

**Exploring the spillover effects in a multi-vendor rewards programme in South  
Africa.**

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## **ABSTRACT**

The aim of this research is to explore what spillover effects are found among the stakeholders of a multi-vendor rewards programme belonging to a large financial institution within South Africa. The research aimed to understand how spillover effects created value for stakeholder of the multi-vendor rewards programme and how these spillover effects created competitive advantage

The research employed a qualitative, exploratory research methodology. A total of 12 semi-structure interviews were conducted with senior managers, collaborators, and customers of the multi-vendor rewards programme.

The results showed that spillover effects were found within the multi-vendor rewards programme. Additionally, these spillover effects were more apparent where the relationships between the stakeholder were close and where stakeholder cooperation was the highest. The key research outcome was the 'Conceptual relationship of Spillover Effects within multi-vendor rewards programme framework', which helped explain how each spillover effect had a multiplier effect creating additional spillover effects thereby increasing the value and the competitiveness of the multi-vendor rewards programme. The findings extend literature on stakeholder theory and loyalty programme theory.

### **Keywords**

Stakeholder theory, loyalty programmes, spillover effects, value creation, competitive advantage

## **Declaration**

I declare that this research project 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. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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1 December 2020

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## **CHAPTER 1: DEFINITION OF PROBLEM AND PURPOSE**

### **1.1 Introduction**

During this chapter, a background and overview of this study is provided. The study explores the spillover effects in a multi-vendor rewards programme managed by a large financial institution in South Africa. To execute this, the background to the research problem is discussed; an outline of the research problem is given; the purpose of the research is examined; the research scope is defined; the significance for business and theory are discussed; the research questions are introduced; the research contribution highlighted; and the roadmap of the research is shown.

### **1.2 Background to research problem**

Loyalty programmes have become commonplace around the world and in South Africa (Dorotic, Bijmolt, & Verhof, 2012; Cromhout & Netto, 2020). Loyalty programmes increase the ability to improve value for stakeholders of a business (Breugelmans, Bijmolt, Zhang, Breugelmans, Basso, Dorotic, Kopalle, Minnema, Mijnlieff, Wunderlich, 2015) and are being used to drive stakeholder engagement (Bowden, Conduit, Hollebeek, Luoma-Aho, & Solem, 2017). Multi-vendor loyalty programmes increase the number of stakeholders that a single loyalty programme has, which increases its complexity (Morgan, 2020). It mirrors the usage found in the United States of America (USA) and across Europe, where the average consumer in the US belonging to a whopping 14,8 loyalty programmes (Morgan, 2020).

With consumers belonging to so many loyalty programmes, it is vital that the loyalty programme is designed effectively to keep the consumer engaged (Mitchell, Mitchell, Hunt, Townsend, & Lee, 2020; Weitzner & Deutsch, 2019). Morgan (2020) shows that only 18% of consumers engage fully with every loyalty programme that they are a member of. Loyalty programmes that keep their customers engaged are able to increase the positive spillover effects experienced and build a competitive advantage (Weitzner & Deutsch, 2019). Within the South African borders, the Retail and Financial Services sectors dominate the loyalty landscape (Cromhout & Netto, 2020). However, tough economic conditions have put strain on consumers, resulting in the lowest consumer confidence since 2017 (Cromhout & Netto, 2020). The paragraphs

above show how important loyalty programmes have become for the customers and for businesses alike. However, the flow of value is one directional with the value to the customer being placed the highest (Leroi-Werelds, 2019; Kumar & Reinartz, 2016). This begs the question; what value is there for the rest of the stakeholders within the loyalty programme? How is this value distributed among the various stakeholders?

### **1.3 The research problem**

The research problem that this research is related to explores how value is distributed between the various stakeholders of a multi-vendor rewards programme, operated by a large financial institution within South Africa, through the exploration of the social phenomenon of spillover effects experienced by the stakeholders within the programme. This research problem sits within stakeholder theory (Freeman, 2010). Businesses today have been seeking to resolve the tension created by pursuing maximum profits, which serves mostly the shareholders, and creating value for all stakeholders of the business (Freeman, Phillips, & Sisodia, 2020). These stakeholders include the shareholders, customers, suppliers, and partners of the multi-vendor rewards programme. The view of maximising profits comes from the strategic management view that the purpose of the business is to increase shareholder value (Freeman, 2010). Stakeholder theory seeks to illuminate how to engage stakeholders and create value for all (Freeman, Phillips, & Sisodia, 2020). The definition of value is not limited to only financial value, but can include psychological value, functional value, and social value (Freudenreich, Lüdeke-Freund, & Schaltegger, 2020).

One of the tools that a business uses to increase value among stakeholders is the rewards programme (Blattberg, Kim, & Scott, 2008; Doritic, Bijmolt, & Verhof, 2012; Rese M. , Hundertmark, Schimmelpfennig, & Schons, 2013). It has been used for many years to improve the value proposition to the customer through improved understanding of customer needs and better management of the customer relationship (Doritic, Bijmolt, & Verhof, 2012; Villacé-Molinero, Reinares-Lara, & Reinares-Lara, 2016).

Within each multi-vendor rewards programme, there are many stakeholders, who each have an expectation of value from the programme. Literature has investigated the design of rewards programmes (Breugelmans, et al., 2015), how to create or maintain loyalty (Hwang, Baloglu, & Tanford, 2019), and how vendors benefit from marketing activities (Doritic, Fok, Verhoef, & Bijmolt, 2011), yet little research has been compiled to explore the actual spillover effects that occur within a multi-vendor loyalty programme (Doritic, Bijmolt, & Verhof, 2012). It is also important to understand how these spillover effects create value for the non-customer stakeholders of the multi-vendor rewards programme.

In conclusion, loyalty programmes are complicated businesses that are able to increase the value to all the stakeholders of the business. What loyalty programme managers need to take cognizant of is how they design the business so that all stakeholders can realise this value. To do this, they need to ensure that all the stakeholders of the programme are engaged and that the relationships are carefully managed. To assist in theory building and help business leaders, this research answers the call from Doritic, Bijmolt, & Verhof, (2012, p. 230) for who “need to know more about the existence and size of spillover effects in multi-vendor LPs”.

#### **1.4 Purpose of the research**

The purpose of the research was to gain a better understanding of spillover effects within a multi-vendor rewards programme operated by a large financial institution in South Africa. The research aimed to provide new insights into the social phenomenon that is spillover effects by exploring what these spillover effects are within the programme; whether the spillover effects as envisioned in the strategic design phase have been realised in the execution of the programme; how value is created for the stakeholders of the multi-vendor rewards programme and how this value can become a competitive advantage for the multi-vendor rewards programme.

#### **1.5 Research Scope**

The scope of this research is limited to the definitions of the following terms:

**Multi-vendor Rewards Programmes:** A multi-vendor rewards programme refers to a rewards programme wherein a coalition of non-competing vendors band together to form one programme and customers can earn or redeem points or rewards throughout the participating vendors (Doritic, Bijmolt, & Verhof, 2012).

**Spillover effects:** A spillover effect is the effect of customer's altering their evaluation of one partner within a multi-vendor rewards programme that causes an amendment in the same customer's evaluation of another partner within the same multi-vendor rewards programme (Schumann, Wunderlich, & Evanschitzky, 2014).

Examples of spillover effects include the buffering effect that a multi-vendor rewards programme provides for service failures, improved linking of brands and products which leads to greater partner fit, and improved customer experience (Schumann, Wunderlich, & Evanschitzky, 2014; Lemon & Verhoef, 2016).

## **1.6 Research contribution**

### **1.6.1 Contribution to theory**

This research contributes towards stakeholder literature by gaining deeper insights into the spillover effects within the context of a multi-vendor rewards programme through uncovering what the spillover effects are within this programme. Previous literature shows that there have been very few studies done to explore what actual spillover effects are experienced within multi-vendor loyalty programmes (Bowden, Conduit, Hollebeek, Luoma-Aho, & Solem, 2017; Breugelmans, et al., 2015; Schumann, Wunderlich, & Evanschitzky, 2014). Additionally, this research contributes to stakeholder theory literature by increasing our understanding of how these spillover effects create value for all stakeholders and through this, how they can become a competitive advantage. Previous literature has identified gaps in research which seeks to explore how spillover effects create value through close stakeholder relationships within multi-vendor loyalty programmes (Freudenreich, Lüdeke-Freund, & Schaltegger, 2020; Doritic, Bijmolt, & Verhof, 2012).

Finally, this research also contributes to stakeholder literature by delving deeper into understanding how spillover effects can help to create a competitive advantage for a multi-vendor loyalty programme in South Africa. Past literature has studied how

synergies between stakeholders can create spillover effects, yet there is a research gap as to how spillover effects can create a competitive advantage for a multi-vendor loyalty programme (Dorotic, Fok, Verhoef, & Bijmolt, 2011; Breugelmans, et al., 2015; Son, Oh, Han, & Park, 2020).

### **1.6.2 Contribution to business**

A business has many stakeholders, with its customers, shareholders, suppliers and partners being among the most important (Freeman, 2010). Within a world that is becoming more complex and uncertain, it can be difficult for business leaders to discern how to engage, connect and create value for its stakeholders (Freeman, Phillips, & Sisodia, 2020). For decades, rewards programmes have been creating value through effectively influencing customer buying behaviour, although, there is still value unrealised by businesses or their customers (Dorotic, Bijmolt, & Verhof, 2012). By better understanding of the customer and the customer needs, or an improvement of the relationship between the stakeholders of the multi-vendor rewards programme positive spillover effects can be realised. Each multi-vendor's rewards programme's network of partners is potentially able to increase or decrease value through the spillover effects that take place between multi-vendor rewards programme members (Freeman, Phillips, & Sisodia, 2020; Dorotic, Bijmolt, & Verhof, 2012). The researcher aims to address the business need by expanding on what spillovers are found within a multi-vendor rewards programme, and how spillover effects contribute to value creation and competitive advantage. This contributes to business by increasing the understanding of spillover effects and the importance of stakeholder relationships and this knowledge can be used by the managers of multi-vendor rewards programmes to increase the value that they receive from spillover effects and increase their competitive advantage.

## **1.7 Research Questions**

Based on the preceding sections, the researcher finds motivation for the following research questions and sub questions:

1. What spillover effects are found between stakeholders of a multi-vendor rewards programme in South Africa?
  - a. Has the multi-vendor rewards programme achieved the benefits that were anticipated during their strategic formulation?
2. How do spillover effects create value within multi-vendor rewards programme?
3. How do spillover effects create competitive advantage for multi-vendor rewards programme?

## **1.8 Roadmap of research**

Within this research document there are seven chapters. Chapter 1 gives a layout of the background, research problem and the purpose. The contents of Chapter 2 contain a detailed literature review. The literature review begins with the introduction of the stakeholder concept and progresses into how value is created for all stakeholders. Additionally, a review is done on loyalty programme design, and how it has changed over the years. This chapter culminates with a review of the literature on spillover effects. An outline of the research questions has been made in Chapter 3. Within this chapter, the aims of each question are discussed. The research questions are based on the content of the literature review found in Chapter 2. The research methodology is discussed and justified in Chapter 4. Chapter 5 presents the findings. This is followed by Chapter 6 which discusses in detail the findings from Chapter 5. Within Chapter 7, a conclusion coalesces the finding of the research study; implications for management are discussed; and the limitations of the research is given; as well as suggestions for additional research are made.

## **CHAPTER 2: THEORY AND LITERATURE REVIEW**

This chapter provides a review of the existing literature around stakeholder theory, value creation, loyalty programmes and spillover effects. The review covers concepts within stakeholder theory such as stakeholder theory definition; how stakeholders and value creation relate; how stakeholder theory relates to competitive advantage; stakeholder engagement and stakeholder relationships.

In addition, the concept of value creation is introduced, alongside early stage value creation; value creation activities; how value creation relates to competitive advantage; and a review of the concept of value co creation.

Thirdly, a review of the current literature about loyalty programmes and multi-vendor loyalty programmes was conducted. The concepts of loyalty programmes was introduced; a review of loyalty programme design was undertaken; loyalty programme membership requirements were discussed; single vendor programmes were compared with multi-vendor loyalty programmes; and lastly, multi-vendor loyalty programmes were discussed in detail.

Finally, the concepts of spillover effects was introduced and spillovers within loyalty programmes were discussed.

### **2.1 Introduction to Stakeholder Theory**

Stakeholder theory is more relevant today than ever before because managers within businesses still fundamentally make decisions based on a one-sided metric -profit - ignoring the purpose of the business (Freeman, 2010). Profit is an outcome when a business achieves its purpose. R. E Freedman uses an example of a parent's responsibility to a child. A parent does not only have a financial responsibility for its child, but it also has a moral responsibility as well, and so forth. Similarly, businesses have a responsibility to stakeholders above maximising profit for shareholders. Since its introduction, the stakeholder theory concept has added to management theory by providing the tools to help manager coalesce ethics, strategic management, and organisational (Phillips, Freeman, & Wicks, 2003). The concept of stakeholder theory has been questioned as to whether it is still relevant as a business tool and as a

management theory (Freeman, Phillips, & Sisodia, 2020). The main tension arising from the commonly held belief is that the purpose of a business is to maximise profits for shareholders (Hatherly, Mitchell, Mitchell, & Lee, 2020). To assist business leaders to move away from the idea of satisfying only shareholders, and to expand the concepts of creating value for all stakeholders of the business Freeman (2010) introduced the concept of a stakeholder approach.

Stakeholder theory is defined as an approach to the role that business should play in society, which looks at how value is created for all stakeholders of the business, in a manner that is ethical (Freeman, 2010).

Literature defines a stakeholder as anyone who can affect or is affected by a business and its operations (Graham, 2020). Freeman (2010) expands the definition of a stakeholder to include not just individuals but also groups who bring their part, whether big or small, to the value creation process of the business. More recently, the definition of a stakeholder has grown to include anyone who is affected by the decisions or actions of a business as well as those who themselves could affect the business through their own decisions or actions (Weitzner & Deutsch, 2019).

Alvarez and Young (2020) expand on this further to include a relational aspect to the definition, which considers anyone that is an interactive partner to the organisation that is involved in a nontrivial relationship with that organisation. That includes transactions, corporate action, and moral responsibilities.

The definitions above highlight the fact that anyone who is in anyway touched by what a business does, or who can affect a business is a stakeholder. What is also important to note is that the business interacts with these stakeholders through relationships, which can be either extremely involved or barely noticeable. Finally, the stakeholder approach puts the manager at the centre because their decisions and actions speak on behalf of the business and that determines the outcome for all the stakeholders involved.

Although all stakeholders are important to the business, there are some stakeholders who are able to have a greater effect on the business than others. Previous articles have identified these stakeholders as key to the value creation process (Freudenreich, Lüdeke-Freund, & Schaltegger, 2020; Alvarez, Young, & Woolley, 2020; Van Riel, Zhang, McGinnis, Nejad, & Phillips, 2019). During the nascent stages of an organisation, during which the complete appreciation of the costs or benefits

are not clear to all, those individuals or groups who choose to enrol in the new opportunity emerge as the key stakeholders (Alvarez, Young, & Woolley, 2020). Other stakeholders that are considered key stakeholders are customers (Freudenreich, Lüdeke-Freund, & Schaltegger, 2020; Freeman, 2010), business partners such as suppliers, employees, financial stakeholders such as investors, financiers, or shareholders (Van Riel, Zhang, McGinnis, Nejad, & Phillips, 2019; Freeman, 2010).

All these stakeholders are key because they contribute to the spillover effects which take place within multi-vendor rewards programmes. The relationship between each stakeholder and the benefits that are created as a result is often where the value originates from and how a business can gain a competitive advantage within a market. What is not shown is how or to what extent value is distributed between these stakeholders. This highlights a research gap in previous literature.

## **2.2 Stakeholder and value creation**

Early business literature placed the responsibility for value creation solely on the shoulders of the business owners (Freeman, 2010), with the customer being the final recipient of this value. This perspective has changed over time and it has become accepted that all stakeholders are able to contribute to the value creation process (Freudenreich, Lüdeke-Freund, & Schaltegger, 2020) and, therefore, all stakeholders contribute to the spillover effects experienced within a multi-vendor rewards programme. The umbrella that covers stakeholder theory is value creation for all stakeholders, which challenges the strategic management belief of putting value maximisation as the main organisational objective (Alvarez, Young, & Woolley, 2020).

The current view is to move towards a more network-based, partnership model that is grounded in the relationship between all stakeholders (Alvarez, Young, & Woolley, 2020; Breugelmans, et al., 2015; Hatherly, Mitchell, Mitchell, & Lee, 2020; Andreassen, et al., 2018; Mitchell, Mitchell, Hunt, Townsend, & Lee, 2020; Freudenreich, Lüdeke-Freund, & Schaltegger, 2020). This view helps businesses to leverage any synergies or spillover effects that take place within network-based partnership models. Additionally, Freudenreich, Lüdeke-Freund, & Schaltegger

(2020) argues that value flows are multi-directional within these relationship networks. They further add that within these mutual stakeholder relationships, a stakeholder could be both a recipient and a creator of value.

Alvarez & Young (2020) investigate the process by which stakeholders emerge to cocreate wealth. They posit that this process has not yet been fully understood which has been identified as a gap in the research. They observe that the value creation process is an iterative one formed between the mutually beneficial relationship of the entrepreneur and stakeholders. Hatherly, Mitchell, Mitchell & Hwan Lee (2020) argues that value creation is a direct result of stakeholder coproduction, supporting the view of Alvarez & Young. This coproduction and support can lead to positive spillover effects within multi-vendor partnerships. Breugelmans, et al. (2015) look at the value creation process from the customer's perspective and find that the customer ascertains the value of a partnership based on the value that each partner adds to the relationship. Part of this value to the customer comes in the form of spillover effects, such as decreased search costs, and greater variety of products and services (Schumann, Wunderlich, & Evanschitzky, 2014).

Hsiao, Wang, Wang, & Kao (2020) find that customers are able to contribute to the value creation process through their engagement in social media which assists the interaction between stakeholders. This communal relationship has the possibility of creating additional spillover effects within stakeholder relationships (Jones, Harrison, & Felps, 2018), which supports the previous statement. Recent business models have improved the value creation process using platform-based business models (Andreassen, et al., 2018). A platform-based business model promotes the interactions and transactions among stakeholders. Even creating new forms of resources such as data in the form of customer purchase histories. An additional benefit of a platform business model is that it encourages stakeholder engagement (Freudenreich, Lüdeke-Freund, & Schaltegger, 2020). Mitchell, Mitchell, Hunt, Townsend, Hwan Lee (2020) add that this allows for a richer relationship which leads to further synergies between stakeholders which adds to value creation.

What we can conclude from the literature review above is that stakeholders are important to the value creation process and that all stakeholders contribute to this process. The value creation process is multi-directional and that a stakeholder can be a recipient and a creator of value simultaneously. It is further clear that the relationship is at the centre of stakeholder management. The question that still needs

further analysis is what types of value is created within the stakeholder relationship, with whom and for whom (Freudenreich, Lüdeke-Freund, & Schaltegger, 2020).

### **2.3 Stakeholder Theory and Competitive Advantage**

At the heart of stakeholder theory is the concept that a business can benefit from having close relationships with its stakeholders (Weitzner & Deutsch, 2019). If these relationships allow a business to consistently eek out additional value than what its competitors are able to, then this can be considered to be a sustainable competitive advantage for the business (Jones, Harrison, & Felps, 2018). Close relationships with stakeholder can lead to positive spillover effects (Schumann, Wunderlich, & Evanschitzky, 2014; Doritic, Bijmolt, & Verhof, 2012). Most relationships, however, are evaluated on a purely cost benefit rationale, which leaves little space for failure as this is seen as too costly for the business (Weitzner & Deutsch, 2019). Instead, businesses should find value within the relationship itself, which is built on mutual trust and cooperation. Only then will a business be able to build a close relationship capability with all its stakeholders, which is not easily emulated by its competitors.

### **2.4 Stakeholder Engagement and Stakeholder Relationship**

Stakeholder engagement has become increasing vital in recent times. A business which fails to actively engage its stakeholders is likely to be at a disadvantage to its competitors (Mitchell, Mitchell, Hunt, Townsend, & Lee, 2020; Weitzner & Deutsch, 2019). Stakeholder engagement is the process of actively creating discourse among a business and its stakeholders with the view to improve communication and understanding of the stakeholders of the business (Mitchell, Mitchell, Hunt, Townsend, & Lee, 2020). By improving the understanding of the each stakeholder within the business, managers are able to improve their sensing capabilities (Mitchell, Mitchell, Hunt, Townsend, & Lee, 2020) and are able to better anticipate their needs and improve management decision making by being able to create more stakeholder specific practices. Digital environments are becoming an important tool within the business managers' toolbox which helps to drive engagement with stakeholders, which is often considered a spillover effect (Bowden, Conduit,

Hollebeek, Luoma-Aho, & Solem, 2017). Through these online communities, the relational aspects between the business and its stakeholders can be improved. These relational aspects include emotional and cognitive connections by stakeholders with the business.

There are many benefits to developing a close relationship capability with your stakeholders (Graham, 2020; Jones, Harrison, & Felps, 2018; Freudenreich, Lüdeke-Freund, & Schaltegger, 2020; Weitzner & Deutsch, 2019). Graham (2020) states that effectively managing the relationships within the network of stakeholders within a business can lead to the long-term survival of the company. Jones, Harrison and Felps (2018) show that through the adoption of a stakeholder culture, the business can improve its value proposition. An additional benefit of a close stakeholder relationship is the improved ability of all stakeholders to contribute to the value creation process. Freudenreich, Lüdeke-Freund and Schaltegger (2020) further support this notion as they see relationships as a key part of a business model.

As we have seen above, businesses cannot ignore the importance of having a close relationship with its stakeholders. However, literature is divided on how to achieve this. Most businesses build their relationships with the various stakeholder based simply on a transaction view of benefits less cost (Freudenreich, Lüdeke-Freund, & Schaltegger, 2020). In doing this they miss out on the opportunity to capitalise on the increased value which is found at the foundations of different relationships. This view makes it incredibly difficult for businesses to develop any meaningful close relationships with all of its stakeholders, putting the idea that a close relationship capability as a competitive advantage is out of reach for most businesses (Weitzner & Deutsch, 2019).

Although literature has identified the benefits associated with a close relationship capability, what needs further exploration is how spillover effects contribute to value creation within the stakeholder relationships, with whom and for whom (Freudenreich, Lüdeke-Freund, & Schaltegger, 2020). Jones, Harrison and Felps (2018) foresee the future of the stakeholder concepts evolving to focus on how businesses can build stronger, better, and closer relationships based on trust with all their stakeholders.

## 2.5 Value creation

One of the founding tenets of stakeholder theory is that the purpose of a business is to create and distribute value to its stakeholders (Hatherly, Mitchell, Mitchell, & Lee, 2020; Alvarez, Young, & Woolley, 2020). It is within these stakeholder relationships that value is coproduced (Barney & Harrison, 2020; Freeman, 2010). This is contrary to the norm in which value is seen as a one directional flow (Freudenreich, Lüdeke-Freund, & Schaltegger, 2020; Leroi-Werelds, 2019; Kumar & Reinartz, 2016; Weitzner & Deutsch, 2019).

This is difficult because within stakeholder theory, each stakeholder has different needs and values (Freeman, 2010), which results in a different understanding of what constitutes value to them (Leroi-Werelds, 2019). Leroi-Werelds (2019) further explains that a business that is not able to create value for all stakeholders runs the risk of losing some or all its business stakeholders. This value can be in the form of spillover effects which are experienced by stakeholders of a multi-vendor rewards programme.

If the flow of value is seen as one directional, it leads to business models which are flawed in their understanding of how value is created, for whom and with whom. One directional flow of value places the customer at the centre (Leroi-Werelds, 2019; Kumar & Reinartz, 2016) and business models are created to maximise the economic value that can be exchanged for the value that is created for the customer. This economic value is passed onto the shareholders of the business. Value can also be created for the non-shareholder stakeholder of the business, such as suppliers, and this would still create value for the shareholder (Freudenreich, Lüdeke-Freund, & Schaltegger, 2020). Current research lacks exploration of how multidirectional flows of value between the business and its various stakeholders takes place (Freudenreich, Lüdeke-Freund, & Schaltegger, 2020).

Alvarez and Young (2020) explore how value is created through the interactions of the nascent stakeholders of the business in their attempt to capture opportunities for products and services. They find that value is created through the shared perceptions of the stakeholders and that this is important to the success of the business. They find that the factors that lead to the enlisting of nascent stakeholders is different for each stakeholder. These factors include building trust, efficient use of capital, both

financial and human, and making use of the entrepreneurs' network. This is important because they identify that literature is scant on research on engaging new stakeholders.

Value is created through value creation activities (Kumar & Reinartz, 2016; Leroi-Werelds, 2019; Freudenreich, Lüdeke-Freund, & Schaltegger, 2020). These value creation activities are found at the intersection of each stakeholder relationship (Weitzner & Deutsch, 2019; Kumar & Reinartz, 2016; Leroi-Werelds, 2019; Freudenreich, Lüdeke-Freund, & Schaltegger, 2020). This means that value creation activities are carried out by multiple stakeholders at different points along the value chain (Freudenreich, Lüdeke-Freund, & Schaltegger, 2020). This is known as joint value creation.

With the arrival of the digital age and the availability of data, the customer is able to jointly create value by providing feedback to the business (Kumar & Reinartz, 2016) (Leroi-Werelds, 2019). The business is able to use this feedback to improve their products and services and therefore, provide more value to the customer. Within the business, employees contribute to value creation through their knowledge and expertise (Freudenreich, Lüdeke-Freund, & Schaltegger, 2020). A business can create value for its societal stakeholders through employing ethical business practices and their contribution to the fiscal taxes. Freudenreich, Lüdeke-Freund and Schaltegger (2020) question who is responsible for carrying out these value creation activities. This question is important to stakeholder theory because the stakeholder mindset makes it possible for every stakeholder to either create or receive value. Literature is scant on investigations of the actual outcomes that are the product of these value creation activities (Kumar & Reinartz, 2016; Leroi-Werelds, 2019).

Within business today, it is important to understand that all stakeholders are involved in the creation of value (Freudenreich, Lüdeke-Freund, & Schaltegger, 2020; Leroi-Werelds, 2019). Alvarez and Young (2020) find that engaging stakeholders during the nascent period of a business can lead to the co creation of value. An example of this includes customer stakeholders who are not necessarily found in early markets but are enrolled through activities such as surveys or interviews. Bowden, Conduit, Hollebeek, Luoma-Aho and Solem (2017) add to this argument through noting that the digital landscape has allowed customers to become increasingly proactive in the co creation process. This helps the business to create products and services which increases the number of products and services that customers have access to.

Hatherly, Mitchell, Mitchell & Hwan Lee (2020) expand on this by arguing that when a firm creates value for all stakeholders, value is created for the shareholders of the business as well. Through a process of co creation, employees find jobs that they want to work in, suppliers are able to contribute to value creation through building close relationships with the business, and society at large adds to value creation by providing a stable economic operating environment.

A business can create a competitive advantage through creating close relationships with its stakeholders (Weitzner & Deutsch, 2019). Through these close relationships, value can be found in the ability to improve reciprocal coordination, improved knowledge sharing, and the ability to attract a higher calibre of stakeholder. Freudenreich, Lüdeke-Freund and Schaltegger (2020) support this view and add to it by saying that competitive advantage can be created through value creation processes, such as, participating in open innovative initiatives. These open innovation initiatives can lead to increased positive spillover effects between stakeholders.

Literature has not fully explored the multidirectional flow of value between different stakeholders (Freudenreich, Lüdeke-Freund, & Schaltegger, 2020). Current literature has a fragmented view as to whether various stakeholders are contributors or recipients of value. Additionally, further research is required on the exploration of the actual value outcomes that are a result of the relationships between the various stakeholders of the business.

## **2.6 Loyalty Programme Introduction**

Loyalty programmes have become prevalent through the business landscape today, with many people becoming members of a least one loyalty programme, some even become members of multiple loyalty programmes simultaneously (Breugelmans, et al., 2015; Ieva & Ziliani, 2018; Lemon & Verhoef, 2016; Zhang & Breugelmans, 2012; Son, Oh, Han, & Park, 2020; Doritic, Bijmolt, & Verhof, 2012). Within the South African loyalty landscape, the average number of loyalty programmes a person belongs to is about six (Cromhout & Netto, 2020), with women belonging to more loyalty programmes on average than their male counterparts. Those businesses which have not yet launched their own loyalty programmes are under pressure to do

so due to pressure from competitors launching their own loyalty programmes (Breugelmans, et al., 2015; Ieva & Ziliani, 2018; Lemon & Verhoef, 2016; Zhang & Breugelmans, 2012; Son, Oh, Han, & Park, 2020; Doritic, Bijmolt, & Verhof, 2012).

Doritic, Bijmolt and Verhoef (2012) state that through rewarding customer behaviour that is aligned with the business goals, loyalty programmes can encourage customers loyalty. This is seen as the main purpose of loyalty programmes. Breugelmans et al. (2015) add that loyalty programmes allow businesses to accumulate detailed customer buying data which allow them to create and deliver improved targeted marketing campaigns. In addition, this makes loyalty programmes a great tool to manage the relationship between the business and its customers (Zhang & Breugelmans, 2012; Bazargan, Karray, & Zolfaghari, 2018).

## **2.7 Loyalty Programme Design**

There are several different terms used in prior literature to characterize loyalty programmes. These include reward programmes, frequent shopper programmes, and loyalty programmes to name a few (Doritic, Bijmolt, & Verhof, 2012). This study will focus on a particular reward programme belonging to a large financial institution. Within loyalty programme structures, two are predominant, frequency reward programmes and customer tier programmes (Breugelmans, et al., 2015; Doritic, Bijmolt, & Verhof, 2012). Frequency reward programmes entail a 'buy X amount / collect X points' structure, while customer tier structure entail "buy X amount / collect X point, qualify for X tier" (Breugelmans, et al., 2015; Doritic, Bijmolt, & Verhof, 2012). Literature shows that frequency reward structures are employed primarily to encourage an increase in the number of purchases, which tend to be smaller and involve less commitment, typically suited to grocery chains (Breugelmans, et al., 2015; Doritic, Bijmolt, & Verhof, 2012; Son, Oh, Han, & Park, 2020; Ieva & Ziliani, 2018). While customer tier programmes tend to focus more on the relational aspect, which can involve more expensive purchases and increased customer commitment. These are more suited to businesses such as financial institutions and businesses within the travel and accommodation industries. This is due to the complex nature of service industries which involves the customer, the business, and multiple stakeholders (Van Riel, Zhang, McGinnis, Nejad, & Phillips, 2019)

Prior research has studied frequency reward programme structures to a great extent (Breugelmans, et al., 2015; Doritic, Bijmolt, & Verhof, 2012). More research is required within customer tier programmes to answer questions, such as, how many tiers are enough, and what value is created for the stakeholders within the programme (Breugelmans, et al., 2015; Doritic, Bijmolt, & Verhof, 2012).

Prior literature has uncovered that trust, emotional commitment, and fairness are important antecedents in creating loyal customers (Hwang, Baloglu, & Tanford, 2019). Other studies show that a loyalty programme can personalize its relationship with its customers through discrimination and customization (Melnyk & Bijmolt, 2015). Further studies show that a transactional nature between the loyalty programme and the customer is no longer sufficient (Rese M. , Hundertmark, Schimmelpfennig, & Schons, 2013). Loyalty programme designers need to create additional experiences which create an emotional connection with customers. Prior literature is conflicted about the effectiveness of loyalty programmes, many empirical studies showing mixed results (Melnyk & Bijmolt, 2015).

Literature has covered loyalty programme membership requirements in detail. What has been debated is whether loyalty programmes should charge a fee or not, whether membership enrolment should be automatic, and who should be allowed to join (Breugelmans, et al., 2015; Doritic, Bijmolt, & Verhof, 2012). The issues surrounding these questions are the trade-offs that each decision creates. If the memberships were free and automatic, this would create customer convenience. However, this could result in many customers joining that are not part of the desired target market or are only joining to take advantage of any discounts that are on offer, without the intention to repurchase in the future (Breugelmans, et al., 2015). A membership fee could contribute to the profitability of the loyalty programme, but also reduce the number of customers who join the programme.

Loyalty programmes can either be single vendor or multi-vendor programmes (Doritic, Bijmolt, & Verhof, 2012). Recent studies have intensified the research on multi-vendor loyalty programmes due to their increasing prominence in the loyalty landscape (Son, Oh, Han, & Park, 2020). Businesses which launch single vendor loyalty programmes are responsible for the management and the costs associated with the programme. Single vendor programmes may not have a large ensemble of products and services due to the limited nature of their business offerings. Some businesses choose to create coalition (or multi-vendor) loyalty programmes

(Schumann, Wunderlich, & Evanschitzky, 2014). These multi-vendor loyalty programmes can amass a diversity of products and service offerings, with the costs and management of the programme shared among the partners.

This creates a bigger advantage for multi-vendor loyalty programmes over single vendor programmes as the customer has the ability to earn points at a faster rate through increased number vendor partners associated with the loyalty programme (Breugelmans, et al., 2015; Doritic, Bijmolt, & Verhof, 2012; Son, Oh, Han, & Park, 2020; Melnyk & Bijmolt, 2015). Additionally, Son, Oh, Han and Park (2020) elaborate that multi-vendor loyalty programmes offer convenience to customers, through these increased earning and spending opportunities, and partners of the loyalty programmes find value in the network effects that are generated. Prior literature supports this (Doritic, Bijmolt, & Verhof, 2012; Breugelmans, et al., 2015; Melnyk & Bijmolt, 2015) however, very few studies have been done to explore what the actual spillover effects experienced by the stakeholders within a multi-vendor loyalty programme are.

As shown above, multi-vendor loyalty programmes are a coalition of partner businesses which are mutually engaged in a loyalty programme that is designed to offer customers / members several different and complementary products and services (Breugelmans, et al., 2015). Customers can earn or spend rewards within this network of loyalty programme partners. This increases the impulse for customers to join the programme (Doritic, Bijmolt, & Verhof, 2012; Dorotic, Fok, Verhoef, & Bijmolt, 2011).

There are two dominant categories of multi-vendor loyalty programmes. The first category is made up of a main partner with minor partners offering complementary products and services to the programme (Breugelmans, et al., 2015; Doritic, Bijmolt, & Verhof, 2012; Son, Oh, Han, & Park, 2020; Melnyk & Bijmolt, 2015). The examples most used in prior literature include airline loyalty programmes which have hotels and car rental minor partners.

The second category comprises of partners who come together to form a multi-vendor loyalty programme. Management of the loyalty programme is left to a company that specialises in management of loyalty programmes (Breugelmans, et al., 2015; Doritic, Bijmolt, & Verhof, 2012). Marketing activities within multi-vendor loyalty programmes have been discussed at length in previous literature. Some

articles discuss the results of marketing activities in which promotions feature all the partners within the multi-vendor loyalty programme (Breugelmans, et al., 2015; Dorotic, Fok, Verhoef, & Bijmolt, 2011; Blattberg, Kim, & Scott, 2008), while other articles discuss the results of marketing activities which feature promotions from one partner (Dorotic, Fok, Verhoef, & Bijmolt, 2011; Dorotic, Bijmolt, & Verhof, 2012). The main issues between the two promotion strategies involved are whether a promotion featuring all partners dilutes the offering to the customers, with customers hand picking the best promotion between partners without spreading their spending throughout the partners of the loyalty programme. Or, whether a promotion featuring one partner was better at improving the customers' perceived value found within the loyalty programme, therefore, inducing spillover effects at other partners within the programme. The results within the literature are divided. An important reason for entering a multi-vendor loyalty programme is to find value in the benefits that occur through synergies between partners of the programme (Dorotic, Fok, Verhoef, & Bijmolt, 2011; Dorotic, Bijmolt, & Verhof, 2012; Son, Oh, Han, & Park, 2020). Past literature has studied whether these synergies have created the desired benefits, however, limited empirical support has been found to support that these synergies in fact create these benefits. This is, therefore, a gap in the literature which requires more investigation.

## **2.8 Spillover effects within loyalty programmes**

There are several reasons for a business to decide to join a multi-vendor loyalty programme. One of these reasons is for the business to take advantage of the network effects or spillover effects that result from the relationships with the various stakeholders of the programme (Breugelmans, et al., 2015; Capizzi, Ferguson, & Cuthbertson, 2004; Gao, Melero-Polo, & Javier Sese, 2020; Hsiao, Wang, Wang, & Kao, 2020; Melnyk & Bijmolt, 2015; Villacé-Molinero, Reinares-Lara, & Reinares-Lara, 2016). The main outcomes of loyalty are regarded as repeat purchases, cross buying intentions by customers, and word of mouth referrals (Rese M. , Hundertmark, Schimmelpfennig, & Schons, 2013; Villacé-Molinero, Reinares-Lara, & Reinares-Lara, 2016).

Spillover effects occur within the loyalty programme itself, where businesses which join a multi-vendor programme benefit from reduced programme costs, being able to

access a broader customer base, increased marketing opportunities and opportunities to network among partners (De Noni, Orsi, & Zanderighi, 2014; Gao, Melero-Polo, & Javier Sese, 2020; Hsiao, Wang, Wang, & Kao, 2020; Jones, Harrison, & Felps, 2018).

De Noni, Orsi and Zanderighi, (2014) state that multi-vendor loyalty programmes are themselves able to take advantage of the same benefits as those found within a traditional loyalty programme. A traditional loyalty programme is comprised of a single vendor. Previous literature on spillover effects within multi-vendor loyalty programmes examine the aftermath of a service failure by one of the partners within the programme. Empirical evidence finds that a negative effect is created for the partner who was responsible for the service failure and the loyalty programme (Schumann, Wunderlich, & Evanschitzky, 2014). However, it is further found that the loyalty programme applies a buffering effect which limits the damage caused by service failure. To do this a loyalty programme needs to offer special treatment to its customers.

## **2.9 Spillover effects between the customer and the loyalty programme**

Breugelmans, et. al., (2015) discusses the benefits that customers receive through increased opportunities to earn or spend reward points or being able to achieve a higher tier level. They continue to show that partners within the programme receive several benefits through increased understanding of the customer, due to data collection.

De Noni, Orsi and Zanderighi, (2014) argue that loyalty programmes affect customer behaviour and loyalty in a few ways which add to the spillover effects within the programme. They argue that through an increase in the satisfaction, trust and loyalty levels of customers, the loyalty programme can induce an increase in customer spending. They go on further to add that loyalty programmes can alter these factors through customer behaviour modification by offering financial rewards for reaching specific goals. This leads to customer retention and a closer relationship with the loyalty programme and the partners. More research is required to test these statements within loyalty programmes themselves.

Through their interaction with the loyalty programme, customers are able to experience benefits such as, increased diversity of products and services (De Noni, Orsi, & Zanderighi, 2014), opportunities to interact with other customers through social media, recognition from peers and elevated esteem (Oliver & Swan, 1989) and access to a greater number experiences through the rewards offered (Gao, Melero-Polo, & Javier Sese, 2020). Leroi-Werelds, (2019) discuss that an additional benefit a customer can receive through a multi-vendor loyalty programme is reduced search time to find a product or service that they may require. Even if the customer does not complete a purchase, the customer saves time by reaching this conclusion sooner, and information is gathered for future purchases. (Wirtz, Fung So, Mody, Liu and Chun (2019) add to this that once a critical level of partners has been reached, the loyalty programme should think carefully before adding more partners to the programme. This is because an increase in partners above the critical level could cause an increase in the search costs for the customer, which in turn could lead to a negative effect on the loyalty programme. They suggest that stakeholder trust and the loyalty between the service provider and the customer should be the bases on which competitive advantage is maintained. Mitchell, Mitchell, Hunt, Townsend and Lee (2020) propose that stakeholder engagement be used as a tool to build stakeholder trust. Customers can get a psychological benefit from belonging to the “in group” which is a result of discrimination between members and non-members (Ieva & Ziliani, 2018).

### **2.10 Spillover effects between partners within multi-vendor loyalty programmes**

The potential for spillover effects within a multi-vendor loyalty programme is one of the reasons many vendors decide to join a loyalty programme. Potential spillover effects between partners are exciting but rarely maximised (De Noni, Orsi, & Zanderighi, 2014; Bowden, Conduit, Hollebeek, Luoma-Aho, & Solem, 2017; Gao, Melero-Polo, & Javier Sese, 2020; Lemon & Verhoef, 2016; Villacé-Molinero, Reinares-Lara, & Reinares-Lara, 2016).

De Noni, Orsi and Zanderighi (2014) argue that the relationship between partners within a multi-vendor loyalty programme allows for cooperation which in turn leads to a reduction in the cost to develop and manage the loyalty programme. This

cooperation between partners is enhanced when their products and services are complimentary to one another. This view is supported through previous studies on the subject (Breugelmans, et al., 2015; Gao, Melero-Polo, & Javier Sese, 2020; Lemon & Verhoef, 2016). In a study of the spillover effects within posts featuring national and private brands, Hsiao, Wang, Wang and Kao (2020) found that they were able to attract more stakeholders, thus increasing their brand awareness. This is an example of a transfer of the quality perceptions of customers from one brand to another. Baumeister, Scherer and Wangenheim (2015) support the view of spillover effects across brands within a multi-vendor loyalty programme.

New technology used in loyalty programmes has allowed for additional spillover effects to occur (Capizzi, Ferguson, & Cuthbertson, 2004; Kumar & Reinartz, 2016; Leroi-Werelds, 2019). With access to customer data, the loyalty programme is able to entice support in the form of programme sponsors, increasing the utility of the loyalty programme from a customer perspective (Son, Oh, Han, & Park, 2020). Partners within the programme in turn benefit through increased opportunities to engage with the customer, growing opportunities to cross sell. Technology also enables greater integration of large corporations with smaller businesses or business units (Li & Agarwal, 2017). Value is found as customers of the smaller businesses or business units begin to use more of the products and services of the large corporation because of this integration.

As shown above, there are a number of potential spillover effects possible within a multi-vendor loyalty programme. Some of these spillover effects may be positive, while others may be negative (Zhang & Breugelmans, 2012). However, very few studies have looked at the outcomes of individual multi-vendor loyalty programmes (Schumann, Wunderlich, & Evanschitzky, 2014). Further work is required to explore the existence and magnitude of spillover effects in multi-vendor loyalty programmes (Dorotic, Fok, Verhoef, & Bijmolt, 2011; Dorotic, Bijmolt, & Verhof, 2012). In addition, what requires further research is how these benefits are distributed across the stakeholders of a multi-vendor loyalty programme (Bombaij & Dekimpe, 2020).

## **CHAPTER 3: RESEARCH QUESTIONS**

The aim of this research is to answer three research questions and two sub questions. The preceding literature review provided the basis for each of these research questions.

### **3.1 Research question 1**

*What spillover effects are found among stakeholders of a multi-vendor rewards programme in South Africa?*

- a. Has the multi-vendor rewards programme achieved the benefits that were anticipated during their strategic formulation?*

Research question 1 aimed to identify the spillover effects that were present within a multi-vendor rewards programme in South Africa. As a sub question to research question 1, the researcher aimed to gain deeper insights into whether the strategic intent of stakeholders was realised.

### **3.2 Research question 2**

*How do spillover effects create value within a multi-vendor rewards programme in South Africa?*

Research question 2 aimed to gain deeper understanding about how the spillover effects found within the multi-vendor rewards programme creates value for stakeholders within the programme.

### **3.3 Research question 3**

*How do spillover effects create competitive advantage for a multi-vendor rewards programme in South Africa?*

Research question 3 aimed to further understand how spillover effects contributed to the competitive advantage of the multi-vendor rewards programme.

## **CHAPTER 4: PROPOSED RESEARCH METHODOLOGY AND DESIGN**

### **4.1 Philosophy and Approach**

The choice of philosophy for this research report is interpretivism (Schwartz-Shea & Yanow, 2013; Saunders & Lewis, 2018). This philosophical approach is appropriate because the researcher endeavoured to understand the social phenomena relating to what spillover effects are found within a rewards programme managed by a large financial institution within South Africa, and how these spillover effects help the multi-vendor rewards programme to create a competitive advantage for the organisation. This allowed the researcher to engage with the social actors, in this case the managers, collaborators, and customers of the multi-vendor rewards programme which operates within the South African borders.

An inductive approach was used in order to assist the researcher to understand the link between how stakeholder theory is applied to the context of multi-vendor rewards programmes and specifically, the observation of the spillover effects that are manifested as a result (Saunders & Lewis, 2018). This link was built on interviews with managers, collaborators, and customers of the multi-vendor rewards programme, discussing their specific observations of the spillover effects within a multi-vendor rewards programme. Therefore, this gave the researcher an opportunity to unearth the patterns and themes that may be used to generate insights as to how stakeholder theory can be applied to the phenomenon of spillover effects that occur within this multi-vendor rewards programme (Bloomberg & Volpe, 2018; Saunders & Lewis, 2018).

### **4.2 Methodological choices and Purpose of Research Design**

This research falls within the realms of business and management spheres, and being of a qualitative nature it lends itself to a mono-method (Saunders & Lewis, 2018). This method was selected because it was the most appropriate for uncovering and exploring social phenomena and it allowed the researcher to complete the study

within the time constraints that have been placed on the researcher (Bloomberg & Volpe, 2018).

The purpose of this research was exploratory. This was selected because the researcher aimed to explore how stakeholder theory is applied to the context of a multi-vendor rewards programme in South Africa and what the specific spillover effects that are generated as a result (Bloomberg & Volpe, 2018). This helped to answer the research questions: what spillover effects are found within a multi-vendor rewards programme in South Africa, how spillover effects create value for stakeholders, and how spillover effects are able to create competitive advantage for multi-vendor rewards programme? In answering these questions, new insights were made that can added to the existing research on stakeholder theory and the topic of spillover effects (Saunders & Lewis, 2018).

### **4.3 Strategy**

Case study research strategies are those where the researcher examines a programme, an event, an activity, a process or one or more individuals in detail (Creswell, 2003, p. 15). The nature of this study was such that a targeted single case study design was employed. This is because the researcher studied the spillover effects within a single multi-vendor rewards programme in South Africa. The targeted multi-vendor rewards programme is that of a large financial services institution that operates within South Africa. Semi-structured interviews took place through one-on-one personal interviews with managers, collaborators, and customers of the main partner of the multi-vendor rewards programme and included managers from the lessor partners of the multi-vendor rewards programme as well. By using semi-structured interviews, the researcher covered a list of specific topics and questions, to gain deeper insight into the experiences of the managers (Saunders & Lewis, 2018, p. 159; Agee, 2009; Williams, 2007).

### **4.4 Time Horizon and Techniques and procedures**

The chosen time horizon for this research study is cross-sectional. This was chosen due to the time constraint placed on the research project (Allen, Eby, O'Brien, & Lentz, 2008, p. 349; Saunders & Lewis, 2018, p. 129). The use of semi-structured interviews enabled the researcher to probe the interviewee for in depth views of their experiences, opinions and knowledge through the use of open-ended questions that will be relevant to a set of predetermined topics (Patton, 2014; Saunders & Lewis, 2018).

#### **4.5 Population and Unit of Analysis**

To explore the spillover effects within a multi-vendor rewards programme in South Africa, the estimated population of this research project was limited to the managers, collaborators, customers, and partners of the multi-vendor rewards programme of a large financial services institution (Saunders & Lewis, 2018, p. 138). The unit of analysis the researcher sampled was the experiences, opinions and knowledge of the managers, collaborators, and customers who are part of the multi-vendor rewards programme of a large financial services institution (Patton, 2014; Saunders & Lewis, 2018). These have been included because it was through their experiences and knowledge that the researcher was able to ascertain what the spillover effects within the multi-vendor rewards programme were, and how stakeholder theory is applied to this context.

#### **4.6 Sampling method and size**

The researcher used purposive sampling within the sphere of non-probability sampling (Saunders & Lewis, 2018). The researcher selected a small sample of participants which included the managers, collaborators, and customers who are part of the multi-vendor rewards programme of a large financial services institution (Saunders & Lewis, 2018). This study was based on the expertise of managers and collaborators within the multi-vendor rewards programme of a large financial services institution and includes the customers of the multi-vendor rewards programme to triangulate whether they experienced the spillover effects that have been identified. Managers and collaborators were selected on the bases that they are currently

managers of the main member or partner members of the multi-vendor rewards programme. Customers have been selected on the bases that they belong to the multi-vendor rewards programme. In doing so, links how stakeholder theory is applied to the phenomenon of spillover effects were made, and insight was made as to how spillover effects contributed to value and competitive advantage (Bloomberg & Volpe, 2018).

The researcher set a target of 12 – 14 interviews to follow the generally accepted number of interviews to reach a saturation point (Myers, 2020). The researcher achieved twelve interviews. The researcher attempted to achieve saturation, in an attempt to uncover all the themes available (Morse, 1995).

Organisation	Participant Number	Participant Title
Large Financial Institution Rewards Programme	Participant 1	Marketing and Partner Relationships
	Participant 2	Manager: Operations
	Participant 5	Managing Director
	Participant 6	Actuarial Manager
Internal Rewards Partners	Participant 3	Chief Operating Officer
	Participant 10	Manager: Digital & Data
	Participant 12	Manager: CVP & Campaigns Marketing
External Rewards Partners	Participant 4	Marketing Strategist
Large Financial Institution Rewards Programme Members	Participant 7	Rewards Member
	Participant 8	Rewards Member
	Participant 9	Rewards Member
	Participant 11	Rewards Member

Table 1: Summary of participants with their positions and organisations they belong to

Source: Author's own.

#### **4.7 Interview guide**

Semi-structured interviews through one-on-one interviews with managers, collaborators, and customers were used for this exploratory research project (Saunders & Lewis, 2018). The duration of each interview was between 45 and 90 minutes. To prepare the interviewer for the interview, a pilot test was undertaken. During this test, the interviewer's technique and questions were checked. This helped prevent any leading questions or improper techniques which could interfere in later interviews (Saunders & Lewis, 2018; Whiting, 2008). At the start of each interview, each participant was given the reason for the interview, reminded of the topic to be discussed, the anonymity of the participant was assured and the participants were asked to sign a consent form (also to be supplied prior to the interview), the participants were advised that they may be required to answer additional questions for clarity of the questions being asked, and they were given the ability to decline the interview, and ensured that they were allowed to ask questions of their own (Saunders & Lewis, 2018, p. 166; Whiting, 2008).

#### **4.8 Data gathering process**

Before beginning the data gathering process, the researcher obtained ethical clearance from the university ethics board (Saunders & Lewis, 2018, p. 168). Face to face interviews with participants were not arranged because of the COVID-19 pandemic. Instead, participants met with the researcher through virtual meetings using messaging software such as Zoom or Microsoft Teams (Saunders & Lewis, 2018, p. 165).

#### **4.9 Analysis approach**

In preparation of analysing the data, effort was expended in setting up the interview transcripts. Examples included the use of capitals to allow participant names to be clearly recognised (Saunders & Lewis, 2018, p. 203). The process of transcribing the

interviews gave the researcher an opportunity to become familiar with the data (Braun & Clarke, 2006). Following on from this point, the researcher developed codes to describe the data. Codes were useful to establish distinctive attributes about the data that interested the researcher (Braun & Clarke, 2006). A unit of data was identified that was suitable to the analysis and could be connected to relevant categories, and finally connected the categories to the units of the data (Saunders & Lewis, 2018, pp. 207-208).

#### **4.10 Quality controls**

All research is of little value if it does not pass the test of reliability and validity (Saunders & Lewis, 2018, pp. 134-135). This means that there was a level of consistency throughout results, methods and procedures, and the path to the conclusions drawn within the research clear for those interpreting the research. This was supported by the unbiased selection of subjects, taking keen note on the effects that the data collection process itself had on the participant and monitoring ambiguity within the research, all to ensure validity (Saunders & Lewis, 2018, pp. 134-135).

To ensure transferability and credibility the researcher undertook to use qualitative triangulation (Pitney, 2004). Qualitative triangulation is regarded as the “observation of research issue from (at least) two different points” (Flick, 2004; Allen, Eby, O’Brien, & Lentz, 2008). Qualitative triangulation instilled confidence in the research findings through convergent results attained across multiple methods (Allen, Eby, O’Brien, & Lentz, 2008). Interviews were had with at least three unique units of analysis, i.e. managers, collaborators, and customers.

A few strategies to ensure qualitative triangulation are:

Triangulation of data – ensuring that the researcher utilizes data taken from multiple sources, on multiple occasions and even from different people (Flick, 2004).

Methodological triangulation – The use of ‘within method’ of triangulation to ensure the validity of the data collected during questioning (Flick, 2004).

#### **4.12 Ethical Considerations**

Prior to beginning this research project, ethical clearance was sought from the Ethics Committee of the University of Pretoria. A letter of consent was offered to all respondents at the beginning of each interview, thereby protecting their anonymity and creating an environment of trust.

#### **4.13 Limitations**

The researcher biases could have had the highest impact on the research project. This may have been through observer error or observer biases (Saunders & Lewis, 2018, p. 135). These biases contributed to the limitations of the research since one is not able to remove one's biases completely. Due to problems arising from the COVID-19 pandemic, the researcher was limited to virtual interviews with participants. New problems arose such as internet connectivity issues. The experience and knowledge the researcher possessed of multi-vendor rewards programmes could have been a limitation to the research project. Due to the time horizon being cross sectional, the study was only able to take a snapshot of the complexities surrounding the exploration of the spillover effects within a multi-vendor rewards programmes in South Africa.

## CHAPTER 5: RESULTS

### 5.1 Introduction

What follows within this chapter are the findings of the analysis of data that the author collected through 12 semi-structured interviews with executives from the rewards programme, partner organisations and customers of the multi-vendor rewards programme.

### 5.2 Presentation of results

#### 5.2.1 Description of primary data

The researcher undertook 12 interviews with senior executives from within the multi-vendor rewards programme, its partners, and customers. Four executives from the managing partner of the multi-vendor rewards programme were interviewed. Three interviews were conducted with senior executives from internal partners of the multi-vendor rewards programme. The researcher carried out one interview with an external partner of the multi-vendor rewards programme. Finally, four customers were interviewed to triangulate the data that was collected.

All of the participants were granted anonymity to participate in the research. Therefore, no identifying information has been included in the analysis. Identifying information could be information about individual names or company details. Interviews selection was narrowed down to include only senior managers or customers who were from one specific multi-vendor rewards programme managed by a large financial institution. The table below gives a description of the organisation and the participant's job title.

Organisation	Job Description
Rewards Programme	Rewards Programme Marketing Manager: Marketing and Partner Relationships
Rewards Programme	Rewards Programme Manager: Operations

Rewards Partner: Internal Transactional Banking Services	Internal Rewards Partner: COO
Rewards Partner: External Financial Services	External Rewards Partner: Marketing Strategist
Rewards Programme	Rewards Programme Manager: Managing Director
Rewards Programme	Rewards Programme Manager: Actuarial Manager
Rewards Programme	Rewards Member
Rewards Programme	Rewards Member
Rewards Programme	Rewards Member
Rewards Partner: Internal Financial Services	Rewards Partner: Internal Financial Services Manager: Digital & Data
Rewards Programme	Rewards Member
Rewards Partner: Internal Financial Services	Rewards Partner: Internal Financial Services Manager: CVP & CAMPAIGNS MARKETING

*Table 2: Description of participants*

### **5.2.2 Number of codes generated**

The researcher performed twelve interviews and Figure 1 below shows the number of codes that each interview generated.

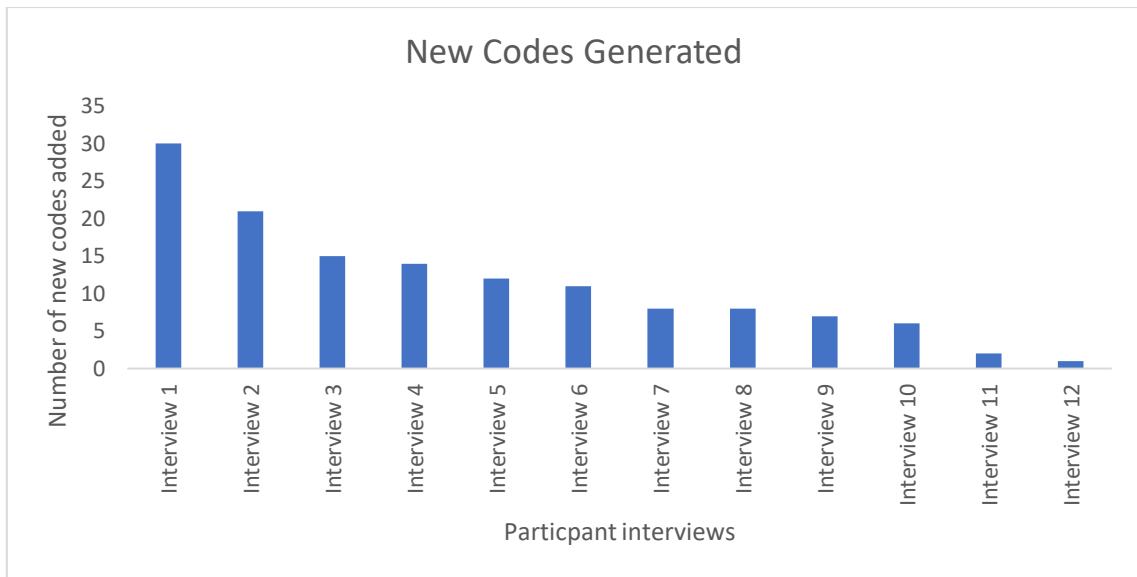


Figure 1: Number of codes generated by interview data

### 5.3 Interview findings

The results for the research will follow the order of the research questions presented in Chapter 3.

To complete the analysis, both an inductive and deductive approach was employed. To form a general understanding of the data, an inductive analysis was performed on the transcripts. Following this, a deductive analysis was carried out, where the researcher looked for relationships between concepts and existing theory to organise the findings into theoretical categories.

The findings to each research question are divided into two sections. Firstly, each finding is briefly introduced. This is followed by a discussion of each theme pertaining to the research question.

### 5.4 Results for research question 1 and research question 1.a

*What spillover effects are found among stakeholders of a multi-vendor rewards programme in South Africa?*

- a. *Has the multi-vendor rewards programme achieved the benefits that were anticipated during their strategic formulation?*

Research question 1 aimed to identify the spillover effects that were present within a multi-vendor rewards programme in South Africa. The various spillover effects, as identified by the participants, were categorised into one theoretical category, which included five themes. The theoretical category and themes are discussed below.

Research question 1a is a sub question to research question 1, aimed to gain deeper insights into whether the strategic intent of stakeholders was realised. The anticipated benefits were compared to the realised benefits in order to delve deeper into understanding the phenomenon of spillover effects within a multi-vendor rewards programme in South Africa. The theoretical category and themes are discussed below.

#### **5.4.1 Spillover effects and achievement of strategic intent**

The interviews were analysed, and one theme emerged for the spillover effects found within the multi-vendor loyalty programme and two themes emerged under the heading of strategic intent. The experiences and expertise of the participants were used to uncover what spillover effects were experienced by each stakeholder within the multi-vendor rewards programme. Figure 2 shows a summary research question 1. Additionally, a summary of research question 1.a is shown in Figure 3, followed by a discussion of the findings relating to research question 1 and research question 1.a.

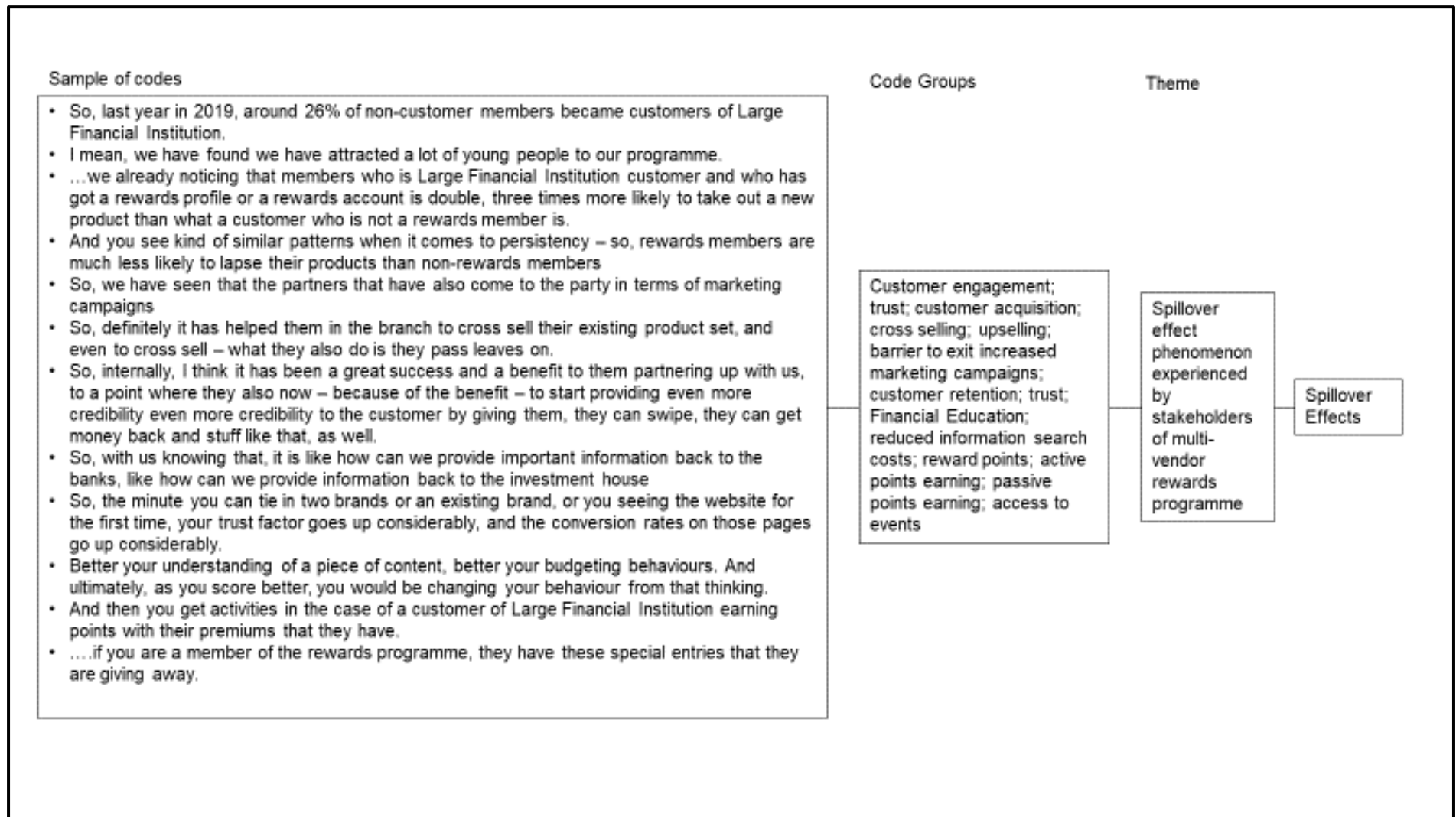


Figure 2: Spillover effects

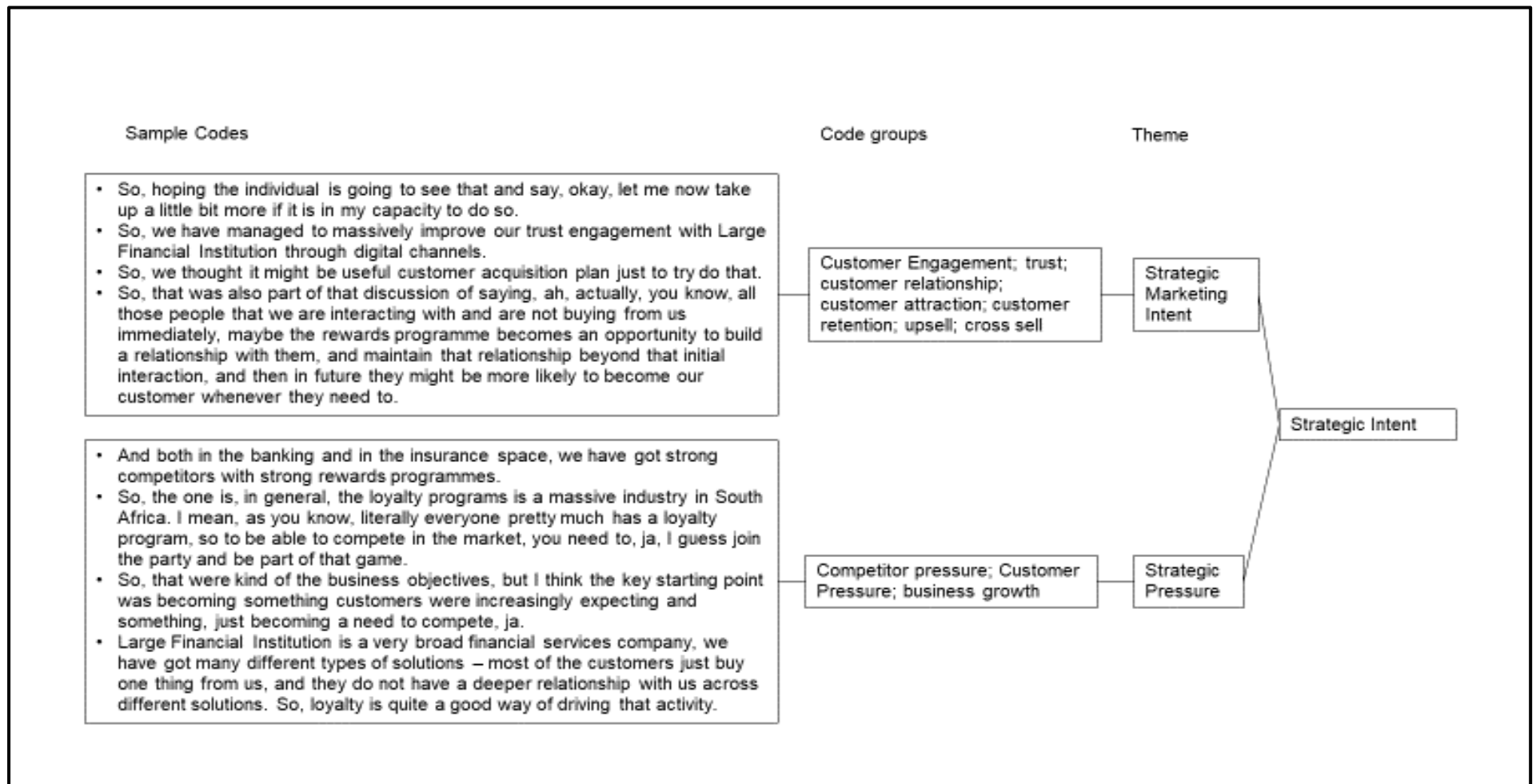


Figure 3: Strategic Intent

#### 5.4.1.1 Customer engagement spillover effect

During the interviews with senior managers, the spillover effects of customer engagement was noted. The participants noted that the rewards programme enabled customer engagement through various platforms. Participant 2 noted “and they [customers] engaging with us as a brand [through the rewards programme]”.

One of these platforms includes the financial education provided by the rewards programme, which is a free service to the customers. Participants commented that the financial education programme supplied free to the customers created a customer engagement spillover effect between stakeholders and the rewards programme. Participant 1 commented how the customer was encouraged as they moved through the financial education modules,

*“So, we have also got different activities to ensure that you as an individual are going down a financial well-being journey specific to you...when you sign up to the programme, you have got a dashboard, you land on the dashboard, there is actually what we call a financial interest picker...you decide what financial goals you have for your life, for your family. As an example, I have got an extending my home, I need to save up for that... you may complete an activity on credit and why credit is good for you on a [money education] platform, and then you will get points for that.”*

The fact that the rewards programme was designed to be fully digital has extracted comments from participants that this has led to digital customer engagement spillover among the main partner, internal partners, and customers of the rewards programme.

*“So, an individual is going to be signing up via their phone, tablet, PC – all they need is obviously a data connection and they can join the programme.”*  
*Participant 1*

*“So, to me the increased level of digital engagement is highlighted there, so we see that more than half of all visits to Large Financial Institution’s website are, you know, just people going to the rewards side to engage. So, even though our customer base, our membership base is still reasonably small, I mean we have signed up just over 10% of Large Financial Institution’s customers, which is growing fast.”* Participant 6

*“So, if we going out there with any particular message with rewards, we are always going to get people asking on our social media platforms, how does this work, does it work – and we get negative and positive sentiment coming through on our social channels.” Participant 10*

*“Because I think once people are registered, they are much more inclined then to engage with the programme.” Participant 12*

External partners did not show a customer engagement spillover effect as noted by the main partner and the internal partner. External partners are mainly used as a way for customers to spend their reward points, therefore, this limited engagement to the transaction where rewards points were spent.

The need for customer engagement was noted as a strategic intent due to the way customers engage with financial services products. Participant 5 commented this on the matter “So, as a financial services company, we, insurance is one of the high touch kinds of product, sold through advisors and it is [a] face to face interaction at a point of sale, but after that point of sale happens, there is often zero interaction until a change happens 10 years later. And [that] sort of the relationship between the customer and the insurance company is often [quiet] but a rewards programme creates an opportunity to build that engagement and at least make it more frequent. I think depending on how you do it, you can make it more meaningful.”

*“And sort of the relationship between the customer and the insurance company is often quite but a rewards programme creates an opportunity to build that engagement and at least make it more frequent.” Participant 5*

*“Large Financial Institution is a very broad financial services company, we have got many different types of solutions – most of the customers just buy one thing from us, and they do not have a deeper relationship with us across different solutions. So, loyalty is quite a good way of driving that activity.” Participant 5*

From the discussion above, the rewards programme designers had achieved their intent to engage with their customers. Digital engagement and engagement through the financial wellness programme proved to be a highlight of customer engagement spillover effects for the multi-vendor rewards programme.

#### 5.4.1.2 Trust spillover effect

The trust spillover effect has been noted between the rewards programme and the large financial institution. This has come about through digital engagement with the rewards programme and the customers.

*“So, we have managed to massively improve our trust engagement with Large Financial Institution through digital channels. Whereas in the old days, you know, it was a lot of sending things by post and all those kinds of things, but we are shifting the dial on that way of work.” Participant 6.*

One customer noted that because they had trust in the large financial institution, they tended to trust the partners associated with the rewards programme as well. This trust spillover effect extends to the internal partners of the rewards programme as well.

*“Yes, I think so, I mean to be honest with you Large Financial Institution is a brand that for me that I trust... but if someone wants to give me Large Financial Institution products it is not a call that I would turn down right, it is Large Financial Institution okay what do you have. It is not from a perception point of view I do not view them negatively I hold them in high regard it is a good brand it has got good products a lot of people trusted it. My parents trusted it, and stuff like that and you know it is good so, yes.” Participant 7.*

Participant 4, a senior manager from an external partner mentioned that being associated with the large financial institution had a trust benefit spillover effect. This spillover effect was experienced during marketing campaigns that were run by the rewards programme. When the rewards programme ran a marketing campaign, or the customer found the external partners product offering through the website of the large financial institution, there was a significant increase in the conversion rate of those customers verses customers who came directly through the website of the external partner.

*“So, the minute you can tie in two brands or an existing brand – so, if you [have] Large financial Institution, you have that new address, a new website, or you seeing the website for the first time, your trust factor goes up considerably, and the conversion rates on those pages go up considerably. So, that plays a big role. The conversion rates, for instance, from when a*

*partner sends an email, and then those users come to our website – the conversion rate is instantly higher. And we are talking about a 20% conversion rate to what would usually be a 0.5 to a 1% conversion rate.”*

The trust spillover effect did not actively form part of the strategic intent. This formed part of an unanticipated benefit as a result. Senior managers from the rewards programme and the large financial institution did not comment that this benefit was actively designed into the makeup of the rewards programme, however, there was consensus from participants that the large financial institution has a good profile in the industry and that people generally trust the brand.

#### **5.4.1.3 Customer Acquisition and retention spillover effects**

The main spillover benefit that has been identified relating to customer acquisition has been the acquisition of non-large financial institution customers which accounted for up to 26% of the customers of the rewards programme according to participant 1.

*“What happened was is that we drew non-customers far greater than customers on the programme, that now we have the case of almost a million members on our programme, and around – what is it now – 600 000 customers have joined our programme, and 300 000 non-customers are on the programme. So, what does that speak to first in two different lights for Large Financial Institution. So, now we have got 300 000 people that we can now speak to about Large Financial Institution.” Participant 1*

Additionally, the rewards programme attracted younger customers, which was noted among participants, caused a spillover effect for the large financial institution and internal partners.

*“I mean, we have found we have attracted a lot of young people to our programme.” Participant 5*

Among the stakeholders who benefited the most from this spillover effect was Internal Partner – Transactional Account was mentioned by participant 5. Many customers were signing up for a transactional account as an easy way to increase their tier status.

*“And so with the rewards programme, what we saw is a lot of customers in our more affluent customer segments will go and directly be marketed this product before, taking up the Internal Partner 1 - Transactional Account product. Some of them were doing it for different reasons, so one was we give away a tier status for a Internal Partner 1 - Transactional Account, so it is an easy way with really no cost to get your tier status up.”*

Participant 3 mentioned that affluent customers are taking up the Internal Partner – Transactional Account to tier up in the rewards programme. This has delivered about 600 customers affluent customers to the transactional account which has been mainly used by retail mass customers in the past. This represents a significant change in how customers view the profile of this financial services product.

*“Now the other option that we also introduced as part of the tiering is if you have a minimum of 50 000 in save account unit trust then you also qualify for a tier. And I think we have got about 500 or 600 of those customers – the vast majority of which are more affluent, personal finance customers.”*

A customer acquisition spillover effect between the rewards programme and the external partners had been noted by participants. One participant noted that as the rewards programme acquired customers, more customers would spend their rewards points with the partners of the programme.

*“So, we ran this campaign and we said, you know, everybody is going to get 500 points which is R50 for signing up to the programme. [It] created a storm...And we had Partner 4 and Partner 2 on our platform...And that is essentially a free lunch, you know, with those partners – we using your points with them. But the intent was never to, for it to go as viral as what it did.”*

*Participant 1*

Participants commented that external partners were used as outlets where customers could spend their points. At this time none of the external partners had been converted to earn partners, meaning that customers could not yet earn points for spending at any of the external partners. This had the spillover effect that the external partners had benefited from the over 10000 new customers joining the rewards programme every week.

*“And we were going through, I was going through it with the team, and we are still at 10 000 members per week signing up to our programme.” Participant 1*

*“So, we saying we have got some money here, people with rewards points, we would like to add you in as a redemption partner, it will be a little bit of cash into your stores.” Participant 5*

Participants commented that one of the strategic intents that the large financial institution had when formulating the rewards programme was to increase the number of customers that the organisation attracted. They wanted to attract younger customers and people who were not yet customers of the organisation yet.

*“...it is early days, but we can definitely start seeing the level – and it is also age group LFI traditionally appealed to or talk to. So, maybe another benefit also or intent is that we are opening a new market and we creating awareness of our – I would not say our brand – but our offering, too, to this market who has never engaged with us.” Participant 2*

The customer acquisition spillover effect had been successfully achieved as shown in the discussion above. What was unanticipated was the amount of non-large financial institution customers who joined the programme, and the impact the digital aspect of the programme had on the attraction of younger customers to the rewards programme. Participant 5 commented that the attraction of younger customers was not anticipated during the design phase.

In addition, participants commented that a customer retention spillover effect was noted among partners of the multi-vendor rewards programme. Customers who were part of the rewards programme were less likely to lapse or cancel their financial services products.

*“But we getting the, you know, the feel that less customers ... Or customers who has registered for rewards and are part of the rewards program are less inclined to cancel their short-term insurance product than customers who are not registered for rewards. So, it looks like there could be a spill[over] of or benefit in terms of customer retention.” Participant 12*

This was a strategic marketing intent that was achieved by the rewards programme and was especially relevant for the internal partners of the rewards programme.

Internal partners are the only earn partners and they form part of the large financial institution. Participant 5 mentioned that ensuring that the customer maintained their portfolio of financial services products was a core objective for the rewards programme.

*“One was the core where an insurance company makes money is having customers who are paying premiums and getting those relationships with, we use the term, what was it, lengths, breadths and depths of customer relationships. How sticky the customers were, the breadths in terms of how many different products and solutions and the depths in terms of the shared wallet that we picked up.” Participant 5*

Participant 6 confirmed that the rewards programme had achieved this strategic intent and that the rewards programme had noted that customers of the rewards programme tended to retain their financial services products.

#### **5.4.1.4 Cross selling and upselling effect**

The four senior executives from the rewards programme management team all noted a spillover effect regarding cross selling and upselling. They noted that customers who joined the rewards programme were more likely to add another financial services product to their portfolio.

*“And from a customer perspective, cross sell and upsell.” Participant 1*

*“So, that is definitely already starting to see benefits. I mean, I think we already noticing that members who is Large Financial Institution customer and who has got a rewards profile or a rewards account is double, three times more likely to take out a new product than what a customer who is not a rewards member is.” Participant 2*

*“we have definitely seen an uptake in our cross sell and in upsell – some of it much better than others.” Participant 2*

*“The main one is the cross sell...we have got many customers who have one solution from us, we have been tracking that purchase rate and we think it has effectively doubled from existing customers. A purchase rate of an additional solution after they joined rewards programme.” Participant 5*

*“So, I guess that the highlights are around the customer behaviour, I would say. So, we see that the rate of sales through our rewards members is very, it is much higher than our rate of sales to our non-rewards members. So, our cross sell and upsell rates are, ja, it is more than double when looking at our rewards members versus our non-rewards members.” Participant 6*

This spillover effect was particularly handsome for the internal partners who saw an increase in the number of financial services products that each customer of the rewards programme held in their portfolios. External partners saw an increase in cross selling spillover effects due to the customers spending their rewards points with them. As a strategic marketing intent, the rewards programme designers have successfully achieved this intent.

Participants from the rewards programme and other internal partners noted that there was a financial education spillover benefit created between the rewards programme and the customers. Participants commented that having better financially educated customers, led to customers better understanding their financial needs and how to plan for these. In turn this led to an increase in the cross selling or upselling spillover benefit for all the partners of the rewards programme, especially the internal partners of the rewards programme.

*“So, it happens, people are taking it up every day, they looking at the courses every day and they looking at Partner 1, they are downloading the Rewards Money Management Service Offering app, you know. And these things are all happening in the background.” Participant 10*

*“That is from the activity that you [are] completing. And based on the activity, we would then advise you how to either, depending on the activity, better your situation. Better your understanding of a piece of content, better your budgeting behaviours. And ultimately, as you score better, you would be changing your behaviour from that thinking.” Participant 1*

Customer participants, however, commented that they have not experienced this financial education benefit. The customers interviewed were affluent customers with one customer mentioning that he has a formal finance qualification, and this was noted as one of the reasons for not making use of the financial education benefit.

*“In fact, I have a professional [finance] background.” Participant 9*

#### **5.4.1.5 Barrier to exit spillover effect**

Participants noted that customers of the rewards programme were less likely to cancel their products with the large financial institution and the internal partners of the rewards programme.

*“And the obviously the more products that you have with an entity, whoever it might be, the less likely you are to move away from them.” Participant 3*

*“And you see kind of similar patterns when it comes to persistency – so, rewards members are much less likely to lapse their products than non-rewards members.” Participant 6*

This was a vital strategic marketing intent for the rewards programme designers, because the market for financial services in South Africa is still small due to the large number of unemployed people in the country. As such, customers tend to be poached by other financial institutions who try and offer them better deals.

#### **5.4.1.6 Increased marketing opportunities**

Many participants highlighted that there had been an increase in marketing opportunities due to the partnerships within the rewards programme.

*“So, we have seen that the partners that have also come to the party in terms of marketing campaigns, and coming to us and saying, listen...[can] we run this [marketing] campaign?” Participant 1*

*“So, again, we running a campaign, we run campaigns like this with Partner 6, we have done a lot campaigns with Partner 3.” Participant 1*

Participant 10 mentioned that the rewards programme offered an opportunity to increase sponsorship opportunities for the large financial institution. This in turn helped bring in new customers for the rewards programme, which increased the opportunities to run more marketing campaigns as described by participant 1 above.

*“Like our sponsorship’s portfolio, for example. You know our sponsorship portfolio, wealth, music and lifestyle and so forth – so, on the go at the moment*

*is Music Competition and we one of the sponsors of Music Competition, it happens out there, and we tied two products into the Music Competition sponsorships, one of them being rewards. So, rewards leverage off the Music Competition sponsorship, so whenever Music Competition is mentioned, Large Financial Institution is mentioned, and if Large Financial Institution is mentioned specifically around Music Competition, we tie in rewards very specifically.”*

An increase in marketing opportunities spillover effect was found among partners and especially external partners. External partners are used as burn partners at present and this has allowed the rewards programme to increase the number of marketing campaigns they run.

*“So, like an example is, last year we ran a campaign with Partner 3 for women’s month where we effectively gave, well, Partner 3 helped us fund a 50% discount. And it was very popular, it was well used, it gave us a little bit of marketing mileage. And they came back this year and said, ah, let us do the same thing again.” Participant 5*

*“The one though that might be a little bit interesting to look at is a business called Partner 1. So, we offer basically discounts to use their service – well, they give us the discounts, we make it free and subsidise it for some of the members. Partner 1’s are a little start up technology business that basically does your tax return online, and it fits very well with our financial theme...” Participant 5*

#### **5.4.1.7 Reduced information search costs**

Participants commented that the rewards programme was designed to be fully digital. As most of the customers have access to mobile phones with internet capabilities, the management of the rewards programme ensured that this had been the focus of the design.

*“And what is important to understand with our program, as well, it is fully digital. So, an individual is going to be signing up via their phone, tablet, PC – all they need is obviously a data connection and they can join the program.*

*And the analysis that came out of that was, one was obviously the digital aspect of our program, and the ease of application, the fact that it is open to all and there is no cost.” Participant 1*

Customer participants commented that they did not engage often with the rewards programme, citing a lack of time as an inhibiting factor, therefore, they did not find this reduced information search cost spillover effect.

*“Because I mean I do not have time...” Participant 11*

One customer participant commented that he felt that the effort required to find information stopped him from engaging more with the rewards programme. He commented further that he felt that competitors of the rewards programme offered a better experience in comparison.

*“Yes, the consumer experience is for me, is the one that is lacking.” Participant 7*

Participant 1 commented that customers of the rewards programme were using the digital aspect of the rewards programme to find deals, and increase the value that they received from the rewards programme by, for example, creating Facebook accounts to take advantage of these deals.

*“People started to create Facebook groups, right. To say, join rewards and use this [membership number]. Ultimately, that person was just getting all the points for people that were signing up.” Participant 1*

From the above the researcher found that there was a conflicted result relating to the reduced information search costs spillover effects. Although, the customer participants commented that they did not experience a reduced information search cost spillover effect, senior managers from the rewards programme offered that other customers were seeing this spillover effect.

#### **5.4.1.8 Reward points spillover effect**

Participants mentioned that customers were able to earn rewards points through two methods. The first was the passive method, whereby the customer received points for the premiums that they paid each month. The second was the active method,

whereby customers earned points for completing financial education courses, completing credit reports, and adding additional financial services products.

*“And then you get activities in the case of a customer of Large Financial Institution earning points with their premiums that they have. So, what we have done is every month when your premiums go off on your account, when your debit order goes off, we make sure that you get paid back in points for those premiums.” Participant 1*

*“So, you know every month my, as a customer at Large Financial Institution and a member of the programme, my premiums go off and I earn points on it without doing anything, I did not even log in anywhere, nothing.” Participant 1*

*“Then I need to be with the active points earn activity, logging in, going onto the platform and participating in the calculator’s assessments, surveys, quizzes, viewing the education content on Inhouse rewards educational training programme.” Participant 1*

Customer participants commented that they made use of the passive points earning avenues and did not make use of the active points earning avenues. When questioned as to how he earned rewards points, participant 9 affirmed that he only earns rewards points through the passive method.

*“Yes, that is correct, that is correct. I really do not have anything that I do with them on a daily basis.” Participant 9*

Participant 11 commented that she earns her points through the passive method and found value in this because she has many products with the Large Financial Institution.

*“Okay, so I decided on the programme because I felt that given that I had many Large Financial Institution products or a few Large Financial Institution products. I would get some additional value from having you know, more products from the company and you know that there will be some form of extra benefits outside of actual products that I hold so, yes, I thought I would extract more value from my association with Large Financial Institution.”*

The findings show that the rewards programme was designed to allow customers to earn rewards points in two ways. Firstly, through passive means, by paying their

monthly premiums, and secondly through active means, such as completing a financial well-being module.

#### **5.4.1.9 Access to events spillover effect**

Participant 9 commented that he found an access to events spillover effect due to his relationship with the rewards programme. In addition, he had an esteem spillover effect due to the VIP treatment he received as a result.

*“But then in the process, then they introduced these rewards which then, in a long term, I have started to see it as a benefit at some stage because as someone who is very active in sport, they sometimes have these special offers for different races where probably if a race becomes too expensive, then I get some benefit, you know, I get that VIP treatment through the rewards programme.” Participant 9*

*“Not necessarily that someone else has spoken about it to me, it is just that I think at some stage, there were special offers for the Special Running Event and when the entries were sold out, Large Financial Institution then started to send emails to its client that if you are a member of the rewards programme, they have these special entries that they are giving away. So, some that know that I am a member of Large Financial Institution rewards programme, they then approach me and say, can I not assist them with the entries.” Participant 9*

## 5.4.2 Strategic Pressure

Strategic pressure forms one of the themes which emerged to answer research question 1.a. The discussion will follow below.

### 5.4.2.1 Competitor pressure

Several participants from the rewards programme team and from the internal partners commented that the large financial institution was late in launching its own rewards programme. As such, there was pressure to offer a rewards programme in response to what their competitors had done.

*“So, Large Financial Institution was obviously the last player in the financial services industry to start the rewards programme.” Participant 1*

*“And both in the banking and in the insurance space, we have got strong competitors with strong rewards programmes. Many of the other, that is Competitor 1 and Competitor 2 I think are clear leaders, many of the other financial services planners have set up something of varying levels of success.” Participant 5*

*“So, the one is, in general, the loyalty programs is a massive industry in South Africa. I mean, as you know, literally everyone pretty much has a loyalty program, so to be able to compete in the market, you need to, ja, I guess join the party and be part of that game.” Participant 6*

Competitor pressure influenced the decisions of the loyalty programme designers as can be seen from the findings. To remain competitive in the financial services market, the large financial institution had to find an answer to what competitors were doing and they answered by starting their own rewards programme. It is important to note that the design of the rewards programme was done in such a way as to differentiate it from the rewards programmes offered by competitors.

### 5.4.2.2 Customer pressure

From the perspective of the large financial institution, there was a pressure from customers who were increasingly wanting and expecting additional value to their portfolio of financial services products. This was brought on in part because of what competitors in the market had done by launching their rewards programmes. Participants commented that starting the rewards programme was inevitable as it was necessary to compete in the industry.

*“So, that were kind of the business objectives, but I think the key starting point was becoming something customers were increasingly expecting and something, just becoming a need to compete, ja.” Participant 5*

As with competitor pressure, the large financial institution had to keep abreast of ever-changing customer needs and wants. A result of its competitors offering rewards programmes, many customers started to expect additional value from their financial services product portfolios. Therefore, it was inevitable that they would have to offer their own rewards programme.

#### **5.4.2.3 Business growth**

Senior managers within the rewards programme commented that one of the strategic intents of the rewards programme was to create business growth. A participant commented that as a financial institution, the large financial institution had a lot of data on its customers, due to the nature of the product. This data could be used as a tool to help the business grow by creating opportunities for upselling and cross selling.

*“And I guess when you look at retailers that are doing it, the main reasons for building a loyalty programme for those type of companies is to build a customer database. And to get to know who their customers are and get the customer data and start tracing who their frequent and best customers are versus the rest and being able to use that as a marketing tool. I think in financial services, that is not really an objective because we have got so much data on customers anyway, I mean, we know probably more about customers than retail programmes.” Participant 5*

*“Large Financial Institution is a very broad financial services company, we have got many different types of solutions – most of the customers just buy one thing*

*from us, and they do not have a deeper relationship with us across different solutions. So, loyalty is quite a good way of driving that activity.” Participant 5*

## **5.5 Results for research question 2**

*How do spillover effects create value within a multi-vendor rewards programme in South Africa?*

Research question 2 aimed to gain deeper understanding about how the spillover effects found within the multi-vendor rewards programme created value for stakeholders within the programme.

### **5.5.1 Stakeholder Value Creation**

The interviews were analysed, and three themes emerged under stakeholder value creation. These themes included how spillover effects created value for external and internal partners, as well as for customers. These codes were taken from the analysis of the interviews had with four senior managers from the rewards management team, three senior managers from internal partner stakeholders of the rewards team, one senior manager from an external partner stakeholder, and interviews were had with four customer stakeholders of the rewards programme.

The summary showed in Figure 4, was followed by a discussion on the findings of each of the themes.

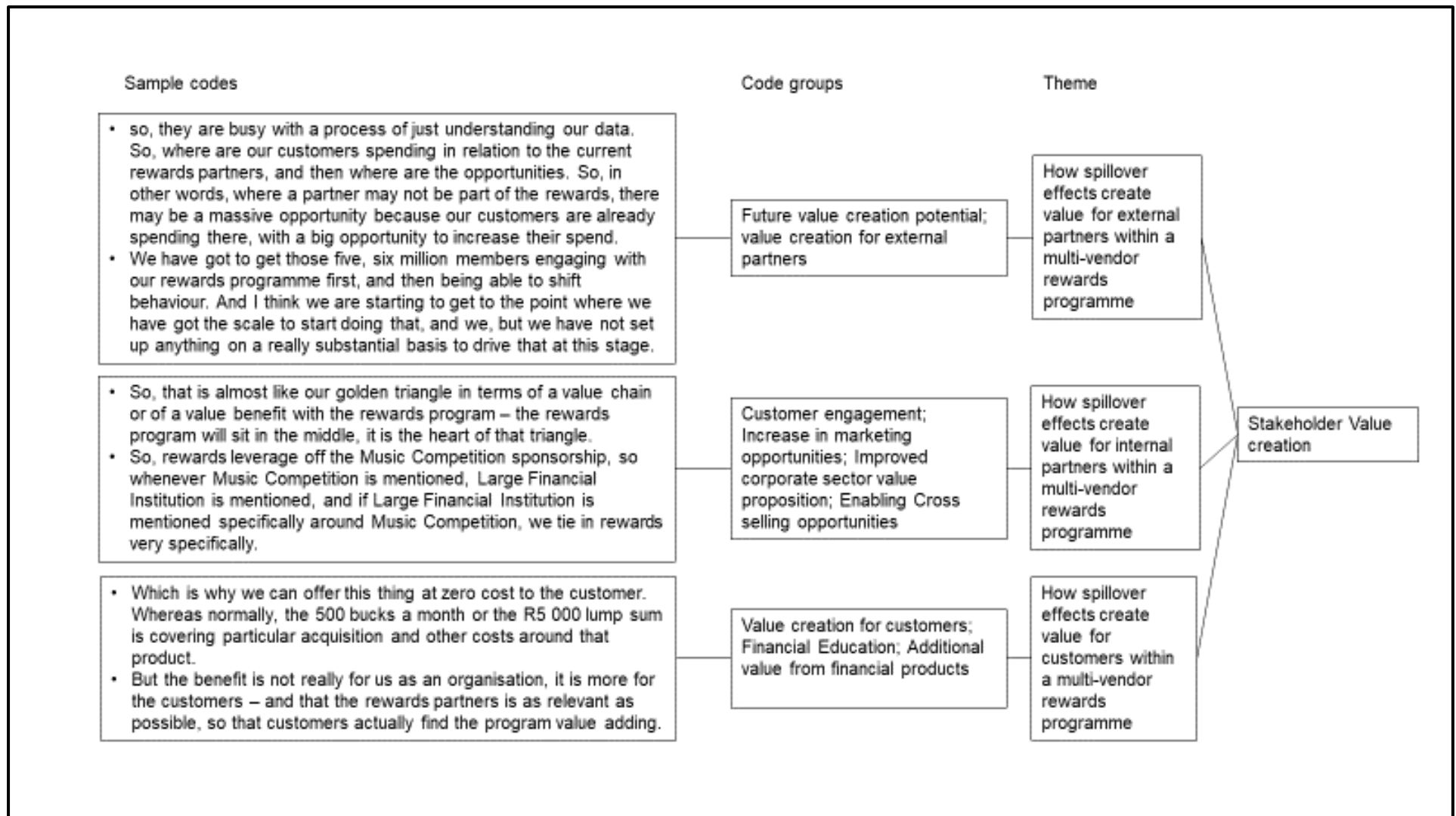


Figure 4: Stakeholder Value Creation

### 5.5.1.1 How spillover effects create value for external partners within a multi-vendor rewards programme

The large customer base that belongs to the large financial institution was touted as an opportunity to create value for external partners in the future. This came in the form of both a spending of points perspective and in future an earning of points perspective. This statement was confirmed by participant 5.

*“I think we do have a whole other carrot, like with Large Financial Institution, we have got five, six million customers, we have a huge opportunity for you, but it is like a long-term kind of story.” Participant 5*

The senior executive from the external partner commented that the trust spillover effect created value for their business. This enabled them to increase their conversion rate of new customers who came through the rewards programme and searched for their product.

*“So, the minute you can tie in two brands or an existing brand Large financial Institution, like Competitor 14, you have that new address, a new website, or you seeing the website for the first time, your trust factor goes up considerably, and the conversion rates on those pages go up considerably. So, that plays a big role. The conversion rates, for instance, from when a partner sends an email, and then those users come to our website – the conversion rate is instantly higher. And we are talking about a 20% conversion rate to what would usually be a 0.5 to a 1% conversion rate.” Participant 4*

An additional comment came from a participant within the rewards team who commented that the rewards programme created marketing campaigns which created value for external partners. These marketing campaigns could be created to specifically cater to the requirements of external partners. They increased the success of these campaigns and, therefore, the value for the external partners.

*“So, we have seen that the partners that have also come to the party in terms of marketing campaigns, and coming to us and say, we want to... can we run this campaign or ... I will use a perfect example, now in Women’s Month, we had, where Partner 3 gave me a specific amount of budget, and they said to me, use this budget for a Women’s Month campaign. And what we did was every female member on the programme that spent R100 voucher on Partner*

*3, they actually got a R200 voucher. So, what I meant is, Partner 3 got an uplift in spend at their service stations.”*

### **5.5.1.2 How spillover effects create value for internal partners of a multi-vendor rewards programme**

Participants commented that the increased customer engagement enabled through the rewards programme increased the value for internal partners. This spillover effect was a strategic intent of the Large Financial Institution during the formulation of the rewards programme. Participant 10 gave an example of how digital engagement helped the rewards programme and the Large Financial Institution to better understand the customer through customer feedback on social media platforms. This ultimately led to an increase in trust.

*“But it gives us the opportunity to also understand what the problems are, where the thoughts are and what we can correct in this process – and that is why I am saying it is very, very vital from a social point of view. And what we monitor at the moment, we have got specific tools that monitor the sentiment and monitor the conversations, you know, in the digital world, and we report on it and we act on it quite quickly. So, yes, I mean, we build our consumer trust on social platforms.” Participant 10*

Participant 3 who is a senior executive from Internal Partner 1 – Transactional account commented that an improvement in customer engagement was one of the strategic objectives of their business unit.

*“...so the Internal Partner 1 - Transactional Account from that business unit perspective it was created to assist Large Financial Institution to increase engagement with their customers to allow them to have something tangible like the card within their wallet.” Participant 3*

A marketing executive from an internal partner commented that they had seen an increase in the number of marketing activities which is a spillover effect between the partners of the rewards programme. This is especially prevalent for the internal partners of the rewards programme because they were not only burn partners, but also spend partners. Customers were able to increase their tier value which in turn

increased their rewards points. In addition, this led to an increase in sponsorship opportunities for the Large Financial Institution.

*“Like our sponsorship’s portfolio, for example. You know our sponsorship portfolio, wealth, music and lifestyle and so forth – so, on the go at the moment is Music Competition and we one of the sponsors of Music Competition, it happens out there, and we tied two products into the Music Competition sponsorships, one of them being rewards. So, rewards leverage off the Music Competition sponsorship, so whenever Music Competition is mentioned, Large Financial Institution is mentioned, and if Large Financial Institution is mentioned specifically around Music Competition, we tie in rewards very specifically.” Participant 10*

Participant 3 commented that additional value was created for both internal and external partners through this increased marketing opportunity spillover effect. Through better understanding their customer data, they were able to find opportunities for marketing campaigns that involved external partners and led to greater value for the customer as well. This was all facilitated by the rewards programme.

*“...so, they are busy with a process of just understanding our data. So, where are our customers spending in relation to the current rewards partners, and then where are the opportunities. So, in other words, where a partner may not be part of the rewards, there may be a massive opportunity because our customers are already spending there, with a big opportunity to increase their spend.” Participant 3*

Another marketing opportunity arose for advisor in the physical branches of the Large Financial Institution. Participant 3 noted that advisors were able to use the rewards programme to increase the value proposition of the Transactional Account at the time when customers were in the store. This led to greater customer acquisition for both the rewards programme and the Internal Partner 1 – Transactional Account.

*“What has also helped is, it [the rewards programme] has given them another angle to basically kind of – or what I would call maybe a hook – about another hook for them to hook into customers.” Participant 3*

Participant 1 commented that a spillover from the rewards programme led to an improved corporate sector value proposition. This provided an answer to value propositions that competitors offered potential customers and given their financial advisors something to compete with.

*“Is when, for example, in the corporate side, when they go into a work, you know, worksite ... So, you know that, let us say Large Financial Institution has Potential Customer, we have got all Potential Customer’s employees on our Pension Fund. Then it is a case of us going there, that advisor that manages Potential Customer, going there and saying, listen, we also have a rewards programme, if all of your Potential Customer employees has already got a Pension Fund with us, if all your employees signed up to Large Financial Institution rewards now, they are going to be earning points with the Pension Fund that they have with us, as well... And what a great selling tool then for the worksite advisor... And then if they go to any other employer where they have either the pension fund or Retirement Annuity that Large Financial Institution is managing for that business or for that company, and going to them to say, guys, send out an email to all of your employers. Or all of your employees and tell them, you know, your Pension or your Retirement Annuity is already with Large Financial Institution through the company. But if you are signing up now to Large Financial Institution rewards, you are going to get even more reward out of having this relationship with Large Financial Institution, as well.” Participant 1*

The cross selling spillover effect was one of the core strategic intents of the Large Financial Institution upon creating the rewards programme, and it has been one of the spillover effects to create the most value for the internal partners. This was noted by many of the senior executive managers from the rewards management team and from the senior executive managers from the internal partners as well. Participant 5 gave this example of cross selling spillover with Internal partner 1 – Transactional Account.

*“And so with the rewards programme, what we saw is a lot of customers in our more affluent customer segments will go and directly be marketed this product before, taking up the Internal Partner 1 - Transactional Account product.” Participant 5*

Participant 2 gave this example of cross selling spillover creating value for Internal Partner 1 – Transactional Account.

*“So, you can use your code or your voucher and you can spend. The same with Competitor 5. So, I think for us at this stage, if I have to be honest, our biggest partner who is getting the biggest benefit out of us is our own internal bank.” Participant 2*

Participant 3 commented that there are plans to strengthen this cross selling spillover effect between themselves and the rewards programme, thereby increasing the value to both parties.

*“And then what we also doing is, we are in the process of almost creating a capability to on board the customer through the Internal Partner 1 - Transactional Account acquisition process. So, currently today, you go through a Internal Partner 1 - Transactional Account acquisition, and then you would have to go through a separate reward process – a reward registration process. So, we quite advanced in integrating the process, so that when you take out a Internal Partner 1 - Transactional Account, we will immediately enrol you as a rewards programme member, which is quite nice, as well.” Participant 3*

### **5.5.1.3 How spillover effects create value for customers within a multi-vendor rewards programme**

The greatest value creation for customers comes from the spillover effects created by the internal business units and the rewards programme. Senior executive managers from the rewards programme management team commented that value creation for customers was one of the top priorities. Customer participants found that they were able to extract additional value from their financial services portfolios through the rewards programme. This supported the view from the senior executive manager from the rewards programme. A few examples of value creation for customers are listed below, as told by the participants.

Participant 3 commented how customers received value through the Internal Partner 1 – Transactional Account by removing costs and barriers to entry to unit trust investments.

*“Now just by virtue of the fact that you have a Internal Partner 1 - Transactional Account, you remove all of those barriers around the monthly and the lump sum investment, and you become an immediate investor. Similarly, like I said to you, when we take you on as a customer, we want to onboard you for rewards, as well. But from that section, when we take you on as a Internal Partner 1 - Transactional Account customer, now only are you onboarded for the Banking Service Provider bank swipe account component, but you also onboarded for a Unitrust. So, there is no paperwork, there is nothing, everything is digital and you fully taken on as a unitrust customer, you have access now to a money market and the product. But what, that is why we removed barrier to entry. We also say that, you know, this could potentially be, as you accumulate savings here, there is an option to then, once you have accumulated enough, to then go and have a proper discussion with an advisor. And they will then put you into some other savings or investment category, through which you qualify for another tier.” Participant 3*

Participant 12 confirmed that the senior management from internal partners placed importance on ensuring that partners who join the rewards programme create value for customers.

*“But the benefit is not really for us as an organisation, it is more for the customers – and that the rewards partners is as relevant as possible, so that customers actually find the program value adding.” Participant 12*

Customer participants all voiced the opinion that they found that the rewards programme allowed them to eke out additional value from the financial services portfolios through the spillover effects such as being able to earn rewards points passively or being able to access an increase of product offers through the partners of the rewards programme.

Participant 9 commented that he found value in the special events offers that catered to his sporty lifestyle. An example he gave was that the rewards programme allowed him to access a running event even after all the available tickets to the event had been sold out.

*“... there were special offers for the Special Running Event and when the entries were sold out, Large Financial Institution then started to send emails*

*to its client that if you are a member of the rewards programme, they have these special entries that they are giving away.” Participant 9*

Participant 7 found value in the use of the Rewards Money Management Service Offering. This allowed him to better manage his finances and he has the confidence to use this service due to the association it has with the Large Financial Institution.

Participant 11 found value in being able to earn rewards points passively through her monthly premium contribution.

*“...you earn points just by paying your premiums which is really quite valuable for the customer because it just gives you additional value you know, for just paying for exactly the same products that you would have been paying for. So, I think that is what stood out, and what made me join the programme yes, that is it.” Participant 11*

## **5.6 Results for research question 3**

*How do spillover effects create competitive advance for a multi-vendor rewards programme in South Africa?*

Research question 3 aimed to further understand how spillover effects contributed to the competitive advantage of the multi-vendor rewards programme.

### **5.6.1 Competitive Advantage**

The interviews were analysed, and two themes emerged under the theoretical category of competitive advantage. These themes included standout spillover effects which resulted in competitive advantage within the reward programme and how spillover effects contributed to cooperation between stakeholders which led to competitive advantage. The theme for spillover effects which led to competitive advantage within the reward programme had created five codes.

The summary is showed in Figure 5, followed by a discussed on the findings of each of the themes.

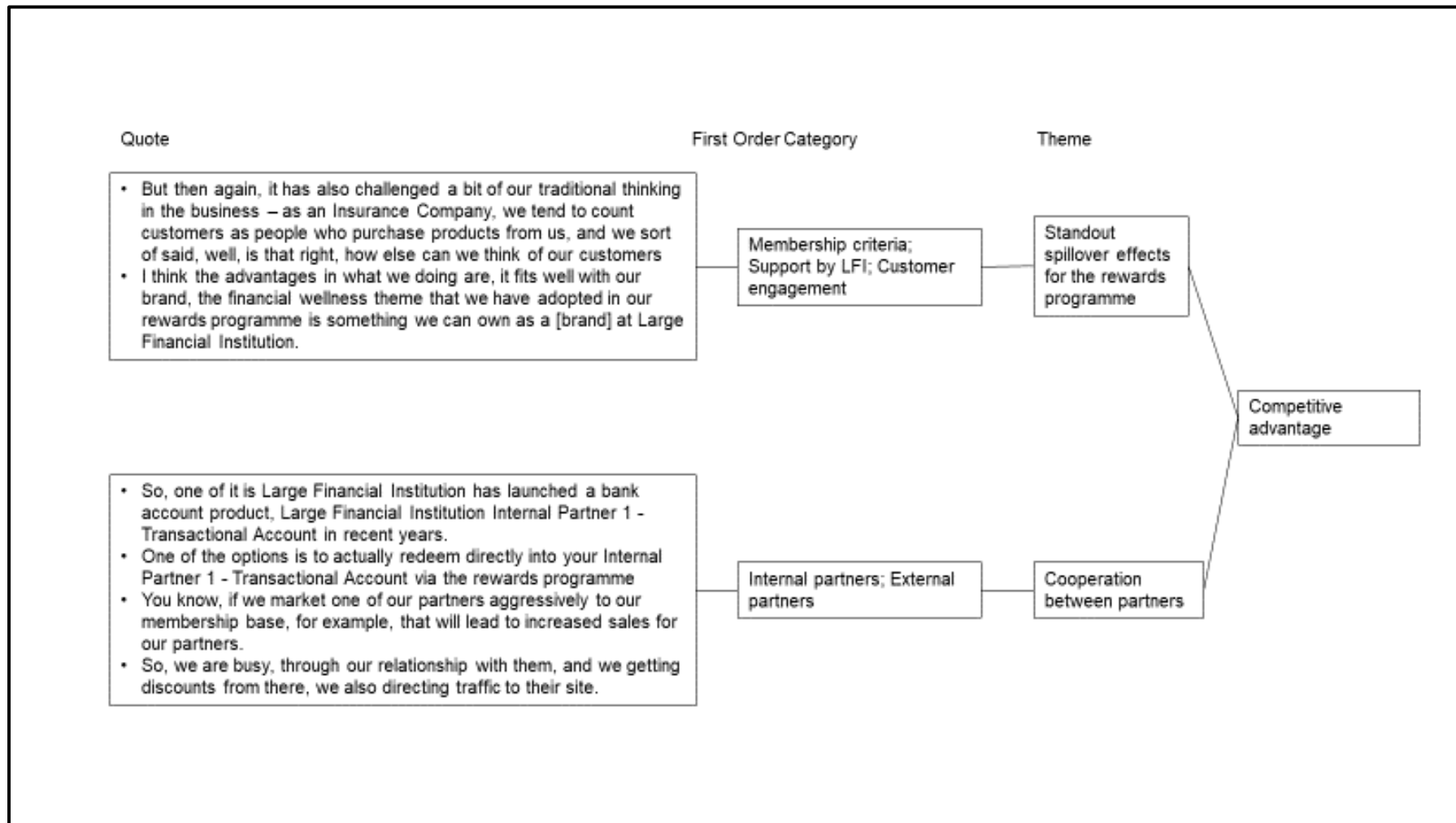


Figure 5: Competitive advantage

### 5.6.1.1 Standout spillover effects for the rewards programme

The customer acquisition spillover could be a competitive advantage for the rewards programme and the partners of the rewards programme. Participant 5 commented that this was enabled by the special membership criteria that the rewards programme has. To join the rewards programme, one does not need to be a customer of the Large Financial Institution first.

*“But then again, it has also challenged a bit of our traditional thinking in the business – as an Insurance Company, we tend to count customers as people who purchase products from us, and we sort of said, well, is that right, how else can we think of our customers.” Participant 5*

When asked why the rewards programme allowed anyone to join the programme, participant 6 commented this:

*“Ja, so Large Financial Institution is already a big company and we have got quite a few million customers, but obviously we, as a company, have got growth ambition. We want to expand our footprint into the rest of Africa, grow our market to the rest of South Africa, I mean, grow our market share.” Participant 6*

Participant 1 commented that the membership criteria used by the rewards programme goes against that of its competitors in the market who also charge a fee to become a member.

*“And that was one of the reasons that the rewards programme, one of the USBs is that it is open to everybody. So, apart from other programmes like Competitor 1, Competitor 11, you get a monthly fee that is associated to you participating in the programme. Large Financial Institution then also decided to make it free.” Participant 1*

The association with the Large Financial Institution and the trust and credibility spillover effects that afforded the rewards programme and its partners is one of the competitive advantages that has been noted by participants.

*“...and then I think the rest of the competitive advantages for us as a rewards programme come from the association with Large Financial Institution. We are in*

*a space where we have got scale, customers, we have got all the product lines, we have got people paying a lot of premiums towards us. We will be able to build up the value in terms of the programme to customers very quickly, because the amount of points that we are able to allocate is substantial.” Participant 5*

The customer engagement spillover also created a competitive advantage for the rewards programme. Participants commented that due to the financial well-being theme that the rewards programme had taken, when customers engaged with the programme, they moved closer to the goals of the reward programme.

*“I think the advantages in what we doing are, it fits well with our brand, the financial wellness theme that we have adopted in our rewards programme is something we can own as a brag at Large Financial Institution. Many of our competitors are trying similar things, you know, trying similar things but I think Large Financial Institution ’s trusted in terms of delivering to its customers, plus we have got a lot of capabilities that we have built up over the years that give us a good advantage to deliver it.” Participant 5*

Participant 1 commented on why he believes that customer engagement through financial well-being is important to the rewards programme, its partners, and customers.

*“And more importantly, having access to the content and being able to, or giving them the ability to do so, you know, they have that outcome. And that is again why the free aspect, and that is again why the open to everybody – because we did not want to be discriminatory. Large Financial Institution wanted to be pioneering financial well-being, they wanted to pioneer the best interest from a money management perspective with the overall market.” Participant 1*

#### **5.6.1.2 Cooperation between Partners**

Participants commented that the cooperation between partners, especially internal partners, is vital to the competitive advantage of the rewards programme. Examples were given to show how cooperation between internal partners and external partners

created spillover effects that moved the rewards programme closer to its objective. The greater the cooperation, the greater the spillover effects.

Participant 3 explained how Internal Partner 1 – Transaction Account is one of the biggest redemption partners. To be able to redeem your points at this internal partner the customer needed to first acquire a transactional account. By acquiring a transactional account, and meeting the minimum requirements, the customer was doubly rewarded by being able to tier up within the rewards programme. This allowed the customer access to greater rewards points earning potential and increased special offers.

*“Absolutely so that is actually one of the actually one of the biggest redemption options out of the rewards programme at the moment...”*

*Participant 3*

Participant 1 commented on how cooperation between the rewards programme and Internal Partner 2 – Insure, led to an access to data spillover, which empowered the financial advisor of Internal Partner 2 – Insure to be in a better position to advice customers who reached out from the rewards programme. This led to an increase in the cross selling spillover effect.

*“So, you have got one need satisfied in a retirement annuity, and then you allowing the financial advisor to use the Large Financial Institution rewards as a tool to increase the, or to improve the relationship between himself and the customers that are on the Retirement Annuity package, right.” Participant 1*

Participants noted that cooperation between external partners and the rewards programme increased the amount of marketing opportunities that were possible. This led to a customer acquisition spillover effect and a cross selling effect. Retail external partners saw an increase in their sales due to customers of the rewards programme reacting to marketing efforts. Participant 2 highlighted an example of the cooperation the rewards programme has with the travel partner on the rewards programme.

*“So, we are busy, through our relationship with them, and we getting discounts from there, we also directing traffic to their site. So, the one benefit out of the loyalty program partners can definitely get is, specifically with our online partners – the Partner 9’s, the Partner 10– through our program, we*

*can direct a lot of traffic to their sites. If you are a rewards member, you qualify to go onto the site, you put in your rewards number or you put in your policy number, whatever, and you get automatically R100, R200 discount. So, through that way you do promote traffic to their sites.” Participant 2*

Participant 1 supported this with another example of how cooperation is established at the inception of the relationship of the rewards programme and an external partner.

*“When we sign-up a partner and we go through the process with them, before launch, what the partner normally would do is send out a mass communication to all of their staff – obviously because they need to know that Large Financial Institution rewards is now part of their ecosystem and customers going to come in with a rewards voucher.” Participant 1*

## **CHAPTER 6: DISCUSSION OF RESULTS**

### **6.1 Introduction**

The research findings of this study are discussed in this chapter. The findings for research question 1 and 1.a were that there were several spillover effects among the stakeholders of the multi-vendor rewards programme of a large financial institution. The spillover effects of note included digital and financial wellness education customer engagement, an increase in cross selling and upselling for the internal partners and external partners of the multi-vendor rewards programme, and the unanticipated customer acquisition of younger customers to the rewards programme. Many of the spillover effects were anticipated and achieved by the rewards programme design team. The rewards programme met its strategic intent to ward off strategic pressure from its competitors and customers, and an internal pressure to achieve business growth. The findings show that spillover effects created value for stakeholders in areas such as future potential, increased marketing opportunities, and additional value received from financial products held in customer financial portfolios. Finally, the researcher found that through the data provided by the participants, spillover effects were experienced which could assist in creating a competitive advantage for the multi-vendor rewards programme.

The literature review done in chapter 2, with its concepts and constructs, were compared against the findings of the research study. The experiences, opinions and knowledge of the senior managers, collaborators, and customers who are part of the multi-vendor rewards programme of a large financial institution were used to gain deeper insight into the social phenomenon of spillover effects to help answer the three research questions and one sub question.

#### **6.1.1 Conceptual framework for research**

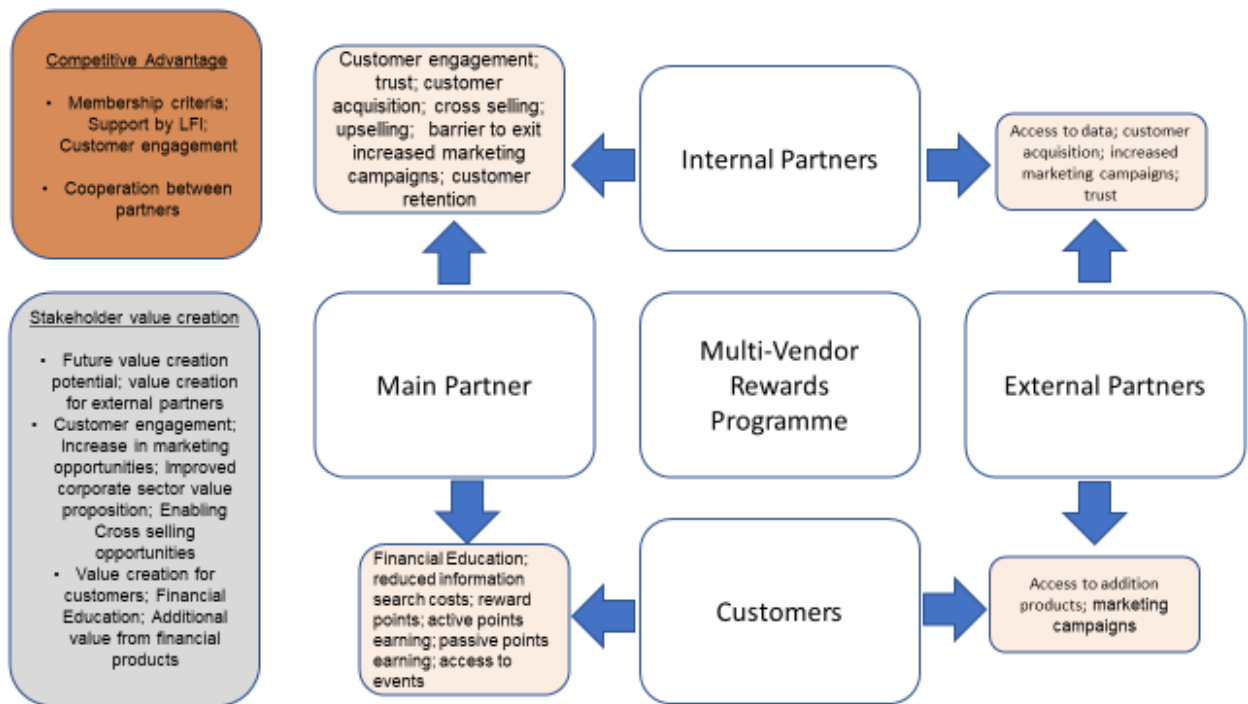


Figure 6: Conceptual framework for research

Source: Author's own

Figure 6 above shows how stakeholders of the multi-vendor rewards programme interact with the rewards programme and each other. The pink coloured boxes show the spillover effects experienced between the various stakeholders of the multi-vendor rewards programme. This helps to answer research question 1. The box labelled stakeholder value creation shows the spillover effects which created value for each stakeholder of the multi-vendor rewards programme, which helped to answer research question 2. Finally, the box labelled competitive advantage shows the spillover effects which helped to create a competitive advantage for the rewards programme which in turn, helped to answer research question 3.

## 6.2 Discussion for research question 1 and research question 1.a

*What spillover effects are found between stakeholders of a multi-vendor rewards programme in South Africa?*

- a. *Has the multi-vendor rewards programme achieved the benefits that were anticipated during their strategic formulation?*

### **6.2.1 Spillover effect phenomenon experienced by stakeholders of multi-vendor rewards programme**

Under the spillover effects category, the data from the interviews conducted offered one theme. This theme was spillover effects experienced by stakeholders of multi-vendor rewards programme. To better organise the discussions of the findings, the researcher separated the spillover effects found by each stakeholder. These are the main partner, the internal and external partners, and the customers of the rewards programme. Each of the findings related to each theme are discussed below.

#### **6.2.1.1 Spillover effects experienced by main partner**

Participants commented that one of the major spillover effects that was experienced by the main partner was that of customer engagement. The main enabler of customer engagement came from two aspects. One was the financial well-being programme which is offered free to customers. The other aspect was designing the rewards programme to be fully digital. Mitchell, Mitchell, Hunt, Townsend and Lee (2020) show that customer engagement is improved when an organisation increases opportunities for discourse among its stakeholders. In this case, the designers of the rewards programme need to ensure that they have adequately created opportunities for discourse among all of its market segments. Customers in the affluent market segment may not find the current customer engagement opportunities attractive. This supports the view held by Son, Oh, Han and Park (2020) who propose that loyalty programmes need to create additional experiences for customers, which can lead to an emotional connection between the organisation and its customers.

From a strategic marketing intent perspective, the rewards programme designers have achieved customer engagement which is consistent with what the literature suggests (Breugelmans, et al., 2015; Doritic, Bijmolt, & Verhof, 2012; Melnyk & Bijmolt, 2015). The researcher would recommend that more needs to be done to

offer additional experiences to customers, especially customers in the affluent market. This can assist the large financial institution to meet competitor pressure by sufficiently differentiating their rewards programme from those offered by their competitors.

The financial well-being programme, offered free to customers, improved the customer's financial knowledge, which enabled the customer to make better financial decisions. This programme is better suited to their retail mass customer segment, which is the largest customer segment of the rewards programme. Through this programme, customer engagement was actively promoted (Mitchell, Mitchell, Hunt, Townsend, & Lee, 2020), and customers were rewarded with rewards points for each module they completed. From a business perspective this helped promote opportunities to build trust and influence cross selling and upselling opportunities.

Mitchell, Mitchell, Hunt, Townsend and Hwan Lee (2020) propose that stakeholder engagement be used to build stakeholder trust. Comments were noted from both senior managers and customers that a trust spillover effect was found within the rewards programme. This was owing to two reasons, association with the large financial institution and digital engagement. The digital engagement aspect helped improve the relationship between the rewards programme and its customers. This is supported in the literature which states that developing a strong relationship with your stakeholders can lead to the long-term survival of the organisation (Graham, 2020) Digital engagement has allowed the rewards programme to interact with its customers in a more meaningful way, whereby customers are able to voice their opinions on the successes or failures of the programme and also help influence other customers (Kumar & Reinartz, 2016; Leroi-Werelds, 2019). According to Weitzner and Deutsch (2019) this could result in a competitive advantage for the rewards programme if it is managed correctly.

Another spillover effect experienced by the main partner of the multi-vendor rewards programme which was of magnitude was that of customer acquisition. Participants commented that the membership criteria were a major contributing factor for this. One customer participant commented that although he was not a customer of the large financial institution at the time, he joined because it was free and has since found value in using one of the financial money management apps that the rewards programme offers to its customers. This answers one of the

questions that are brought up during the design phase of a loyalty programme - whether or not to charge a fee, and who is able to join the programme or not (Breugelmans, et al., 2015; Doritic, Bijmolt, & Verhof, 2012). Senior management participants commented on the trade-offs that this brought. Two trade-offs noted by participants are: 1) each customer who joined the programme increased the costs to run the rewards programme, and 2) customers who are not in the desired target market for the programme may join. This is important for loyalty programme designers because the subject of membership criteria and the decisions that come with this have a direct impact on the profitability of a loyalty programme.

A cross selling and upselling spillover effect was noted by senior management participants. This was particularly pronounced between the main partner and internal partners due the large amount of cooperation which took place between these two partners. This cooperation through being earn and burn partners led to joint value creation (Freudenreich, Lüdeke-Freund, & Schaltegger, 2020). This example is important for loyalty programme designers because it shows how cooperation between stakeholders can lead to an increase in profitability and competitive advantage. This evidence supports the stakeholder theory view that close stakeholder relationships are vital to organisations (Jones, Harrison, & Felps, 2018).

A barrier to exit spillover effect was noted by participants of the study. Participants found that customers who were part of the rewards programme were less likely to lapse their financial services products. Again, this was noted to be among the main partners and the internal partners of the rewards programme. External partners are used as burn partners at present, meaning that the customers' relationship with them is limited to the redemption of rewards points. The senior manager from the rewards programme commented that even though the partners were chosen because they were already part of the customer wallet from a customer perspective, they are not complimentary in so far as to enhance the products and services of the rewards programme (De Noni, Orsi, & Zanderighi, 2014).

#### **6.2.1.2 Spillovers experienced by internal partners**

The findings indicated that the internal partners benefited directly from customer engagement spillover due in part to the design of the rewards programme and the level of cooperation between them and the rewards programme. Internal Partner 1 - Transactional Account introduced an aspect which allowed the customer to have a tangible reminder, a bank card, of its association with the large financial institution. The researcher found evidence of high cooperation between the main partner and the internal partners, which supported the stakeholder theory position of close stakeholder relationships leading to an improvement of the value proposition offered by the large financial institution (Jones, Harrison, & Felps, 2018; Li & Agarwal, 2017).

A second point of note that was seen in the findings was that internal partners benefited from a customer acquisition spillover effect. This again was owing to the membership requirements of the rewards programme (Breugelmans, et al., 2015), which gave internal partners access to potential customers who were not yet customers of the large financial institution, and improved access to customers from other internal partners of the rewards programme. This is interesting to business theory because allowing anyone to join the rewards programme for free is in direct opposition to what the rewards programme competitors have done. This allowed the rewards programme to begin building relationships with people who may belong to a competitor rewards programme and over time, may become fully fledged customers of the large financial institution as a result. This further supports stakeholder theory which suggests that improving the relationship with your stakeholders can lead to improved value creation for all stakeholders (Graham, 2020; Jones, Harrison, & Felps, 2018; Freeman, Phillips, & Sisodia, 2020).

A multi-vendor rewards programme is designed to increase the number of complimentary products and services which are on offer to customers (Breugelmans, et al., 2015). With this comes an increase in the number of marketing opportunities. Participants found that this was the case within the multi-vendor rewards programme of a large financial institution which confirmed what had been said in previous literature. What this has meant in practical business terms, is that where previously the internal business units of the large financial institution (i.e. the internal partners of the rewards programme) were acting in a silo fashion, they have been able to coordinate their marketing efforts through the rewards programme. This led to an increase in cross selling and upselling of

financial services products to customers of the large financial institution. Customer participants who were interviewed had mixed results as to whether the marketing campaigns were effective or not. It must be noted though that most of these customers had more than six financial needs met with the large financial institution and are, therefore, on the highest tier level. From a strategic marketing and strategic pressure point of view, finding new ways to increase your marketing opportunities benefits both the rewards programme and the internal partners. This finding goes against what was found by Dorotic, Fok, Verhoef and Bijmolt (2011) who completed an empirical study of a multi-vendor rewards programme and found that partners of the rewards programme did not all benefit from joint marketing promotions.

Finally, the findings indicated that internal partners saw an improvement in customer retention between rewards programme customers and non-rewards programme customers. They found that rewards programme customers were more likely to retain their financial services products for longer than non-rewards programme members. This is a positive spillover effect as discussed by Zhang and Breugelmans (2012) and an important spillover effect to note because it points directly to loyalty as suggested in literature which show that customer goals are aligned with business goals (Bazargan, Karray, & Zolfaghari, 2018; Zhang & Breugelmans, 2012). This finding helps literature to answer the question of whether loyalty programmes are effective or not (Melnyk & Bijmolt, 2015).

### **6.2.1.3 Spillover effects experienced by external partners**

The findings show that the rewards programme increased its marketing opportunities when it found an external partner who committed to an increased level of cooperation. This cooperation between partners led to an increase in marketing opportunities which is a spillover effect that has been noted in literature (De Noni, Orsi, & Zanderighi, 2014; Jones, Harrison, & Felps, 2018). From observations by the researcher, it is noted that when the main partner and an external partner improve their cooperation, they have increased marketing opportunities to a greater degree than compared with external partners who do not engage with the rewards programme more often. This is important for business because many external partners do not find sufficient value in the nascent stage of

a rewards programme to warrant an increase in cooperation effort, which lends credence to the study done by Dorotic, Fok, Verhoef and Bijmolt (2011). Instead, external partners should follow the example of such an increase in cooperation which leads to an increase in marketing opportunities which is given in 5.4.3.1 of chapter 5, where an external partner and the main partner collaborated to form a marketing opportunity. Should they follow this example the rewards programme will be better placed to satisfy the strategic marketing pressure and the strategic pressure found in the formulation phase of the rewards programme.

Another finding related to trust spillover effects between the large financial institution and an external partner showed how important trust is to the value creation process (Wirtz, Fung So, Mody, Liu, & Chun, 2019; Mitchell, Mitchell, Hunt, Townsend, & Lee, 2020). A senior manager from an external partner commented that they experienced a trust spillover effect from their association with the large financial institution and the rewards programme. This helped create value for their business due to the higher conversion rate of customers who were directed to their website from the website of the large financial institution or the rewards programme. This is a form of value creation which is found at the intersection of each stakeholder relationship, which is supported in literature (Freudenreich, Lüdeke-Freund, & Schaltegger, 2020; Leroi-Werelds, 2019).

The findings from the study indicated that external partners also benefited from customer acquisition by providing avenues for reward programme customers to spend their rewards points. This in turn increased the number of customers that they were able to acquire. It is important to note that these interactions were limited to the redemption of a rewards voucher. Senior managers from the rewards programme noted that in some cases the impact of this was not of significance due to the scale of the rewards programme at present. Although, this was set to change due to the number of large financial institution customers who were not yet part of the rewards programme. This represents the possibility for even greater value in the future, which is a reward for each external partner stakeholder for being a nascent stakeholder (Alvarez, Young, & Woolley, 2020).

#### **6.2.1.4 Spillover effects experienced by customers**

The findings show that customers of the reward programme experienced spillover effects regarding access to knowledge, specifically financial well-being education. An important note is that this spillover effect was a deliberate design of the rewards programme. This is important to note for loyalty programme designers, that when viewed from a business perspective, this purposeful design of a customer engagement element has improved the alignment of the customer goals with the goals of the business (Gao, Melero-Polo, & Javier Sese, 2020). As a result, this added to literature in support of the view that the customers and the rewards programme were able to cocreate the products and services that are specially of value to that specific customer (Bowden, Conduit, Hollebeek, Luoma-Aho, & Solem, 2017).

In addition, the findings indicated that customers benefited from reduced information search costs because the rewards programme was designed to be fully digital. This is supported in literature through the argument made by Bowden, Hollebeek, Luoma-aho and Sodem (2020) who noted that the digital landscape allowed customers to become increasingly proactive in the cocreation process. This finding supports literature which points out that businesses can benefit customer feedback through digital channels (Kumar & Reinartz, 2016).

Further to the above, the findings showed that customers earn rewards points both actively and passively. The number of rewards points given for each activity is governed by the tier the customer is on – a design which has been noted in literature which agrees that this is more suited to rewards programmes run by financial institutions (Van Riel, Zhang, McGinnis, Nejad, & Phillips, 2019). This is important to business because the ability to earn and spend rewards points helps keep customers engaged and improve their perceptions of value received from the rewards programme. From the customer perspective, the findings show that customers who were interviewed did not place value in accumulating points without an outlet which was perceived to be valuable to them. Therefore, this finding adds to literature by showing that customers base their perceptions of rewards points on the perceived value of the options to spend their rewards points.

A finding which supported this view was given by a customer participant who experienced an access to events spillover effect. This spillover alone, gave him enough perceived value to find the rewards programme as irreplaceable. This supports literature which finds that loyalty programmes need to add additional

experiences to the transactional nature of earning or spending rewards points (Melnyk & Bijmolt, 2015; Son, Oh, Han, & Park, 2020).

## **6.4 Discussion for research question 2**

*How do spillover effects create value within a multi-vendor rewards programme in South Africa?*

### **6.4.1 Stakeholder value creation**

Under the category of stakeholder value creation, the interviews conducted offered three themes. These were: how spillover effects create value for external partners within a multi-vendor rewards programme, how spillover effects create value for internal partners within a multi-vendor rewards programme, and how spillover effects create value for customers within a multi-vendor rewards programme. The findings related to each theme are discussed below.

#### **6.4.1.1 How spillover effects create value for external partners within a multi-vendor rewards programme**

The findings of the research indicated that due to the nascent stage of the multi-vendor rewards programme external partners of the rewards programme anticipated future value in partnering with the rewards programme. At present, the rewards programme has reached just over a million customers, increasing by 10,000 customers each week (according to participant 1). Alvarez and Young (2020) explore how nascent stakeholders capture opportunities for products and services. This aspect is important for business, because, to attract nascent external partner stakeholders to the rewards programme, the future value of the relationships need to be made clear.

Additionally, the findings indicate that value was created for external partners through spillover effects such as trust and marketing opportunities. From a business perspective, trust can add value tremendously and external partners of high calibre

can be attracted to the rewards programme through the value of the trust they would receive as a result of the association with the large financial institution (Hwang, Baloglu, & Tanford, 2019). Further findings show that value cocreation activities took place through additional marketing opportunities. What is important to note is that the value created was the highest where the external partner and the rewards programme increased their cooperation which is supported in literature on value creation (Freudenreich, Lüdeke-Freund, & Schaltegger, 2020). This adds to existing literature showing that improved stakeholder relationships led to increased value creation for all stakeholders, thereby, supporting the stakeholder view.

#### **6.4.1.2 How spillover effects create value for internal partners within a multi-vendor rewards programme**

The findings showed that internal partners of the rewards programme found value through the spillover effects found within the rewards programme. From a business perspective it is important to note that the close relationship between the rewards programme and its internal partners underpinned this value creation process. Therefore, loyalty programme designers need to find new and innovative ways to improve the relationship with all its stakeholders. The findings show that through spillover effects such as digital customer engagement, the internal partners were able to cocreate value with the rewards programme and its customers. This links to literature on value creation and stakeholder relationships (Bowden, Conduit, Hollebeek, Luoma-Aho, & Solem, 2017; Graham, 2020).

The findings show that as internal partners experienced spillover effects these spillover effects led to additional spillover effects which created a value cycle. This calls for a revision of the conceptual framework proposed by the researcher. An example from the findings show that increased marketing opportunities led to increased spillover effects such as customer acquisition spillover effect, which led to additional spillover effects such as cross selling and upselling (Kumar & Reinartz, 2016; Freudenreich, Lüdeke-Freund, & Schaltegger, 2020).

In addition, the findings show how value has been created through enabling financial advisors from the large financial institution with an improved corporate value proposition. From a business perspective this helps to answer the strategic pressure that the business faced from its competitors. By improving the internal partner

stakeholder relationships, the rate of cooperation between stakeholders increased, thereby leading to additional spillover effects such as increased cross selling opportunities (De Noni, Orsi, & Zanderighi, 2014).

#### **6.4.1.3 How spillover effects create value for customers within a multi-vendor rewards programme**

The findings indicated that customers of the rewards programme saw value creation events from spillover effects such as earning rewards points for paying their premiums to large financial institution every month, to accessing experiences such as sports events. This is important to business as it counters the strategic pressure from competitors in the market who offer similar rewards points earning events. In addition, they experienced value creation through spillover effects such an increase in the diversity of products and services that they had been exposed to. An example included being able to access a professional tax service for free. This supports what the literature has found in the past (De Noni, Orsi, & Zanderighi, 2014). What has been noted by the researcher is that affluent and retail mass customers experience value creation differently and this is important to note for loyalty programme designers so that each of these customer segments can have what they consider to be of value to them catered for (Melnyk & Bijmolt, 2015).

### **6.5 Discussion for research question 3**

*How do spillover effects create competitive advantage for a multi-vendor rewards programme in South Africa?*

#### **6.5.1 How spillover effects create competitive advantage for a multi-vendor loyalty programme in South Africa**

Under the category of how spillover effects create competitive advantage, the interviews conducted offered two themes. These were competitive advantage for the rewards programme and cooperation between partners. The findings related to each theme are discussed below.

### **6.5.1.1 Standout spillover effects for the rewards programme**

The findings show that the customer acquisition spillover effect can be a competitive advantage for the multi-vendor rewards programme. This is enabled by the membership criteria which allows anyone to join the programme, regardless of whether you are a customer of the large financial institution or not. Additionally, the multi-vendor rewards programme does not have a monthly membership fee. From the business perspective, this counters what competitors in the market have offered by limiting who may join, and by charging a fee to join the rewards programme. These two criteria combined removes barriers to entry for potential customers and has resulted in the large financial institution building relationships with over 300,000 non-customers. This is important because loyalty design literature has debated membership criteria such as who should be allowed to join, and whether or not to charge a monthly membership fee (Breugelmans, et al., 2015; Hwang, Baloglu, & Tanford, 2019). Loyalty programme designers should take note of the trade-offs that these decisions have and that by opening the membership to anyone and at no cost increases the network of stakeholders which the loyalty programme needs to consider in its future decisions (Freeman, Phillips, & Sisodia, 2020; Freeman, 2010).

Additionally, the findings show that another possible competitive advantage for the rewards programme are the spillover effects trust and credibility the rewards programme enjoys due to its association with the large financial institution. Businesses who are considering to begin a new rewards programme will find it difficult to imitate this close relationship and literature shows that at the heart of stakeholder theory is having close relationships with your stakeholders (Weitzner & Deutsch, 2019; Jones, Harrison, & Felps, 2018).

Finally, as a financial institution which operates in an industry which has little customer engagement, the findings suggest that the increased level of customer engagement spillover effects, has the potential to improve the competitive advantage of the rewards programme. Stakeholder theory posits that an organisation should develop a closer relationship with its stakeholders, and customers are very important stakeholders (Freeman, 2010; Freudenreich, Lüdeke-Freund, & Schaltegger, 2020). Therefore, the increased customer engagement through the financial wellness

educational programme and digitisation of the rewards programme has benefited the organisation and would be difficult to imitate for its competitors.

#### **6.5.1.2 Cooperation between partners**

The findings show that the level of cooperation between partners leads to an increase in value creation for stakeholders (Weitzner & Deutsch, 2019), especially those specifically involved in the value creation activities (Alvarez, Young, & Woolley, 2020). This is important to note for loyalty programme designers because much of the value creation activities between the rewards programme and external partners has been limited to transactional activities, where costs are balanced against benefits (Freudenreich, Lüdeke-Freund, & Schaltegger, 2020). If loyalty programme designers can find innovative ways to increase the cooperation between partners, this could increase opportunities for stakeholders to share knowledge, increase marketing opportunities, and increase the calibre of stakeholders which are attracted to the rewards programme (Freudenreich, Lüdeke-Freund, & Schaltegger, 2020; Freeman, Phillips, & Sisodia, 2020).

## **CHAPTER 7: CONCLUSIONS AND RECOMMENDATIONS**

### **7.1 Introduction**

This chapter offers a summary of the key research findings. These includes a discussion on the key conclusions of the research, and following this, the chapter presents the contributions to research, along with its implications for management and other stakeholders. This is followed by a discussion on the limitations and suggestions for further research.

### **7.2 Principal findings**

#### **7.2.1 Spillover effects**

The research concluded that when the relationships between stakeholders within a multi-vendor rewards programme is optimised, the unearthing of collaborative opportunities to create value leads to an increase in spillover effects and the effectiveness of the spillover effects. It was further concluded that these spillover effects created a multiplier effect which led to further spillover effects. This process created value for all stakeholders.

The evidence from the data indicated several spillover effects were found to exist within the rewards programme. It was found that the spillover effects were greater were stakeholder had a deeper relationship with one another, which led to higher cooperation among those stakeholders. Greater cooperation led to more opportunities to co create value, such as increased cross selling and upselling opportunities, or increased marketing opportunities. A better fit between partners of the rewards programme also led to greater spillover effects.

The research further concluded that the benefits that were anticipated during the design phase were achieved after the rewards programme was launched. Literature shows that designing of rewards programmes is complicated and that the anticipated benefits are not always achieved. The researcher found, through observation of the experiences and the opinions of senior managers, collaborators, and customers of

the multi-vendor rewards programme, that most of the anticipated benefits were achieved. Additionally, the research concluded that from a strategic pressure perspective, the organisation was influenced by competitor pressure and customer pressure and that the rewards programme contributed to business growth.

### **7.2.2 Stakeholder value creation**

The research concluded that spillover effects create value for stakeholders. The evidence from the data showed that the spillover effects had a multiplier effect, as each spillover effect experienced led to further spillover effects. This suggests a possible extension to the literature on spillover effects (Schumann, Wunderlich, & Evanschitzky, 2014; Bombaj & Dekimpe, 2020).

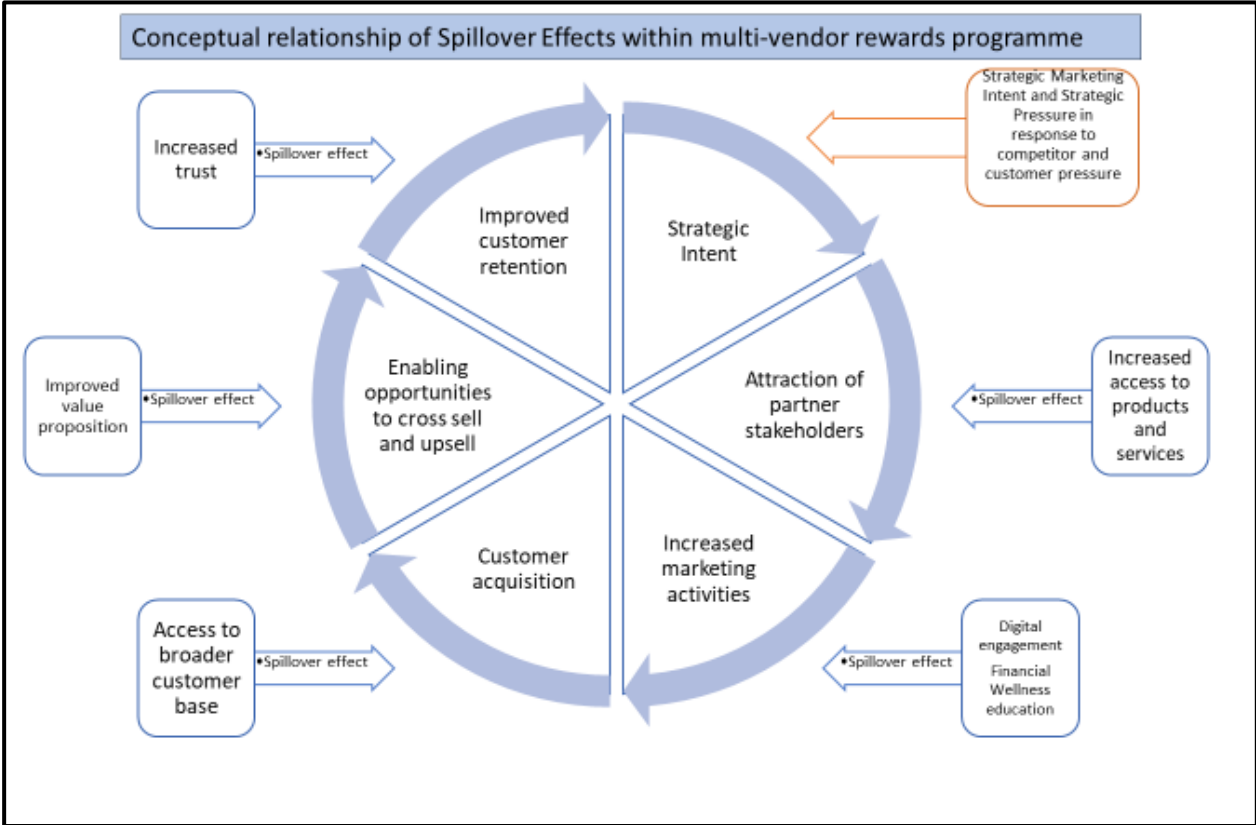
### **7.2.3 Competitive advantage**

The research concluded that the underlying factor for competitive advantage for a multi-vendor rewards programme is having a close relationship with your stakeholders and through this close relationship opportunities to increase cooperation with your stakeholders emerge. The evidence from the data shows that this leads to an increase in the number of positive spillover effects and the effectiveness of those spillover effects to add value to the organisation.

## **7.3 Research contribution: Conceptual relationship of Spillover Effects within a multi-vendor rewards programme**

This research contributed to literature by proposing a conceptual framework which shows the relationship of spillover effects within a multi-vendor rewards programme. The framework is illustrated in Figure 7. The conceptual framework explains what spillover effects are found within a multi-vendor rewards programme and how these spillover effects create value for stakeholders.

The framework consists of six segments of a circle. The framework starts from the segment, 'Strategic Intent' and follows the process of how spillover effects create value within a multi-vendor rewards programme.



Conceptual Attributes		
Spillover effects	Value Creation	Competitive Advantage
<ul style="list-style-type: none"> <li>Spillover effects are increased when the stakeholder relationship is close</li> </ul>	<ul style="list-style-type: none"> <li>Spillover effects have a multiplier effect</li> </ul>	<ul style="list-style-type: none"> <li>Close stakeholder relationships increase competitive advantage</li> </ul>

Figure 7: Conceptual relationship of Spillover Effects within a multi-vendor rewards programme

7.3.1 Research contribution

The research contributed towards stakeholder theory and loyalty programme theory through various contributions and extensions.

The literature extends what is known in literature about spillover effects in the following areas:

- The research extends on literature by suggesting that spillover effects create a multiplier effect which leads to further spillover effects.
- Spillover effects create value for stakeholders through the multiplier effect that is experienced.
- Spillovers contribute to the competitive advantage of a multi-vendor rewards programme through increased marketing opportunities and improved cooperation between partners.

In addition, the research contributes to stakeholder theory by extending what is known in literature in the following areas:

- The research extended on stakeholder theory by illuminating how partners of a multi-vendor rewards programme create and consume value.
- The research extended on stakeholder theory by showing that partners of a multi-vendor rewards programme should develop close relationships which promote increased cooperation.

#### **7.4 Implications for management**

The conceptual framework developed in Figure XX provides managers of multi-vendor rewards programmes with a greater understanding of what spillover effects are found within a multi-vendor rewards programme, and how these spillover effects create value for the stakeholders of the organisation.

Firstly, managers should consider the stakeholder view and what this implies for the creation and consumption of value within the multi-vendor rewards programme.

Secondly, managers should consider the multiplier effect that spillover effects create and use this to adjust or improve the cooperation between stakeholders.

Lastly, improving cooperation and building a close relationship leads to a competitive advantage and improves value for all stakeholders.

#### **7.5 Limitations of the research**

The limitations from the perspective of the methodology were covered in Section 4.13. Given this, the following limitations of the research were found and discussed below.

- The research explored the spillover effects within a multi-vendor rewards programme, therefore, any inferences made in this research may not be applicable to all multi-vendor rewards programmes.
- The number of interviews with customers of the multi-vendor rewards programme was limited and did not include customers from all the customer segments of the multi-vendor rewards programme.
- The phenomenon of spillover effects was explored through the experiences and expertise of the participants and the biases of the participants could have influenced their responses.
- The researcher focused on a multi-vendor rewards programme from the financial services sector.

## **7.6 Suggestions for future research**

The research conducted found the following areas for future research.

- Future research into the multi-directional flow of value across stakeholders offers exciting avenues for exploration
- There is more research required on the type of value created within stakeholder relationships, with whom and for whom.
- Finally, research is needed on how consumers belonging to multiple loyalty programmes perceive the value of one loyalty programme based on the service or experience received by another loyalty programme.

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## Appendices

### Appendix 1: Ethical Clearance

**Gordon Institute  
of Business Science**  
University of Pretoria

**Ethical Clearance  
Approved**

Dear Glynn Morris,

Please be advised that your application for Ethical Clearance has been approved.  
You are therefore allowed to continue collecting your data.  
We wish you everything of the best for the rest of the project.

[Ethical Clearance Form](#)

Kind Regards

This email has been sent from an unmonitored email account. If you have any comments or concerns, please contact the GIBS Research Admin team.

## **Appendix 2: Interview guide**

### **Interview Guide for main partner**

July – August 2020

Introduction

Introduce myself and my role

Give participant a review of the purpose of the study and explain the method of data capture and analysis

Get informed consent and discuss confidentiality and anonymity

Inform the participant of the estimated completion time for the interview and the benefits to respondent

1. What was the strategic intent for starting the multi-vendor rewards programme?
2. What was the purpose for the multi-vendor rewards programme?
  - a. What were the anticipated benefits?
3. Of the expected benefits, were there any of magnitude that took place?
4. Over and above your anticipated expectations, what were the unexpected positives that were experienced in the multi-vendor rewards programme?
5. Who are the stakeholders of the multi-vendor rewards programme?
6. What are spillover effects that x multi-vendor rewards programme has noted?
7. What spillover effects has your company (as the anchor partner) experienced?
8. How do these spillover effects create value your company?
9. How do these spillover effects help to create a competitive advantage for the multi-vendor rewards programme and for your company?
10. How do spillover effects contribute to validation of partner fit within the multi-vendor rewards programme?

### **Interview Guide for partner member**

August 2020

Introduction

Introduce myself and my role

Give participant a review of the purpose of the study and explain the method of data capture and analysis

Get informed consent and discuss confidentiality and anonymity

Inform the participant of the estimated completion time for the interview and the benefits to respondent

1. What was the strategic intent for joining the multi-vendor rewards programme?
2. What was the purpose for joining the multi-vendor rewards programme?
  - a. What were the anticipated benefits?
3. Of the expected benefits, where there any of magnitude that took place?
4. Over and above your anticipated expectations, what were the unexpected positives that were experienced in the multi-vendor rewards programme?
5. Who are the stakeholders of the multi-vendor rewards programme?
6. What are spillover effects that X multi-vendor rewards programme has noted?
7. What spillover effects has your company (as a partner) experienced?
8. How do these spillover effects create value your company?
9. How do these spillover effects help to create a competitive advantage for the multi-vendor rewards programme and for your company?
10. how do spillover effects contribute to validation of partner fit within the multi-vendor rewards programme?

#### **Draft Interview Guide for Customers**

1. Why did you decide to join X multi-vendor rewards programme?
2. what did you expect to benefit from joining the multi-vendor rewards programme?
3. Were there any benefits of magnitude that were greater than you were expecting?
4. How do these benefits create value for you?
5. Which partner are you getting the most benefits from?
6. What are these benefits? Thank you

#### **Appendix 3: List of Codes**

Code Report	
0-01-Strategic Intent - Main partner MVRP	1-48-Benefit - attraction of non customers - Main partner
0-02-Reason behind strategic intent - Main partner MVRP	1-49-Benefit - attraction of customers to LP
0-03-Competitor pressure - Main Member MVRP	1-50-Unanticipated benefit - attraction of corporate sector
0-04-Strategic Objectives for Main partner MVRP	1-51-Anticipated benefit - customer retention
0-05-Need for customer engagement - Main partner MVRP	1-52-Anticipated benefit - cross sell
0-06-Customer engagement intent - Large Financial Institution	1-53-Benefit - customer retention - partners
0-07-Customer pressure - Main partner MVRP	1-54-Benefit - upsell
0-08-Business case - Main partner MVRP	1-55-anticipated benefits - partner 1
0-09-Differences in LP's	1-56-Benefit - Access to data
0-10-Loyalty definition	1-57-Benefit - Trust spillover to external partner 1
0-11-Competitor analyses	1-58-Benefit - association with LFI - external partner 1
0-12-Strategic intent - Value creation - Main partner	1-59-Anticipated benefit - customer reviews through LP - external partner 1
0-13-Membership criteria - LP	2-01-Non-paying customer value creation
0-14-KPI's tracked by the main member	2-02-Non-paying customer definition
0-15-Results matching strategic intent - Main member	2-03-Enabling cross sell opportunities for Internal partner 1
0-16-Strategic intent - Customer engagement through digital channels - Main Partner	2-04-Enabling cross sell opportunities for Internal partner 2
0-17-Strategic intent - financial education of customers - Main partner	2-05-Future value creation potential for external partners
0-18-Strategic intent - Marketing LFI	2-06-Value creation examples for two or more stakeholders
0-19-LP Target audience	2-07-Value creation for external partner 1
0-20-LP currency ratio	2-08-Value creation for customer - participant 9
0-21-Benefit - conversion of non customers	2-09-Value creation - membership criteria
0-22-Strategic intent - Internal partner	more products sold by LFI
0-23-Strategic Intent - External Partner	2-11-Value creation for customers - Main partner
1-01-Anticipated benefit improved customer relationship - Main Partner	2-12-Value creation for partners - Main partner
1-02-Anticipated benefit improved customer acquisition plan - Main Partner	2-13-Value creation - participant 7
1-03-Anticipated benefits non customer conversion - Main partner	2-14-Value creation - participant 11

1-04-Benefit - attraction of young customers - Main partner	2-15-Value creation - Marketing - increase in sponsorship
1-05-Anticipated benefit - attraction of younger customer base	2-16-Value creation - customer engagement
1-06-Unanticipated benefit - attraction of younger customer	2-17-Value creation activities
1-07-Benefit - cross sell - Main partner	2-18-Value creation - improved corporate sector value proposition
1-08-Internal partner cross sell benefit	2-19-Value creation - Triangle MVRP
1-09-Benefit - Increased sales Internal Partner 2 - Insurance	2-20-value creation - customers
1-10-Anticipated benefits for external partners	2-21-Value creation - partners
1-11-Example marketing campaign for external partner 3	3-01-Change of thinking - seeing everyone as customers and not only those who pay premiums
1-12-Example marketing campaign for external partner 1	3-02-Reply to Competitor 1's competitive advantage
1-13-Anticipated benefits customer (participant 8)	3-03-Competitive advantage for Main Partner
1-14-Benefits customer (participant 8)	3-04-Measurement of non monetary spillover effects - Main partner
1-15-Barrier to exist customer (participant 8)	3-05-Competitive advantage - partner choice
1-16-Ability to identify LP partners (participant 8)	3-06-Competitive advantage for LP
1-17-Overcoming service failure - Participant 8	4-01-Cooperation between Internal Partner 1 and LP
1-18-Good service outcome - participant 8	4-02-Cooperation between Internal Partner 2 and LP
1-19-Word of mouth spillover - participant 8	4-03-Cooperation between Main member and External Partners
1-20-Customer engagement - participant 8	4-04-Cooperation between Internal Partner Marketing and LP
1-21-Word of mouth spillover - participant 9	4-05-Cooperation between partners
1-22-Benefit - entries to sports events - participant 9	7-1-Reason customer (participant 8) decided to join
1-23-Barrier to exist customer (participant 9)	7-2-Number of financial products customer (participant 8) has
1-24-Customer engagement - participant 9	7-3-Does customer (participant 8) have the app
1-25-Ability to identify LP partners (participant 9)	7-4-How customer (participant 8) earns rewards

1-26-Anticipated benefit - cross sell - Main Partner	7-5-Has customer (participant 8) accessed any of the financial training courses
1-27-Anticipated customer benefit - Main Partner	7-6-Reason for not using rewards (participant 8)
1-28-anticipated benefit - upsell - Main Partner	7-7-Customer engagement - participant 8
1-29-Benefit - customer retention - Main Partner	7-8-Fairness perspective - participant 8
1-30-Why LP is seeing these benefits	7-9-Reason customer (participant 9) decided to join
1-31-Unanticipated benefit - digital engagement - Main partner	7-10-Number of financial products customer (participant 9) has
1-32-Strategic intent - develop benefits that are non transactional in nature - Main partner	7-11-How customer (participant 9) spends rewards
1-33-Anticipated benefits customer (participant 7)	7-12-How customer (participant 9) earns rewards
1-34-Ability to identify LP partners (participant 7)	7-13-Competitor analyses - participant 9
1-35-Word of mouth spillover - participant 7	7-14-Does customer (participant 9) have the app
1-36-Barrier to exist customer (participant7)	7-15-Reason customer (participant 7) decided to join
1-37-Trust in LFI - participant 7	7-16-Number of financial products customer (participant 7) has
1-38-Spillover effect - RMMSO & LFI RP - participant 7	7-17-Does customer (participant 7) have the app
1-39-Anticipated benefits customer (participant 11)	7-18-How often participant 7 uses app
1-40-Barrier to exist customer (participant11)	7-19-Competitor analyses - participant 7
1-41-Word of mouth spillover - participant 11	7-20-Consumer engagement - participant 7
1-42-Anticipated benefit - Internal partner	7-21-Reason for not using rewards (participant 7)
1-43-Benefit - Increased marketing opportunities	7-22-Reason customer (participant 11) decided to join
1-44-Customer engagement - LFI	7-23-Number of financial products customer (participant 11) has
1-45-Benefit - financial education	7-24-How customer (participant 11) earns rewards
1-46-Benefit - passive points earning	7-25-How customer (participant 11) spends rewards
1-47-Benefit - active points earning	