who will best be able to answer the research questions and meet the objectives (Saunders & Lewis, 2012). Using purposive sampling allows the researcher to interview individuals who are most relevant and will play an imperative role in understanding the issues at hand, while contributing their experiences and realities (Simons, 2009).

2.2.6 Research instrument

Yin (1994) mentioned the importance of case studies contributing to what is already known about an individual or organisation. In this study, the data collected from the interviews contributed to the already existing knowledge of Discovery Limited. The contribution of knowledge was through an interview schedule. Importantly, the questions were of an exploratory nature, focusing on ‘what’ and ‘how’ type questions (Yin, 1994). These questions were open-ended, thus facilitated in retrieving more information that
pertained to the Key Care benefit scheme and Discovery Vitality products such as Vitality Move.

2.2.7 Data collection

A permission letter from the selected organisation was provided before the interviews commenced. This was a prerequisite by the Gordon Institute of Business Science Research Ethical Committee before granting permission to the researcher to conduct the case study research project (Please refer to Appendix H). A signed permission was provided by Dr Craig Nossel, head of Discovery Vitality. Simons (2009) explained that gaining access prior to conducting research allows the researcher to explain the settings and intended outcomes of the research. Furthermore, it establishes a relationship between the researcher and the organisation and alleviates any uncertainties.

A pilot interview was conducted before interviewing the participants. A meeting was set up at Discovery, where one of the team members from Discovery Vitality was interviewed to validate the questions.

Two different guided interview schedules and two data capture sheets were used for Discovery Vitality and Discovery Health (Please refer to Appendix C, D, E & F) to interview the two protagonists, the three senior members of Discovery Vitality and Discovery Health. Broad questions were used as a guide to help probe further and as a guiding tool when the interviews were conducted to document the participants’ judgements and experiences (Simons, 2009). Formal appointments were set to conduct the semi-structured interviews. A voice recorder was used during the interviews, while the researcher was taking field notes. Subsequent to the interviews, the recordings were sent for transcription. All recorded data will be stored electronically for a period of 10 years and non-personal identifiers were used to store the data. Confidentiality was assured for the participants, except for the protagonists, Dr Craig Nossel and Dr Jonathan Broomberg.

2.3 Secondary data

2.3.1 Research design

There are three types of secondary data, namely surveys, documentary and multiple sources. Secondary data can take the form of both qualitative and quantitative data. Additionally, the data may be compiled or raw data (Saunders & Lewis, 2012). For this research, compiled data from various databases that was already well formulated and
summarised was used. Before sourcing the relevant secondary data, the researcher had explored the foreshadowed issues to focus specifically on the topic of the case study. Simons (2009) adapted the notion of foreshadowed issues from Smith and Pohland (1974). This notion is described as the intent that the researcher takes to read literature, other sources and the use of own knowledge as a “guide as to what to explore, but not constrain the research process to these problems only” (Smith & Pohland, 1974 para. 1). Thus, the researcher collected compiled secondary data of both a qualitative and quantitative nature. Yin (1994) supported the idea of using secondary data by referring to archival records and documentations as two of the six main data collections sources for case study research. Therefore, as proposed by Simons (2009) and Yin (1994), the findings from the collected secondary data were thoroughly assessed to ensure relevancy and validity for this research.

### 2.3.2 Unit of analysis

The use of various data collection methods is appropriate to form constructs and forge relationships between the different data collection methods (Ridder, 2017). As discussed previously, the researcher made use of both primary and secondary data. In this study, public non-human data on the healthcare industry, wellness programmes and the medical aid industry was collected from databases. Additionally, data collected from Discovery Vitality and the media were utilised as the secondary data unit of analysis.

### 2.3.3 Population

Selecting the population in a case study research allows the researcher to make certain inferences (Yin, 1994). The population needs to identified from the early stages of the research (Ridder, 2017) Secondary data were collected from public non-human data and from Discovery Vitality, Discovery Health and the search engines. All secondary data excluded patient medical information.

### 2.3.4 Sample size

The sample size of the secondary data was limited to credible sources, such as the World Bank Country Report, from which most of the health industry and Discovery Limited data were extracted (The World Bank, 2018; Discovery Limited, 2018). In addition, data that were supplied by the organisation was used.
2.3.5 Sampling method

Publicly-available healthcare industry data from the internet that are non-human were used from reliable research data sources. Most of the data were retrieved from information gateways that University of Pretoria students have special access to. The other data were sourced from government organisations and general databases. Regarding organisational data, some organisations store their data and make them publicly available, hence making the process of retrieval much easier (Saunders, Lewis & Thornhill, 2009). Discovery Limited is a multinational company with easily accessible public data. The data were the organisational analysis on the customers' behaviour, membership statistics and the statistics of key partner relationships, performance reports and financial statements. The source did not disclose any of their clients' names or medical information.

2.3.6 Research instrument

According to Lewis et al. (2009), there are three sub-categories for secondary data, namely; documentary data, survey based data and data compiled from multiple sources. Below is a table that categorises the information gateway and the type of data that were retrieved with the relevant links.

Table 1: Secondary data sources

<table>
<thead>
<tr>
<th>Name</th>
<th>Internet address</th>
<th>Content</th>
<th>Type of secondary data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Model International</td>
<td><a href="https://bmo-bmiresearch-com.uplib.idm.oclc.org/home">https://bmo-bmiresearch-com.uplib.idm.oclc.org/home</a></td>
<td>Macroeconomic data and country risks managed by Fitch Solutions</td>
<td>Qualitative and quantitative from multiple sources</td>
</tr>
<tr>
<td>Discovery</td>
<td><a href="https://www.discovery.co.za/marketing/integrated-annual-report">https://www.discovery.co.za/marketing/integrated-annual-report</a>.</td>
<td>Discovery Ltd annual integrated report</td>
<td>Documentary</td>
</tr>
<tr>
<td>Source</td>
<td>Website</td>
<td>Description</td>
<td>Methodology</td>
</tr>
<tr>
<td>-----------------</td>
<td>----------------------------------------------</td>
<td>--------------------------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>Stats SA</td>
<td><a href="http://www.statssa.gov.za/">http://www.statssa.gov.za/</a></td>
<td>Key statistics in South Africa</td>
<td>Survey based</td>
</tr>
</tbody>
</table>

### 2.3.7 Data collection

As Saunders and Lewis (2012) discuss the use of secondary data as a good source for data that be inaccessible or limited to the researcher. Thus, the researcher collected data that were company and industry specific. The company-specific data were non-human data, and the nature of the records were marketing reports, growth trends, company structure, performance records and financial statements. The nature of the secondary data was that of the healthcare industry both nationally and internationally.
2.4 Trustworthiness and Rigor

According to Cypress (2017), “rigor is simply defined as the quality or state of being very exact, careful, with strict precision or the quality of being thorough and accurate” (p. 254). Rigor needs to be applied during data collection and not as a post-hoc action at the end of the research. Also, the onus is on the researcher to uphold rigor by being systematic and orderly during the research process (Davies & Dodd, 2002). The application of democracy is a criterion for testing rigor. The researcher was democratic in the selection of participants as they were given the freedom of choice to participate in the research and asked to give voluntary consent to be recorded. Cypress (2007) supported the use of purposive sampling as a criterion to ensure rigor. Similarly, trustworthiness is the authenticity and dependability of the research, which inherently refers to the trust that the readers have and the confidence that the researcher’s work is of quality (Yin, 1994; Cypress, 2017). Trustworthiness was attained by remaining consistent and credible during the primary data collection process, but not withholding on the flexibility and creativity to use various strategies to maintain trustworthiness (Cypress, 2007). The same set of questions were asked to the interviewees from each subsidiary. Additionally, before every interview, the researcher explained the intent of the research, provided copies of the approved ethical clearance letter and the Participant Informed Consent Document.

2.5 Ethical considerations

Ethics is an integral part of rigor in research (Davies & Dodd, 2002). In as much as the secondary data collected from Discovery Vitality and the responses during the interviews did not disclose any patient information, the research project had to be approved by the University of Pretoria’s Faculty of Health Sciences (Please refer to Appendix B). In addition, the Gordon Institute of Business Science granted ethical clearance (Please refer to Appendix A) The rigorous ethical clearance application from the Faculty of Health Sciences ensured reliability of the case study. A Participant Informed Consent Document (Please refer to Appendix G) was sent to the participants prior to the interviews to give them adequate time to acquaint themselves with the purpose of the study and for credibility considerations. Davies and Dodd (2002) emphasised that ethical considerations involves honesty and the transparency of the researcher’s information and location. It was of great importance to assure the participants prior to the interviews that the research was based on the work the organisation had done thus far and would
not compromise their reputation or divulge information that the competition or any other third party could use.

2.6 Limitations

Case study research projects can be rather subjective as a result of the researcher’s inferences and the use of qualitative research methods (Simon, 2009; Saunders & Lewis, 2012). The following are additional potential limitations:

- Employees could have had a bias about the topic and thus not be honest when interviewed. This is could be largely influenced by the popularity of the organisation and how well received the organisation is by the public;
- Case studies are focused on an organisation or individuals; therefore this limits the sample size (Yin, 2012);
- Guetterman and Fetters (2018) discuss an example of healthcare transformation using mixed method approaches for case studies by collecting and integrating qualitative and quantitative data. This case study could have been explored further by conducting surveys for Vitality and Key Care clients as the quantitative data collection;
- When secondary data is retrieved and used, the precision of data collection for such secondary data is unknown to the researcher. Therefore, it is important to assess the relevance of secondary data and trust the precision thereof. After the assessment of the data, the researcher had to adapt and make the secondary data relevant to the case study (Saunders et al., 2009);
- Generalisation of the wellness programmes to other organisations was impossible because Discovery Limited was the only focus organisation for the case study (Yin, 2017). The goal of the case of the study was particularisation, whereby a wealth of research and knowledge needed to be imparted even though it was a single case study (Simons, 2009).

2.7 Conclusion

The choice of methodology for the case study research allowed the researcher to write a story that was based on a specific timeframe, with unique circumstances and embedded on truthful data (Simons, 2009). The semi-structured nature of the interview schedule encouraged the participants to be open and allowed the researcher to be
equally mindful and responsive. In this way, it created a canvas on which the researcher could be creative in the way the story was written to portray the organisation’s dilemma. Equally important, this approach assured rigor from the beginning to the end of the case study research project, thus avoiding unwanted ramifications (Cypress, 2017). While it would have been insightful to know how other wellness programmes are targeting the lower-income market, generalisation was impossible in this case. As Yin (1994) suggested, “embedded designs have some pitfalls. A major one occurs when the case study focuses only on the subunit level and fails to return to the larger unit of analysis” (p. 42). The researcher adopted pragmatism as the paradigm of the case study. This worldview entails focusing on the actions and consequences of the dilemma and asking questions about it. Thus, the researcher used more than one approach for data collection (Creswell, 2007). The pragmatic view allowed the researcher to look at the problem that the organisation is facing, and subsequently wrote a case study that invites the reader to understand the dilemma and the social context of it.
2.8 References


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Chapter 3: Case Study

Move! It’s Vital

“So in the case of Vitality Move, the only two real activities we are pushing there are once a year, get a health check and walk 10 000 steps a day. And if you do that, you unlock a whole bunch of rewards”.¹

Dr Jonathan Broomberg, CEO Discovery Health

It was October 2018 on a cloudy Friday afternoon at the Discovery offices in the heart of Sandton City, Johannesburg, where Dr Jonathan Broomberg (CEO Discovery Health) and Dr Craig Nossel (Head of Vitality Wellness) were at a critical point of finding solutions to make Vitality Move more attractive to the lower-income market and increase the programme’s uptake. Having spent many years at the helm of and in leadership positions at Discovery, Drs Broomberg and Nossel had reached a crossroad that required the two subsidiaries they were leading to work coherently together. While sipping their coffees from one of the partner coffee shops in the Discovery skyscraper, Drs Nossel and Broomberg were pleased with the relationship the two subsidiaries had developed thus far.

Vitality Move was launched in 2017 prior as a freemium wellness programme with added benefits at an additional cost of R35.00² per month, compared to the popular Discovery Vitality wellness programme for the middle- and upper-class markets priced 12 times more expensive. However, the membership numbers were dismally low. The programme was aimed at members on the Key Care medical aid scheme plan, the lower tier medical plan from Discovery Health Medical Scheme. The Key Care plan started in the early 2000’s to help individuals who earned a lower income to gain access to quality healthcare facilities and a network of healthcare professionals at affordable rates. Ironically,

¹ Interview with Jonathan Broomberg, February 12, 2019. All further quotes from Broomberg are from this interview.
Discovery Health Medical Scheme had the greatest market share in the category for low cost medical aid schemes in South African compared to other medical aid scheme companies that only targeted the lower income market.

Discovery Vitality was a wellness programme that literally and figuratively ‘banks the members’ healthy behaviours’ and subsequently rewarded such behaviours. The wellness programme had an impact on 8.9 million lives of people who joined the wellness programme as a result of being members or clients on one of the Discovery products, such as Discovery Health³.

Broomberg and Nossel acknowledged the complex issues in the South African healthcare industry as over 80% of the population depend on the public health sector. The country still faced social disparities⁴. Their wishes were to contribute socially and decrease the burden of poor health on society as well as the individuals affected by it through the wellness programme designed especially for the lower-income market. How could Nossel and Broomberg’s teams adapt Vitality Move as an attractive product at an affordable monthly premium together with aspirational partner brands?

**Background to healthcare in South Africa**

In 2018, South Africa had a population of 56.72 million people, a life expectancy of 63 years and 97% of the births being attended to by skilled healthcare professionals⁵. However, there was more to these figures than met the eye. Less than 20% of the population belonged to a private medical aid scheme and had access to a total of 70% of medical doctors who worked full-time in the private sector. Conversely, more than 80% of the population relied on the public health sector, where they were serviced by 30% of medical doctors in the country. The lack of resources, badly maintained and dilapidated


infrastructure, and the burden on poorly paid and overworked healthcare professionals in the public healthcare sector was taking its toll on providing efficient health services\(^6\).

Healthcare had become an important topic in South Africa since the inception of the National Health Insurance (NHI) programme proposal by the South African Government, led by the African National Congress. The NHI’s main objective was to bridge the gap between the public and private healthcare sectors by 2025. The Minister of Health, Dr Aaron Motsoaledi, believed this gap could be bridged by allowing access to all healthcare facilities without any social discrimination, for example, belonging to a medical aid scheme, by implementing a compulsory tax-based model.

The South African government had allocated R205bn for healthcare for the 2018/19 budget, the equivalent of 14% of total government spending. Out of this budget, 2,04% (R4.2bn) was allocated towards the NHI programme\(^7\). The NHI would be accessible to all South African citizens, with an option to retain membership of private medical aid schemes for individuals who wished to do so, to supplement what the NHI did not offer. Additionally, the NHI aimed to offer family planning, vaccinations and wellness programmes\(^8\). The proposed plan for government to be able to offer the above-mentioned benefits through the NHI, was an indication that government acknowledged the need for sustainable health promotion.

**South African medical schemes**

South Africa had 23 open medical aid schemes. Such medical aid schemes were open for membership to any individual, provided they were older than 18 years and can afford the medical aid scheme membership. Conversely, there were 60 restricted medical aid schemes. The restricted medical aid schemes were not open to the general public for membership, unlike the open ones. Additionally, restrictions to membership were based

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on their occupation, industry or company\textsuperscript{9}. Inherently, the competition within the medical aid schemes sector in South Africa was amongst the 23 open medical aid schemes. The Medical Schemes Act 131 of 1998 bore well-fortified restrictions that medical aid schemes had to adhere to. For instance, medical aid schemes had to provide compulsory minimum benefits and could not deny membership based on social factors such as age or medical history. Despite the competition within the industry, members remained covered by the Council of Medical Schemes (CMS), the medical aid scheme regulatory body in South Africa, to ensure cost-effective benefit structures, efficient healthcare services and professional operations within the schemes.

Medical aid brokers in South Africa were also governed by the (CMS). The aim of the brokers was to inform and advise prospective medical insurance clients about the most suitable package according their age, disease burden and claims history. Thereafter, an actuarial algorithm was used to calculate the medical aid contribution for each client. Equally important, medical aid brokers had to be careful what they advised their clients as the CMS restricted the selling of a medical aid scheme together with a wellness programme, two separate sales had to be made, thus assisting clients in making an informed decision\textsuperscript{10}. That ensured that signing up for Discovery Vitality was voluntary and offered a standalone product through brokers. The South African population was ageing, the frequency of chronic diseases was increasing, and the fast rate of newly developed drugs and treatments were some of the reasons for medical aid rates featuring above the Consumer Purchase Inflation (CPI)\textsuperscript{11}.

**Impact of health on the economy**

According to the World Bank, South Africa’s Gross Domestic Product’s (GDP’s) annual growth in 2018 was 0.9%. It was forecasted to grow to 1.3% in 2019. The GDP reflected the economic performance of a country, which relied on factors such as investments and


good and services produced within a country. To ensure positive GDP growth in the country, there were regular engagements between the government and private sector organisations to foster a relationship. The aim of the relationship was to provide organisations with adequate support from the South African government to help grow the South African economy. In return, the private sector organisations had the responsibility to attract foreign investors such as multinational organisations to trade within the country and to expand existing organisations. To achieve these goals, the organisations relied heavily on the productivity of their employees. As a result, organisations were constantly trying to adapt management and operational strategies to make the working environment more conducive to their employees to meet set financial and growth targets.

According to the Occupational Care South Africa, R16 billion was forfeited by the South African economy in 2014 as a result of absenteeism, thus negatively affecting the country’s GDP. It was estimated that there was an average of 15% of employees who were absent daily in South Africa. Absenteeism was a challenge across all industries and professions. The lack of employee motivation, unfair working conditions or health-related issues contributed towards this challenge. According to the Top Employers Institute’s research, multinational organisations in Africa that were concerned about the wellbeing of their employees, had successfully managed to drop their absenteeism rate to 5%12.

One of major drawbacks for employee productivity in South Africa was access to good healthcare. Most of the individuals who did not belong to a medical aid scheme relied on the public healthcare sector. For employers, it was not a foreign concept for employees to be absent a few days for an acute health ailment. Medical assistance sought from local clinics and hospitals often took a few days before being diagnosed and treated efficiently. Therefore, many private sector organisations and the government invested in subsidising employees medical aid plans. The investment largely contributed to reversing the effects of the once discriminatory healthcare system in South Africa prior to democracy in 1994 wherein only white South African’s had access to private healthcare. Despite the vast and obvious disparities between the private and government healthcare sectors all citizens, from the high- to the low-income markets, aspired to have

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access to excellent healthcare services such as receiving treatment from proficiently ran private hospitals and belonging to reward based wellness programmes

“I suppose all classes aspire to buy at Woollies, or you know travel, get the 35% discount on Kulula flights, or you now buy at our many kind of partners’ exclusives, or go to movies. It would be presumptuous for us to believe that the aspirations of the lower income market are any different from other classes”13.

Background to Discovery Limited

Discovery Limited was founded by Adrian Gore in 1992 (See Exhibit 2 for an illustration of Discovery Limited’s timeline). The organisation ensured that product diversification was the cardinal objective from inception, lending it the title as the leading healthcare insurer in South Africa. The organisation had a presence in 19 countries and accounted for 17.8 million people’s lives that were positively affected globally. Its core value was to create a shared-value insurance model within its ecosystem of diverse products, with Discovery Vitality at the centre, to provide value for all stakeholders. The ecosystem of the other diverse products comprised the following business units: Discovery Health, Discovery Life, Discovery Invest, Discovery Insure and Discovery Bank, which was launched in 2018. According to Discovery sources, the organisation infiltrated the global market successfully by increasing their global presence from 5 to 19 countries from 2013-2018 through its ‘Ambition 2018’ strategy. However, their presence in South Africa was predominately felt by the upper- and middle-income classes14.

Discovery Limited had mastered the art of symbiotic relationships across all the subsidiaries and in so doing, many of the clients had acquired more than one Discovery Limited product. One of the most common complementary products that clients signed up for was Discovery Health and Discovery Vitality. The two subsidiaries saved the organisation R7.3 billion in 2017 in risk claims, while being the fifth lowest medical aid scheme15.

13 Interview with Manager 1, January 18, 2019


Discovery Health

The Discovery Health division was headed by Dr Jonathan Broomberg. As a medical doctor who held a Masters and Doctoral degree in Health Economics from the University of London and had a wealth of knowledge about the health insurance industry in South Africa, Dr Broomberg certainly contributed significantly to the success of Discovery Health. In 2018, Discovery Health Medical Scheme (DHMS) had a 56% medical aid scheme market share. Moreover, DHMS saw an increase of 2.08% members who joined the medical aid scheme in 2018. Medical aid schemes in South Africa were either commercial (open) such as Discovery Health Medical Scheme or restricted (closed) such as the Government Employee Medical Scheme, commonly known as GEMS. Medical aid schemes operated as non-profit organisations and were obligated to be registered with the Council of Medical Schemes (CMS), the regulatory board. Therefore, Discovery Health operated as Discovery Health Medical Scheme’s administrator, providing systems and models that analysed clinical risk assessments, underwritings and benefit structures (Refer to Exhibit 2 DHMS 2017 expenses breakdown). Thus, as an administrator, Discovery Health was able to acquire its revenue and profits. As more members joined the medical aid schemes administered by Discovery Health, the greater were the financial rewards as a result of their administration services.

Key Care Health

Discovery Health Medical Scheme owned the largest proportion of the market share in the low-cost medical aid scheme space. Key Care, the lower-end tier benefit structure, was first offered more than 15 years ago. The narrative behind its launch was “creating a benefit structure to allow people to access comprehensive benefits from the private sector at a 65% lower monthly premium by creating a limited network of private hospitals and a network of healthcare professionals,” said Broomberg. Upon inception, Key Care was aimed at blue collar workers in the lower-income market by selling the benefit scheme plan through employers. However, given the regulations of the CMS prohibiting medical aid schemes from discriminatory acts based on social or health statuses, over the years the benefit scheme attracted individuals with distinguishable demographics and lifestyles within the lower-income market belonging to Key Care. This included

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pensioners, young working professionals and households with one breadwinner on employer subsidised medical aid.

Sitting at over 420 000 Key Care members, Discovery Health was constantly developing innovative products to attract the lower-income market. Key Care Start was one such benefit structure that was launched in early 2018. The model was similar to the Key Care model, with a narrower network of providers, but still within the private healthcare sector. To perpetuate the integrity of the organisation, Key Care Start members had access to private healthcare in South Africa and were afforded opportunities to join programmes such as Discovery Vitality or sign up for life insurance cover with

**History Discovery Vitality**

Discovery Vitality started as a division in the Marketing team before the formation of the Vitality Wellness team in 2005, as a subsidiary of Discovery Limited. The incentive-based wellness programme was launched in late 1997 by Adrian Gore, founder of Discovery Limited. Nossel, the Head of Vitality wellness, began his career at Discovery Limited as Discovery Health clinical specialist, focusing on business aspects such as clinical risk management, and research and product development. Nossel’s qualification as a medical doctor and ability to apply scientific reasoning to his work were befitting reasons for his appointment as the Head of Vitality Wellness. Without any predecessor, the success of the wellness programme was attributed to his leadership role over the past 14 years. The Global Vitality Network (GNV) has 8.9 million members in the 19 countries where Discovery Limited has a presence.

The recognition of the wellness programme locally and internationally was attested to by Nossel’s membership and involvement in the World Economic Forum Workplace Wellness Alliance task team.

Globally, the wellness programme had engraved its footprints in the health and life insurance space. For example, a partnership has been forged with AIA, a pan-Asian life insurance group. In the United States of America, the wellness programme was offered as a standalone product that was sold to. While Discovery Vitality was a complementary product to the other Discovery Limited product offerings such as Discovery Health, it had


18 Craig Nossel CV. Retrieved from Craig Nossel, December 6, 2018.
managed to create a Discovery Vitality community. Nossel, humorously said, “I think people initially join the wellness programme out of FOMO (Fear Of Missing Out), but they eventually engage and participate, once they realise what we have to offer and the rewards they can claim”\textsuperscript{19}. Therefore, the greater the engagement with the programme, the greater the likelihood of achieving set goals and being rewarded for them. Notwithstanding the limitations of Vitality by mainly attracting the middle and upper-income markets, it was impacting the lives of its members positively. The onus was on the organisation to continuously track their members’ data to maintain customer loyalty and reduce DHMS medical claims. Agreeing with Nossel regarding tracking the members activities and engagement, another manager added, “It is interactive, gamified, always evolving and that gives us a reason to interact with our clients on an ongoing basis”. It had indeed become a norm for strangers to connect and converse because of the culture of keeping healthy, such as at Virgin Active or Park Runs, that the programme had ‘indoctrinated’ in its members. Park Run was a fitness activity, but it had also become a social activity that had created a large community of individuals who met on Saturday mornings to run and get rewarded with Vitality Active points thereafter\textsuperscript{20}. In 2018, members were rewarded up to 30 000 Vitality points for actively engaging on the wellness programme by completing various preventative screenings and health checks.

**Vitality Move**

A wellness programme named Vitality Move was launched in 2017. Vitality Move was aimed at attracting the lower-income market\textsuperscript{21}. The starting point was to attract at least 40-50% Key Care medical health scheme members. Similar to the Key Care model, it had the same benefits as Vitality but with limited partners and at an initial freemium subscription (For a more detailed Vitality Move overview, see Exhibit 3). The wellness programme evolved after the failure of Key Fit, a rewards product that was aimed to encourage physical activity in the lower-income market. Key Fit had only 30 000 members. The key employees who were instrumental in the development of Vitality Move later realised the impracticalities of expecting the individuals in the target market to find the time to exercise, let alone have access to gym facilities. Additionally, there was

\textsuperscript{19} Interview with Craig Nossel, December 6, 2018. All further quotes from Nossel are from this interview

\textsuperscript{20} Interview with Manager 2, January 24, 2019.

overwhelming evidence that suggested Key Fit members joined purely for the low funeral cover options that came at an additional cost\textsuperscript{22}. Corporate organisations in South Africa competed for the same part of the pie for the lower-income market. Discovery Limited needed to take many informed decisions to get the greater portion of the pie.

Although the low funeral cover options was the primary reason for Key Fits’s uptake, Discovery Limited had failed to highlight the pillars of behavioural economics to the members such as exercising, health checks and eating healthy. (Refer to Exhibit 4 for the Key Fit’s contribution rates)\textsuperscript{23} There was scientific evidence that supported the benefits of behavioural economics and Discovery did not want to misinform the target audience. The intention was not to compete with other life insurance companies by offering funeral cover options as the salient offering for Key Fit. Therefore, the funeral cover option was discontinued from Key Fit and this led to the demise of the wellness product. Vitality Move was a modification of Key Fit with more benefits, and Pick n Pay was a key partner. However, something was still missing, less than 10% of the Key Care members had signed up for free price model Vitality Move.

**Behavioural economics**

Discovery Vitality and Vitality Move were built on a foundation of three behavioural economics concepts, namely, overconfidence, self-control and loss aversion. Research had shown that people needed to be led to make rational decisions. When irrational decisions were often made there were accompanied by detrimental repercussions in the future. Therefore, the wellness programme was aimed at assisting consumers to take rational and informed lifestyle decisions\textsuperscript{24}. The concepts were used as a basis to rationalize how to create a message to consumer about the importance of nutrition, physical activity and prevention. At the time of the programme’s launch, there were 16 million people affected by diabetes in Africa. Preventative care was often not top of mind for most individuals, such as going to the dentist every six months for a dental check-

\textsuperscript{22} Interview with Manager 3, February 19, 2019


The top two reasons for failure of preventative care were first, the associated costs and second, the inconvenience to do so. To address this challenge, Discovery Vitality increased their clients’ perceptions and knowledge regarding immediate benefits for preventative measures through their Vitality points programme. The members were motivated to move across the three tiers of Vitality status by engaging in the programme. This was achieved by completing the online Vitality Age, Vitality health check, becoming active and buying healthy food. The accumulated points on the programme motivated the members as it translated into greater discounts and moving up the status ladder, ranging from Blue to Diamond status.

“At face value, it is not complicated, but the systems that support it and the IP (intellectual property) that we have developed around that is pretty unique, and that’s roughly what we are kind of exporting. You know, we have kind of a template that we’ve developed. Of course, we must modify it depending on the environment of what our partners might need, but I think we have the core of the programme that has taken us many years to develop. And I think that’s our unique kind of offering,” said a senior manager. This was a confirmation of how cumbersome it would be for another organisation to duplicate the loyalty programme model, thus having created an effective barrier to entry.

Vitality’s strategy to enact the nutrition pillar of behavioural economics was on account of partnerships with popular retail stores such as Woolthworths, Pick n Pay and Dischem. Vitality members did not necessarily always buy healthy foods but they were aware which foods were healthy and would consequently earn them rewards. Nossel shared insight on how some members even separate their grocery baskets at the shop tills to earn Vitality points and pay for the other less healthier foods separately. He believes inasmuch as members do not always select healthy food, the awareness has been created to inform and influence their food selections.

Vitality’s physical activity pillar had become such a “cultural norm amongst members that one could hear people say ‘I need to park far or use the stairs. I have got to earn my

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27 Interview with Manager 1, January 18, 2019
Vitality points\textsuperscript{28} said a manager, when asked if behavioural changes are evident in the members’ lifestyles.

Comparably, the preventative screenings pillar had also become popular amongst the members. A study was conducted among Discovery Vitality members who were enrolled on the programme from 2005-2011. The purpose of the study was to show the impact of the programme on receipt of preventative services. Some of the results were improvements for: cholesterol testing at 8.9%, dental examinations at 6.3% and mammograms at 3.1%. Additionally, HIV testing improved by 2.6%, translating into 97.4% of the members in the study. The results between the chronic illness and non-chronic illness members were outstanding. Four out of the eight financial incentive preventative services (cholesterol testing, fasting glucose testing, HIV testing, mammogram, papanicolaou testing, dental screening, glaucoma screening and prostate specific antigen testing) seeded better results for the chronic illness member, although it was not discussed which four services those were.

Although members made use of the preventative services, it did not necessarily translate into the prevention of unwanted health results due to factors such as readily accessible healthcare facilities. However, two very positive outcomes resulted from the preventative screenings. First, they created awareness among members after screening of what the recommended healthy ranges or readings should be for each preventative screening. Second, there was an increased likelihood of the treating physician to recommend other preventative screenings, treatment and more investigations, if any abnormalities were detected. When the study was conducted in 2011, members gained 1500 Vitality points for their preventative screenings. However, by 2018, the total number of Vitality points that could be earned for the same preventative screenings ranged from 2500-5000 points. This showed how the programme was constantly trying to evolve to attract members to take up their benefits by rewarding their behavioural choices\textsuperscript{29}.

Shared value

“Value is more of a judgement. You cannot quantify it,”\textsuperscript{30} said one manager. This statement was followed by the notion of value perception. Value was created for three

\textsuperscript{28} Interview with Manager 2, January 24, 2019.


\textsuperscript{30} Interview with Manager 2, January 24, 2019.
stakeholders, namely members, society and the organisation. The members’ value was seen in improved prices and benefits to ensure improved health. The society’s value was the result of improved members’ health that inherently produced improved work productivity, a healthier society and a reduction in the healthcare burden. Discovery reaped the benefits of reductions in claims, improved profit margins and positive lifestyle changes in their members.

In 2006, a cross-sectional study was conducted to access the correlation between participation on the wellness programme and patient hospital costs of 948 974 members who were both Discovery Health and Discovery Vitality members. The highly engaged members had the lowest healthcare costs. There was an 8,8% and an 18,6% difference between non-members and lowly-engaged members’ cost per member hospital admission, respectively, compared to the highly-engaged members.

Increased engagement on Vitality equated to earning more rewards. Furthermore, the shared value model was presented in such a way that the Discovery members did not have to go out of their way to reap their benefits. The models that were put in place “lower the threshold of effort for our members and allows them to engage more with the product,” said a Discovery manager.

With the high cost of healthcare services, Discovery Vitality had seen the importance of increasing the rewards to encourage preventative screenings because the greater the number of members who were affected by chronic illnesses such as diabetes and hypertension, the greater the costs and claims for treatments. Preventive screenings were one of the many examples through which the organisation had created shared value for stakeholders. The health claims were reduced, patients were more health conscious, engaging and productive. Healthcare workers on the Discovery Network gained more loyal patients who went for regular screenings.

Between 2017 and 2018, 44 communities were uplifted through community health projects and were funded R32.1 million by Discovery Limited. Furthermore, the Discovery Foundation funded the tertiary costs of healthcare professionals to the value of R14.4 million. Discovery employees

31 Interview with Manager 3, February 19, 2019
were expected to devote 100 hours per annum to participate in community projects sponsored by the organisation. The initiatives once again highlighted the intent of Discovery to create shared value.

**Key Learnings**

The developments of shared value creation by Discovery were significant. However, the 44 community health projects created instant gratification in the communities to encourage lifestyle behavioural changes but motivation could have been lost after the projects. The drawback of community projects was the absence of support after the projects. The Discovery employees devoted a few hours per annum because understandably so, business had to continue as normal in Sandton. Therein lay the challenge for Discovery, the lack of understanding of the lower income market. Nossel iterated how the fundamental needs of the target market are still not understood. The perceptions of the lower income market about the brand were unknown. Finding a solution to attract the lower income market apart from community projects was still obscured. The disparities between the upper- and lower-income market were heightened annually in South Africa. In 2015 South Africa was the most unequal country globally in respect of income inequalities as measured by the GINI Coefficient Index.

Another key learning from both Discovery Vitality and Discovery Health regarding adapting the shared value model were the low uptake numbers for the Key Fit wellness programme. The programme was aimed at encouraging physical activity and healthy eating choices in return for a low monthly price. However, individuals signed up for the low funeral cover option. After conducting research, Discovery realised that despite the pricing being very low, it was still a lot of money for individuals in the lower-income market. Access was also a limiting factor as there was very limited access to gyms. The lifestyles of this target group did not permit for full engagement on Key Fit. The typical profile of a lower-income household was one, where there was only one breadwinner, who relied on the over-populated public transport system to travel 80 km daily to work, woke up at 04:00 am and returned home after 07:00 pm, and their monthly salary had to support six other lives. Given this profile and trying to convince such an individual to sign up for a wellness programme and reap the benefits thereof, required great understanding of the target market, creating the right price points and ensuring there was access to the proposed activities on the wellness programme\(^3\). Over and above, concerns had been

\(^3\) Interview with Manager 3, February 19, 2019.
raised regarding motivating the future potential members for Vitality Move to remain loyal after joining.

**Way forward**

The morale in the company was high as the ‘Ambition 2018’ strategy drive had successfully met its goals that were set in 2013. The key highlights were, moving from 5 to 19 operational countries, normalised operating profit increasing by R4,3 billion and the organisation being the largest platform internationally for achieved behavioural changes (Discovery Limited, 2018). Also, the move to the new ‘aesthetically pleasing’ headquarters in Sandton, the elite business hub in Johannesburg, motivated employees. At that stage, it was the largest new building in South Africa to receive a five-star rating from the Green Building Council of South Africa. The building contributed to the increased productivity of more than 7000 employees who are encouraged and motivated to maintain their behavioural changes through the onsite gym, wellness screening centre and Vitality-partners shops such as Woolworths and Vida e Caffé (Business Day, 2018).

How can the two leaders collaborate to gain traction for Vitality Move and still consider the imperative factors such as shared value and access to the behavioural economic pillars?

**Word count: 5587**
Exhibits

Exhibit 1: Discovery Limited timeline

Discovery Limited timeline

- **01** Founding of Discovery Limited
  - By Adrian Gore
  - By 2018 operated in 19 countries and impacted 17.8 million people

- **02** Launch of Vitality
  - Head Dr Craig Mossel
  - By 2018 operated in 19 countries and impacted 8.9 million people

- **03** Key Care benefit option
  - Started attracting blue collar workers through employers
  - By 2018 had more than 400,000 members and leading in lower tiered medical schemes in SA

- **04** Launch KeyFit
  - Product discontinued due to low membership

- **05** Launch Vitality Move
  - No funeral cover
  - Member uptake low
  - How to attract and reinvent?

**Source:** Authors own
Exhibit 2: Discovery Health Medical Scheme expenses in 2017

Exhibit 3: How Vitality Move works

1. Dial *120*6683#
   Dial USSD to join Vitality Move.

2. Personal Details
   Provide Discovery Health Medical Scheme details and Pick n Pay Smartshopper card number.

3. Vitality Move Card
   Swipe card at Pick n Pay when shopping.

4. WIN
   Every swipe at Pick n Pay provides a chance to win Healthy Food purchases.

5. Know your health
   Do Vitality health screenings and preventative tests.

6. Health Checks
   1. Blood pressure
   2. Blood glucose
   3. Cholesterol
   4. Weight check
   5. Smoking declaration

7. WIN
   After health checks, stand a chance to win back value of whole shopping trolley at Pick n Pay.

8. Get rewarded
   Get up to R100 Pick n Pay rewards and R100 in movies for being healthy.

9. Get active
   Exercise 10 times or more monthly through Parkruns, gym visits or walking 10 000 steps daily.

10. Upgrade
    Upgrade for R35 and get up to R80 in shopping and movie rewards. R100 off gym.

Get Healthy.
Get Fit.
Get Rewarded.

Exhibit 4 : Key Fit contribution rates

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<td>KeyFit</td>
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Members on any Discovery Health Medical Scheme could join Vitality. Members on the Key Care plan could join Key Fit, which had the funeral plan benefits. The funeral cover was available to members on condition the principal member was 64 years of age or younger upon joining.

CHAPTER 4: TEACHING NOTE

Teaching Note- Move! It’s Vital

4.1 Synopsis

The case study invites the reader to the history of Discovery Vitality and Discovery Health, two subsidiaries of Discovery Limited, a diversified South African health insurance company. Discovery Vitality is a wellness programme that seeks to change the lifestyle behaviours of their members by applying behavioural economics. The ultimate aim is to ensure that members maintain a low-risk health status. Similarly, Discovery Health is a medical insurance administrator for Discovery Health Medical Scheme, which offers tiered medical aid schemes benefits. One such benefit is Key Care, targeted at the lower-income market.

The storyline of the case study presents Dr Craig Nossel, the head of Vitality Wellness, and Dr Jonathan Broomberg, the CEO of Discovery Health, as the two protagonists. A wellness programme for the lower-income market, Vitality Move was launched in 2017. It had a low membership uptake by the Key Care benefit scheme members. The two leaders were faced with a challenge to devise ways to strategically target the lower-income group to help create improved employee productivity, decrease the burden of non-communicable diseases and influence positive lifestyle decisions.

Both Discovery Vitality and Discovery Health were constantly improving product offerings through their wellness programmes. In addition, the Research and Development teams kept abreast with social trends and forged partnerships with aspirational brands such as Woolworths for the popular Vitality wellness, with members predominantly from the upper and lower income markets. The focus was on the two subsidiaries, Discovery Vitality and Discovery Health to attract customers for Vitality Move by applying the Porter and Kramer (2011) shared value model and behavioural economics by Thaler (2016).

4.2 Teaching Objectives

The case study is relevant for students at an Honours or Masters level, particularly in the business field of study, for example, Masters in Business Administration or Post Graduate Diploma in Business. In addition, the case study is relevant for short programmes or executive programmes that have a focus on business studies. The suitable courses are marketing, innovation, environment of business and business sustainability. However, the focus of the teaching note will be on the shared value model.
The students who engage with the case study will gain a better understanding of shared value and behavioural economics theories.

Please see Table 1 to gain an understanding of the relationship between the teaching objectives, the three assignment questions and the two theoretical frameworks, behavioural economics and shared value creation.

**Key words** include shared value, behavioural economics, Discovery Vitality, Discovery Health, wellness programmes, health industry, lower-income market, medical aid schemes and benefits, NHI.

### 4.2.1 Teaching objectives framework

The teaching objectives are framed by Porter and Kramer’s (2011) shared value model. The shared value model was also adopted as the ethos and cornerstone of Discovery Limited

**4.2.1.1 Teaching objective 1:** Allows students to apply the shared value model and how Discovery Limited has successfully managed to apply this model in their business model.

**4.2.1.2 Teaching objective 2:** Students will be able to apply the pillars of behavioural economics, specifically to the lower-income market.

**4.2.1.3 Teaching objective 3:** Students will understand the importance of applying an organisation's value proposition to their service or product offerings.

### 4.3 Key Words and Subject Code

Wellness programmes, behavioural economics, purchase orientation, motivation, perceptions, customer loyalty, innovation in health, product development.

### 4.4 Assignment questions

**4.4.1 Question 1:**

Examine what makes Discovery Limited successful in the lower-income market according to the case study by applying Porter and Kramer’s (2011) shared value model. Give reference of applicable figures or results.

**4.4.2 Question 2:**

Critically analyse the role of behavioural economics in creating Vitality and Vitality Move wellness programmes. Motivate your answer by applying Thaler (2016) three concepts of behavioural economics to the case study?
4.4.3 Question 3:

Using your understanding of the shared value model and Discovery Limited’s value proposition, recommend to Dr Craig Nossel and Dr Jonathan Broomberg what next steps they should take. Support your recommendations with Nam and Hwang (2018)

4.5 Research method

Two data collection methods were used, namely; primary and secondary data collection. The primary data collection were five in-depth interviews guided by an interview schedule. The interviews were conducted at Discovery Limited, the leading health insurance company in South Africa. The participants of the interviews were ‘passive knowledge givers’ and the researcher extracted key information from the interviews for the case study.

The secondary data collection method was data collected from research engines concerning the healthcare sector, medical aid insurance sector, and Discovery Limited and its subsidiaries. Both the primary and data collection methods were purposive judgemental (Saunders & Lewis, 2012).
### 4.6 Additional Material

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<td>Visual representation of the shared value model</td>
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</table>
4.7 Suggested Core Readings


4.8 Teaching Plan and Timing

4.8.1 Teaching Plan: 90 minutes

Creating shared value through Vitality Move

15 minutes: Introduction

Please see Table 2: Teaching Board Plan, for practical guidance

The faculty member should ask three students in the class to introduce the case study by giving a synopsis of the case study and highlighting their key take-outs. The three teaching objectives were based on two theoretical concepts, namely, creating shared value and behavioural economics. To motivate the class to start, the faculty member should ask the class if anyone has Discovery Vitality or Vitality Move membership, then two students should share what their membership experiences are and their main reason for joining the respective wellness programmes.

Thereafter, students are asked to vote with a show of hands:

After reading the case study, ‘Do you believe Discovery is creating shared value for the lower income market despite the low uptake numbers?’

5 minutes: Giving context to the case study

The faculty member is advised to play the ‘Creating shared value: It’s the future’ and the ‘Ready. Set. Move your way to Vitality Move’ videos from the Additional Material list.

35 minutes: Group discussions

Divide the class into groups of 6, if the group is large, divide into a maximus of 10 students per group. Ask the students to go apply behavioural economics and shared value creation with supporting evidence from the case study. Please refer to Table 2 for practical implementation of the group discussions.

20 minutes: Feedback - Practical application of theory

Four groups should present their findings to the class. If there is access to Discovery Limited, Broomberg, Nossel or a manager from Discovery Health or Discovery Vitality could be invited to share insights.

15 minutes: Closing

Faculty member to integrate the findings from the groups and add any key information from the case study that the students could have omitted (Refer to Teaching board for guidance). Restate the key learnings from the case study and read the post script.
4.9 Model Answers

4.9.1 Assignment Question 1:

Examine what makes Discovery Limited successful in the lower-income market according to the case study by applying Porter and Kramer’s (2011) shared value model. Give reference of applicable figures or results from the case study.

Porter and Kramer (2011) introduced the shared value model. The model takes corporate social responsibility (CSR) to the next level. CSR is an initiative undertaken by organisations to distribute and share their annual profits with society. Porter and Kramer (2011) do not discredit the value and impact of CSR but believe more can be in done in addition to CSR. Creating shared value involves the positive social impact that organisations make through social activities and changes to their inter-relations with society. Many organisations fail to grasp the concept of shared value or think of it too narrowly. Such narrow thinking is associated with the exclusive drive for financial performance, forgetting about the direct and indirect customers. Customers are the drivers of an organisation’s financial performance and keeping it a going concern. Equally important are employees, suppliers and the communities in which the organisations operate. Shared value goes beyond Corporate Social Responsibility (Porter & Kramer, 2011). As seen in the case study on page 36, the Discovery Foundation contributed over R14.4 million towards educating healthcare professional students. Shared value was thus created because the healthcare professionals will graduate one day and work in underprivileged communities. In turn, those communities will have strengthened healthcare services and organizations will benefit by inherently by employing healthy employees who have access to efficient healthcare facilities.

Porter and Kramer (2019) emphasise the importance of shared value, going as far as iterating that shared value may even be less related, only partially related or even disconnected from the organisation’s own shared value model. For example, if many of the communities that Discovery funded had a large agricultural focus, there would be no reason not to fund such initiatives. The reason being, supporting the agricultural endeavours would build Discovery’s brand reputation, societal needs would be met and invariably, some people would be drawn to join Discovery Health Medical Scheme because of the positive association with the organisation. Exhibit 1 shows how Discovery created shared value to the organisation, its clients and society. In this instance, Discovery’s shared value contribution to society was connected to its shared value model of being change agents for improved health and healthcare through innovation.
A common thread in the case study is the narrative of the shared value model working well for Discovery Limited. On page 24, it read that “Discovery Vitality is a wellness programme that literally and figuratively ‘banks the members healthy behaviours”. That example highlights how the organisation shares its profits with the consumer through incentives of the wellness programme, which also has a positive effect on society because healthier individuals equates to a decrease in economic burdens on society due to poor health effects. It augments what Discovery Vitality aims to achieve by creating wellness programmes to increase healthy behavioural choices from members, which in turn should increase employee productivity among working members and decrease health-related claims, but also mortalities caused by NCDs.

Porter and Kramer (2011) recognise the important role that leaders and managers play in implementing shared value by understanding society’s needs, the operations and productivity of the organisation, and finding ways of collaboration between profit and non-profit variables. The dangers of not implementing shared value could lead to potential internal costs for organisations and the increase in societal harms such as not educating communities about preventative healthcare measures. As seen in the case study (see page. 35), the organisation knows how to create shared value for different stakeholders. For example, in 2018, R32.1 million was contributed towards 44 community healthcare projects in South Africa. That is a representation of creating shared value because 44 communities benefitted, while employees of Discovery were obligated to donate some hours per annum for community service. As a result of the community initiatives, health-related knowledge was shared, relationships were formed between the employees and community members and geographical areas, where government healthcare facilities are out of reach, were supported. According to Porter and Kramer (2011), “the competitiveness of a company and the health of the communities around it are closely intertwined” (p. 66). These examples show that shared value is not just a government’s responsibility, while corporates remain driven by profits. Both the public and the private sector are equally responsible for creating shared value within the communities they operate in.

There are three ways to create shared value: by reconceiving products; redefining productivity; and creating supportive business clusters, where the company is located. The three solutions have a reciprocal relationship. As one solution is improved, it provides opportunities for improvement of the other two solutions. The opportunities are constantly evolving as technology becomes more agile, economies are becoming more developed and individual priorities shift. Once again, the Exhibit 1 highlights how the
three shared value creation ways can be implemented and be applicable to all stakeholders.

Kramer and Porter (2011) describe shared value as the barter between economic efficiency and community advancement. Therefore, the success of Discovery Limited is attributed to finding that parity between economic gains and the inclusion of the greater society as stakeholders. As the case study reveals, Discovery Health makes a profit by providing administration services. In retrospect, the Discovery Vitality programme does not necessarily improve the profits of Discovery Limited. Instead, through its award-winning wellness programme’s rewards and benefits, people are motivated to sign up for the programme and eventually also sign up for other Discovery products such as the Discovery Health Medical Scheme. The efforts, research and design, marketing and precision that go into tailoring the wellness programmes can, at times, result in extra costs and thus, a short-term financial loss incurred by the programme, but it provided a societal gain. One such example is that the programme subsidises gym membership fees. Invariably, as more people exercise, there are fewer medical aid claims, more people are attracted by the discounted gym fees and join the programme and the medical aid scheme, more people improve their health statuses and society benefits by having healthier individuals to look after their dependents and work efficiently at their places of employment.

“Not all societal problems can be resolved through the shared value model. However, shared value gives organisations the opportunity to apply their skills, resources and management capability to lead social progress. Similarly, businesses will earn the respect from society again” (Porter & Kramer, 2011, p. 77). In conclusion, the efficacy of shared value is supported by evidence in all cases where organisations create value for all stakeholders and financial targets are also met; therefore, consistency is imperative (Nam & Hwang, 2018).
4.9.2 Assignment Question 2:

Critically analyse the role of behavioural economics in creating Vitality and Vitality Move wellness programmes. Motivate your answer by applying Thaler (2016) three concepts of behavioural economics to the case study?

Academic research on behavioural economics greatly recognizes and references Thaler (2016) many years of research on the topic. Thaler (2016) used Simon (1955) as the foundation for behavioural economics. Behavioural economics is concerned with the application of psychological reasoning into business and economics to assist in behavioural choices of potential customers. There are three concepts in behavioural economics that inform the psychological reasoning. Firstly, overconfidence; secondly, loss aversion and lastly, self-control (Thaler, 2016). The three psychological reasonings may be based on irrational decision taking and could result in unwanted outcomes. To combat the irrationality, the science of Economics suggests the application of guidance to avoid the irrationalities. To maintain the rational pattern

Patel, Nossel, Alexander and Yach (2013) reported on the relationship between Vitality and behavioural economics, adapted from Thaler (2016). Individuals are believed to have the mental capacity to make rational decisions. However, at times, make irrational decisions that make have repercussions at a later stage. The study shows how the use of behavioural economics concepts can be used to rationalize with members and potential members on the importance of lifestyle changes. Before addressing the three concepts by Thaler (2016) below, Patel et al. (2013) believe that rationality can only be effective once there are no restrictions to information. Thereafter, overconfidence, loss aversion and self-control can be addressed in a subtle and liberal manner. Unrestricted information relates to giving customers all the necessary evidence-based information beforehand to avoid any confusions. The following three concepts are discussed in Exhibit 2. The concepts will be discussed based on the case study to give an analysis of the role of behavioural economics in creating Vitality and Vitality Move wellness programmes.

1. Overconfidence

The case study mentions on page 31 how Park Runs and taking the stairs had become a cultural norm amongst members. This highlights how the organisation had relayed a message that something as simple as walking instead of driving was a potential health
risk. As overconfidence relates to being unrealistic in one’s convictions that certain harmful behaviours and choices would not be detrimental. However, the message was yet to be indoctrinated to those belonging to Vitality Move. The customers were mostly likely already walking far more than 10 000 steps a day as required because of their social circumstances but the importance of tracking the steps and the benefits thereof was unknown to them, hence the low uptake numbers.

2. Loss aversion

Loss aversion is the irrational fear of losing. On page 31, Nossel mentions some members joined Vitality out of FOMO (Fear Of Missing Out) because of the popularity of the programme. Upon membership, the members learnt that the programme was created to improve lifestyle choices through nutrition, health screens and exercising. Thus, the rewards were an outcome of engaging in the programme.

3. Self-control

Discovery Vitality rewards members for healthy food choices. Despite the fact other members become tempted and purchase unhealthy foods, they resort to separating their grocery baskets to earn rewards for the Discovery rewards food (see page 33). As psychological reasoning states, the seed has been planted in the customers mind regarding the choices, hence the ability to separate the basket or consciously buying healthy foods only (Simon, 1955).

As seen in Exhibit 3, the successful application of behavioural economics has positive health outcomes for individuals on wellness programmes. Inversely, those who do not belong to a wellness programme or do not engagement after joining, have complex health issues. Hence, Thaler (2016) advocates for using incentives, providing advice and guidance and not putting stringent measures in place when customers default. This will assist in maintaining loyalty and improving the lives of the customers. As seen on page 31, Discovery Vitality motivates the members by increasing the total number of rewards as an incentive to go for health checks and exercise.

What Discovery Vitality has done well is elucidating the mantra of their programme namely; ‘Get fit. Eat healthy. Get rewarded’. The prose used is easy to understand. The gap between expressing the simple message from the mantra to the target market could lie in the marketing of the programme and thereafter motivating customers to sign up for Vitality Move. This plays a role in bringing rationality regarding joining a wellness programme just for present bias reasons because effort must put in to reap the rewards.
from the programme. Patel et al. (2010) discuss various approaches that health insurers have on impacting behavioural changes on wellness programme members. Some of the approaches are decreasing the costs of membership participation in preventative activities, increasing preventative screening access, providing health education and the use of economic rewards to encourage the engagement and participation of members.

In conclusion, the responsibility rests with the organisation to hone in on the importance of making certain lifestyle choices that are inherently beneficial for one’s health. Although the Council for Medical Schemes precludes the selling of wellness programmes together with medical aids, it does allow the brokers to sell the products separately. This means the benefits of belonging to a wellness programme need to be emphasised in subtle and liberal manner when potential clients sign up for medical aid schemes. Therein lies the opportunity for Discovery to influence the rationality of the members to ensure reaping the rewards from Pick n Pay, go for screenings and walk 10 000 steps daily as this was the message Vitality Move wanted to drive to the members.
4.9.3 Assignment Question 3:

Using your understanding of the shared value model, Discovery Limited’s value proposition, recommend to Dr Craig Nossel and Dr Jonathan Broomberg what next steps they should take. Support your recommendations with Porter and Kramer (2019).

Creating shared value is one step ahead of broader CSR initiatives. It expands into creating societal change through innovation, and through new technologies and physical engagements in communities. However, some organisations seem to believe that any initiatives beyond the call of CSR are wasteful expenditure of shareholders’ money. Moreover, government has stringent financial expenditure regulations, thus making shared value creation a potential stumbling block (Porter & Kramer, 2019). Organisations such as Discovery have taken on board the concept of shared value creation.

The first recommendation would thus be to apply shared value creation to the lower-income communities and support them through annual CSR initiatives. The case study on page 36 mentions the responsibility that every employee has to give back to the communities. This ensures that a significant number of hours from the 7 000 or more Discovery employees spent with the selected communities results in a cycle of continuous presence of Discovery in society. This presence creates brand awareness, improves brand reputation and should also attract customers. Additionally, the interaction between the employees and the members of society can help to change the perception that Discovery is a brand merely for the middle- and upper-class income individuals. As one manager mentioned in the case study, “Corporate organisations in South Africa are competing for the same part of the pie for the lower-income market. Discovery Limited would have to take many informed decisions on how to get the greater portion of the pie”.

However, consideration needs to be taken that cynical lower-income communities may feel that the fact that Discovery employees can spend so many hours among them and still get paid their salaries, shows that they are middle- or upper-income group only as poor people do not have such spare time. Therefore, more thought needs to put in translating the 100 hours of community involvement into more impactful use of time.

The second recommendation is to make Vitality Move easier to use. Vitality Move requires the customer to register on their phones Unstructured Complementary Service Data (USSD) as seen in the video under additional materials and this could be complicated for some customers Many organisations use loyalty programmes as a tool to collect customer information and track their loyalty, based on evidence of purchase
frequency or purchase amounts (Meyer-Waarden, Benavent & Casteran, 2013). The organisations use marketing strategies to attract customers to their loyalty programmes and encourage repeat purchases or they apply integrated, structured and rule systems (Meyer-Waarden, 2015; Meyer-Waarden, 2008). However, according to Meyer-Waarden and Benavent (2009) and Meyer-Waarden (2007), loyalty programmes often fail to increase the customers’ loyalty to the organisation because of the types of rewards they offer. Therefore, organisations ought to focus on increasing the reward benefits and decrease the cost to the customer for using the loyalty programmes (Demoulin & Zidda, 2008).

A suggested easier method for joining would be to have marketers go the communities to physically active Vitality Move for individuals on their phones at a central location. In addition, local radio stations could be used as platforms to advertise the product and there could be access points for registration at a local shopping centre or grocery store such as Pick n Pay as a partner store. The presence of the marketers in the communities could be used as an opportunity to conduct surveys and really understand what the needs of the individuals are.

The third suggestion to Broomberg and Nossel is to ensure that rewards are easy to retrieve; an example would be loading rewards on the Vitality Move card and sending personal communication in the customers’ preferred language. Therefore, the cognitive response to buy again at partner stores and go for health screenings will be stimulated through easier rewards attainment and removal of language barriers.

There are two types of rewards, tangible and intangible rewards. Studies have shown that tangible rewards such as free gym membership or flight tickets are preferred to intangible rewards such as priority check-ins, for increasing customer loyalty (Keh & Lee, 2006; Yi & Jeon, 2003). Meyer-Waarden (2015) suggests that three variables affect how rewards play a role in loyalty programme preferences. The three variables are the tangibility of the rewards, the compatibility of the rewards and the timing of the rewards. These rewards are either abstract such as novelty or recognition, or concrete such as discounts or personalised offers. Both types of rewards stimulate the cognitive responses by customers, thus stimulating an urgency to repeat purchase or repeat use (Vessel & Zabkar, 2009; Dreze & Nunes, 2001; Kwong et al., 2011; Tietje, 2002). The cognitive responses are referred to as perceived value. According to Bagchi and Li (2011), perceived value is defined as the ‘relationship between the customers’ perceived benefits in relation to the perceived costs of receiving goods or services’. The perceptions evoke positive emotions such as feelings of pleasure, pride and motivation. Therefore, both
types of rewards enhance the perceived value and result in perceived benefits that eventually translate into the sought-after customer loyalty (Meyer-Waarden et al., 2013).

Although Discovery Vitality is not a loyalty programme, but rather a wellness programme, the programme still relies on the dynamics of the rewards they offer to their customers to retain customer loyalty. According to Meyer-Waarden (2015), loyalty programmes inform an organisation on the customers’ purchase behaviour, thus creating a currency of ‘customer value to the organisation’. This currency is based on customer satisfaction, perceived value by the customer, the ability to improve decision-making and motivation. Given that the Discovery Vitality members are existing Discovery Ltd clients, the consideration of joining the wellness programme is based on the customers’ consideration of costs and efforts required to maintain their membership in relation to the rewards value. Therefore, the influence of loyalty programmes or wellness programmes is contingent on the programme design (Keh & Lee, 2006). Thus, if the value of the rewards is greater than the associated costs of the programme, then customers will not sign up (Meyer-Waarden, 2015). The fourth suggestion is to expand the partners. Vitality Move has only partnered up with Pick n Pay. More retail stores such as Shoprite/Checkers and Spar will increase the perceived value of the brand to the community and encourage them to make use of and maintain their Vitality Move membership.

A key variable in ensuring customer loyalty is the correct timing of rewards (Meyer-Waarden, 2015). Rewards timing influences the customers’ motivation and behaviour. For example, wellness programmes such as Discovery Vitality aim to influence the decisions customers make by promising rewards to customers and ensure healthier lifestyles. According to research, the timing of obtaining these rewards is crucial in the outcome of the customers’ behaviour and motivation in wanting to improve their lifestyles. According to Meyer-Waarden (2015), the ‘rewarded behaviour’ mechanism is a shaping mechanism that reinforces a customer’s motivation and behaviour. The mechanism has a long-term effect on customer loyalty and increases the likelihood of repurchases. However, research shows that if customers are expected to expand efforts over a longer period of time to obtain their rewards, they expect greater, more valuable and more guaranteed rewards such as a monthly 70% discount for gym membership if the gym is consistently visited. Thus, for programmes implemented by organisations to retain customer loyalty, reward timing needs to be considered as a factor; more especially, if continuous behavioural change is the intended outcome. Yi and Jeon (2003), and Meyer-Waarden (2015) support this notion by adding that customer involvement plays a crucial role in how customers are to receive their rewards after
proving changed behaviour. Customer involvement includes understanding what rewards the customers would like or what brands would encourage them to pursue behavioural change. This highlights the importance of customer surveys or focus groups, as another suggestion to Broomberg and Nossel to conduct and receive feedback and adapt to social changes or trends. In so doing, new discoveries could be made regarding what the lower-income market aspires to as rewards on a wellness programme.

In conclusion, a key take-out from the shared value model is the consistency that needs to be maintained by organisations even during challenging times. For example, regularly exploring the societal issues and needs in communities before and while embarking on a shared value journey. Shared value does not have to be synonymous with financial rewards. Shared value can be created through support. As seen on page 33 in the case study, above and beyond the financial reward through discounts or free gym membership by Discovery, Discovery employees were expected to go to the communities to serve. The presence of the employees plays a pivotal role in upskilling, lifting up morale and imparting knowledge in the communities. It can also play a vital role to retain current market share or increase market share, improve the health of the communities through free access to health facilities and create jobs through an interconnected relationship (Porter & Kramer, 2019).

Therefore, Broomberg and Nossel have to ensure that the behavioural economic pillars are complemented with an intentional positioning and awareness of the brand in the communities to enhance the organisation's reputation and the communities’ health to make Vitality Move a successful wellness programme (Nam & Hwang, 2018).

4.10 Key Learnings

Despite the failure of Key Fit and the low uptake of Vitality Move, Discovery Health and Discovery Limited are still determined to make Discovery Move the best-known and prolific wellness programme. The organisation was moving towards making physical activity more viable through projects such as hosting boot-camps in areas that were safe and within reach of the relevant target groups. Discovery Limited’s history reveals that the organisation is constantly evolving and able to innovate, hence its presence in 19 countries. Vitality Move can become successful if the correct fees, partners and rewards are put in place as the protagonists had proclaimed.
4.11 Post script

Vitality Move was still on the market. The organisation was in negotiations with other retail chains to negotiate a deal similar to what they had with Pick N Pay because access to Pick N Pay was not always viable for the target market.

Word Count: 5080
4.12 Teaching Note exhibits


<table>
<thead>
<tr>
<th>Organisation</th>
<th>Members</th>
<th>Society</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biggest medical aid scheme administrator with presence in 19 countries</td>
<td>1.4 % Surplus reinvested in member reserves from DHMS</td>
<td>Healthcare professionals on a recommended network</td>
</tr>
<tr>
<td>Market share 56%</td>
<td>Innovative ways for engagement</td>
<td>44 community upliftment projects</td>
</tr>
<tr>
<td>Risk claim savings of R17.3 billion</td>
<td>Increased rewards in wellness programmes</td>
<td>R32.1 million funded community projects</td>
</tr>
<tr>
<td>Launched Discovery Bank in 2018</td>
<td>Reputable partner brands</td>
<td>Discovery Foundation: R14.4 tertiary fees</td>
</tr>
<tr>
<td>2.08% increase DHMS members</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source:
Exhibit 2: Goals of behavioural economics based on Thaler (2016) and Patel et al. (2013).

<table>
<thead>
<tr>
<th>Goals</th>
<th>How to achieve the goals</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Characterise optimal</td>
<td>Know the target markets well defined preferences, unbiased beliefs and expectations.</td>
<td>Actual behaviour is based on beliefs and preferences.</td>
</tr>
<tr>
<td>behaviour</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Predict actual behaviour</td>
<td>Often influenced by altruistic (selfless) decisions especially towards close family or</td>
<td>Research what the close friends and family</td>
</tr>
<tr>
<td></td>
<td></td>
<td>members needs are. Inherently, behaviours will</td>
</tr>
<tr>
<td></td>
<td></td>
<td>be influenced by appeasing them.</td>
</tr>
<tr>
<td></td>
<td>Behave out of self-interest.</td>
<td>Understand what motivates target market.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Behaviours will gravitate towards reaching</td>
</tr>
<tr>
<td></td>
<td></td>
<td>the self-interest goals.</td>
</tr>
<tr>
<td></td>
<td>Create environments of access and practice</td>
<td>Improves performance</td>
</tr>
<tr>
<td>Concepts to consider</td>
<td>Overconfidence.</td>
<td>Loss aversion.</td>
</tr>
<tr>
<td>----------------------</td>
<td>-----------------</td>
<td>---------------</td>
</tr>
<tr>
<td></td>
<td>Will overestimate the success of what they planned to achieve. Would rather engage in risk averse activities to show confidence and disregard the possibilities of danger.</td>
<td>The fear of losing is unjustifiable and is greater than the benefits of gaining.</td>
</tr>
<tr>
<td></td>
<td>Continue smoking and driving excessively but have no conviction that it will affect your health because nothing has ever happened in the past.</td>
<td>Joining the programme because everyone is joining. However not engage or improve lifestyle</td>
</tr>
</tbody>
</table>

Source:


Exhibit 3 Different levels of behavioural economics application in lifestyle behaviours

Source:
Table 1: Relationship between teaching objectives, assignment questions and theory

<table>
<thead>
<tr>
<th>Domain</th>
<th>Teaching Objective 1</th>
<th>Teaching Objective 2</th>
<th>Teaching Objective 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Allows students to apply the shared value model and <em>how</em> Discovery Limited has successfully managed to apply this model in their business model.</td>
<td>Students will be able to apply the pillars of behavioural economics, specifically to the lower-income market.</td>
<td>Students will understand the importance of applying an organisation’s value proposition to their service or product offerings.</td>
</tr>
<tr>
<td>Topic</td>
<td>Shared Value Creation</td>
<td>Behavioural Economics</td>
<td>Application of Discoverys value proposition</td>
</tr>
<tr>
<td>Assignment Question</td>
<td>Examine what makes Discovery Limited successful in the lower-income market according to the case study by applying Porter and Kramer’s (2011) shared value model. Give reference of applicable figures or results.</td>
<td>Critically analyse the role of behavioural economics in creating Vitality and Vitality Move wellness programmes. Motivate your answer by applying Thaler (2016) three concepts of behavioural economics to the case study?</td>
<td>Using your understanding of the shared value model and Discovery Limited’s value proposition, recommend to Dr Craig Nossel and Dr Jonathan Broomberg what next steps they should take. Support your recommendations</td>
</tr>
<tr>
<td>Possible questions for class discussion or debate</td>
<td>Is value created in Vitality Move for the lower income market or is it a replica of Vitality Move with less benefits</td>
<td>Is the application of overconfidence, loss aversion and self control well applied to create rationality to join the wellness programmes?</td>
<td>Do you think Vitality Move should be discontinued, like Key Fit. Or should Discovery modify it and relaunch?</td>
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Table 2: Teaching Board Plan

<table>
<thead>
<tr>
<th>Time Frame</th>
<th>Facilitators Notes</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 minutes</td>
<td>Introduce the case study and mention the two underpinning theories are behavioural economics and shared value creation.</td>
<td>Display TN Exhibit 1 (The diagram only, not the table) and draw the following table for voting.</td>
</tr>
<tr>
<td>Question: Is Vitality Move creating shared value?</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Number of responses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 minutes</td>
<td>Prepare the links for the Shared Value and Vitality Move videos</td>
<td>Links found under Additional Material, video two and three.</td>
</tr>
<tr>
<td>35 minutes</td>
<td>Divide the group into groups of 6 for theory application according to the case study. Students should apply the three concepts of behavioural economic and the shared value diagram according to Exhibit 1.</td>
<td>Hand out Exhibit 2 to the groups as reference for behavioural economics. Supply groups with two A1 flip charts and markers. Ask the students to redraw Exhibit 1 on the first flipchart as a template and the second flipchart should have the three concepts of behavioural economics</td>
</tr>
<tr>
<td>20 minutes</td>
<td>Select 4 groups to present their findings. Facilitate the feedback and ask other groups for inputs if any information was omitted.</td>
<td>Prepare a stand for the students to display their charts for the class to see.</td>
</tr>
<tr>
<td>15 minutes</td>
<td>Consider the findings of the students and summarize the theories.</td>
<td>Refer to Exhibit 1, see the application of findings from the case study. Refer to Assignment question 2 model answers to</td>
</tr>
</tbody>
</table>
4.13 Source List


Appendix A: Ethical Clearance from GIBS

Gordon Institute of Business Science
University of Pretoria

29 September 2018
Jama Luhando

Dear Luhando,

Please be advised that your application for Ethical Clearance has been approved.

You are therefore allowed to continue collecting your data.

Please note that approval is granted based on the methodology and research instruments provided in the application. If there is any deviation change or addition to the research method or tools, a supplementary application for approval must be obtained.

We wish you everything of the best for the rest of the project.

Kind Regards,

GIBS MBA Research Ethical Clearance Committee
Appendix B: Ethical Clearance UP Faculty of Health Sciences

The Research Ethics Committee, Faculty of Health Sciences, University of Pretoria complies with IC-0CP guidelines and has been accredited for: FWA 60003256, Approved: 22 Mar 2002 and Expires 22 Mar 2022.

15 November 2018

Approval Certificate
New Application

Ethics Reference No.: 599/2018
Title: A wellness programme for the lower income market

Dear Dr L Jana

The New Application as supported by documents received between 2018-11-05 and 2018-11-15 for your research was approved by the Faculty of Health Sciences Research Ethics Committee on its quorate meeting of 2018-11-07.

Please note the following about your ethics approval:

- Ethics Approval is valid for 1 year and needs to be renewed annually by 2010-11-15.

- Please remember to use your protocol number (599/2018) on any documents or correspondence with the Research Ethics Committee regarding your research.

- Please note that the Research Ethics Committee may ask further questions, seek additional information, require further modification, monitor the conduct of your research, or suspend or withdraw ethics approval.

Ethics approval is subject to the following:

- The ethics approval is conditional on the research being conducted as stipulated by the details of all documents submitted to the Committee. In the event that a further need arises to change who the investigators are, the methods or any other aspect, such changes must be submitted as an Amendment for approval by the Committee.

We wish you the best with your research.

Yours sincerely

Dr R Sommers

MChB MBChB MMed (Int) MPharmMed PhD
Deputy Chairperson of the Faculty of Health Sciences Research Ethics Committee, University of Pretoria

The Faculty of Health Sciences Research Ethics Committee complies with the South African Act 61 of 2003 as it pertains to health research and the United States Code of Federal Regulations Titles 45 and 46. This committee abides by the ethical norms and principles for research, established by the Declaration of Helsinki, the South African Medical Research Council Guidelines as well as the Guidelines for Ethical Research. Principles, Structures and Processes, Second Edition 2015 (Department of Health)
Appendix C: Interview Schedule Discovery Vitality

**Interview schedule**

Discovery Vitality

**General Information:**
1. How did the idea of the wellness programme start?
2. What makes your wellness programme a leading wellness programme?
3. What do you think has made Discovery Vitality attractive to the middle and upper-class clients?

**Behaviour and decision making:**
1. Are you seeing a trend of behaviour change from the clients?
2. Do you think clients who decide to sign up do it for health reasons?
3. With the growing trends in health consciousness, has it made it easier to influence the decisions of clients?

**Marketing and rewards:**
1. What do you think makes clients sign up for the wellness programme?
   a. a)Marketing of the product
   b. b)Brand loyalty
   c. c)The motivation to get rewards
2. How do you think the success enablers such as rewards can be used to create a wellness programme for the lower class clients? Particularly those on the KeyCare plan.
3. How do you think the lower income class clients need to be marketed to attract them for the new wellness programme?
4. Besides money being a differentiator between the different classes, what other issues may come into play?
5. Do you think your current KeyCare clients will afford to sign up for a more affordable wellness programme?
Appendix D: Data Capture Sheet Discovery Vitality

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<th>Interview Identification:</th>
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<td>Location:</td>
<td>Time it took for interview:</td>
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Data capture sheet for semi-structured interviews

General information

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Behaviour and decision making

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Question 3

Marketing and Rewards

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Additional Notes
Appendix E: Interview Schedule Discovery Health

Interview schedule Discovery Health

1. How was the KeyCare model conceptualized as a product to specifically target the lower income market? How many members do you currently have?

2. Given that the CMS does not allow brokers to sell Vitality because it is not a health insurance product, do you think selling Vitality that price modified to organizations that sign up their members on KeyCare would be a great starting pointing to promote Vitality to the lower income market?

3. Do you think modifying the wellness programme to make it financially viable for the lower income market should entail offering the programme as a specialized product, i.e., Vitality for Food, Vitality for Fitness and Vitality for Screenings?

4. Regarding the shared value model, do you think the shared value for the lower income market should be greater? If they are expected to part with money for the wellness programme and money is already scarce compared to the other income markets, should their value be greater to get their buy in?

5. Do you think, if you offered the Key Care members more than what the normal, middle and upper-class people are getting, would that get some buy-in from them?

6. Do you think Vitality for the lower income market will be viable and seed results for the organizations such as a reduction in risk claims?
Appendix F: Data Capture Sheet Discovery Health

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Data capture sheet for semi-structured interviews

**Discovery Health**

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Additional Notes
Appendix G: Participant Informed Consent Form

**STUDY TITLE:** A wellness programme for the lower income market

**Supervisor:** ........................................

**Principal Investigator/s:** Dr Luthando Jama

**Institution:** Gordon Institute of Business Science, University of Pretoria

**Daytime telephone numbers:** +27 83 395 1963 (Luthando Jama)

**DATE AND TIME OF INFORMED CONSENT DISCUSSION:**

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P
Dear Prospective Participant

Dear Mr / Ms / Mrs / Dr __________________

1) INTRODUCTION

You are invited to volunteer for a research study. I am doing this research for a Masters in Business Administration degree purpose at the Gordon Institute of Business Science, University of Pretoria. The information in this document is provided to help you decide if you would like to participate. Before you agree to take part in this study, you should fully understand what is involved. If you have any questions, which are not fully explained in this document, do not hesitate to ask the researcher. You should not agree to take part unless you are completely happy with the kind of questions that will be asked.

2) THE NATURE AND PURPOSE OF THIS STUDY

You are invited to take part in a research study. The aim of this study is to understand how a wellness programme can be created for the lower-income market. By doing so, we wish to learn more about how Discovery Vitality can create the wellness programme for the lower-income market, considering the success with the middle- to upper-income market.

3) EXPLANATION OF PROCEDURES TO BE FOLLOWED

This study involves answering some questions regarding your role as a Discovery Limited employee and gaining a better understanding of the already existing wellness programme and clients of the organisation from the lower-income market who have products such as the lower-tier medical aid. The researcher will conduct the interviews with the individual participant using a predesigned interview schedule, while taking notes. Additionally, the interview will be recorded on a voice recorder. It will take approximately 60 minutes. The researcher will keep the gathered interview information and recorded conversation in a safe place to make sure that only people working on the study will have access to it. Your name will not appear on the interview schedule. This will ensure that your answers are kept confidential (so nobody will know what you have answered).
The interview schedule consists of three parts:

Part 1: General information about the Discovery Vitality wellness programme.

Part 2: Understanding the behaviour and decision-making of the Discovery Vitality clients.

Part 3: Understanding the marketing and rewards strategies of the wellness programme and the existing clients on the lower-tier medical aid option.

4) RISK AND DISCOMFORT INVOLVED

There is no foreseeable risk involved. If there are questions that are too sensitive for you to answer, you do not need to answer them.

5) POSSIBLE BENEFITS OF THIS STUDY

Discovery Vitality will be studied as a division at Discovery Ltd and how a wellness programme can be created for the lower-income market. Discovery Ltd has clients who are already on the lowest tier of the medical aid insurance plan, Key Care. The company would like to investigate how they can create a wellness programme that is specific for this market to encourage positive behavioural change. The organisation has successfully targeted the middle- and upper-income market by influencing their decisions to employ behavioural changes. As mentioned, the theories might inform how Discovery will create the wellness programme, which will in turn produce improved employee productivity, decreased number of medical claims from customers and clinicians, and less medical pay-outs for the company. The knowledge obtained from the case study will be transportable by using theories and models that can be learned and applied in real life situations, not just in the healthcare sector.

6) I understand that if I do not want to participate in this study, I may decline.
7) I may at any time withdraw from this study, but once you have submitted your questionnaire, you can no longer withdraw since we will not know, which questionnaire is yours.

8) HAS THE STUDY RECEIVED ETHICS APPROVAL?

This Protocol was submitted to the Faculty of Health Sciences Research Ethics Committee, University of Pretoria, Medical Campus, Tswelopele Building, Level 4-59, Telephone numbers 012 356 3084 / 012 356 3085 and written approval has been granted by that committee. The study has been structured in accordance with the Declaration of Helsinki (last update: October 2013), which deals with the recommendations guiding doctors in biomedical research involving humans. A copy of the Declaration may be obtained from the investigator should you wish to review it.

9) INFORMATION

If you have any questions concerning this study, you should contact:

Researcher: Luthando Jama  
Email: 29090157@mygibs.co.za  
Phone: 0833951963

Research Supervisor: ............
Email:..............................
10) CONFIDENTIALITY

All records from this study will be regarded as confidential. All results will be published or presented in such a way that it is not possible to identify the participants.

11) CONSENT TO PARTICIPATE IN THIS STUDY

- I confirm that the person requesting my consent to take part in this study has told me about the nature and process and the benefits of the study.
- I have also received, read and understood the above written information about the study.
- I have had adequate time to ask questions and I have no objections to participate in this study.
- I am aware that the information obtained in the study, including personal details, will be anonymously processed and presented in the reporting of results.
- I understand that I will not be penalised in any way should I wish to discontinue with the study and my withdrawal will not affect my employment or student status.
- I am participating willingly.
- I have received a signed copy of this informed consent agreement.

__________________________________  _______________________
Participant's name (Please print)       Date

__________________________________  _______________________
Participant's signature                Date

__________________________________  _______________________
Researcher's name (Please print)       Date
Appendix H: Permission Letter from Discovery

14 September 2018

Dear GIBS Research Ethics Committee,

This letter serves as confirmation that Luthando Jama, GIBS Full-Time MBA student, will be conducting research for her case study research project on Discovery Vitality. The following is her proposed research topic:

A wellness programme in the healthcare sector for the lower income market.

We grant the student the permission to interview the team members of the Discovery Vitality Team as well as extract the necessary secondary data from the team for the purpose of the research, as is possible. This data will not disclose any of our client's personal or medical information.

We are aware that research will not be of any cost to the organization and should it be used as a teaching case in the future, we will review it, suggest alterations and sign it off before usage.

Kind Regards,

[Signature]

Dr Craig Nocsei
Head of Vitality Wellness