

CORPORATE BRAND MANAGEMENT
AND REPUTATION

MASTER CASES

**Bigger is not always better –
The Evergreen communication crisis**

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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.

Editor

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WRITTEN CASE

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MANAGEMENT DECISION CASE**13 - 2022**

MARCH 1, 2022

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The Evergreen Communication crisis

On 23rd March 2021, the sun rises over the Red Sea in a dusty haze, the captain of Ever Given is doing his job as usual and it is a typical sailing day. As Ever Given is passing through Suez Canal at 07:40 EGY, one of the busiest trading routes, the strong winds of more than 40 mph constantly blow, turning the sky to dusty yellow. All of a sudden, the captain has lost control, resulting in a loss of ability to steer and causing the hull to deviate. The Ever Given then runs aground, blocking all the traffic including more than 300 vessels, and causing the world's heaviest traffic jam on the ocean.

At the moment when the Egyptian authorities at the Suez Canal Authority (SCA) have received this information, they are busy dealing with the incident and trying to engage with the Dutch company Royal Boskalis Westminster in order to manage marine salvage operations. In the meanwhile, the Evergreen Marine Corporation has never stopped getting phone calls and emails. On the other side of the world, the two leading companies in their respective industries, IKEA and Maersk, are busy figuring out how many commodities will be affected and how to handle the delay and their customers as soon as they get the news.

Background and History

Evergreen Marine Corporation

The Evergreen Marine Corporation was founded in 1968 by Yung-Fa Chang in Taiwan, and it is now the largest shipping company in Taiwan and ranks among the top seven shipping companies worldwide. Until August 2021, the Evergreen Marine Corporation owns 202 ships, including self-owned and leased ones, with a total transportation capacity of 1.385 million TEU.

In 2007, the integration of Evergreen Line portfolio includes Italia Marittima S.p.A., Evergreen Marine (UK) Ltd., Evergreen Marine (Hong Kong) Ltd., and

Evergreen Marine (Singapore) Pte. Ltd. In order to build a stronger maritime map, Evergreen signed a letter of intent with three maritime corporations and formed OCEAN Alliance, operating across Asia, Europe, the Mediterranean, the east and west coasts of North America, and the transatlantic ocean market.

The main values of the Evergreen Marine Corporation include innovation, reliable and sustainable marine transportation service. Evergreen is also dedicated to improving operating efficiency, providing a higher level of service, and contributing to a green environment. In addition, it was awarded 75 Green Supply Chain Partners and Best Shipping Lines Asia-Africa in 2021.

Ever Given

Ever Given is one of the largest container ships in the world with 20,124 TEU capacity (**Exhibit 1**), a gross tonnage of 220,940, and a length overall of 399.94 meters (**Exhibit 2**). It is right at the maximum length allowed for transit in the Suez Canal. The ship is owned by Shoeni Kisen Kaisha (a ship-owning and leasing subsidiary of the large Japanese shipbuilding company, Imabari Shipbuilding), and is time chartered and operated by container transportation and shipping company Evergreen Marine Corporation.

Suez Canal

The Suez Canal is located in the northeastern part of Egypt, running through the Isthmus of Suez, and it is an important maritime route between Europe, Asia, and Africa. The construction of the canal began in 1859, and it was completed and officially opened in 1869 (**Exhibit 3**). With the opening of the Suez Canal, the journey between the East and the West has been greatly shortened. The main alternative, a passage passing through the Cape of Good Hope at the southern tip of Africa, the world's most dangerous course for shipping, takes a considerably longer time and thus increases shipping costs significantly. Therefore, the construction of the Suez Canal led to the prosperous development of international trade and shipping and it accounts for 14% of the world's seaborne trade every year.

Overall, the Suez Canal has a good safety record. Around 19,000 ships pass through this waterway every year, whereas there has only been an average of 8 incidents a year over the past decade - more than a third of which involve container ships. Since there are often strong winds in the Suez Canal, wind can cause more problems for fully-loaded ultra-large container ships than other types of ships. Given the height of the container stacks, wind can provide an extensive so-called 'windage area', which means the wind has a huge effect, and container ships can easily drift. Groundings are the most common cause of shipping incidents in the canal. Typically, two Suez-based pilots are required for vessels of more than 80,000 gross tonnages in the Suez Canal. They can advise the ship's captain and guide the vessel during

transit. While the Suez Canal has been blocked several times throughout history, the Ever Given blockage led to the most significant disruption of shipping worldwide.

The Incident

It is 23rd March 2021, at 07:40 EGY, one of the largest container ships in the world - the 200,000-tonne Ever Given is carrying goods from China to Rotterdam, traveling through the Suez Canal. During that time, the strong wind exceeds 40 km, resulting in the “loss of the ability to steer the ship”, causing the hull to deviate. Ever Given turns sideways, and then becomes unable to free itself, thus blocking the canal on both sides (**Exhibit 4**). It is just the beginning of the crisis (**Exhibit 5**).

On 24th March, Egypt’s Suez Canal Authority (SCA) says they have been working on refloating the ship by engaging with the Dutch company Royal Boskalis Westminster to manage marine salvage operations. 8 tugboats are assisting in the attempt to dislodge the vessel and diggers on the ground are removing sand from where it is wedged into the side of the canal bank. A growing number of tankers have gathered near the entrance to the canal, waiting to pass.

On 25th March, SCA suspends navigation through the Suez Canal until Ever Given could be refloated. At the same time, 9 tugboats and 2 dredges are working continuously to free the vessel. Peter Berdowski, Chief Executive of Boskalis, states that “such an operation can take days to weeks”. So far, according to the canal service provider, Leth Agencies, at least 150 ships have been waiting for the Ever Given to be cleared, including Maersk’s 9 container vessels and 2 partner vessels.

On 26th March, SCA says that its dredging operations are about 87 percent complete in the afternoon, dredgers had moved about 20,000 tonnes of sand from around the Ever Given’s bow, which was stuck deep into the canal’s bank. At night, the stern begins to move on. However, experts predict that freeing the ship could take weeks. Therefore, a number of global shipping companies begin seeking alternative routes on Friday. Maersk says they are closely following the refloating operations and currently looking for all alternative possibilities, including air solutions for critical and time-sensitive cargo and/or the passage passing through the Cape of Good Hope at the southern tip of Africa.

On 27th March, the Suez Canal has been blocked for the fifth day, and the Ever Given already moved by 30 meters towards the north. There are at least a total of 321 vessels jammed around the canal, while others approach and others change routes. SCA says 14 tugboats are trying to take advantage of Saturday’s high tide and more tugboats will arrive on Sunday if the latest attempt fails. However, according to SCA, there is still no timeline for when the canal might reopen. Experts say that the delay is expected to persist for some time even after Ever Given is freed, as vessels might face busy ports and additional delays before offloading.

In addition, during a press conference, the SCA chairman says that weather conditions are “not the main reasons” for the ship’s grounding, adding that “there

may have been technical or human errors”, and all factors will be looked into in the investigation within the incident.

On 28th March, another seagoing tug Alp Guard, with a bollard pull of 285 tonnes, arrives in the morning. Efforts to dislodge the ship allow for some movement of the ship’s stern and its rudder at high tide. Shoei Kisen Kaisha Ltd, the company that owns the vessel, says it is considering removing containers if other refloating efforts failed, but the process requires larger equipment working for a longer time and is likely to prolong the blockage by “days, even weeks”.

On 29th March, the stern of Ever Given is refloated at 04:30 EGY, and a second seagoing tug, the Italian Carlo Magno, with a bollard pull of 153 tonnes arrives, giving a further large increase in towing capacity. The vessel is finally freed and moving again at 15:05 EGY. Shipping agencies are notified that the canal will reopen for shipping from 19:00 EGY. By the time the Suez Canal has been reopened, there have been more than 400 ships waiting.

Assuming the roles of the **Evergreen Executive Board**, **Suez Canal Authority**, and the **affected clients (IKEA and Maersk)**, how would you answer the following questions:

Role 1 - Evergreen

How would you assess the impact on your corporate reputation and how to rebuild a reliable image to regain trust from stakeholders including employees, clients, government, and the public?

Role 2 - Suez Canal Authority

How to solve the incident urgently in terms of the rescue action and communication (short-term) and how to build a reliable and safe image to regain trust from maritime companies worldwide?

Role 3 - IKEA and Maersk

How to deal with the incident and evaluate the consequence and how to communicate to the relevant stakeholders about the delay?

Exhibit 1 The Ever Given container ship

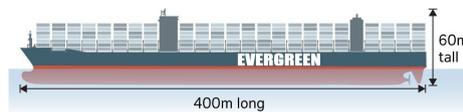


Exhibit 2 The figures of Ever Given container ship

Beached behemoth

The MV Ever Given, a massive container ship owned by Evergreen Marine Corporation, has completely blocked maritime traffic along the Suez Canal since early on March 23.

MV EVER GIVEN
Gross tonnage: 219,079 tons



SIZE COMPARISON



Exhibit 3 The Suez Canal

Suez Canal
1869 waterway first opened
2015 canal expanded to include a 22 mile parallel channel
120 miles long
205 m wide **24** m deep

Source: Suez Canal Authority



AFP

Exhibit 4 The location where Ever Given blocked the Suez Canal

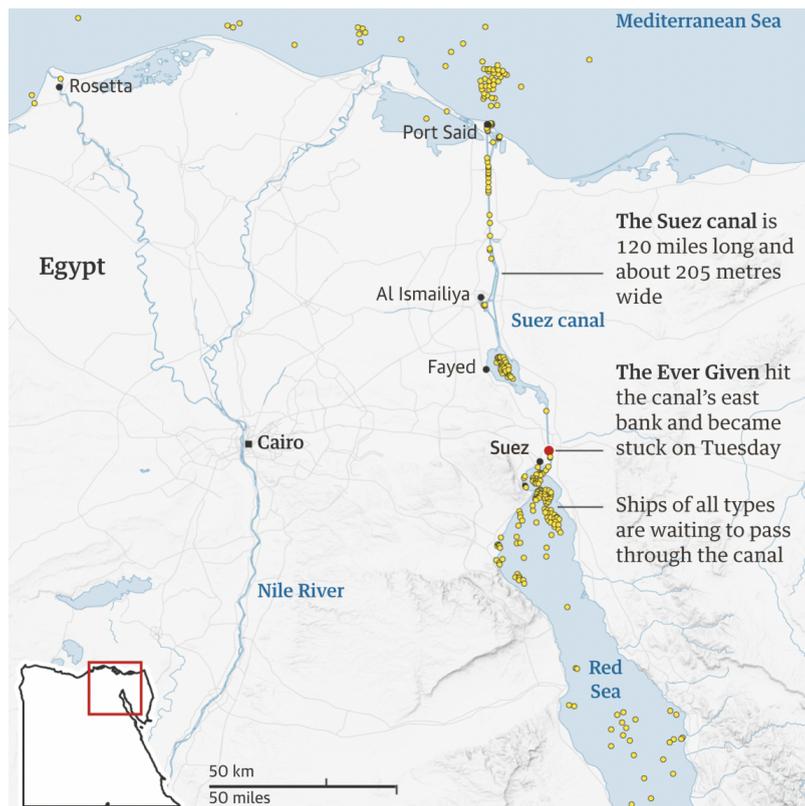


Exhibit 5 Timeline

