

The Karma case: Brand identity and business opportunities

MANAGEMENT DECISIONS

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Managerial decision

Identifying the business opportunities, the case presented three different markets to potentially enter. China with its immense amount of food waste (150 kg/per capita/per year) and almost no current competition, the US with a huge market and an increasing interest in reducing food waste and lastly Europe with the right society and cultural values to expand the use of the Karma app. The wholesalers were also considered a point of interest as there was a demand for a service helping them to sell surplus food. With this information, Karma did however ignore all these opportunities, shifting their focus and creating a new service for restaurants.

In March 2020 the world was struck by a virus, hitting all societies and creating a change in the way we behave in social environments. Restaurants had to close or to stay sufficient, they had to change their way of handling orders and customers since social distance was a requirement. The current business Karma is operating could be an effect of the pandemic, as the app enables customers and restaurants to conduct no physical service. It could be that Karma saw an opportunity with the pandemic and adapted their new idea as the society changed. Regarding the value proposition, to help businesses reduce food waste through innovation, seem to have changed if looking at their main page.

Nordegren's entrepreneurial instinct and readiness to embrace change has come in particularly handy at a time such as this. Karma was one of many organizations whose business model was turned upside down during the coronavirus pandemic. On reflection though, despite a "crazy couple of weeks", Nordegren thinks the company has emerged stronger as a result.

The co-founders Ståhlberg Nordegren and Bernadotte sat down with a journalist from BreakIt where it is stated that "Karma has been hit hard by the pandemic with shutdowns in both France and the UK". This challenged their business model due to its dependence on takeaways. During the pandemic they tried multiple business models/opportunities that didn't fly. Before ending up with their final business model (Restaurant service app), Karma adopted new operations, such as the Karma Box.

"I think another exciting feature we've introduced is something called the Karmabox, where you can subscribe to receive surplus fruit and vegetables," he said. "We have so many connections with grocers and farms, but in the past, we haven't really been able to help them. For a year, we've been talking about creating this box. But now that so many people are cooking at home, it was the perfect time to introduce it and have the biggest impact possible."

However, the solution didn't fly and ended up being cancelled within a year of its launch due to being too far away from their core product and service.

Looking at Karma business and services today, you see almost no sign of their previous business. After COVID-19 hit, they shifted focus to offering a service to restaurants where customers can order their food from their table at the restaurant, portraying Karmas service as “The future service for your guests” becoming more of a regular restaurant app. The value proposition seems to be increasing sales for the restaurant, higher turnover on tables booked and increasing the average order from guests. Offering a no interaction system where the customers get the whole service-experience in the app, ordering, paying and giving tips in the app. The advantages Karma proposes to restaurants when using their service is:

Smart menus - The customers scan a QR-code on the table to order directly in the app. The restaurant can change the items displayed in the menu in seconds since it is digital, the app also has a built-in additional sale system to increase turnover.

Fast payments - The customer pays directly in the app as soon as they want to leave, no payment-devices needed. Karma estimates that they are 50% more inclined to tip through the app.

A better guest experience - With the app comes valuable information regarding the guests, information such as if the guest has been there before and what the customer prefers to eat. Each menu can be tailor-made based on the user's taste-preferences and the restaurant can use special offers accordingly.

Sustainable - Karma climate compensates each dish that is sold through their app. If they get surplus food, it can easily be sold through their surplus-app.

The last proposition made by Karma, sustainability, is aligned with what Karma used to be prior to the change, i.e., they still emphasise the importance of sustainability. Karma still operates a food waste reduction app, referring to it as their “surplus-app”. However, the original app is not the key focus anymore since they shifted their focus on becoming a service solution for restaurants. They still argue that sustainability is a core part of their brand by requiring that restaurants who use their service climate compensate for their food. This is also how Karma says they will differentiate themselves within their new competitive set, consisting of restaurant service solution apps.

The ability to make such a swift move in terms of business model lies within the start-up mentality of Karma. According to Nordegren, maintaining a certain level of energy and instilling employees with a strong sense of responsibility is crucial to success. “I’m a huge believer that the reason why some start-ups fail is that they stop innovating or stop trying alternative solutions,” he said. “It’s stressful to work at this tempo at all times. But it’s the only thing that’s keeping you alive. If you think of the company as a person, then it has a heart. If the heart decides to just stop beating for a while, then it doesn’t take very long for everything else to die. And I think the heart, in this case, is really that energetic culture. The part that’s asking, how fast can we run as a team? How far can we get?”