

CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES



Controversial Advertisement and New Investors: Is this a knock-OAT for the sustainable Company Oatly?

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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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Controversial Advertisement and New Investors:
*Is this a knock-OAT for the sustainable
Company Oatly?*

WRITTEN CASE

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Controversial Advertisement and New Investors: *Is this a knock-OAT for the sustainable company Oatly?*

It is a rainy Monday in October 2020, and Oatly's brand manager is on her way to the headquarter office in Malmö. On her way, she scrolls through various news pages on her phone. She is not surprised when headings as *"The story of Oatly – From Goliath to arbitrary activism"* and *"Environmentally profiled Oatly is financed by deforestation companies"* enter her feed. The articles refer to the recent acquisition in Oatly, namely Blackstone, that took place earlier this year. She is already aware of the ongoing criticism from Oatly enthusiasts around the globe and environmental activists. The critique has emerged after Oatly's latest campaign, *"Are you stupid? The milk lobby thinks you are"*. Oatly is in the middle of the media storm all over again. The headings reminded her about the company's critique in 2019 when it was known to the public that China Resources invested in the company.

Leaving the news pages and heading to the office, she starts to think about how the headings and publicity about Blackstone, and China Resources, will affect Oatly's brand and core values in the long run.

Company Background Oatly

It all started back in the 80s when two scientists in Lund, Sweden, helped discover lactose intolerance. The achievement sparked another idea, was it possible to develop a plant-based product that could substitute milk? With that goal in mind, in the 90s, the first-ever oat drink was born. The company, kind of obvious, named Oatly turned into a perfect combination of nutrition and sustainability. About 30 years later, Oatly has expanded internationally and operates in over 20 countries. However, their largest market is still Sweden, where Oatly holds a 24%¹ market share. Oatly has gone from the first-ever oat drink to be available for their customers in six product categories ranging from oat drinks to oat cream.

¹ Oatly. (n.d). The Oatly way, Available online: <https://www.oatly.com/se/the-oatly-way> [Accessed 12 February 2021]

Oatly is not like other brands. In 2019, the company decided to break the norms and include a climate footprint declaration on its product packages. This due to the food industry generating about 25% of the total human-created climate impact. The label's reason was to help consumers make informed decisions regarding environmental impact and for companies in the industry to take responsibility.

Oatly took this initiative, regarding climate footprint declaration law, all the way to Germany, where a petition was signed, and a hearing was started. But what else happened in 2019? Oatly had tremendous growth. In 2019, the company's sales grew by 88%, and the turnover equaled 1,949 million SEK. Which also constituted a 74%² growth of employees. However, despite the growth in 2019, Oatly makes sure to grow with their values and core in mind;

"Oatly aims to drive a systemic shift toward a sustainable, resilient food system that empowers people to choose solutions that improve their lives and ensure the future of the planet for generations to come."

Besides striving for being a future sustainable and responsible company, Oatly also aims to do everything they do transparently. That has attracted many ethical and sustainable consumers to the brand. Continuously, Oatly also takes on a public activist role, seen in their communication, advertising, and campaigns.

Oatly as an activist brand

As Oatly has evolved over the years, the brand has gone from a functional brand (e.g., being a substitute for milk) towards a more activist brand (e.g., taking a stand against the environment and targeting stakeholders who go against the climate and leaving a larger climate footprint). Oatly's more recent ad campaigns have created tremendous media debate where customers and non-customers are taking sides; milk or Oatly. Since Oatly aims to be a better choice for the environment, their campaigns have been aligned accordingly. That has led to a media war between milk producers and Oatly since Oatly claims milk being an unhealthier and more unsustainable alternative. The ad campaign *'It's like milk but made for humans'* (see **Exhibit 1**) was a campaign run in Sweden in 2015 that emphasized that milk is unhealthy for humans and that Oatly is the preferred alternative. An ad campaign that later was sued by the Swedish dairy lobby. After temporarily losing the war against the dairy lobby, the media war continued in 2016, where Oatly ran the campaign *'Googla mjölk'* (see **Exhibit 2**). A campaign indicating that customers do not know what milk contains and how unhealthy it is. Following this, in 2019 (see **Exhibit 3**), Oatly launched their ad campaign *'Show us your numbers'* that correlated with Oatly's initiative of typing out their Co2 emission on their products packages. A campaign praised by consumers and Oatly followers. However, it was another attempt to criticize other actors in the industry;

² Oatly. (2019). Sustainability report 2019, Available online: <https://sustainability.oatly.com> [Accessed 8 February 2021]

"[...] but it's almost impossible to find out what the impact of drinking a glass of milk vs. a glass of oat drink has on the planet?"

The same year, another attempt to defend the environment by prompting its drink, the ad campaign 'Ditch milk' (see **Exhibit 4**), ran and received significant media debate. Though in Sweden, the campaign was associated with the 70s attempt to ditch the booze. Comparing the behavior of drinking milk with the addiction to alcohol. Oatly's up and running ad campaign (see **Exhibit 5**) 'Are you stupid? The milk lobby thinks you are' arising from the EU parliament vote on AM 171 in October 2020. The campaign shows one package of milk and one package of Oatly's oat drink. The advertisement's hired focus group is supposed to point at the milk package, indicating that humans can see the difference between milk and oat drink, meaning that the law does not have to be enforced.

Oatly, through their communication, they take a stand for the environment, openly criticize other stakeholders, and wrongly state that their competitors' drinks would be an unhealthy alternative for humans. The debate has generated loyal customers and activists following the brand. However, this has also led to an even more divided population either against milk or Oatly. As a result of their controversial campaigns with open criticism of other market players, their brand index and buzz dropped in 2019. The brand index shows an average value of quality, overall impression, value for money, recommendation, reputation, and customer satisfaction. The brand index also indicates that other players who do not criticize other actors in their communication have an increased brand index.

Company background China Resources

China Resources is a Chinese holding company. The company began its journey under Liow & Co in Hong Kong in 1938, intending to coordinate and manage goods and supplements. These goods and supplements were donated to support the anti-japanese war effort and obtain necessities for the military in the anti-japanese bases. Ten years after the company's founding, Liow & Co expanded, reconstructed, and renamed themselves to China Resources Company which later became China Resources (Holdings) Co., Ltd.

China Resources group consists of more than 420 000 employees, and they are operating within five particular business areas; consumer products, healthcare, energy services, urban construction, technology, and finance. China Resources has throughout its history had a clear link to the Chinese government, for example, as part of the Ministry of Foreign Trade and Economics (MOFTEC). China Resources is currently not part of the MOFTEC but is today seen as one of the key state-owned enterprises and is a Chinese state-owned conglomerate.

The corporate structure of China Resources consists of seven different divisions, with 19 specific subdivisions. For example, under the China Resources Power division, the company manufactures, processes, and sells coal. The subsidiary China Resources Gas encompasses the largest gas supplier in China. China Resources Ng Fung is a subsidiary active in the food industry. The company breeds, slaughters, processes, and distributes meat.

Company background Blackstone

Blackstone has its roots in America and, it is one of the largest investment companies globally with almost \$600 billion in assets under its management. The company was founded in 1985 by Peter Peterson and Stephen Schwarzman. Schwarzman has since then been highly involved in the company. Currently operating as a CEO, chairman, and is an influential front figure for the firm.

Blackstone makes investments across the globe and throughout various asset classes such as; real estate, private equity, and growth equity. Their investments are distributed globally, but most of them can be found in the USA and England, with only one previous business investment within the Nordics. The profiles for their investments vary from health care, food, and fintech to real estate. However, a focus that they claim permeates the whole business is their long-term perspective on investments to drive economic growth and simultaneously make a positive impact. Some of their previous investments can be seen in the peer-to-peer apartment rental company Airbnb and the soda company Orangina.

Blackstone, as mentioned, is one of the largest and most influential private equity firms globally. Blackstone is aware of its unique position when it comes to making a positive impact through its investments. Since the founding, Blackstone has worked with environmental-, social- and governance questions and sees them as part of their core business. However, some of their previous investments and actions have raised controversies regarding their actual attitude towards their responsibilities. The accusations have been regarding partly previous investments in a Brazilian company called Hidrovias that is speculated to be destroying the rainforest. The speculations have occurred due to Hidrovias' involvement in planting soy which demands new transportation roads through Amazon. Therefore, they need to take down large parts of the rainforest, which has caused debate from activists. Other speculations are regarding the company's CEO having actively supported former President Donald Trump during the elections.

Incident

Once Oatly saw their products' potential on the Swedish market, they desired to expand globally. One appealing country was China, and in 2016 the opportunity opened up to enter the Chinese market. On the 2nd of December, the same year, Oatly also presented their new investor to the public, China Resources, which now owns 30% of the company. Oatly was in the spotlight, and a significant media debate erupted. The question arose of whether a company that has built its entire core values on sustainability, now with a new investor-owned by the Chinese state, could be trusted since the Chinese regime is not particularly famous for caring about environmental issues? Instead, they have received criticism for having the highest Co2 emissions globally and have a problematic view on human rights. In 2019, Oatly responded to the critique that appeared after China Resources' investment by launching the controversial campaign "*Show us your numbers*" and urged other food companies to publish their climate footprints. Numerous saw the campaign as a defense, and Oatly clarified that they had nothing to hide.

On the 14th of July 2020, the company announced its newest investor. The American venture capital company Blackstone invests 1,8 billion SEK in the company, which corresponds to 10% in ownership. Previously, debates about Blackstone have followed that underlines their financing businesses in the devastation of the Amazon.

Another discussed contradictory company valuation is the CEO's financial support for the Trump campaign in 2010. Blackstone's reputation for being involved in the devastation of Amazon and a CEO financially supporting the Trump campaign 2010 got Oatly back in the media spotlight. Three months later, in October 2020, Oatly once again responds to the massive critique by criticizing others in their up-and-running controversial campaign; *"Are you stupid? The milk lobby thinks you are"*, and the debate about its position is wilder than ever.

Conclusion

The investment in Oatly profited both China Resources and Blackstone's reputation, but for Oatly, it led to a significant media debate, which was considered large, even for Oatly. The situation caused comprehensive negative attention in the media, and meanwhile, environmental activists, newspapers, and dedicated Oatly supporters started to question their mission genuinely. Especially since Blackstone and China Resources counteract the environmental issues by engaging in coal power and the devastation of the Amazon, which directly contradicts Oatly's core values. Their attitude towards the critique with several controversial advertisements makes the public feel betrayed and uncertain about Oatly's sustainability actions. The question arises if the company's attitude towards sustainability truly is hypocrisy?

Taking the role of Oatly's Executive board, how would you address the problem, and why?

How would you as Oatly's Executive board, approach the massive criticism and respond to the betrayed stakeholders after the investments to lessen the effects on reputation and image?

Exhibit 1 "It is like milk but made for humans" campaign 2015



Exhibit 2 "Googla milk" Campaign 2016



Exhibit 3 "Show us your numbers" Campaign made 2019, at Stockholm central station

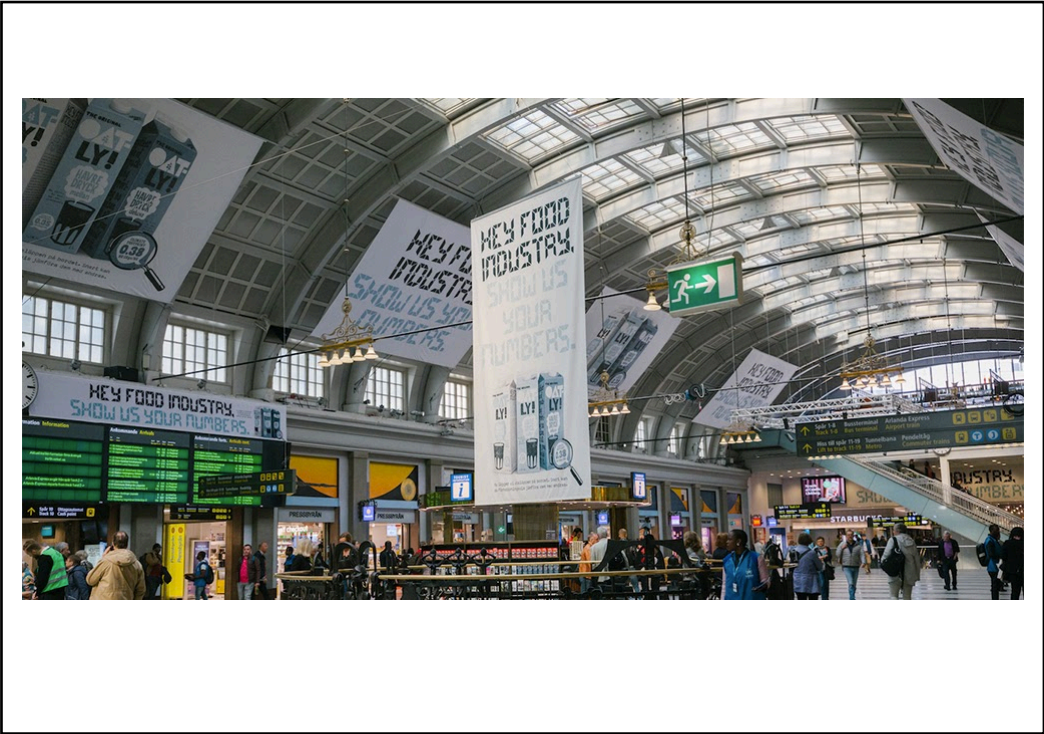


Exhibit 4 "Ditch milk" campaign made 2019, at Stockholm central station

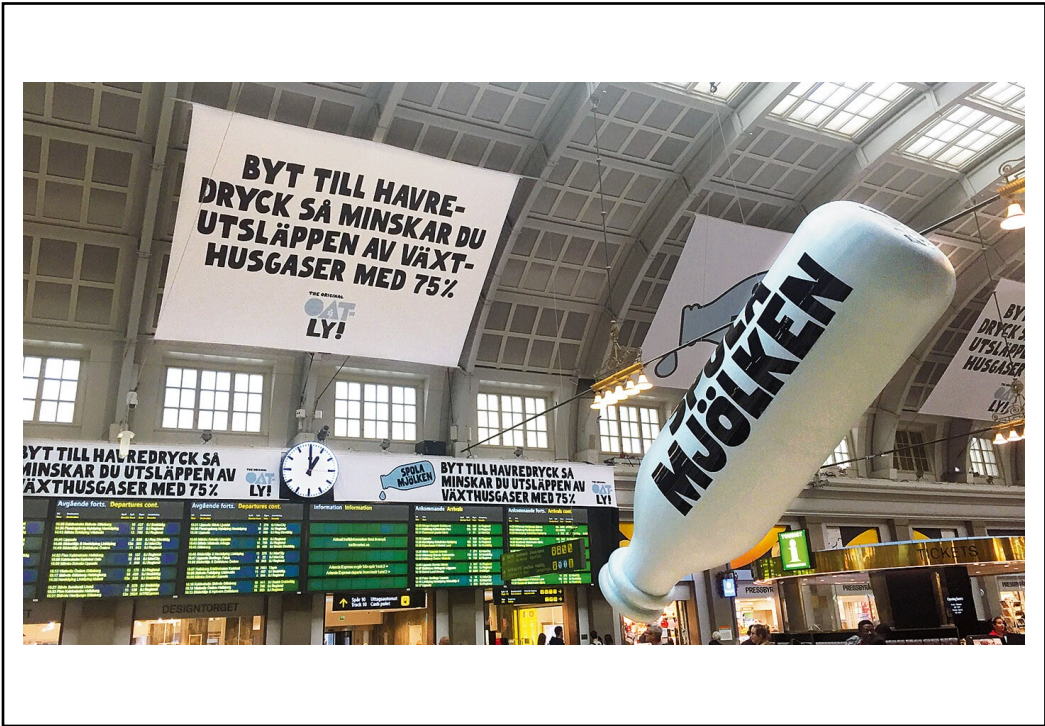


Exhibit 5 “Are you stupid? The milk lobby thinks you are” campaign made 2020, at Stockholm central station

