

CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES



The Hemköp Case

*From one food-lover to another, or should they
even bother?*

By:

Axel Hallin

Grant Boyle

Linus Svensson

Veronica Ågren

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Corporate Brand Management and Reputation: Master's Cases

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/ eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

Editor

Mats Urde
Associate Professor
mats.urde@fek.lu.se

Head of master's course Corporate Brand Management (BUSN35), part of the master's program International Marketing and Brand Management.
Lund School of Economics and Management, Sweden.

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WRITTEN CASE

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AXEL HALLIN

GRANT BOYLE

LINUS SVENSSON

VERONICA ÅGREN

The Hemköp Case

Anthony smells the freshly brewed coffee as the morning sun rays hit his face - today is going to be a good day. He is the brand manager for the premium grocery chain Hemköp and today is the day the annual brand-sustainability index report is released. Three years ago, Anthony was hired to increase the sustainability image of Hemköp, and today he feels it is the day that his hard work will finally bear fruit. Even though the Covid-19 pandemic has ravaged around the world, Anthony feels optimistic about today. He puts on his headphones and logs in to the 9 A.M Zoom Meeting with the executives. The co-workers' faces do not have the same positive expression as Anthony does. The report is out.

"65th place... far behind Ica and Coop again."

- Simone Marguiles, the CEO of Hemköp sighs.

After a tough few hours in the meeting, where Anthony has been up against the wall explaining himself, it is finally time for lunch. He calls up his team and tells them to start working on a presentation for the idea they have been working on for some time. He has felt very unsure about the idea but thinks that he needs to show the board something, as a reaction to the miscalculation regarding the sustainability index.

Background

Hemköp is a Swedish grocery store founded by Spik-Olle in 1958. They have since 2000 been a part of the corporation Axfood AB that also owns other grocery stores, to name a few: Willys, Eurocash, and Mat.se. Hemköp is the premium grocery store within the Axfood portfolio and has found great success by selling quality products at a competitive price. Their main focus is to be present at central locations where they can differentiate from their competition by having bigger stores and a wide assortment of products. Hemköp is the fourth biggest grocery chain in Sweden, with 200 stores across the country. Their marketing communication aims to inspire people to purchase qualitative and sustainable food products. They do so by the slogan “from one food-lover to another” which relates to their passion for selling good food. In 2007 they introduced the bonus system where members get a 2% bonus on each purchase, and as of today, that bonus club has 1.6 million members.

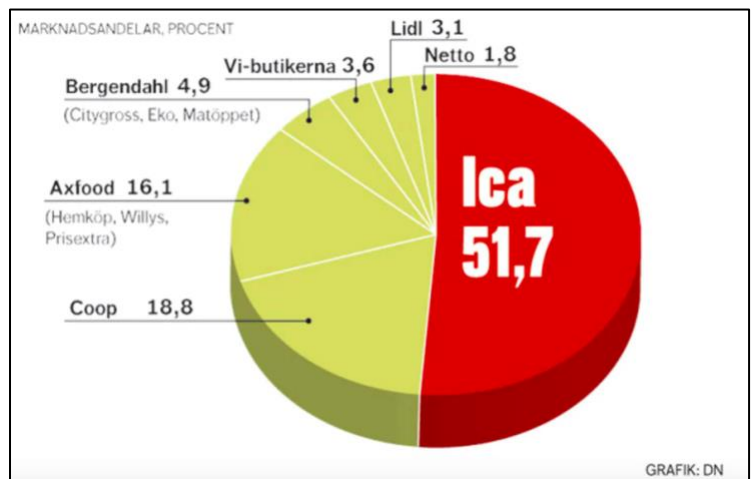
Hemköp has had an extensive focus on sustainability ever since they were founded. Some of Hemköp’s history milestones have been the 1992 "meat grinder" commercial, where they were a driving force of new regulations regarding meat handling in Sweden. In 2017 Hemköp intensified their sustainability engagement when they were the first store in Sweden to offer fruit bags made of sugarcane. A year later, they followed this up by only selling MCS and ACS-approved fish.



The mission statement of Hemköp is to "every day create the foundation for sustainable food joy for all their customers" with the vision to deliver "good food with a good conscience". By 2025, Hemköp's goal is to decrease the use of plastic in the organization by 25%. By 2030, their driving force is to reduce consumers' climate impact from food consumption by 50%. However, they have been beaten by their competitors in sustainability for a long time. Their biggest rivals, ICA and Coop, have recently been taking turns in being ranked the most sustainable grocery store, and Hemköp has not gotten the reward since 1988.

The competition

Hemköp's biggest rivals are ICA and Coop. ICA is the biggest grocery chain in Sweden, with 1,400 retail stores and a 51,7% market share, also ranked the most sustainable grocery chain in 2020. Like Hemköp, ICA emphasizes the importance of sustainability and is completely climate-neutral since 2020. To rank well in the sustainable-brand index, ICA has focused on the technological aspects of their organization. They have developed new packaging to increase shelf-life, invested in refrigerant systems with low climate impact, and power all their stores through renewable energy.



Market Share in the Swedish grocery industry

Coop is Hemköp's other main rival and has 800 stores and an 18.8% market share. They have approached the issue of sustainability by aiming at having 100% of their products and stores certificated with the KRAV-label (a symbol for sustainable products and processes). They also focus on making it easier for consumers to choose environmentally-friendly products by the labeling and positioning of products. Like ICA, they also power their store with renewable energy.

The industry

Sustainability within the grocery sector is prominent, which might not come as a surprise since around a third of Sweden's households' consumption-based greenhouse gas emissions come from food. Simultaneously, compared with other behaviors that individuals do to contribute to a better climate, such as recycling or using their car less, food-related actions are not as evident in individuals' everyday lives. 80% of the Swedish population has the ambition to eat more sustainably. However, at the same time, 80% of individuals think they are already taking sustainable responsibility for their daily food consumption. Despite that sustainable initiatives often are encouraged, trying to change consumer behavior can be a risky move. For example, Coop recently faced a lot of criticism when they launched their campaign "The new everyday food" to make people eat more vegetables.

The Incident

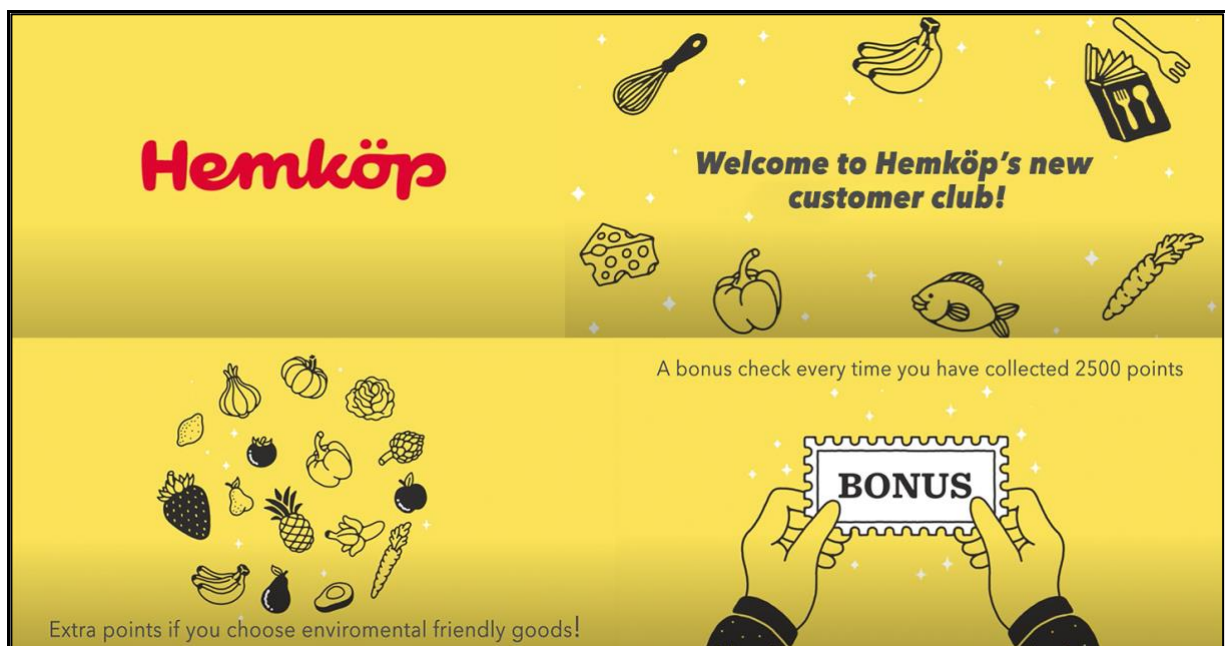
After three weeks of committed work, Anthony's freshly brewed morning coffee gave him the extra courage he needed to tackle his nervousity. Today is the day. Anthony will present the new idea that he, together with his team, has worked on for months. Hopefully, the idea will amaze the board and make Hemköp the grocery store's front player in the battle for a sustainable future. At least, that was what Anthony dreamt last night.

Anthony anxiously opens up the Zoom Meeting and is greeted by the board members who are all waiting for him to present the new idea. He is excited, and he feels the rush from caffeine running through his body, yet he has never felt so alone. Not only because he is by himself in front of a screen, but also because he doesn't know how the new idea will be perceived. He presses the present button, and the presentation starts. Anthony clears his throat.

Anthony introduces a reinvention of the current bonus system for the 1.6 million club members of Hemköp. Anthony describes how he and his team thinks that Hemköp should start categorizing their products based on environmental aspects. After that, the bonus system should be designed to reward customers who purchase products that are good for the

environment with extra bonus points. Anthony and his team suggest that fresh fruit, vegetables, and promotional items in "veg of the week" are the categories that will be included in the bonus system.

Hemköp's current bonus system gives all club members 1 point per SEK spent. Every time you hit 2500 points in a month, you receive a voucher with increasing value every time. Anthony's proposal of the reinvented bonus system suggests that purchases of fruit and vegetables will give double points, and the "veg of the week" will give 100 extra points.



After explaining the new bonus system, Anthony exhales and glances for reactions. The Zoom Meeting is filled with mixed reactions, and one of the board members takes the word:

“It feels a bit risky. Remember a few years back when Coop faced a lot of critique for launching their campaign “The new everyday food” which aimed at making people eat more vegetables.”

One of the other board members nods and continues:

“Yeah, I agree. Also, consumers are passionate about bonus systems, and it might be a bad idea to mess with. ICA changed their bonus system earlier this year, and we all know how much critique they got. They weren’t authentic at all, they even had to withdraw it.”

Anthony feels the urge to defend the idea:

“Yeah, but ICA’s changes were solely for economic purposes, and regarding Coop, it was back in 2016. There is definitely another need for sustainable initiatives now. Remember the market analysis I showed you at the beginning of the presentation - 88% of the Swedish population is interested in making choices that can help limit climate change. Swedes love their loyalty programs and bonuses! And also, aren’t you all tired of constantly getting beat by ICA and Coop? We need a better reputation!”

The CEO, Simone Marguiles, takes the word, thanks Anthony for an excellent presentation, and asks him to leave the meeting. She then turns to you, the newly hired expert in consumer insights and corporate reputation, and asks:

“What should we do?”

Given the current situation:

How should Hemköp act in this situation, and why?

How do they communicate their action, and how might this affect their reputation?

