The Milk War: Defending Dairy or Milking the Plant-Based Trend?

MANAGEMENT DECISIONS

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Management decisions options for Arla

This document outlines the strategic decision paths available to Arla's leadership during the Milk War crisis with Oatly. We present three possible courses of action the board could take in response to Oatly's aggressive market initiatives. The actual decision Arla pursued will be revealed after evaluating the evidence and arguments for each option.

As discussed in the case, Oatly entered the non-dairy market with a provocative marketing campaign—'It's like milk, but made for humans'—directly challenging the industry giant, Arla. Over the years, Oatly's bold approach has steadily captured market share, forcing Arla to confront an urgent need for change in order to defend its position in the dairy industry

The dairy industry has experienced fluctuations in sales and market share, influenced in part by the rise of plant-based milk alternatives. The plant-based sector saw significant growth in 2019 and is projected to sustain a compound annual growth rate of approximately 7.4% over the next decade, signaling a fundamental shift in consumer preferences. While the decline in dairy milk sales cannot be attributed solely to this trend, it is clear that non-dairy brands have become formidable competitors. As Arla navigates this evolving landscape, one thing is certain—taking action is no longer a choice, but a necessity.

1. Option one – Keep focusing on milk and dairy products

The first management decision option that Arla has is to continue focusing on only dairy products. This would mean that the brand would stay consistent with the position that they have had during many years as a "milk giant". They could also continue to innovate within dairy products, which would be more cost-effective than developing an entirely new product category. Furthermore, if they focus on innovative and creative ways to communicate the benefits of milk compared to plant based products they could potentially take back the market share that has been taken by Oatly. They could highlight things such as health benefits, sustainability efforts and nutritional value and thereby make milk more attractive to the customers.

However, the drawback of this strategy is that Arla risks losing even more customers in the long run as they miss out on the growing plant-based trend. As more and more people are choosing plant based products, Arla could be seen as outdated especially by younger generations that value innovation and sustainability.

2. Option two – Start producing plant-based products

The second management decision option for Arla is to challenge Oatly and go into the market of plant-based products. With the increasing competition Arla faces from Oatly as well as a growing consumer shift toward plant based alternatives, Arla is faced with the challenge of maintaining its strong position in the dairy industry whilst adapting to changing market dynamics. By expanding their portfolio to include plant based alternatives and leverage their expertise in dairy production and distribution Arla can be able to appeal to a wider consumer base by offering both traditional and alternative dairy products

Going down this path can enable Arla to use their established supply chain and retail partnerships in order to ensure wide availability, making Arla a convenient choice for consumers already familiar with the brand. In order to market this shift properly Arla can position the new products as a complement rather than a replacement for dairy.

This shift could however raise several questions. Is Arla able to credibly enter the plant based market without undermining its dairy heritage? How would consumers, particularly those loyal to traditional dairy, react to such a move? And could a company who has their entire focus on dairy products successfully challenge an industry giant such as Oatly?

3. Option three – Non-dairy brand extension

The third managerial decision option would be for Arla to expand its portfolio through a brand extension focused on plant-based milk alternatives. This approach would allow Arla to tap into the growing market for non-dairy beverages without compromising its core identity as a leading dairy brand. By launching a distinct sub-brand, similar to Valio's "Oddly Good" or other dairy companies that have ventured into plant-based products, Arla could leverage its existing infrastructure, distribution channels, and brand recognition to quickly gain a foothold in the competitive plant-based market.

Creating a sub-brand would enable Arla to position itself as a forward-thinking, inclusive company that caters to a wide range of consumer preferences. This strategy would allow Arla to reach consumers who are seeking plant-based alternatives while maintaining its strong reputation within the dairy sector. Moreover, by creating a separate brand for non-dairy products, Arla can mitigate the risk of confusing or alienating its loyal dairy customer base. A sub-brand would allow Arla to clearly differentiate between its traditional dairy offerings and its plant-based range, offering a clear message to consumers about the company’s commitment to innovation and sustainability. This option would allow Arla to diversify its product portfolio and take advantage of the plant-based trend while staying true to its legacy as a dairy industry leader.

What Arla ultimately decided to do

The different options have now been presented as well as supported by arguments highlighting both their advantages and disadvantages. With these management options in mind, which decision would be most beneficial for Arla? Now, we will look at what Arla actually decided to do.

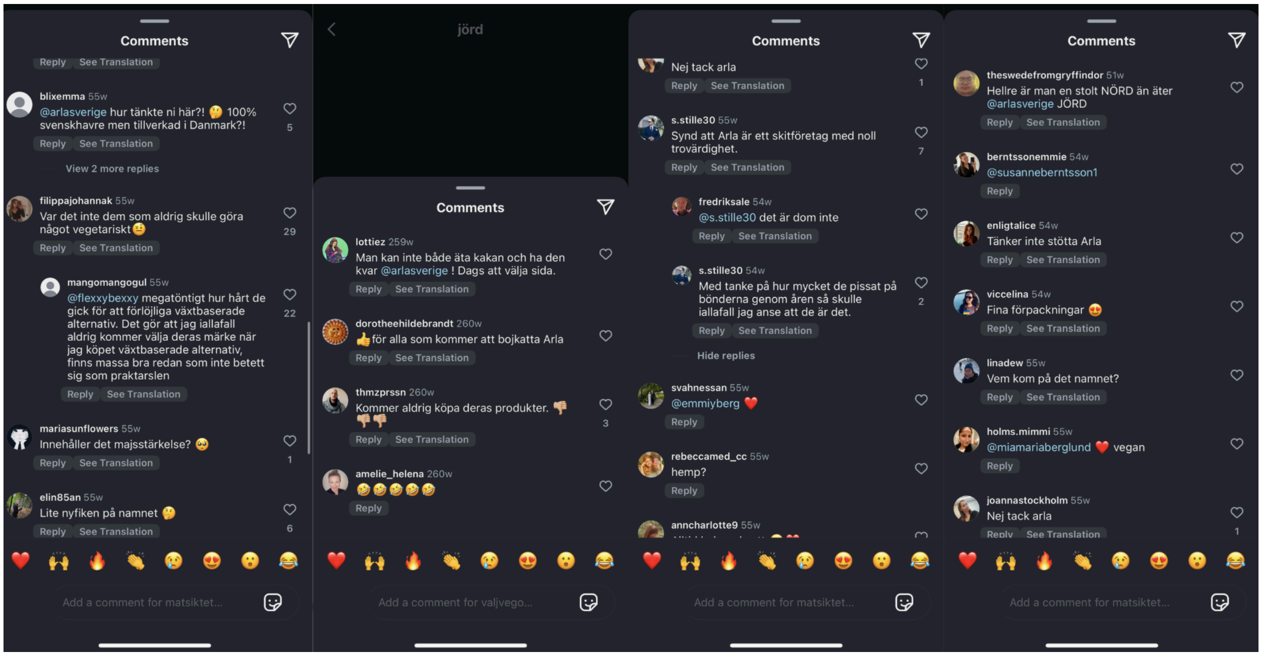
Ultimately, Arla decided to go for option two and challenge Oalty by entering their market in the plant based industry. In 2019 Arla launched a line of lactose free “milk” consisting of 50% milk and 50% oat. Moreover, in 2020, they launched the brand “JÖRD” (**Exhibit 1**) which initially consisted of three oat drinks that were 100% plant based. In 2024, they decided to relaunch the JÖRD brand with a new design and more products (**Exhibit 2**). To promote the products in the relaunch, they collaborated with several influencers on social media. Although Arla’s previous strong emphasis on promoting dairy milk with slogans such as “Only milk tastes like milk”, they referred to the decision to enter the plant based market as a natural step. Arlas decision to enter the plant-based market was met with mostly negative reactions (**Exhibit 3**).

More recently, Arla has engaged in digital marketing and influencer collaborations such as celebrity cookalongs on Youtube and sponsored Tiktok-campaigns to stay relevant in the modern food landscape. Social media campaigns have played a significant role in promoting arla’s products while addressing debates around dairy consumption.

Exhibit 1: JÖRD 2020

Exhibit 2: JÖRD 2024

Exhibit 3: Reactions to JÖRD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