

CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES



The Karma case – Brand identity and business opportunities

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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.

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WRITTEN CASE

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The Karma case: Brand identity and business opportunities

Hjalmar Ståhlberg Nordegren, steps out of his apartment in Kungsholmen an early december morning and takes a deep breath of the cold winter air. Prepared with a thermos filled with newly brewed coffee, warm mittens and his backpack, he begins the 25-minute walk to his office at Klarabergsgatan 23. He likes to walk to work, since morning time combined with being outside is where he feels that the mind is most productive. Filled with thoughts of how he should proceed with his start-up and where they should put their focus in the future, his thoughts are interrupted as he suddenly remembers that he is out of snus and quickly stops by the supermarket Hemköp. While walking in the aisles looking for Lundgrens Skåne vit in the store he spots a discounted price on chicken, due to a surplus. This reminds him of the immense food waste that is taking place in today's society which brings his thoughts to the core idea of his company Karma; to help restaurants and cafés reduce food waste and at the same time offer consumers bargains on many restaurant-served dishes.

Hjalmar Ståhlberg Nordegren is a 32-year-old entrepreneur born in Stockholm with high ambitions. For Ståhlberg Nordegren the journey within business began back in 2015 when he finished his medical education and graduated as Doctor of Medicine from Karolinska Institutet, a highly ranked medical school worldwide. With more than five years of medical studies you would expect a graduate to take employment at a hospital to start his work career. However, this was not the case for the 26 years young Ståhlberg Nordegren, as he had other things in mind. After having co-founded and acted as CEO of the start-up Responster AB during his time at Karolinska Institutet, he had some experience of entrepreneurship. Nevertheless, the entrepreneurial-minded Ståhlberg Nordegren decided to start a different business with Ludvig Berling, Elsa Bernadotte och Mattis Larsson back in 2015, when he co-founded and became the CEO of Karma.

The Karma App

When Karma was founded, the idea was to offer an app where multiple companies from different industries could display their discounts on products and services. Ståhlberg Nordegren had the idea that the app could offer everything, from discounted avocado to clearance sale on clothes. They soon came to the realization that the general approach made it inconvenient for their users to find and navigate through all the offers. They saw high-end restaurants uploading their surplus food without anyone even asking for it and after having read that one third of all food that is produced ends up being wasted, they swapped focus to only eatables. The definition of surplus food from the commercial system is food that is printed incorrectly when packaged, has the wrong color or is in any way damaged in transport. In restaurants, caterers and other food businesses it is food that could be sold, but for some reason did not. By enabling cafeterias, fancy restaurants and food shops to sell the food that would otherwise be wasted, the Karma app could now help to reduce the food waste. This way, consumers get cheaper food and at the still time contribute to creating less waste. The value of the product lies both in pragmatic motivation (saving money) and also idealistic motivation (save the planet). Ståhlberg Nordegren thought of Karma as being a friend of the environment, which through their start-up mindset and innovative approach could connect food businesses to the end-consumer. The launch of the app came in 2016 and received a very positive reaction from many food businesses, which was surprising to Ståhlberg Nordegren which were expecting just a handful of restaurants registering on the new pink colored app.

Ståhlberg Nordegren found that many stakeholders believed that their product was an amazing innovation, but he believed that it was actually quite simple. Even though Karma is a technical solution, data driven with the ability to innovate and disrupt, he thought they were just an alternative to red price tags. There was a lot of positive feedback from its users and a desire from external stakeholders to keep developing and improving the Karma app. One of the funniest and positive comments Karma received from a user which caught the attention of Ståhlberg Nordegren was “Karma is the best thing that has happened to Sweden since the potato first came here”.

In 2019, a reporter from Allt Om Stockholm which Stockholm’s best paper for tips, guides and recommendations tried living on only food waste for a week, using the Karma application. The reporter describes how she gets a notification by the app (Exhibit 1) at 07:30, telling her that there is breakfast to save from turning into waste nearby, exactly pinpointing what and where the food can be found in Stockholm. In this case it was Espresso House Fridhemsplan and the breakfast included vegan yogurt with berries, nuts and seeds - for half the price. Why? Well, because otherwise the yogurt would have been thrown away. For Wednesday, the journalist got a luxurious tasting menu from Grand Hotel in Stockholm, two for the price of one in

the Karma app. Impressed by how you can get high end cuisine for half the price and cheaper alternatives if preferable, the reporter also mentioned that you have to be fast when receiving a notification about a dish, otherwise another consumer will *virtually* lay it hands over it.

Food waste around the world

In late 2019, the founders of Karma had a planned meeting to get a briefing on their future market opportunities. Elsa Bernadotte, one of Karma's founders, came to the meeting well prepared since she had been doing a lot of research regarding food waste in different regions. She had found that there are roughly 1.3 billion tons of food being wasted every year, that is equivalent to a third of all the food in the world. Such frightening numbers are what drives apps like Karma to the market. As food production requires a lot of energy, pesticides, land and other resources, food production contributes to the emission of greenhouse gasses and therefore has a negative impact on global warming. The Food and Agriculture Organization of the United Nations (FAO) stated that if food waste were a country, it would be the world's 3rd largest emitter of CO₂, after China and the US. In 2019, 26% of all food waste came from food service and 13% came from retailers while 61% was caused by households.

According to Bernadottes findings (Exhibit 2), US food waste is 139 kg/per capita/per year. US household waste is lower than average but US retail and food service numbers are quite high, making the total food waste per capita per year in the US higher. Compared to Sweden, which has a total of 81 kg/per capita/per year, the US has a high food waste, even though Sweden's food waste per capita is still considered high. The problems of food waste in China (150 kg/per capita/per year!?) even pushed president Xi Jinping to officially declare a war on the "shocking and distressing squandering of food" by launching the campaign "clean plate". The campaign partly addresses the issues of food waste related to the Chinese customs of ordering excessive amounts of food to show generosity towards one's relatives, friends or guests. Overall the campaign's aim is to fight food waste in general and to try to minimize the staggering numbers shown above.

Karmas business opportunities

In January 2020 the founders met again after having evaluated the information given during the latest briefing to discuss their next move. As they were currently moving into the EU and UK, one of the main challenges Karma realized that they faced in the beginning of their launch was to convince consumers and business that selling and buying surplus food was socially acceptable. Thankfully, cultural values in Europe seemed to be on their side. During that time, January 2020, Karma had over 4300 businesses selling their excess food on the app in Sweden, 1800 in the

UK and 1000 in France, giving an indication that the expansion to becoming an international player was on a good start.

The founders of Karma discussed doing a market entry to the US but Ståhlberg Nordegren felt like they may need to expand further in Europe before entering the US market. While on the topic of the US, the members of the meeting mentioned the problem of food waste in the US has been addressed by its government since they had stated a food waste and loss reduction goal as of 2030 to reduce food waste by half. This is of course in alignment with the core purpose of Karma, Ståhlberg Nordegren thought that maybe this is an indication that the US is in a sense ready for their services. The fact that there is one competitor already starting to establish themselves on the US market also entails that there is a possibility, but also existing competition.

They continued with another market that could be of consideration, China. A well developing region with, in the urban areas, huge amounts of food waste. To this day, the founders did not know of any competitors similar to Karma's business operating in China, which could make Karma a first-mover. Challenges to enter new countries like China could be the cultural difference, in Sweden, it was not that hard to sell surplus food since it was already quite socially acceptable. China is however facing the issue of their immense food waste. Karma knew that in 2021 China will adopt laws against food waste, banning competitive eating, binge eating videos and allowing restaurants to charge an extra fee if diners leave an unreasonable amount of food uneaten. This is indicating that the Chinese market is moving in the right direction regarding food waste, opening the doors for businesses like Karma. Culture in China or the US can however be very different from Europe and therefore have a negative approach to the idea of buying excessed food. Regarding challenges with entering a new market, one cannot ignore the legal facts, there could be certain guidelines or rules for businesses selling food to prevent them from selling "bad" eatables.

Further, a development that Karma is looking into is the wholesalers, which carries 13% of the world's total food waste and one third of the "problem" according to Ståhlberg Nordegren. Meaning this could be a big business opportunity for the App. However, there are naturally challenges. Restaurants, supermarkets and cafes based in the city and near city centers have easy access to consumers, consumers live and work close to most of these locations whereas wholesalers are often located in the outskirts of a city, usually suburban or rural. The challenge is prominent, how do you get surplus food from a wholesaler based outside the city into the hands of the consumer. Karma has been in contact with wholesalers, who were very open and told the CEO of Karma that they needed Karma's help to set up drop-off points in the cities. Karma adapted to this request and set up "hard to miss pink fridges" in locations such as the Stockholm central station and cities around Sweden. The fridges work as a pick-up-point for consumers, where they can collect their ordered items from wholesalers outside the city. From the wholesaler, you could buy everything

from fish to 3 kg of dried creme brûlée. The co-founder Mattis Larsson interrupted the presentation and said that an issue that could arise with drop-off boxes and such businesses is the logistical management. Drop-of-pick-up operations demand very high logistical knowledge and expertise which is usually very costly. Ståhlberg acknowledges the comment and asks himself, is there maybe another way to reach the end consumer? Or is there maybe another way for Karma to use its competences?

They concluded the briefing with stating that the following business opportunities existed for Karma:

Customer/Supplier	Market
Cafes/restaurants/supermarket	US market
Wholesalers	European market
Other opportunities for the app	Chinese Market

Competition - Other options on the market

The next subject on the agenda was to screen Karmas competition on the market. Ludvig Berling was responsible for doing the screening of competitors, he started to present his findings by mentioning that Karma is not the only player out there reducing food waste by bringing the soon out-of-date eatables to consumers through an app. During the spring of 2020, the Danish food saver start-up "To Good To Go" (TGTG) will launch in Sweden after already being established in 14 different countries, primarily in Europe. With 52.3 million users worldwide and a very similar business model, TGTG claims to be the number one anti-food waste app and creating a movement against food waste. They help stores, restaurants and cafes sell their surplus food through a free app where the customer's order a "magic bag" of surplus food at a reduced price. TGTG takes a commission of 1.29 USD for each transaction made through the app. As of 2020 they have also launched in the US, already signing up 120,000 users and 600 establishments.

Reducing food waste seems to be a big thing in the Nordics. "The more you eat, the more you save" is the slogan of Finnish start-up ResQ Club who also emphasizes how their app saves the planet. The company claims to not leave any meal behind by offering a very similar business model to both Karma and TGTG. The company operates primarily in Finland, Sweden and Germany, offering 50 % off meals that you select from an affiliated partner (restaurants, cafes and supermarkets) and where you yourself pick up the products. ResQ-Club takes a 25 % commission of each sale.

Looking at Karmas main competitors, Ståhlberg Nordegren acknowledges that all companies are quite homogenous, every player within the food waste space is green by default. The fact that all companies are very similar makes him concerned and raises questions about who Karma really are and what they stand for, except for reducing food waste. If everyone stands for the same thing, what makes Karma different? Another positioning challenge is that they need to be appealing to different stakeholders at the same time. They need to appeal to cafes/bars/restaurants in order for them to use the platform but also to the consumer who is the actual end-user of the service. After contemplating his competitors, it also struck him that they are also in a sense competing with food delivery services such as Foodora and UberEats. Even though Karma hasn't started delivering food, they still connect hungry guests to restaurants through an app.

The meeting ended, and the board members left the gathering with the conclusion that they needed some help. As Karma is now standing at the beginning of 2020, Karma needs some guidance regarding their future. From what has been presented during the briefings, there are some outstanding business opportunities for Karma heading into the future but with opportunity comes challenges. Ståhlberg Nordegren and his colleagues are now in need of professional help regarding brand identity, positioning and evaluating their business opportunities.

Question 1: *What is Karmas brand identity and how should the Karma brand differentiate itself from its competitors?*

Question 2: *Which business opportunities should Karma put their focus on?*

Exhibits

Exhibit 1: How the Karma app looks from a user point of view

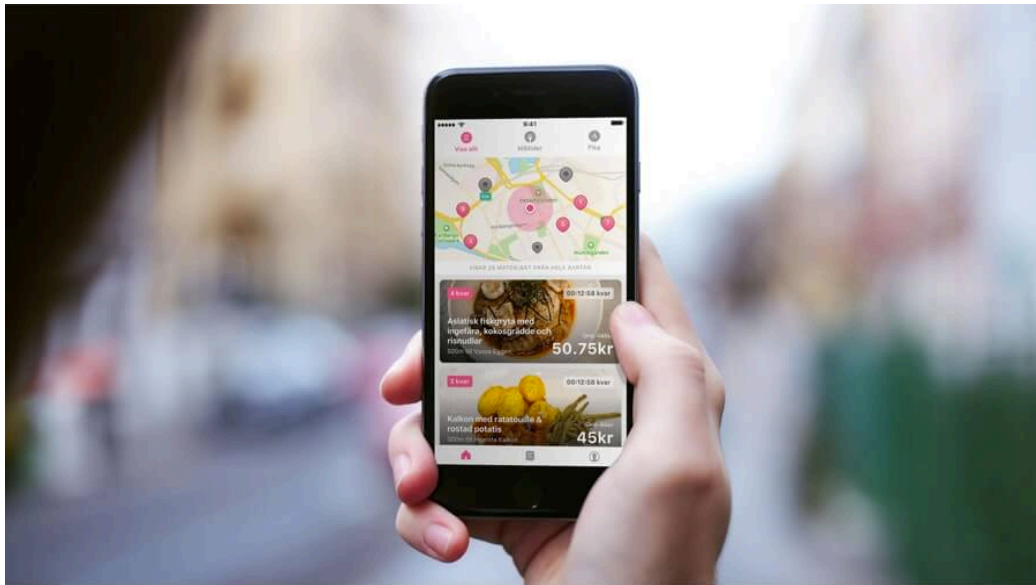


Exhibit 2 Food waste in different regions (kg/per capita/per year)

Sweden	81 kg/per capita/per year
Eastern Europe	61 kg/per capita/per year
Northern Europe	74 kg/per capita/per year
Southern Europe	90 kg/per capita/per year
Western Europe	65 kg/per capita/per year
US market	139 kg/per capita/per year
Urban areas of China	150 kg/per capita/per year