

CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES



Findus horsemeat scandal - How should they handle a new food scandal?

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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

The authors prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

MANAGEMENT DECISION CASE

30 - 2018

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AMANDA CLAESSION

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Findus horsemeat scandal - How should they handle a new food scandal?

In the beginning of the year 2018, a new crisis is on the horizon for Findus. In 2013 the company was affected by the events of the horsemeat scandal. The company was made fun of in social media and ended up being a scapegoat for an incident that affected more than just one actor. The crisis was on an international scale and the examples further presented to explain the events that took place, will be that of an international scale. However, the actions and views placed focus on in this task will be the ones taken by Findus Sweden.

Background and History of Findus

The Findus brand has its roots all the way back to 1903 when Karl-Axel Thulin founded Skånska Fruktvin Likörfabriken in Skåne, Sweden. The company was renamed in 1941 and started with frozen food four years later. Findus has built its reputation on their understanding about what kinds of frozen food a consumer wants and started to export frozen foods to other European countries in the 1950s. Today Findus Sweden is a stock listed company with its headquarter in Malmö, Sweden. With the mission: *"to offer the very best in frozen food"* (Findus, 2013). Findus is one of the larger players within the category of frozen food in Sweden. Their product categories consist mostly of a wide range of frozen foods from vegetables to fish and meat-dishes, ready to be heated up, to bread and cookies. However, they still have other products than frozen food, for example spices, soups and sauce-mixes.

Since 2015 the Findus brand is a part of a corporate brand called Nomad Foods Europe. Nomad Foods Europe has numerous brands within the category of frozen food; see **Exhibit 1** for their brand portfolio. Nomad Foods Europe's brand portfolio offers several market leading brands that sell frozen food with great taste and yet easy-to-prepare. The corporate brand is Europe's market leader within frozen food, and distributes food in 17 countries with 3.800 employees.

Quality of meat and the Suppliers of Findus:

Findus explains that they choose suppliers on a basis of carefulness. They emphasize the aspect of putting their confidence in the suppliers that are to be taken serious, that are chosen to be included. Findus explains that they have a set of requirements, related to quality that every supplier has to fulfil. In addition, as in line with the set requirements by the European Union (EU) concerning not only the meat but also the animals have to be adhered to. Furthermore, Findus mentions that regardless of where the suppliers are based the chosen suppliers have to place themselves within the supervision of the various applicable governments and in line with EU requirements. Some of the requirements consist of prohibiting any form of antibiotics, as well as hormone treatments to spur any type of growth concerning the animals. The way that the meat is presented as well as how the meat tastes have to be in a natural manner, moreover, the meat cannot contain any form of salmonella. The brand that is Findus is to be perceived as a protector of safety and quality and this is something the company does not compromise on in any way. The origin concerning beef is from regions such as Brazil, Ireland, Great Britain, as well as the Nordic countries. Pork is mainly from Ireland, additional minor sections of the pork meat used is from countries such as Sweden, Germany and Denmark.

The scandal

The scandal started in January 2013 in Ireland and the United Kingdom, when it was detected that ten million hamburgers had been taken off the shelves in stores such as Tesco, Lidl, Aldi, Iceland and Dunnes Store. Food Safety Authority (FSA) of Ireland and Dalepak Hambleton in Yorkshire had done tests of food products and found out that the beef burgers contained up to 29 percent horsemeat DNA. The FSA started to investigate the horsemeat incident, how it could have happened and also what kind of brands and products that were affected. The incident was so serious that they were forced to do tests for two months before they announced the findings due to the impact it could have on customers.

One of the affected brands was Findus on several international markets, such as Findus Sweden. In February 2013, The FSA announced gross contamination of Findus lasagna because they found that the lasagna could contain up to 100 percent horsemeat. According to Neville (2013) Findus mentioned the following "*Our chefs take painstaking care to ensure our recipes are developed to the highest standard. We use only the best ingredients and a generous pinch of imagination.*". In addition, Findus performs continuous quality tests of their products from their beef suppliers. When Findus got the information that the lasagna contained horsemeat they decided to raise the alarm. The reality was that the FSA revealed that 11 out of 18 Findus lasagnas contained between 60 to 100 percent horsemeat without proper declaration, the package was declared with minced beef instead.

When Findus first went public, the reputation of Findus as a brand took a hit. Moreover, the horsemeat lasagna had been sold in both Sweden, UK and France. For Findus Sweden, their profits went down remarkably from 2012 to 2013 when the incident took place, see **Exhibit 2**. Furthermore, Findus reputation and brand image was also heavily impacted. A company called Yougov, that measure brand index and how strong a trademark is, measured the Findus brand index before the scandal to displaying an index of 25-27 out of a 100, which is a relatively strong brand. Nonetheless, one week after the scandal the brand had an index of -6,4.

Since the scandal was all over the news and on social media, people used this to make jokes about Findus, see **Exhibit 3**. This resulted into an opportunity for upset customers to express themselves on social media and make fun of the Findus brand, for instance Murphy (2016) exemplifies that one customer tweeted the following "*Don't worry guys. You can still get Findus crispy pancakes at the co-op just by Stockwell tube. I'm going to panic buy all the cheese ones.*". Another example is the car brand Mini, owned by BMW, who took advantage of the scandal and used it in their advertising campaign as a joke, see **Exhibit 4**. When it appeared to customers that they had been eating horsemeat labelled as beef, people were disgusted and the incident lead to consequences for Findus. Furthermore, to eat horsemeat can be a health risk if it contains a chemical known as bute but the risk is very small. In addition, it is not eaten by people due to ethical reasons in certain parts of the world.

As previously stated, more companies than Findus was involved in the horsemeat scandal. The FSA in 2013 made a statement that it is quite likely a criminal activity behind the impurity. The company Comigel who cooperates with the meat company Spanghero, has been involved regarding the shipments towards Findus. The incident is now subject to a pending lawsuit, all the way down to the Romanian Supplier.

Actions taken by Findus Sweden

Findus Sweden made an official statement to their loyal customers on their Facebook page. The statement was about horsemeat being found in their lasagna. Findus increased their responses on social media and were available around the clock to answer customers' questions both individually and directly about the horsemeat scandal. Findus also managed the crisis by making a campaign where they invited 2000 consumers to their factory in Bjuv to see the production process and show that they had nothing to hide. To be sure that as many as possible could come to the factory Findus arranged free bus trips. With this campaign Findus wanted to apologize for what had happened and it was an opportunity to win the loyal customers back. To communicate the campaign they made it viral on TV, Findus website and on social media. Later on, brand surveys about the campaign showed that 62 percent had a more positive viewpoint about the Findus brand. As early as 2014 the sales went up again, see **Exhibit 5**.

The actions taken by Findus Sweden are in line with the description of a scapegoat. A scapegoat is a person or in this case a company who by himself takes the blame for a mistake. In this case Findus can therefore be considered as a scapegoat because they took the blame for the horsemeat incident, even though other companies also had the same problem. The horsemeat scandal was a part of larger international industry problem.

Consequences and impact on the industry

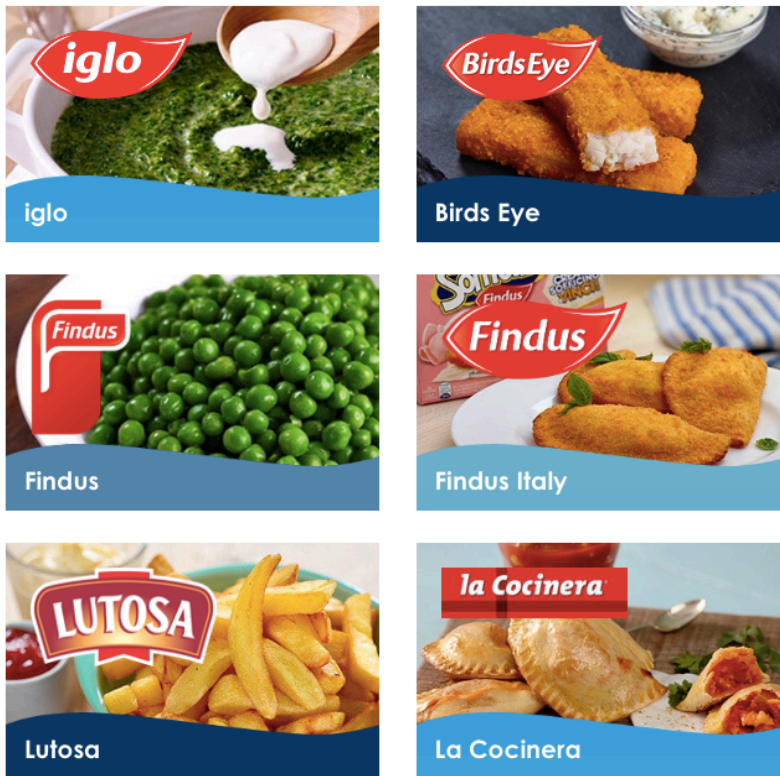
Some of the ramifications that emerged from the scandal were for example, pending lawsuits from for instance Spanghero to the Romanian supplier. On an international scale there was uncertainty in regard to who should take responsibility for the incident. Findus decided to recall meat supplied to various supermarkets in more countries than Sweden. Furthermore, the company Dafgård received news that the meatballs they produce for Ikea also contained horsemeat. The meatballs provided by Ikea can be found in both stores and restaurants. Other parties in the United Kingdom have further recalled selling meat such as Burger King in their restaurants in the United Kingdom, after their hamburgers were detected to also be containing horsemeat. In 2013 the industry organization labelled Svensk Dagligvaruhandel came out with the statement of having strong indications that other chains could also have distributed lasagna with horsemeat instead of beef. The lasagna provided by the chains ICA, COOP and Axfood was also recalled after the confirmation that the Findus lasagna contained horsemeat. The French company Comigel is the supplier of lasagna to the other chains ICA, Coop and Axfood as well. The products have further been recalled in several European countries. Another impact in relation to the matter is, in the after waves of the horsemeat scandal the topic of certificate of origin for meat in pre-packaged food containers become a talked about topic, later on in for instance the EU – parliament.

The new incident

Below presented is a fictive new incident that is not supported by accurate information. After the crisis in 2013, Findus have promised to be transparent and responsible for their supply chain. Now let's imagine a new incident started to unfold at one of their suppliers in the beginning of the year 2018. Findus regularly tests their meat and it was discovered that some portions of their highest selling products of spaghetti bolognese contained 70 percent dog meat instead of ground beef. **Now imagine that you are a member of the executive group of Findus Sweden, what action would you take concerning the following questions:**

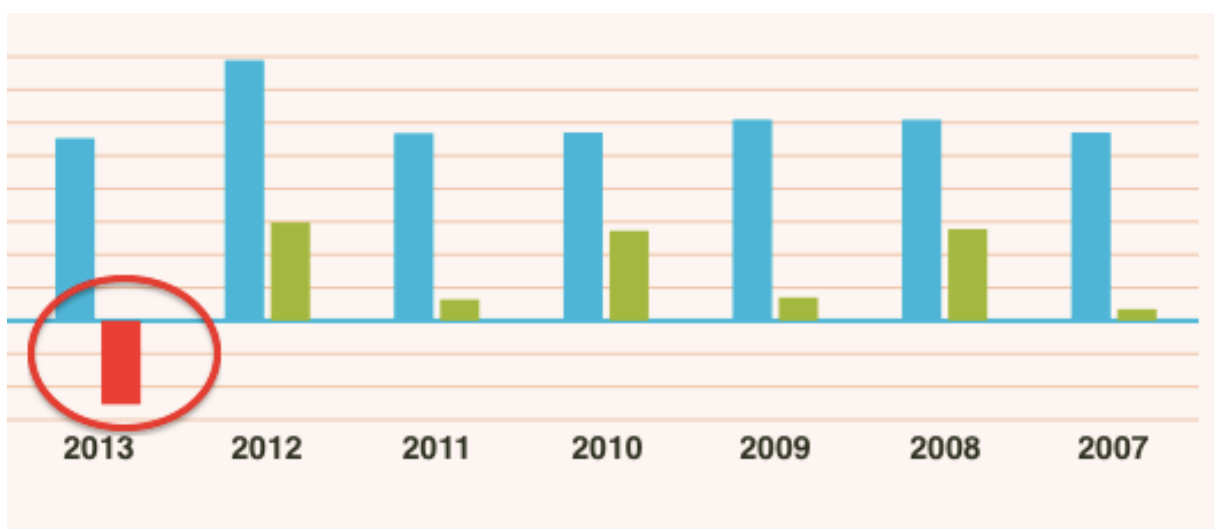
What actions should Findus take this time, how should they manage and handle the situation? Should they use the scapegoat phenomenon again or should they play the blame game? Is this a problem only regarding Findus or an industry problem?

Exhibit 1 Nomad Foods Europe's Brand Portfolio



Source: Nomads Foods Europe (2017a)

Exhibit 2 Findus sales and profits 2007-2013



Source: Allabolag.se (2018)

Exhibit 3 The Findus horsemeat scandal on social media

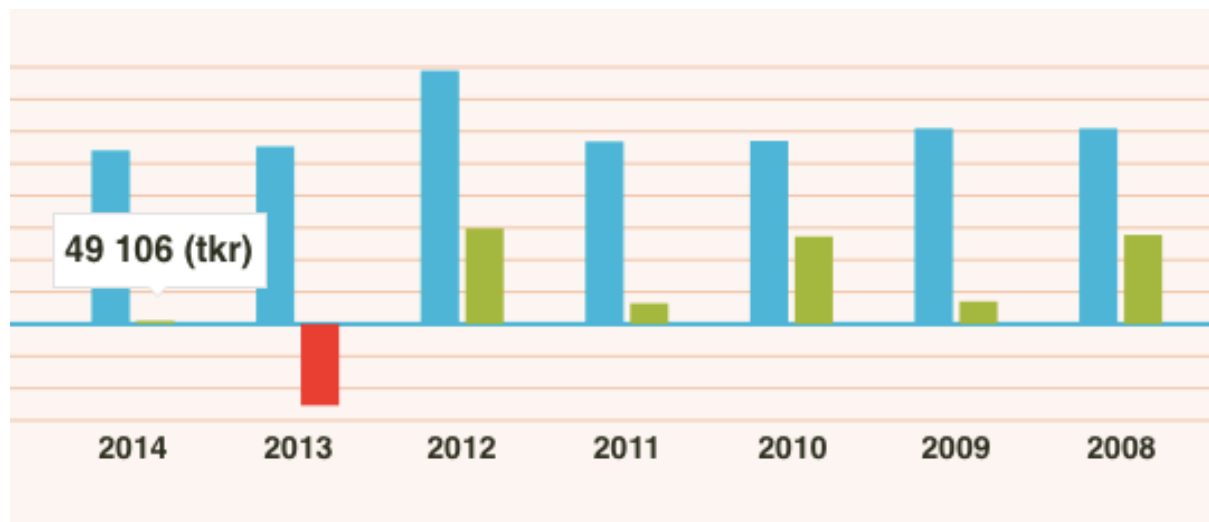


Source: Marketingblog (2013)

Exhibit 4 MINI's advertisement 2013



Source: Resumé (2013)

Exhibit 5 Findus sales and profits 2008-2014

Source: Allabolag.se (2018)