

CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES



'CAUGHT IN THE MIDDLE'

*A case study of the boycott of Arla Foods
in the Middle East*

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First Edition
Student Case Papers

2015

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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'Caught in the Middle'

Arla Foods is a Danish-Swedish dairy company that was established in 2000 as a result of the merger between the Swedish dairy company Arla and the Danish dairy company MD Foods. The two companies' history in Scandinavia dates back to the late 1800's and both companies were farmer-owned. Still to this day (2015), Arla Foods (Arla) is owned by 12.700 farmers in Denmark, Sweden, the UK, Germany, Belgium, Luxemburg and the Netherlands. This has been one of the main factors of differentiation for Arla Foods, and is something the company emphasizes much in its corporate communication. In 2015 Arla is the 7th largest dairy company in the world and in 2014 their annual profit was € 0.3 billion.

However, things have not always been "green fields" for Arla. We will now turn back time to 2005 when the Danish newspaper Jyllandsposten published a series of cartoons depicting the Prophet Mohammed, that ultimately led to a comprehensive boycott in which Arla was hit the hardest.

Investments and growth strategy

It is 2005 and Arla is the second largest dairy company in Europe with the intent to become market leader within Europe. Sweden and Denmark together accounts for about 40 percent of the company's net turnover, while the Middle Eastern market accounts for 5,6 percent. At the time, Arla is working on strengthening their reputation among Danish consumers, as a survey has made it clear that the Danish consumers perception of Arla is not as positive as imagined. More precisely, it has been stated that two thirds of the Danish consumers have a negative perceived image of Arla. Arla is therefore currently focusing on improving their image in Denmark. Simultaneously, as the competition has intensified, Arla has implemented a strategy to differentiate themselves from discount-competitors by strengthening both the brands in its portfolio and, above all, its corporate brand. In order to build a stronger brand and create a meaning for the brand Arla has decided to build its brand identity around its Scandinavian heritage. Furthermore, due to the saturated market conditions, Arla is now aiming to expand outside its main markets. One part of this

strategic initiative concerns investments in a growth strategy and expansion in the Middle East.

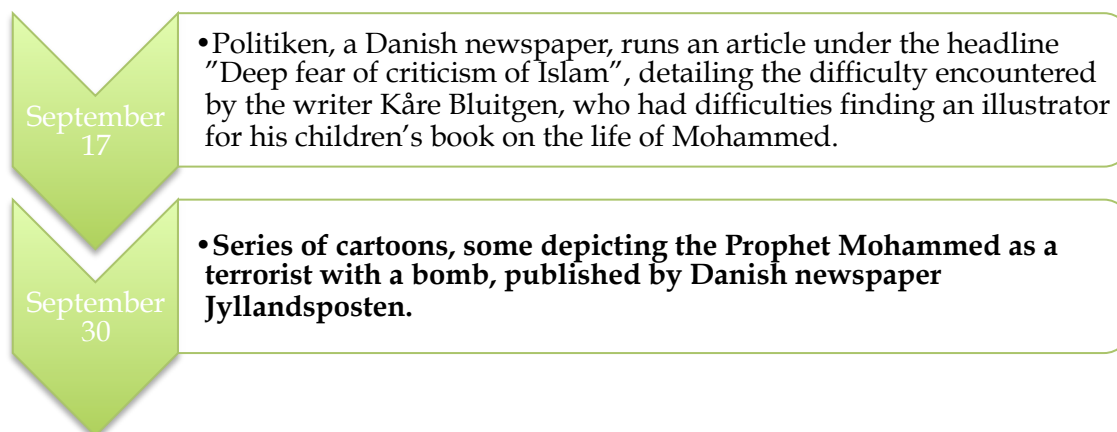
Arla has also the intention of becoming market leader in selected markets within specific product categories. Due to Arla's optimistic forecast it has decided to switch production of processed cheese from Denmark to Saudi Arabia, and investments have been undertaken with the aim of doubling the cheese production in this country. In 2005 Arla enjoys having the best-selling butter in the Middle Eastern market, and has a goal to double the sales by 2010. Arla has a track record of 40 years in the Middle Eastern market and due to this Arla believes that it is considered as a local dairy company by the Middle Eastern authorities. At this point in time Arla supplies more than 50 000 stores in the Middle East and has more consumers that are Muslims than non-Muslim Danish consumers.

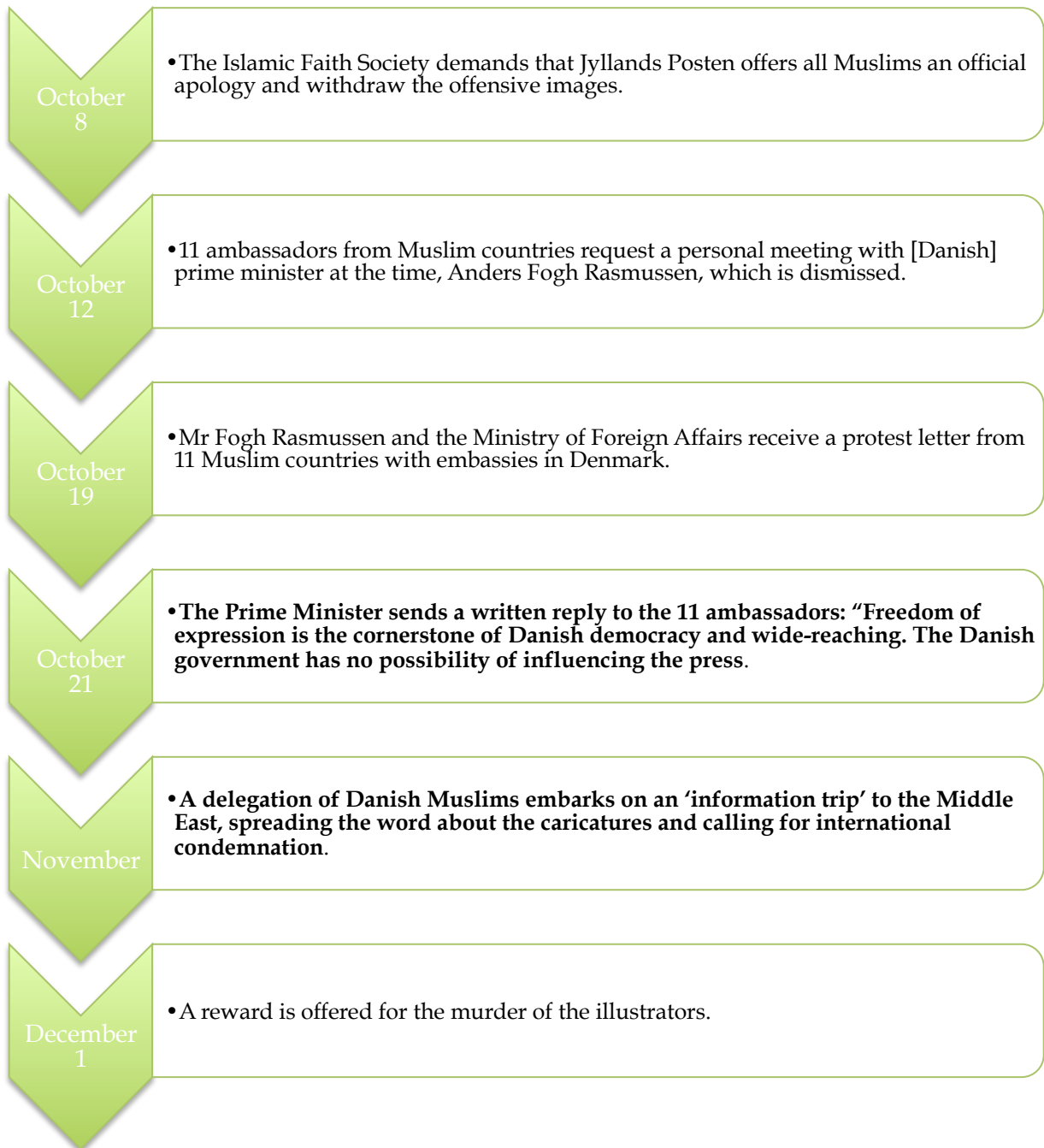
The cartoon controversy

In the end of September 2005, the Danish newspaper Jyllandsposten published a series of cartoons depicting the Islamic figure prophet Mohammed. According to Islamic beliefs, any depiction of the prophet is blasphemous. What made the publishing even worse in the eyes of Muslims was that in some of the drawings the prophet was depicted as a terrorist with a bomb in the turban. Muslims all over the world reacted with disbelief and outrage to the Danish newspaper's actions, stating that the cartoons were deeply offensive, an act of blasphemy and extremely disrespectful. The newspaper on the other hand claimed that it had not committed any crime, but simply used its right of freedom of expression. In order to give a clearer view of the events that took place a timeline of has been included below.

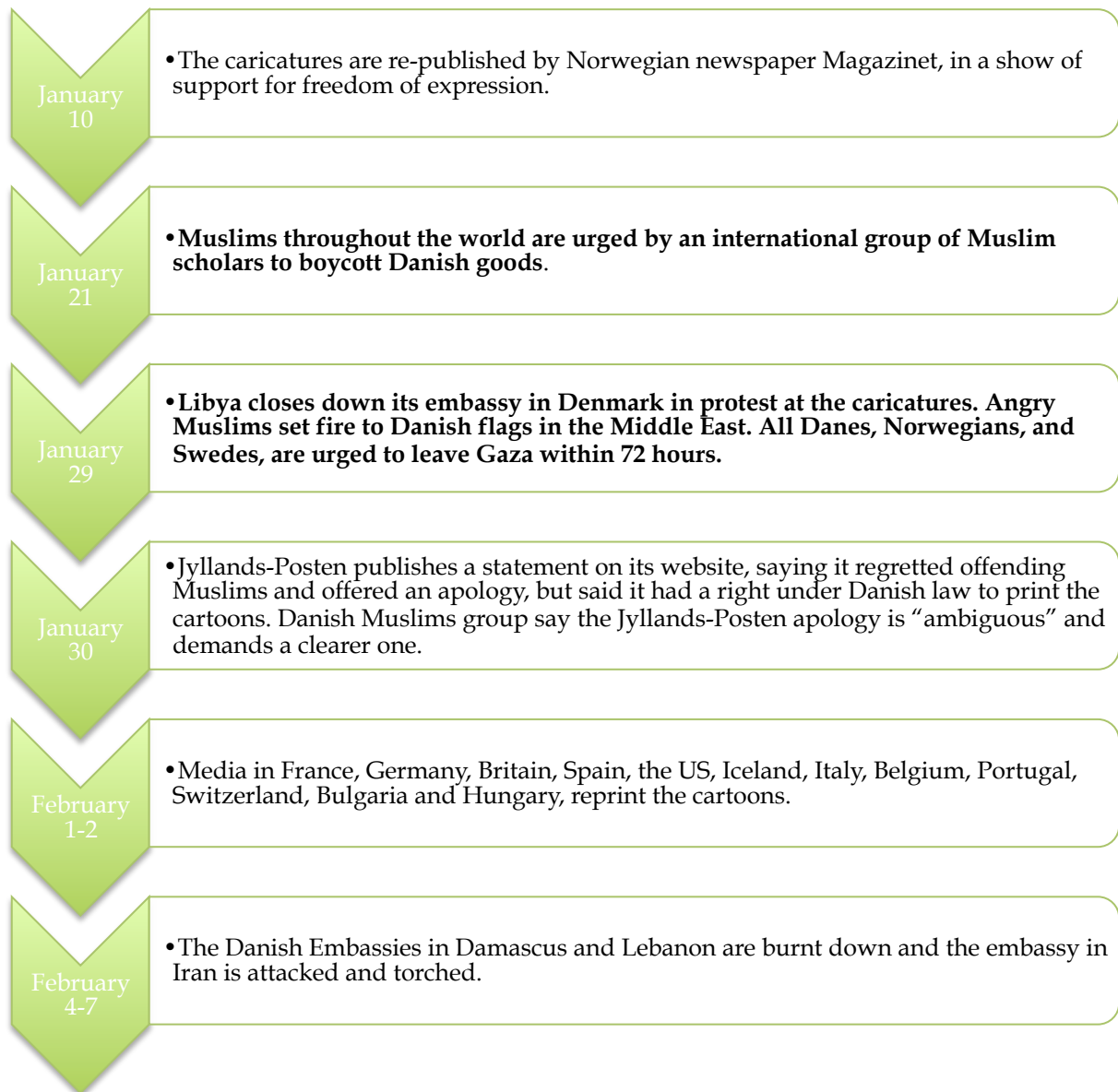
Timeline

2005





2006



As seen from the timeline, a publication in a Danish newspaper escalated and turned in to a massive conflict globally. In total the cartoons were published 143 times in 53 countries. As a consequence of the conflict a boycott of all Danish (and Norwegian) products in the Middle East took place, in which Arla suffered the greatest losses.

Caught in the middle

It is the end of January 2006, and the executive management group of Arla is summarizing what they know of the situation so far: The anger directed towards Denmark is continuously growing. The boycott of the Danish (and Norwegian) products in the Middle East is a fact and there are no signs of the situation to be stabilizing anytime soon. Instead, several European newspapers have reprinted the cartoons, adding more fuel to the fire. The current conflict earns extensive media coverage and much of the media focus is on Arla as it is the company that is both most influential and hit the hardest in the boycott. The Danish flag is being burned, people are protesting with signs telling freedom-of-expression to “go to hell” and multiple of the Danish embassies in the Middle East have been burnt down or violated. Furthermore, the Danish Foreign ministry is advising Danes that resides or travels to Middle Eastern countries to be careful. The headquarter premises of Arla is being threatened and stoned by the protesters and two cars carrying Arla goods have been vandalized.

The executive management of Arla is also looking at the sales numbers and can confirm a daily revenue loss of nearly £1 million. Arla is facing massive financial losses if the boycott continues. In line with the rising tension in the Middle East, Muslims all over the world are now looking towards Denmark and demanding an apology. Their clear message is: the boycott will not stop until a genuine and public apology has been made.

Case Questions

Arla Foods is faced with having to regain its position and strengthen its reputation in the Middle East after finding themselves caught in the middle of an international conflict. Take the role as the executive management group of Arla Foods. How would you go about answering the following questions?

- *What should Arla do in order to regain its position and reputation in the Middle East?*
 - *Who are Arla's key stakeholders in this situation?*
 - *What are the key issues?*
 - *What are the alternatives?*
 - *What actions should be taken, and how?*

