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CARROT REWARDS: Carrot at a Crossroads

Ramasastry Chandrasekhar wrote this case under the supervision of Dominic Lim solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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In December 2018, Andreas Souvaliotis, founder and chief executive officer of Carrot Rewards (Carrot), a profitable Canadian social enterprise, was facing a turning point. The company, which Souvaliotis had formally launched in January 2015, had been on a roller-coaster ride since its inception and was about to implode. The Ministry of Health of the province of Ontario, which was Carrot’s single largest client, had just informed Carrot that it was unable to identify any new source of funding with which it could sustain the company’s rewards program. The imminent departure of the ministry meant that nearly 750,000 of the 1.1 million users of the company’s mobile app would suddenly experience an almost 100 per cent reduction in the rewards they were receiving daily for participating in the rewards program. Consequently, Carrot’s own annual revenues, which stood at about CA$6.7 million[[1]](#footnote-1) for the 2018 year, would also be reduced by 70 per cent.

Having first launched the app in the province of British Columbia in March 2016 and then in the province of Newfoundland and Labrador (NL) in June 2016, Carrot had expanded into the much larger market of Ontario in the summer of 2017. The success of the enterprise depended on continued participation (in terms of revenue commitments) by a variety of government departments at both federal and provincial levels. The Ontario Ministry of Health’s decision to not commit additional funds for the program had put the company’s larger expansion plans on hold. Only a month earlier, Carrot was not only aggressively pursuing the launch of its app across the rest of Canada but also planning to expand into key international markets.

Souvaliotis summarized the company’s options:

My immediate priority is to bring some order to the chaos in which we suddenly find ourselves. But I should also consider five critical, and likely overlapping, options. First, do we continue to fund most Ontario users’ daily rewards ourselves, for the sake of protecting user engagement and safeguarding enterprise value—and for how long? Second, do we stem the flow of red ink by introducing a freemium version of the app? Third, do we pivot towards new geographies to broaden our revenue base? Fourth, do we diversify our business model by exploiting new verticals and pursuing clients beyond the government sector, which has been the bread and butter of the business since launch? And, finally, do we sell Carrot to strategic investors who may be able to better leverage what we have built so far?

The CANADIAN HEALTH & WELLNESS INDUSTRY

The health and wellness industry in Canada had revenues of $22.5 billion in 2019. Its products and services included 14 categories, such as beauty from within, bone and joint health, immune support, and weight management. The industry was growing at a combined annual growth rate of 3.1 per cent and was driven by two population segments—millennials (aged 18–34 years) and baby boomers (aged 45–64 years).[[2]](#footnote-2)

According to a Goldman Sachs study, millennials were exercising more, eating smarter, and smoking less than previous generations.[[3]](#footnote-3) A survey conducted by Statistics Canada had shown that many baby boomers on the verge of retirement intended to exercise for at least 30 minutes a day.[[4]](#footnote-4) The same survey had shown that nearly one in every four Canadians would reach the age of retirement by 2030 and therefore would, by necessity, begin to pay greater attention to their physical well-being.

Between 2000 and 2018, Canada’s population had grown 20 per cent—from 30.7 million to 36 million;[[5]](#footnote-5) however, health care costs had increased by 70 per cent during the same period, to $242 billion.[[6]](#footnote-6) One of the major cost drivers was the prevalence of chronic ailments, such as cancer, diabetes, and cardiovascular and respiratory diseases; treatments for these ailments required an above-average length of stay in hospitals and an increase in the resources consumed per patient.

Tobacco smoking, alcohol consumption, physical inactivity, and unhealthy eating were the four risk factors that were common to chronic diseases. A provincial government study in Ontario had shown that the loss in productivity per annum due to disability and premature mortality arising from each of these factors amounted to $7.0 billion for tobacco smoking, $4.5 billion for alcohol consumption, $2.6 billion for physical inactivity, and $5.6 billion for unhealthy eating.[[7]](#footnote-7) The study had also identified a sedentary lifestyle, independent of physical inactivity, as a risk factor for chronic diseases. A sedentary lifestyle involved sitting, lying down, and engaging in activities that expended minimum levels of metabolic energy and kept heart rates low, such as watching TV and using a computer.[[8]](#footnote-8)

Souvaliotis commented on how behaviour and responsibility could be influenced by both individual Canadians and the government:

There was growing recognition that the publicly financed health care system would not be sustainable unless individual Canadians took personal responsibility for their health and wellness. Equally, there was a broad consensus that many risk factors could not be adequately resolved unless public policy could “influence” behaviour at the individual level. The traditional policy tools used by the government to influence consumer behaviour included legislation, regulation, and information provision (through public advertising). The failure or underperformance of those approaches combined with the global emergence of “nudge theory” gradually led policy-makers to consider new approaches like nudging.

Nudging

Popularized by Richard Thaler and Cass Sunstein in their 2008 book, *Nudge: Improving Decisions about Health, Wealth, and Happiness*, the nudge theory aimed at deploying small tweaks (known as nudges) to steer individuals to engage in desired behaviours like increasing physical activity and maintaining a healthy diet. The goal was to reduce the prevalence of long-term conditions and lower the corresponding financial burdens on health care. If 1 per cent more Canadians met the physical activity guidelines, annual savings in health care would be $2.1 billion.[[9]](#footnote-9)

A nudge was designed to merely prompt people toward the desired behaviour so that the behaviour itself would happen on its own. As a first step, therefore, a nudge was crucial and had to have four requirements: (a) not be coercive but sustain the freedom of choice, (b) not be like a rebate or discount but sustain the pricing structures of the market, (c) not be regulatory but be free of any element of compliance, and (d) be transparent.[[10]](#footnote-10) The effectiveness of a nudge depended on the design of the nudge, the complexity of the issue, and the support and resources available to the experiment.

REWARD POINTS ECOSYSTEM

Since the 1980s, loyalty programs had prevailed worldwide as effective tools for customer acquisition, targeting, retention, and revenue optimization for a wide range of consumer-facing businesses including retailers, airlines, and financial institutions. Loyalty programs enabled brands to “gamify” their relationships with consumers and, thus, influence customer behaviour—directly and precisely—while also generating vast customer datasets.

In Canada, the reward points ecosystem was widespread, and 90 per cent of adult Canadians had a loyalty card, which represented approximately 22 million consumers. On average, Canadians had four loyalty cards in their wallet.[[11]](#footnote-11)

Canada also scored among the highest in the world in the percentage of consumers making purchases earning reward points (see Exhibit 1). Examples of popular reward points in Canada included Air Miles (which allowed consumers to earn points from various retailers and use them toward either travel or buying consumer goods) and PC Optimum (which was known for its personalized offers based on shopping habits, which it tracked with every purchase).

The ecosystem of a loyalty program consisted of four participants: (a) a retailer (or sometimes a group of retailers), which issued loyalty points as a reward to its customers; (b) a rewards provider, which accepted those points and enabled them to be redeemed in exchange for merchandise, travel, or other types of rewards; (c) a program administrator, which was most often a third party administering the loyalty program on behalf of the issuing retailer; and (d) a consumer, who earned points while shopping and then redeemed those points from time to time for rewards.

Souvaliotis commented on the profitability of rewards programs:

Loyalty rewards programs are historically highly profitable businesses. Program administrators (and rewards providers) earn significant profit margins through the difference between the “buy” and “sell” values of loyalty points. For instance, if a retailer paid $0.03 for every point it issued to its customers, by the time that point was redeemed by a customer for a reward, its actual redemption value may have been $0.01 (thus earning the program administrator a spread of $0.02 amounting to a 67 per cent profit margin). Most loyalty programs generate additional profits through a combination of “breakage” [the percentage of earned points that were never redeemed by consumers] and “float” [the distance in time between the moment a retailer paid the administrator for the issuance of a point and the moment that point was redeemed by the consumer]. Typically, the float would be at least two years for most programs.

In Canada, an estimated $16 billion in reward points was unredeemed by collectors as of 2017. In addition, 55 per cent of collectors did not know their points balance, and 41 per cent were unaware of their points value.[[12]](#footnote-12)

ANDREAS SOUVALIOTIS

In his memoir *Misfit: Changemaker with an Edge*, Souvaliotis described himself as “autistic, gay, immigrant, changemaker.”[[13]](#footnote-13) Born and raised in Greece, he had immigrated to Canada in the 1980s as a teenager. After his undergraduate degree in science and a master of business administration, Souvaliotis had plunged into an unorthodox career that zigzagged through a range of roles in human resources and marketing, eventually taking up executive leadership roles in the technology and marketing industries.

In his early 40s, Souvaliotis left his corporate career and founded Green Rewards, a national eco-consumer loyalty program designed to reward individual consumers for making eco-friendly purchasing decisions. According to Souvaliotis, the loyalty program was “the first of its kind in the world.” Consumers were rewarded for making choices such as buying an annual pass for public transport (which pre-empted travel by gas-driven cars) or joining a health club (which set individuals on the path of physical exercise). Within a year, Souvaliotis had built a team of 15 “dream employees” working from a large office in downtown Toronto.[[14]](#footnote-14)

In September 2008, Souvaliotis sold Green Rewards to Loyalty One, the largest loyalty program operator in North America, which also administered the Air Miles rewards program in Canada. When Souvaliotis also joined Loyalty One as its Air Miles chief impact officer, this new platform gave him an opportunity to market a range of green offers across Canada in partnership with local retailers. Canadians started earning Air Miles as bonus points on purchases of organic foods (at grocery stores), wines with a low carbon footprint (at liquor stores), sustainable paints (at home improvement stores), and switching from paper billing to electronic billing (at credit card companies). Souvaliotis was witnessing a shift in behaviours on a mass scale through small but frequent rewards. The nudge theory was playing out in the marketplace right in front of him, influencing shoppers.

During his tenure at Loyalty One, Souvaliotis oversaw a partnership with the government of Ontario, which used Air Miles as an incentive for people to conserve electricity. Till then, the provincial government was using advertising (in print and visual media) and cash incentives (in the form of tax rebates, coupons, and discounts) to promote responsible behaviour among citizens. Launched in 2010, the partnership cut the government’s advertising budget by 65 per cent and prompted Loyalty One to set up a new business division called Air Miles for Social Change. The division collaborated with the British Columbia government to launch a healthy-eating incentive program across the province.

CARROT REWARDS

Carrot was a subsidiary of an enterprise called Social Change Rewards (SCR), which Souvaliotis had set up in September 2013 after leaving Loyalty One after five years. SCR was a Canada-headquartered for-profit company with a high social and environmental performance mandate. In addition to harnessing the Canadian obsession with collecting rewards points, SCR was to leverage another Canadian social habit—attachment to smartphones. Canadians had high engagement with their smartphones, with each Canadian spending an average of 3.1 hours daily on their device.[[15]](#footnote-15) Carrot was a mobile-friendly wellness app that rewarded its users for leading healthier lives. SCR was mandated to market the app for the government.

Carrot was founded by Souvaliotis in early 2015 as a modern-day replacement for public wellness advertising. Souvaliotis had this to say about that advertising:

Public wellness advertising is known to have three shortcomings. The first is cost. Advertising is inherently inefficient because it influences a small minority of its audience. For instance, for most types of advertisements, the conversion rate is known to be a mere 1 per cent, resulting in a 99 per cent wastage. The second is lack of precision. Mass advertisements are considered “blunt instruments.” For instance, an anti-smoking mass media campaign in a country like Canada, where most citizens are non-smokers, would be wasteful because it would be mostly viewed by people who do not smoke. It would also be difficult to target an advertisement only to smokers. The third is lack of impact data. Advertising, typically, yields no direct data about the response by those at whom it is targeted. At best, some forms of advertising could be accompanied by proxy data in terms of demographic or psychographic profiles of those who might have viewed or even acted on an ad. But it is impossible to translate an ad campaign into precise data about behavioural outcomes.

The Carrot app was designed to overcome such challenges and, according to Souvaliotis, was “inherently efficient because users were rewarded when they responded (or acted); it had exceptional targeting capabilities because of its rich and precise user profiles; and it generated a continuous stream of accurate and complete data on user response, engagement, and action.”

The App

Carrot was a free wellness app designed to engage and retain its users through its rewards and incentives. The rewards were offered to users at every interaction with the app—when they downloaded it, activated it, referred others to it, or completed a quiz or any other task through the app. To start the app, users had to sync it to the built-in pedometer in their smartphone or to an external device like a Fitbit. The initial thrust of the app was through quizzes. Completion of quizzes led to points. “Steps” was added later. For the first two weeks, the app simply tracked daily steps and then came up with a customized goal for each user based on the track record. For each day users reached that goal, they received loyalty points. Users received points to dare one another in what was termed the “Step Together Challenge,” where two or more users worked together as a team in a competitive buddy system and earned a number of extra points for reaching their goals. According to Souvaliotis,

Carrot was also not a typical wellness app. It did not say, for example, “Download this app and you’ll lose weight.” Carrot was a call for action that said, “Download this app and you’ll get more points.” Its core value proposition was “Points at every stage.” It did not push users towards a target. It nudged them. It did not say, for example, “We’ll give you points if you quit smoking.” It said, “We’ll give you points if you take a quiz about smoking.” The nuance made it stand out in the world of rewards.

Instead of offering proprietary rewards (such as Carrot points) to its users, Carrot’s “secret sauce” was to offer Canadians a selection of their favourite everyday loyalty points—frequent flyer miles, grocery points, gas points, and movie points. Four leading loyalty providers—Aeroplan, SCENE, Petro-Canada, and More Rewards—had signed up as rewards suppliers. With something for everyone, the app had universal appeal and maximized its reach across important demographic segments of the Canadian population.

An obvious secondary benefit was the app’s immediate popularity. While apps typically needed to invest heavily in marketing and awareness, the Carrot app was designed to rely on the popularity of its suppliers (i.e., various established reward points programs). The natural economic alignment between those suppliers and Carrot compelled the former to actively promote the app among their members across Canada; the more people who downloaded Carrot, the more reward points could be issued (i.e., sold) by those programs.

Business Model

Carrot’s business model was uniquely simple—every point earned by a user was paid for by the client (typically, but not always, a government health agency), which was relying on the Carrot app to promote a specific behaviour. For instance, if the British Columbia Ministry of Health asked British Columbians who smoked to complete a quiz about smoking cessation, the ministry would pay Carrot for the points its users earned by completing that quiz. Those points would have been purchased by Carrot from the various points providers, marked up, and resold to the British Columbia Ministry of Health—a simple and transparent revenue model. If users did not do what Carrot’s clients wanted them to do (such as not completing a quiz or not achieving a daily step goal), they would not earn a reward; as such, the client would not have to pay for any points. Carrot made money only if the behaviour of users was impacted. The fact that Carrot’s revenue model was 100 per cent success based was important among its mostly government clients.

PROGRESS

The Carrot app was an immediate hit. The app’s first launch in British Columbia in early 2016 saw an astonishing 7 per cent of all adults becoming Carrot users within the first 12 months. A few months later it launched in NL and reached 10 per cent population penetration within the first year. Its third and most important provincial launch, Ontario, in early 2017, drove more than three-quarters of a million Ontarians to become Carrot users within months. A little more than two years after the first provincial launch, more than a million Canadians were interacting daily with the Carrot app and earning rewards worth more than half a million dollars per month.

Carrot did not advertise its services but instead relied on each of its four vendors to market its services to their own individual user base, which was formidable. Sixty per cent of Carrot’s new customer acquisitions every month was through referrals from existing customers, which was an indication of its organic growth. Carrot customers covered a wide spectrum across both rural and urban communities and a range of income levels and age groups. Nevertheless, 68 per cent of Carrot users at one point were women aged 25 to 44.[[16]](#footnote-16)

Carrot drew revenues primarily from a range of federal, provincial, and municipal government clients. The Public Health Agency of Canada had committed $5 million to the platform upfront, most of which was spent on user acquisition and referral rewards—the points users earned for downloading the app or referring their friends. Of the various provincial health agencies that participated in Carrot, the largest upfront commitment came from the British Columbia Ministry of Health, which committed $2.5 million. The Ontario Ministry of Health’s upfront commitment to the Carrot platform was $1.5 million—a relatively small amount considering the province’s large population, reflecting a looming provincial election and a possible change of government.

The significant upfront commitments by these government clients made Carrot an atypical health-tech start-up that did not require large amounts of growth capital, despite the relatively rapid increase of its overhead expenses. Staff salaries were the main element of cost, and the company’s employee count reached 40 by mid-2018. Revenues grew at 30 per cent per annum, reaching $6.7 million during fiscal year 2018; however, by then, the business had absorbed only a little more than $3 million in funding from a mix of private investors and venture capital firms.

Carrot’s reputation appeared to be flying high by the end of 2018, with the company receiving the coveted “Canadian App of the Year” award. By August 2018, Carrot had tracked over one trillion steps on its platform and had provided users with 1.5 billion reward points across all client programs. More than one million users had tracked their daily steps and taken quizzes on diet, fitness, and personal finance to earn reward points.

Carrot had also developed an informal work culture that became its unique selling proposition as an organization. Employees were truly unmovable. Souvaliotis had specific views on building the Carrot family:

We were known as the only tech start-up in Toronto with zero staff turnover. That was because I was personally keen on ensuring culture as a binding force at Carrot. I did not look at talent as a commodity. It was never like “If I find a better person, I will get him or her and get rid of who we have.” I built Carrot into a family. It was a unique company where everyone came, and no one left. I did not realize, however, that my obsession with culture meant Carrot was carrying the risk of what I may now call “performance fog.” When everyone volunteers to carry the load, it becomes difficult to identify the weak links in the chain. When the team performs together beautifully, rowing in the same direction, it becomes difficult for a manager to spot the one who is not pushing the oar as much as the others. It was like *kumbaya*— let us all sing together around [the] campfire. I was the flag bearer of it. On hindsight, I would rather identify the weak link and look for ways to strengthen it than sing *kumbaya*.

Carrot was among the 2,500 certified B Corporations (B Corps) that were operating in more than 50 countries across 130 industries. B Corps were businesses that balanced profit with purpose and met the highest standards of social and environmental performance, transparency, and accountability. Many of them were small businesses, but they were a major force in redefining business success and building a more inclusive and sustainable economy.

CARROT AT THE CROSSROADS

Carrot had become a celebrated Canadian health-tech success story by mid-2018. A UK subsidiary was also in the works, as a contract with the UK government for a Carrot replica was being finalized. Yet, significant dark clouds had been quickly gathering around the business by then. Carrot had secured its first contract for $1.5 million with the government of Ontario in June 2017, when the Ontario Liberal Party was in power. In the provincial elections held in June 2018, the Liberals had lost out to the Progressive Conservative Party of Ontario. Riding on a campaign of cost reductions, Doug Ford had become the new premier. Carrot was among the social programs that were subject, within months, to funding cuts by the new party in power. Unlocking more revenues from the Ontario Ministry of Health had seemed impossible even though that relationship had quickly become the most critical one for the entire platform. According to Souvaliotis,

The expansion of [our] client pool has not panned out as planned. We were depending, for 90 per cent of revenue, on a single client: the government, whether federal, provincial, or municipal. When the funding from the provincial government of Ontario—accounting for more than 70 per cent of the rewards earned by Carrot users every single day—evaporated, we were suddenly running on thin ice. The volatility of the client relationship with the Ontario government, in turn, was spooking investors as well, making it impossible to unlock essential and urgent funding for the business. Even after freezing user growth and international expansion, the giant revenue crater in Ontario suddenly caused Carrot to be burning through more than $600,000 per month.

As he reviewed options for the future, Souvaliotis was considering five potential paths:

Staying the Course

Carrot’s more than 750,000 users in Ontario were active, loyal, and, therefore, exceptionally valuable as an enterprise asset. According to Souvaliotis, “It was so tempting not to mess with the expensive glue that was keeping all those users so perfectly engaged with the app.” That “glue” was the stream of tiny rewards that was going to Carrot’s Ontario users and costing the company about $15,000 each day. Whenever Souvaliotis and his team tried to creatively reduce that burn—by changing or limiting the way users could earn rewards through the app—the backlash was immediate, and the attrition was measurable. Turning off those rewards entirely, until the company found a willing client to pay for them again or a new investor willing to accept that much debt, felt like a disaster scenario. If just half of the Ontario users abandoned the app, more than a third of Carrot’s enterprise value would be erased in an instant. On one hand, it made sense not to rock this giant user boat, but in reality, the company could afford to keep funding all those rewards for only a few more months. Attracting new investors amid such a crisis, without an obvious way to fix it, seemed next to impossible.

Launching a Freemium Version of the App

An alternative would be to quickly figure out a way to harness all that user engagement by introducing a freemium version of the app. Souvaliotis and his team did the math: The average user was costing the company a little more than $0.50 per month. So, a premium, double-your-points version priced at (a seemingly very reasonable) $1.99 per month could be both profitable and popular. Souvaliotis knew he was dealing with several critical questions: Were Canadians so hooked on earning loyalty points that they would be willing to overpay for an opportunity to earn points faster? If users’ monthly subscription fees covered the cost of all the rewards they earned and generated a bit of direct profit for the company, would Carrot break even on at least some of its expensive 750,000 Ontario users? In a quick survey of a few thousand Carrot users, a double-digit percentage of responders had said they would likely upgrade to a paid version, if one existed.

Pivoting Toward New Geographies

This option was about replicating the app’s Canadian success elsewhere, quickly. Carrot’s linear business model meant that launching a similar version of the app in any new market would likely start generating financial returns right away, right from the first user, exactly the way it had worked in Canada three years earlier. For many months, Souvaliotis’s team had been working on a potential contract with Public Health England, an executive agency of the Department of Health and Social Care of the UK government, aiming to launch at least a couple regional pilot versions of the app in different parts of the United Kingdom. The deal was progressing well, and all the new British clients showed a great deal of enthusiasm. But a UK launch was still a while away, and it was perhaps much longer than that before enough users would start generating profits. Even under the most generous gross margin assumptions, several hundred thousand active users would be needed in England to make up for the cost of carrying all those unfunded users in Ontario. Beyond the United Kingdom, the Carrot team was in some early-stage dialogues with Germany, the United States, and the United Arab Emirates. Whether any of those pursuits could help make a difference in the short term for the struggling company back home seemed doubtful.

Branching Out to New Verticals and New Clients

Carrot’s main strategy—the nudge theory of introducing sustainable behavioural changes on a mass scale, which was the sheet anchor of the strategy of Carrot—was replicable across sectors beyond health and wellness. The company could leverage the core platform of public engagement that it had built up for deployment in the wider commercial world by drawing in financial technology (fintech) brands, insurance companies, industry associations, ride companies, and pharmaceutical firms, for example. Doing so would not only help serve such clients’ ends but also create multiple revenue streams for Carrot. There were also several departments within the government itself (such as those that focused on promoting financial literacy, energy conservation, and environmental awareness) that were clear candidates.

Carrot could do many different things for many different clients. In fact, the expansion was already underway, and Souvaliotis was convinced that Carrot’s platform would work no matter what public behaviour it targeted. The questions remained: Could the company expand its client base fast enough? Could those new types of opportunities with new types of clients be identified, targeted, pitched, contracted, and implemented promptly to make a difference at a time like this? Could some of these new types of programs be broad enough and “rich” enough (in the rewards users could earn from them) for Carrot to reduce or even turn off the expensive wellness rewards its Ontario users were receiving every day?

Finding a Strategic Buyer

Another option could be to find a strategic buyer for whom this unique behaviour-impact platform would make sense. Souvaliotis thought some possible buyers might include (a) an insurance company looking to radically shift its customer relationship interfaces; (b) a fintech company looking to quickly expand its customer footprint in Canada; (c) a retail pharmacy looking to dramatically augment its public wellness strategy and gain a strategic advantage in its relationships with the public sector in Canada; or (d) one of the big loyalty programs looking to pivot and take advantage of the growing wellness wave. All of these scenarios would have been reasonable, and, in more normal times, it would have made plenty of sense for Carrot to demonstrate its appeal proudly, patiently, creatively, and methodically in front of these potential buyers until a tantalizing deal came together. However, under the current circumstances, with the Ontario part of the business in debt and with the insolvency cliff approaching so quickly, that tactic might seem much more like a desperate survival hunt.

Would the proceeds of a fire sale make any sense for Carrot’s once proud and ambitious investors? Was there even enough time for such a fire sale?

Souvaliotis wondered whether the future held workable options other than those he was considering in dealing with the enterprise he had founded, built, and nurtured.

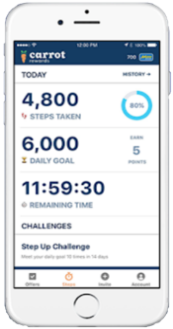
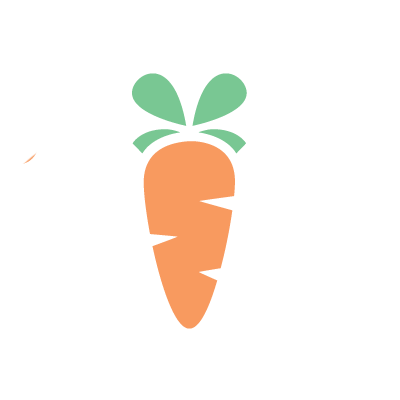
Exhibit 1: LOYALTY PROGRAM USE BY COUNTRY

| **#** | **Country** | **% of Rewards Consumers\*** |
| --- | --- | --- |
| 1  2  3  4  5  6  7  8  9  10  11  12  13  14  15  16  17  18  19 | Australia  Canada  Italy  Japan  South Africa  Germany  UK  Thailand  US  UAE  Mexico  Brazil  Poland  Spain  India  Hong Kong  Netherlands  Belgium  Mainland China | 61  56  56  53  47  45  45  44  42  39  39  38  37  35  33  32  32  31  31 |

Note: \* Refers to the percentage of consumers who make purchases that earn rewards or benefits at least several times a week.

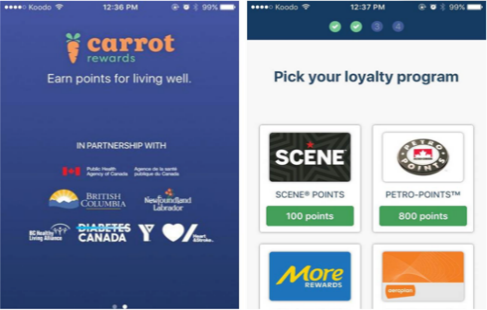
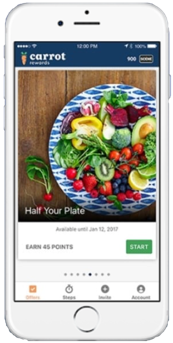
Source: Adapted from KPMG, *The Truth about Customer Loyalty: The World's Consumers Reveal What Keeps Them Coming Back*, 3, 2019, accessed October 19, 2020, https://assets.kpmg/content/dam/kpmg/xx/pdf/2019/11/customer-loyalty-report.pdf.

Exhibit 2: CARROT Rewards APP



Earn your favourite points.

Make healthy lifestyle choices.



Earn rewards from your favourite programs.



Earn your favourite points.

Make healthy lifestyle choices.

Source: Company files.

1. All dollar amounts are in Canadian dollars. [↑](#footnote-ref-1)
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3. “Millennials: Coming of Age,” Goldman Sachs, accessed May 8, 2020, [www.goldmansachs.com/insights/archive/millennials/](http://www.goldmansachs.com/insights/archive/millennials/). [↑](#footnote-ref-3)
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