

Controversial advertisement and new investors:

*Is this a knock-OAT for the sustainable
company Oatly?*

MANAGEMENT DECISIONS

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.

Reaction and Decisions

Reaction to the investment 2016 with China Resources

On the 2nd of December 2016, Oatly's new investor China Resources was announced. The new partnership would enable investments in the R&D department and bring new opportunities to offer Oatly's unique portfolio to consumers worldwide. Due to China Resources being partly owned by the Chinese government, one of the most debated states globally, their reputation has been marked by investing and advocating coal power. This goes against the UN's climate goals of a sustainable future that Oatly strongly supports. The same day as the new investors announced, Oatly's CEO made a media statement followed by:

"Oatly's mission is to make it easy for people to eat the healthy food they love, without recklessly taxing the planet's resources in the process... The investment will help us bring Oatly's values and unique patented oat-based technology to new consumers across the world."

Oatly positively stated that the investment only had good intentions and would strengthen the brand in the right direction. However, the media was silent about the new investors, and the outbreak came in October 2019 when Oatly launched their campaign "Show us your numbers." This controversial campaign caused a lot of attention, and the media started to question Oatly and its Chinese investors. On the 11th of October 2019, Oatly's communication manager responded externally to the current debate about how the new investors conflicting interest has affected Oatly's reputation by stating the following: *"It is not our job to defend what our owners do in their other businesses."*¹

Is it possible to invest in environmental issues if you also contribute to the devastation of the Amazon?

Even though China Resources' investment helped Oatly reach new markets such as China financially, it was not enough in order to expand further. On the 14th of July 2020, it announced that Blackstone was Oatly's new owner and invested 2 billion SEK in the company, equaling 10% ownership. Oatly's management decided to meet the public in a press release the same day. Their CEO's message was clear; this was the step in the right direction since leaders like Blackstone played a crucial role in creating sustainable change. Once again, Oatly followers felt betrayed and started to question Oatly, their core values as a company, and a global debate with the new investors. The audience expected an excuse or an explanation of why the company approved Blackstone as a new investor. Speculations and critique went on, and on the 3rd of September, Oatly published an Instagram post named "Read the full story." The

¹ SvD.se. (2019). LEDARE: "Inte vår uppgift att försvara våra ägare" | SvD. [online] Available at: <<https://www.svd.se/inte-var-uppgift-att-forsvara-vara-agare>> [Accessed 21 February 2021].

management team stated that they have never been more determined and dedicated to creating long-term change for the environment. In their Instagram post, Oatly shows empathy to their customers mixed with their views. The post expressed, among other things, the following:

*"We think it's time that you get some answers about how your favorite plant-based company in the whole world could let you down so massively. It's just that we don't feel we've let you down."*²

During the same month, Oatly also started to do interviews with newspapers and updated their website information. The company's communication highlighted that this decision was necessary to grow and enter new markets and that they have done nothing wrong, as the media claimed. Consumers started to boycott the company after joining the debate, which was obvious, according to experts. However, its core value, transparency, has always guided the brand's communication. Its CEO claimed in many interviews that it still did, but it was in Oatly's DNA to dare to make uncomfortable decisions³. Still, many consumers contended that this new investment was not transparent due to Blackstone's involvement in Amazon's devastation that Oatly stated was out of their control and not their responsibility.

Over and oat

It is now six months after Blackstone invested in Oatly, and the debate is yet ongoing. Articles about Oatly's behavior and transparency are still accurate, and activists are genuinely questioning the brand's purpose. However, the company has not experienced a drop in sales or profit losses due to the new investors. Hence, the competition from other companies within the segment has increased during the previous months and consists of private labels and other brands. Nevertheless, Oatly continues to launch controversial commercials focusing on its low climate footprint. Simultaneously, they criticize other companies, which states that they do not consider the investment as something that has let their customers down. According to their newly launched campaigns, it is possible to assume that they have overlooked the statistics from 2019, which shows that their brand index dropped due to other controversial campaigns. Oatly is now in a position when they are defending the deal and maintains that the investment will increase their sustainable mission by creating more plant-based products for the world. However, Oatly does not consider the investment as something contradicting its core values but rather as a chance to change the industry from the inside. Their strategy of how they are entering the debate about their new investors is a discussion itself. Still, is it possible to expect something ordinary from a company that always responds with the unexpected?

2 Oatly., (2020). Oatly [Instagram], Available online:

https://www.instagram.com/p/CErkxmJsFD/?utm_source=ig_embed [Accessed 18 February 2021]

3 Brundin, L., (2020). Oatly: Det ligger i vår själ att våga fatta obekväma beslut. Sydsvenskan. Available online: <https://www.sydsvenskan.se/2020-07-16/toni-petersson-det-ligger-i-var-sjal-att-vaga-fatta-obekvama> [Accessed 23 February 2021].

Appendix

Exhibit 1: Pie chart of the percentage of Blackstone and China Resources ownership

