

Guilty By Association: The Boycotting Of Danish Products In The Middle East


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ABSTRACT

We present a business situation encountered by several multinational corporations as they faced social boycotts of their products in countries where the policies of their home country's government were unpopular. The case examines the issues surrounding the boycott of Danish products following the publication of cartoons depicting the likeness of Prophet Muhammad in what was interpreted as blasphemous by Muslim consumers.

Keywords: Boycotts, Freedom of Speech, Blasphemy, International Marketing

INTRODUCTION

 n September 30, 2005, Denmark's largest newspaper *Jyllands-Posten* printed twelve drawings depicting Prophet Muhammad. In one of the drawings, an image assumed to be that of the Prophet appeared with a turban shaped like a bomb strapped to his head implying that Islam preaches violence and condones terrorism. The images, considered blasphemous under Islam, caused uproar among the Muslim masses around the globe and triggered a diplomatic crisis with Arab and Islamic countries. Islam prohibits any drawings of Prophet Mohammad.

Muslim scholars and religious leaders considered the controversial cartoons a “crime of aggression” against the Islamic nation and urged the Danish government to denounce the incident (Khaleej Times, February 22, 2006). Arab League Secretary General, Amr Moussa, went even further by describing the offensive cartoons as part of a “battle against Islam” rather than a symptom of clash of civilizations (Khaleej Times, February 28, 2006).

The Danish newspaper that had published the cartoons refused to apologize, and maintained that “printing the cartoons was a way to ensure freedom of speech in the face of intimidation from radical Islamists” (Copenhagen Post, December 28, 2005). The Arabic media insisted that the publication of the “blasphemous cartoons” had nothing to do with the freedom of expression. They reiterated that the freedom of expression did not mean freedom of “insult, defamation and slander”, and while demanding an apology, suggested economic boycott and political action.

According to the Khaleej Times, a major English language daily newspaper published in Dubai, United Arab Emirates: “freedom of expression is one thing, but it should not be confused with acts of inciting feelings, which is what has happened in Denmark.”(Khaleej Times, February 2, 2006).

Whether this fiasco was a cultural misunderstanding or an emotional overreaction, Danish multinational companies were caught in the middle.

MULTINATIONAL COMPANIES AND CONSUMER BOYCOTTS

Every consumer purchase can be viewed as an endorsement of the company making and marketing that product. Conversely, by choosing not to buy a certain product from a certain company or country, consumers can protest questionable behavior and practices linked to those companies or countries. In fact, the consumer boycott issue is quite significant in marketing literature. And with the recent vigorous globalization of production and markets, the term has assumed particular significance for MNCs' involvement in international marketing.

Famous examples of successful consumer boycotts include European consumers' boycott of genetically modified foods in the 1990s, which helped shift the regulatory and legislative response to the issue in Europe. In the United States, the sweatshop labor campaigns targeting leading brands like Nike, Disney, and Gap changed their production and sourcing strategies. Another classic example is the worldwide boycott of Nestle products in protest of its sale of baby formula in Third World markets. Shell has also felt the impact of consumer boycotts over environmental issues. Coca-Cola, McDonald's, and Marlboro are among the ten most recognized brands in the world, but they are also among the world's most frequently targeted for boycotts.

THE FALLOUT OF DANISH CARTOONS

Almost four months after the cartoons were published, the Middle East witnessed a sudden backlash and outrage. On Friday January 20, 2006, religious clerics all over Saudi Arabia (during the weekly prayer service) called for the boycott of Danish products as a way to respond to drawings of the Prophet Muhammad. Within a few days, a massive boycott of Danish dairy products started in Saudi Arabia over what was perceived as a Western attack on Muslims' values.

There were fatal riots and demonstrations on the streets, hysterical articles in newspapers, and emotional emails and text messages calling for a boycott of Danish goods. Mass emails were sent in January 2006 calling for the boycott of the following Danish companies and products:

- Arla Foods - Milk and dairy products
- Lego Toys/ Jovo Toys
- Dyrup Paints/ Grundfos Pumps
- Danfoss Pumps
- Linberg Eyeglasses
- Kuwaiti Danish Dairy (KDD)
- Saudi Dairy & Foodstuff Co. (SADAFCO)
- Bang & Olufsen - Music systems and televisions
- Novo Nordisk - Medicine
- Ochy Perfume/ Elelia Perfume
- Ecco shoes

Danish products, from Lurpak butter to Lego toys, were quickly pulled off the shelves in Saudi Arabia, Kuwait, United Arab Emirates, Egypt, Oman, Qatar, Algeria, Bahrain, Jordan, Tunisia, Yemen, and other countries around the Middle East as Muslims awaited an apology for the cartoons (Elaph, January 30, 2006).

In Saudi Arabia, the executive president of the largest grocery retailer, Al-Othaim Markets, declared "his company's boycott of Danish products until that country's largest daily [*Jyllands-Posten*] apologizes for publishing 12 cartoons that mocked the Prophet Muhammad" (Hasan & Tago, 2006). In addition, Al-Othaim's initiative included a boycott of any supplier who embraced Danish products.

Arla Foods, one of the world's largest producers of dairy products, suffered the most during the first few days of the boycott. The company's warehouses were full after customers in the region cancelled their orders. The Danish company had annual sales of around €350 million or \$550 million in the Middle East, and was in the process of opening a major dairy factory in Saudi Arabia in two weeks.

“The situation is escalating very quickly right now”, said Finn Hansen, Arla’s executive director. “The development in the last hours is quite worrisome”, he added. “They have attempted to make us denounce the drawings. The situation is critical because the Saudi consumers react collectively. We’re afraid of being hit by a wave of consumer anger.” (Copenhagen Post, January 26, 2006). A few days later, Mr. Hansen also said it would take a long time for the Danish dairy firm to re-establish the business and good trading relations it had in the Middle East until just a week ago. Peder Tuborgh, the group’s managing director, reiterated Arla’s worst fear: “This could take years, but we want to see a dialogue that can solve the conflict and allow us to work towards re-establishing Arla’s business in the Middle East.” (Mercer, February 1, 2006)

By the end of January 2006, Arla’s sales had come to a standstill in the firm’s key Middle East region as Muslim consumers in several countries boycotted Danish products, and the company was forced to shut down its factory in Riyadh, Saudi Arabia. “Our sales in the Middle East have come to a complete stop - in all countries in the region,” company spokeswoman Astrid Gade Niels told the BBC. She added: “We have taken 40 years to build up a very big business in the Middle East, and we’ve seen it come to a complete stop in five days.” (BBC News, January 31, 2006)

There is no doubt that the aggressive leadership of Saudi Arabia has contributed to the relative success of the campaign. The boycott spread quickly turning into a comprehensive ban on Danish goods in several Arab countries. For instance, Kuwait’s largest grocery store chain removed Arla products from its shelves in no time. “This is serious. The chain is owned by the Kuwaiti government and has a 50 percent market share,” said Finn Hansen of Arla Foods (Copenhagen Post, February 2, 2006). Meanwhile, pump producer Danfoss and insulin maker Novo Nordisk reported that their business had been affected. Charlotte Simonsen, the spokeswoman for the Danish toy-maker Lego, said Lego’s products had already been taken off the shelves of stores in Qatar, Kuwait, and the United Arab Emirates (Elaph, February 11, 2006).

By mid February 2006, the boycott was almost complete and extremely successful throughout the Middle East. Most stores had put up notices that they were not stocking any Danish products. Arla was the hardest hit of all Danish companies operating in the Middle East. The Dairy giant, with its brands Puck (processed cheese and dairy creams), Lurpak (butter), Three Cows (processed cheese), and Dano (milk powder) suffered the most, probably because it was the most recognizable and visible Danish company, and there were ample local and imported substitutes.

The first tangible measure of the impact of the boycott of Danish goods was an 85% drop in Denmark’s dairy exports in the month of February. Exports of Danish dairy products like milk, butter and cheese dropped to 130 million Danish Krone (US \$1 = 4.7 DK) in February 2006, from DK 840 million a year earlier (International Herald Tribune, April 11, 2006).

In March 2006, Arla expected that the Middle East boycott would cost it at least €53 million (\$85 million) in 2006. Arla said losses could rise even further if its cheese and butter products were not back on shelves soon. The company hoped that 50% of pre-boycott volumes could be recovered by the end of 2006 (Mercer, March 6, 2006).

On a different front, local companies like Kuwaiti Danish Dairy (KDD) and Saudi Dairy & Foodstuff Co. (SADAFCO) were unfortunate because people associated them with Danish products, although their products had nothing to do with Denmark. KDD and SADAFCO did at one time source material from Denmark but this was a very long time ago. Consumers did not recognize that links between SADAFCO and a Danish partner, for example, had ended in 1987. The company posted a loss of \$6.7 million in the financial year ending March 2006, mainly due to a boycott of Danish products (AME Info, June 7, 2006).

ARLA RESPONDS TO THE CRISIS

After a two month boycott, some relief appeared on the horizon when Arla denounced the cartoons in full page advertisements taken out in papers across the Middle East.

“Arla Foods distances itself from the act of *Jyllands-Posten* in choosing to print caricatures of the Prophet Muhammad and we do not share the newspaper’s reasons for doing so we understand and respect your reaction, leading to the boycott of our products as a result of the irresponsible and unfortunate incidentjustice and tolerance are fundamental values of Islamwe only ask you to consider this and hopefully, to reconsider your stance towards our company”, the ad read. (Arla Foods, March 20, 2006).

As an immediate response to the ad, 3,000 stores (of the 50,000 stores and supermarkets in the region) started to put butter and cheese from Arla back on their shelves. In late March 2006, Arla’s Web site mentioned that the Middle Eastern boycott was slowly lifting (Arla Foods, March 29, 2006).

However, two months later (late May 2006), the company was still struggling as the regional boycott of Danish products had focused on its products. Sales had failed to bounce back, and remained at only 10 to 15 percent of the pre-crisis level, regardless of the PR campaign (Copenhagen Post, May 25, 2006).

It took Arla another year and a half to recover. In January 2008, Arla Foods announced it had recovered 95% of the sales volume it had in the Middle East prior to the boycott that followed the 2006 Muhammad cartoon crisis. Finn Hansen, Arla’s Executive Director, said: “It’s taking a little longer than expected to fully recover our position, but we’re confident that our efforts will continue to pay off. The fact that spending power and dairy product consumption are also increasing across the region is a further reason for maintaining our ambitions.” (Flex News, January 30, 2008)

CRISIS RE-IGNITED

Mr. Hansen was wrong. A couple of weeks later, On February 13, 2008, a group of 17 Danish papers reprinted one of the drawings of Prophet Muhammad. The papers republished the cartoon a day after police in Denmark thwarted an alleged plot to murder Kurt Westergaard (one of the cartoonists who created one of the most controversial of the original 12 cartoons), describing the move as a gesture of solidarity with him and a move in defense of the freedom of expression. The left-leaning Danish newspaper *Politiken* reprinted the cartoon, calling the murder plot an attack on Denmark’s democracy. In an editorial, the newspaper wrote that: “Regardless of whether *Jyllands-Posten* [the first newspaper to publish the cartoons in 2005] at the time used freedom of speech unwisely and with damaging consequences, the paper deserves unconditional solidarity when it is threatened with terror.” (Rosalind, 2008)

Once again, the act sparked mass outrage across the Muslim world and stirred anger in the Middle East. And for a second time, Danish multinational companies got caught in the middle. In the Middle East, religious leaders, politicians, journalists, mass emails, and text messages were all calling for one thing: another round of boycott of Danish products. A new campaign began in Saudi Arabia calling for the boycott. As a result, supermarkets in Gulf Arab states (such as Saudi Arabia, United Arab Emirates, Qatar, Kuwait, and Bahrain) stopped selling Danish products and removed them from their shelves. In Oman, supermarkets and grocery stores declined selling products from Denmark across the conservative Muslim sultanate. The boycott will be maintained "as long as the insulting cartoons continue to be published", Mukhtar Alawati, the public relations chief of Al-Jadeeda Stores, told the local press (Alquds Alarabi, March 18, 2008).

In Kuwait, consumers called for the renewed boycotting of Danish products due to the re-printing of the infamous cartoon and some locals were prepared to add Dutch products to the list in anticipation of the Dutch anti-Islam movie *Fitna* (Kuwait Times, March 16, 2008).

In Jordan, major media outlets launched a massive campaign entitled “The Prophet Unites Us” to boycott Danish products. The campaign printed hundreds of thousands of posters displaying pictures of Danish products with a message urging consumers to boycott them. The head of the campaign committee, Zakaria Sheikh, told The Jordan Times: “This campaign is much different, mushrooming and more effective [than the 2006 boycott] and will not ease until there is a clear formal apology from the Danish government.” (Hindi, March 14, 2008). However, Danish Ambassador to Jordan, Thomas Lund Sorensen, told The Jordan Times that as an international trade expert

he “sincerely dislikes boycotts” (Hindi, May 21, 2008). He also implied that the boycott won’t make a dent in the Danish economy as the volume of bilateral trade is small. According to the ambassador, Jordan imported only \$50 million worth of goods from Denmark in 2007.

While the boycott of Danish products was sponsored by non-government groups, there were instances of official displeasure expressed by several governments. Sudan officially banned the import of Danish goods. The Sudanese President, Omar Al-Bashir, announced a plan to ban Danish imports, snub Denmark’s officials and expel its humanitarian organizations. In the past, President Al-Bashir utilized the cartoons as an excuse to prevent the former UN Undersecretary General for Humanitarian Affairs, Jan Egeland, of Norway from entering Darfur, and to expel Scandinavian peacekeepers from the region (Sudan Tribune, February 25, 2008).

Similarly, Libya closed its embassy in Denmark and decided to bar Danish companies from participating in lucrative development and infrastructure projects worth billions of dollars. The Libyan government described the decision as a protest against the reprinting of the controversial cartoons by Denmark’s main daily newspapers (Libya News, June 12, 2008).

Egypt summoned the ambassador of Denmark in Cairo to protest the reprinting of the caricature and called off two friendly soccer matches between the Egyptian and Danish youth teams. Major supermarkets around Cairo put up signs saying that no Danish products were on sale (Masrawy, February 18, 2008).

Other countries in the Middle East jumped on the boycott bandwagon as well. Iran withdrew its ambassador to Denmark and Qatar’s Chamber of Commerce said it had halted dealings with Danish delegations, while in Bahrain parliament formed a committee to contact Arab and Islamic governments to enforce a boycott.

In March 2008, the Trade Council of Denmark acknowledged an evident drop in sales of food items in general and dairy products in particular. Svend Roed Nielsen, spokesperson for the Trade Council of Denmark admitted that “sales have dipped considerably in Saudi Arabia, Yemen, Kuwait, Jordan and other countries.” Nielsen also believed that this round of boycott could last even longer than the first (Copenhagen Post, March 13, 2008).

By mid April, it was apparent that Arla Foods was struggling (again) with the consumer boycott in the Middle East. Sales in the region dropped to only half of the projected level. The company anticipated that if the current trend were to continue for the full-year, it would encounter sales decline of DK 1.3 billion (\$274 million) out of an estimated global sales of around DK 50 billion in 2008 (AME Info, April 10, 2008). The company has been losing DK20 million (€1.3 million) per day since its products were taken off the shelves in early 2006 (Wikipedia, June 24, 2008).

THE CONTROVERSY CONTINUES

Ever since the Danish newspaper *Jyllands-Posten* printed the Muhammad cartoons on September 30, 2005, the controversy surrounding them has been ongoing. Almost three years after the publication of the cartoons, some European companies are still struggling in the Middle East especially after the controversy was reignited with the republication of one of the cartoons on February 13, 2008, and the release of the Dutch anti-Islam movie *Fitna* on the internet on March 27, 2008.

The cartoons caused uproar among the Muslim masses around the globe, stirring chatter of everything from boycotts to severing of diplomatic ties. To make things worse, worldwide protests and demonstrations broke out, in some cases causing deaths and injuries.

The campaign to boycott Danish products took a different turn in May 2008 when some leading healthcare providers in Saudi Arabia and other Gulf countries decided to boycott prescription drugs imported from Denmark. Roughly three months into the second boycott, the healthcare sector jumped on the bandwagon calling for an immediate boycott of all drugs produced by Danish pharmaceutical companies such as Novo Nordisk, Lundbeck and Leo Pharma (Copenhagen Post, May 14, 2008).

However, the climax took place on June 2, 2008 when a suicide car bomb outside Denmark's embassy in Pakistan killed between six and eight people and wounded 27 in a possible new backlash over the cartoons. A few days later, Al-Qaeda claimed responsibility and confirmed the attack was in revenge for the publication of cartoons insulting Prophet Muhammad, as well as the presence of Danish troops in Afghanistan (Wikipedia, June 20, 2008).

CASE DISCUSSION QUESTIONS

1. Danish companies like Arla Foods are suffering from the boycott even though they had nothing to do with the cartoons. Thinking from the perspective of a Middle-Eastern consumer, justify the boycott of Arla.
2. What are the options available to companies like Arla Foods to minimize the impact of boycotts?
3. If Arla Foods voices its opposition to the cartoons (and suggests that these cartoons do not necessarily fall within the purview of free speech), what are the possible consequences in the Muslim world as well as the non-Muslim countries?
4. Is it possible for multinational corporations to appeal to the more moderate segments of the Muslim countries? Suggest some concrete strategies for doing so.
5. Assume that a citizen action group in the Middle East is planning for organizing a social boycott of Danish products. The group has two options: 1) to distribute millions of posters to customers who frequently buy Danish products to convince them to abstain from such purchases, and 2) to lobby hard with retailers who typically carry Danish products to abstain from stocking such products. Of these two options, which one is likely to be more effective? Why?

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