



**What impact did the Muhammad Crisis  
have on Arla Foods' brand in Denmark?**

## Title Page

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Subject of study: CCG – 10. Sem

Name of project: What impact did the Muhammad Crisis have on Arla Foods' brand in Denmark?

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Pages: 54,8 pages (131423 characters)

Signature: \_\_\_\_\_

## Abstract

This thesis investigates how an external factor can influence consumers' perceptions of a well-established brand. In this thesis, it is investigated if the Muhammad Crisis has had an influence on the then much-criticized Arla brand in Denmark. This implies a combination of principles, values and associations that might have an impact on consumers' feelings towards the company and its products. Consequently, branding concepts such as brand equity, image, loyalty and reputation will be discussed in order to collect correct data and relate it to the case. The case refers to how Arla Foods was drawn into the Muhammad Crisis a victim, and it will be analyzed how the crisis affected how the media portrays Arla Foods and if it has change consumers' feelings towards the company. In order to assure as high reliability and validity as possible, both secondary and primary data will be collected. The secondary data consist of e.g. articles written by the press from before, during and after the crisis and annual reports and press releases from Arla Foods' own archives. Because this thesis also deals with consumer perception and feelings, the primary data consist of in-depth interviews with consumers as well as a journalist, co-op manager and a sales director at Thise Mejeri. By using a hermeneutic approach to interpreting the data, it will be concluded how and if the Muhammad Crisis has influenced the perception of Arla Foods.

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## Introduction

*This section will provide the reader with a background of the areas of research. Subsequently, a discussion of the problem is presented, followed by the research objective together with a set of limitations. Finally, an outline of the thesis is given and presented visually.*

### 1.1. Background

According to Morrison (2002) and Kotler (2003), one way of coping with globalization and increased competition is to expand one's business into other countries, as it can result in a bigger market share and cheaper production costs. However being a large international company also means that the management is faced with other problems, small local companies do not have to worry about. Operating in a foreign country with a different culture and religion, new and unknown issues can arise due to incidents that are normally taken for granted in the company's home country (Arnould et al., 2006). This became the reality for Arla Food A/S as they got caught up in a crisis, which was caused by the printing of pictures illustrating the Prophet Muhammad. During 2006 protests caused by the Muhammad cartoons led to the attacks on Danish embassies in Syria, Lebanon and Iran. In addition to this, the crisis also resulted in a boycott of Danish products, which was painful for Arla Food A/S, as they have a huge market share in the Middle East. Arla Food A/S lost 450 million DKK because of the boycott and was forced to lay off several Danish employees as a result, and even today Arla Food A/S is not exporting as much to the Middle East as it did before the crisis (appendix 1). Clearly, the "Arla brand" had a negative brand equity in the Middle east, but how did the crisis influence the Danish consumers' perceptions of Arla?

### 1.2. How brands affect you

Consumers' cognitive associations of a company or a brand can be both a strategic asset and a source of sustainable competitive advantage for a company. Because of this, many companies spend huge amounts of money on corporate advertising, sponsorships, cause-related marketing, etc. in order to improve their brand in the minds of the consumers (Brown & Dacin, 1997).

Brands can be defined as a name, term, design, symbol or any other feature that identifies one seller's goods or services as distinct from those of other sellers' (Wood,

2000). Brands represent a point of differentiation in a competitive environment and are, therefore, critical success factors for a company. Through years of strategic brand management, combining all marketing elements in a reasonable way, strong, favorable and unique associations are established in the minds of the consumers and a relationship between the brand and the consumer is formed (ibid.). These associations build up a brand image which consists of both rational and emotional factors and is, in a best case scenario, characterized by trust, loyalty and attachment (James, 2005). The strength of the created brand, however, depends on the set of association created in the minds of the consumers as well as the ability to make the consumer recall these associations e.g. during the point of purchase (Chen, 2001). Only then, when consumers actively recall their set of memories, will it lead to a buying decision in favor of the particular brand.

Besides ensuring quality standards and the guarantee of providing the expected benefits, brands are more than simple commodities (Randall, 2000). Brands build up values and a heritage that can be based on the brand itself, e.g. its logo or name or on other factors such as creative advertising, history, corporate social responsibility (CSR), distribution channels, etc. (ibid.).

When a brand is finally developed and anchored positively in the minds of the consumers, a Coca-Cola is not just a soft-drink, a Porsche is not just a means of transportation to get you from A to B and Ralph Lauren is not just a clothes manufacturer. They differentiate themselves from competitors, maybe equal in quality and design, by their brand value. This, however, requires that the brand owners have to establish a solid understanding of their consumers and represent what it stands for (Kotler, 2003).

### **1.3.Brand perception**

Even though theory acknowledges the composition of brands and the value of consistent brand management, brand structures and perceptions can nowadays be altered in a negative direction even though the product is flawless. In today's globalized society, the world has gotten smaller and technological advances have made it more transparent and information is easy available. As companies start operating abroad, they find themselves in foreign cultures where they can encounter problems they never had to deal with in their home country. In addition to this, the

world has gotten more transparent, meaning that if a company does something bad in one end of the world, its consumers in the other end of the world will hear about it in a matter of days (Morrison, 2002).

In the case with Arla Foods A/S, they got caught up in a battle they did not start or participate in. Some Danish newspapers had printed cartoons that illustrated the prophet Mohammad which caused great upheaval in the Middle East and resulted in a boycott of Danish products. Because of this crisis, the brand “made in Denmark” had a negative brand equity among many Muslim consumers which also rubbed off on Arla Food A/S. But how did the Danish consumers react to crisis in which Arla Food A/S found itself? Did the crisis influence Arla Food A/S’ brand equity in the minds of the Danish consumers?

In literature, this problem is mainly discussed from a company’s point of view, meaning that it is the companies that create brand equity, and all the actions a company make influence their consumers’ perceptions of their brand in a positive or negative way.

Instead of analyzing how much Arla Food A/S lost within given segments, this thesis will cover how the crisis affected Arla Foods and how Danish consumers perceive the “Arla brand” after a crisis it was unwillingly pulled into. The Danish buyers’ perspectives will be adopted by means of the case example of Arla Foods A/S, which was an innocent victim of a crisis. How do consumers perceive Arla Food A/S as regards to image and credibility and has the crisis altered this perception? Has the crisis made consumers choose another brand or are they still loyal? Consequently, it will also be researched if it has led to changes in their consumers buying behavior.

#### **1.4. Research objective**

This thesis sets out to research the impact the Muhammad Crisis had on Arla Foods’ brand. Has the way that consumers experience and perceive Arla Foods changed after Arla Foods was hit by a crisis created by the surrounding environment and not by the company itself? In light of the above the following recapitulates the research objective:

**What impact did the Muhammad Crisis have on Arla Foods’ brand in Denmark?**

## 1.5. Limitations

1. In general, this topic is not well documented; especially from a consumer's point of view. There are many theories that try to explain branding and brand equity, however many of these theories take starting point in the fact that it is the company that is the agent. This thesis will concentrate on investigating the influence the Muhammad Crisis, which was caused by external factors with origin in a foreign country, had on Danish consumers.
2. This research will not investigate how Arla Food A/S handled the crisis, meaning that areas such as how they adapted their branding during the crisis or how effective their crisis communication was, will not be discussed.
3. Since this thesis investigates the feelings attached to an already established and strong brand, this thesis nor the theory used will deal with the creation of a strong brand.

## 1.6. Structure of thesis

This thesis will be structured as follows. Section 2 discusses the methodology and reasoning behind the design of the thesis. Section 4 deals with theory used in order to shed light on the research objective. Mostly literature dealing with brand concepts that revolves around the importance of image and reputation in the market place will be used. This will be combined with the theory of brand equity. Section 3 will describe Arla Food, the crisis and analyze the data in reference to the theoretical framework. Section 5 will analyze the collected data and the following section will conclude on the research objective by summing up the findings in the analysis.



*Figure 1: Structure of Thesis*  
*Source: Own Creation*

## 2. Methodology

*Having established the “what and why” for this project, it is important to describe “how”, or the methodology, that will be used in reaching a conclusion. This section serves as a mean to describe the methodology that will be used for conducting the research. It will work as a guideline, so the reader can follow how the research objective has been accomplished. Firstly, the scientific theoretical approach will be described as well the research approach and position. Then the data and the data collection will be discussed, and finally, the reliability and validity of the data will be addressed.*

### 2.1. Scientific Approach

When examining a certain phenomenon, it is crucial to consider through which scientific paradigm the phenomenon is to be investigated, as this will affect the output and results of the investigation (Fuglsang & Olsen, 2004).

According to Thurén (2006), there are different ways of finding out the truth. These different approaches can be divided into two major paradigms; positivism and social constructivism. Positivism stems from the natural science and in this paradigm, the truth is based on positive or certain knowledge or in other words, hard facts. The world and things in it can be watched and calculated using math and logic. As a consequence, in order to reach a truth, phenomena are often quantified and treated statistically (ibid.).

Social constructivism is the counterpart to positivism. According to social constructivism, the world and phenomena surrounding the individual are negotiated and socially constructed. The truth and different phenomena may vary from individual to individual and also depending on the context (Fuglsang & Olsen, 2004). Because of this, the truth is dynamic as it changes all the time. As a consequence, phenomena cannot be quantified, as they change all the time.

Due to the nature of this thesis the positivistic paradigm will not be the approach, as it is not a logic and quantified truth that is the goal. Because this thesis deals with aspects such as consumer perception and why they feel the way they do about a certain brand, social constructivism is found as the best approach to investigate the research objective.

## 2.2. Social constructivism

Parts of social constructivism can be traced far back to philosophic and sociologic theories, however social constructivism did not emerge as a scientific theory before the 1970s (Fuglsang & Olsen, 2004.).

Social constructivism is regarded as the theoretical opposite to realism or positivism. According to social constructivism, reality has no permanent structure, however it is shaped and influenced by individuals' meanings and believes (ibid.).

This scientific theory takes starting point in the fact that social phenomena are inconstant. Changes happen all the time due to historic and social processes, which are created by every single individual through their actions.

In social constructivism, it is assumed that it is impossible to gain universally valid knowledge, as the knowledge one has obtained is shaped by the social and cultural context in which it was obtained. Because of this, the knowledge obtained about reality will never be a universally valid image of reality, however it is an image of reality seen from a certain perspective (Heidegger, 1996).

As mentioned above, this scientific theory has roots in different sociological and scientific theories, which means that social constructivism is not a homogeneous scientific theory. This means that social constructivism is not a uniform school of thought, however it is subject to many differences (Fuglsang & Olsen, 2004).

In order to create an overview of the different backgrounds within social constructivism, the following figure will illustrate different views of the scientific theory.

	<b>Physical Reality</b>	<b>Social &amp; Human Reality</b>
<b>Epistemological Constructivism</b>	Our scientific knowledge about the physical reality is a construction	Our knowledge about the social and human reality is a construction
<b>Ontological Constructivism</b>	The physical reality is a construction of our scientific knowledge about it	The social and human reality is a construction.

*Figure 2: Different types of social constructivism*  
 Source of inspiration: Fulgsang & Olsen (2004), pages 339 - 353

In light of the above figure, two major types of social constructivism have arisen; epistemological constructivism and ontological constructivism. In the epistemological variant, it is the individual’s knowledge about reality, both physical and social, that is constructed. In the ontological variant, physical and social reality is a man-made construction (ibid.).

Due to the nature of the research objective, the epistemological approach will be used in order to understand the respondents and use their statements to reach a conclusion. This means that the perception of Arla Food, which is created in this thesis, partly is created from the respondent’s own constructed knowledge of reality.

This does not mean that it is impossible to conduct cross cultural studies. Although culture is dynamic and socially constructed there is always something that guides us. Kleppstø (2005) refers to this as “the cultural material at hand” and he describes it as a pile of culture that one can make use of and for as he/she pleases. Although this cultural material at hand is always present, culture is still dynamic, because it is constructed differently depending on context, purpose, reason, situation, etc.

So even though there is a substantial intracultural variability, it should still be possible to identify some overall values and tendencies within a culture.

### 2.3. Research Approach

According to Adams and Brace (2006), there are two main research approaches within social sciences; the quantitative- and qualitative method.

A quantitative method is structured and formalized and the data collected from this method can be measured and presented in figures. It is possible to make generalization based on the processed data of the investigation. The quantitative method studies a few variables on a large number of respondents. The research objective is treated in a broad perspective, often through surveys with a set of alternative answers. In addition to this, this approach can also be applied when the researcher conducts a wide investigation that contains many areas of research.

The qualitative method is not used in order to make generalizations, however it is to describe a situation as a whole in which the research problem exists. The researcher searches to create a complete understanding of the research objective. The qualitative method allows for the possibility to collect abundant information from a few respondents, hence making generalization impossible. It involves an in-depth understanding of human behavior and the reasons that govern human behavior. Unlike quantitative research, qualitative research relies on reasons behind various aspects of behavior (Adam & Brace, 2006 and Cooper and Schindler, 2003).

Due to the nature of the research objective, this thesis will mainly make use of the qualitative method. Aspects such as peoples' feelings and attitudes cannot be quantified and illustrated by charts (Cooper & Schindler, 2003). As this thesis will uncover consumers' feelings towards Arla Foods, a qualitative approach that uncovers in-depth understandings of how and why people think and behave as they do, and such aspects are best described by words.

To this, it has to be mentioned that this thesis will make use of quantitative secondary data as well. As this thesis will uncover how consumers perceive Arla Foods, different areas such as sales numbers, annual reports, etc. will be discussed. Hence, this investigation is not complete qualitative in nature, as it takes many different research areas into consideration and some of the secondary data can be measured and illustrated with charts.

## 2.4. Research Position

According to Cooper and Schindler (2003), there are two commonly used methods when drawing conclusion from research data. These methods are induction and deduction.

Induction means that conclusions are drawn from the results of empirical studies. Then, theories are put together on the basis of the collected data. When using the inductive method, data should preferably be collected at random from as broad an areas as possible. A weakness of the inductive method is that it one can never obtain the “entire truth”, but only a high probability (Thurén, 2006).

When using the deductive method, theory is more important. A deductive method is to derive hypotheses from theories, and then test the hypotheses empirically to validate them. The conclusion is based on logical thinking, and this method is appropriate when determining or rejecting a theory (ibid.).

This thesis aims at uncovering how Danish consumers’ feelings towards Arla Foods, was affected by the crisis in the Middle East. The research made in this investigation will be conducted inductively. The chosen case of Arla Foods and the primary data collected will serve as a basis for consumer perception and behavior. Hence, this approach is inductive as conclusions are drawn from empirical data. Although this thesis relies on a well-founded theoretical framework, this thesis is still inductive in nature. The theoretical framework serves as guidelines, as it is not used in order to bring forth an understanding of reality. The problem in the research objective is not grounded in theory nor is it controlled by theory.

## 2.5. Data

In order to assess Danish consumers’ perceptions of Arla Foods, this thesis will make use of both quantitative and qualitative data. The aim of quantitative research is to provide confident measurements of what people think. In order to make sure that the data collected is valid and reliable, it is necessary to collect data from large samples. Qualitative research, however, usually depends on much smaller samples, because the aim of this method is to uncover the respondents’ ideas and feelings on a subject, rather than measuring how widely they are held (Adams & Brace, 2006).

### 2.5.1. Validity and reliability

Reliability is the truthfulness of the market research. A high reliability is obtained by a well-organized arrangement of data collecting and data processing. Validity refers to the correctness of the market research. High validity means that you are measuring the factors you want measured and not something else (Thurén, 2006).

The concepts of validity and reliability are illustrated in figure 3.

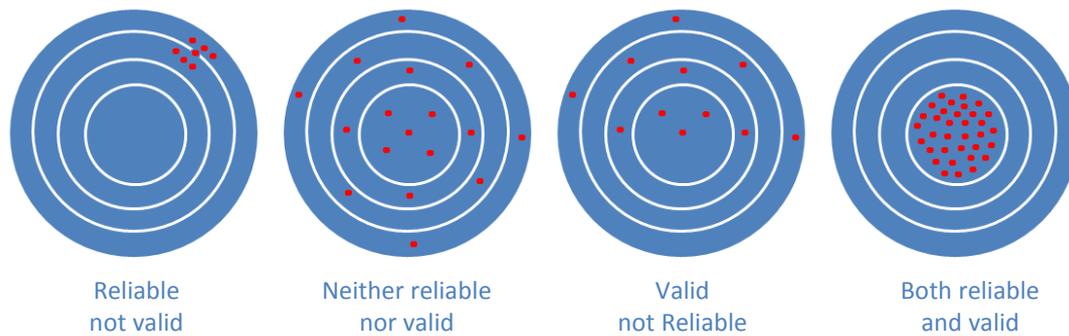


Figure 3: Reliability and validity

Source of inspiration: Cooper & Schindler (2003). Page 235

The circle represents the area of focus for the thesis, and the different dots represent different data samples used in the thesis. The model to the right illustrates both high validity and reliability, which is the ideal situation to have when conducting a market research. The reliability and validity of the data will be further discussed in section 2.7.

### 2.5.2. Secondary data

This thesis is based on a sound theoretical framework that mainly relies on books and scientific journals. By discussing different concepts regarding branding and consumer perception, a general frame is created that helps to define the scope of the paper.

The theory section is based on secondary data, which means that “*the data was collected for some purpose other than the one at hand*” (Cooper & Schindler, 2003, page 97). Secondary data allows for a general cover of the area of study and can uncover areas that need to be studied in further detail. This means that the theoretical framework represents a starting point, upon which further data is collected, such as the primary research and the structure of the interview guide.

This thesis is going to elaborate on the influential factors that are necessary to understand in connection with the case and the brand perception of Arla Foods. Hence, the first part of the literature review deals with branding from a consumer’s

point of view, and the second part revolves around different branding concepts discussing brand image, reputation and awareness. In addition to this, secondary data will be used in order to explain the case and the analysis of the impact the Muhammad Crisis had on Arla Foods as a Danish company operating in a global environment in order to put the research objective in context.

### **2.5.3. Primary data**

Using social constructivism as the scientific approach for this thesis and a hermeneutic approach (please see section 2.6.2) to interpret the data collected, the author finds necessary not to be the sole interpreter of the data. It has to be a dialectic process where different people's points of views are discussed with different people. Because of this interviews have been carried out with both consumers and professionals as the respondents. This ensures a more reliable and valid conclusion as well gives insight from consumers' and professionals' points of view.

In order to answer the research objective thoroughly and gain insight into consumers' perceptions of Arla Foods and how the crisis may have had an impact on this perception, primary data is needed. As mentioned above, the theoretical framework (section 4), part of the secondary data, was already at hand, and it identifies a gap of information that still has to be collected. In this thesis, primary data relates to what specific information that is needed from consumers to shed light on the problem. The research objective in the introduction captures the gap of information from a consumer's point of view. Because of this, e.g. consumers of Arla products will be the target group for collecting the primary data.

## **2.6. Qualitative method**

As this thesis also deals with aspects such as consumer feelings and behavior, a qualitative data collection method will be applied. Qualitative research methods allows for a wider and deeper understanding of the ways individuals think and perceive (Cooper & Schindler, 2003), making this method the most advantageous way of collecting the primary data in relation to this research objective. However, as mentioned earlier, it is impossible to generalize from the data retrieved from qualitative research methods. The primary data is not collected to determine how the entire Danish population perceives Arla Foods, however it will give an insight into what a few individuals think about the Arla brand and why, and serve as way coming behind the charts and figures generated from the quantitative research method.

### 2.6.1. Interview

The qualitative research method chosen for collecting the primary data is a semi-structured in-depth interview, as this thesis sets out to gain a better knowledge of the individual's understanding and perception of Arla Foods.

An in-depth interview can be defined as (...) *an interview that has the purpose of collecting descriptions of the individual's life world in order to interpret the meaning of the described phenomena* (Kvale, 1997, page 19). This means that it is the individual's perception and understanding of Arla Foods that is central for this approach.

The in-depth interview requires a special approach and interview technique (Kvale, 1997). The purpose of this interview technique is to gather different descriptions from the respondent in order to understand the meanings and ideas of the respondent. Using this kind of interview, collecting qualitative data, the interviewer has the opportunity to get a more depictive and colorful description of the areas concerned. When talking to a respondent, more specific data about how he/she relates and thinks about the research objective at the time of the interview.

The interview must remain naïve, as the interviewer must show openness towards the respondent and be ready to make new categories for the information and the respondents and not put them into pre-made categories (ibid.). However there has to be a purpose with the interview, otherwise the following data processing would not give useful information. Using this interview technique, the possibility of the respondent making different and conflicting statements can arise. If this situation occurs, it is up to the interviewer to distinguish between the different statements. However this situation can also occur if the interviewer changes statements and opinions that have been mentioned earlier during the interview (ibid.).

Because of this, a manuscript for the interview will not be created. For this thesis, the author will make use of what Steinar Kvale (1997) calls the "traveler approach". When using this method of research, an interview guide will be more appropriate. In the "traveler approach", the interviewer can be viewed as a traveling narrator that travels, listens and explores as he/she searches for something specific.

This structure corresponds very well to the research objective, due to the fact that it is a dynamic process where knowledge is created “along the journey”. Meaning that, as the interviewer starts out by asking fixed questions he/she connects with the respondent and as this connection or confidence evolves, the interviewer will start the journey where the respondent is now “the traveler” in the sense that he/she is urged to speak about whatever comes into mind. If a set manuscript was used for this approach, it would be impossible to “travel” and get to know the feelings of the respondents (ibid.). Unlike the structured questionnaire, the questions in the interview guide are always open-ended, requiring the respondents to give an extended answer in their own words (Adams & Brace, 2006). In addition to this, the questions in the interview guide are formulated with starting point in the theoretical framework described in the literature review. Please see the folder, Interview guides, on the attached CD for the different interview guides.

### **2.6.2. Hermeneutic interpretation**

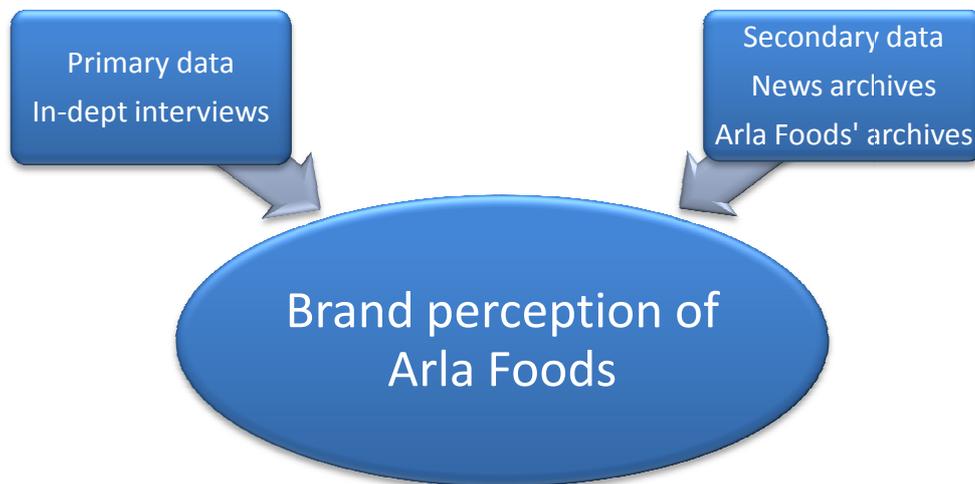
Given the nature of the research objective and the applied method for collecting primary data, an interpretive or hermeneutic approach is used in this thesis as a way of understanding and interpreting the ‘text’. The concept of ‘text’ is here extended and goes beyond written text to include any objects that are subject to interpretation, and simultaneously acknowledging the cultural and social aspects that might influence the outcome (Thurén, 2006).

According to Geertz (1973), a hermeneutic approach is based on the purpose of interpreting, reading and understanding texts and actions. With the hermeneutic approach, it is also acknowledged that data is interpreted with a certain amount of pre-understanding or bias from the researcher. That is to say that a pre-understanding is essential and avoidable in order to understand, as it is necessary to have a focus prior to initiating an investigation. Because of this, professionals such as a journalist, sales director and co-op manager have been interviewed in order to remove as much bias as possible from the interpreter.

A hermeneutic approach to understanding the primary data relates very well to the kind of data that is collected when using an exploratory in-depth interview. As mentioned, the data from in-depth interviews can describe feelings and emotions of the respondent at the given time, and this way of interpreting allows for taking

abstracts such as culture and surrounding environment into account and how this might have affected the respondent.

As mentioned in section 2.4, quantitative and qualitative research can complement each other, operating with different dimensions of the same investigation.



*Figure 4: Data Collection*  
*Source: Own creation*

As evident from the above figure, both quantitative and qualitative data will be used to reach a conclusion. The primary data is of a qualitative nature and the secondary data is of a quantitative nature. A combination has been found to be the best approach to investigate the brand perception of Arla Foods, as the secondary data can clarify the surroundings, and the primary data will give an insight into what motivates them and why they think what they think.

## **2.7. Information types and discussion**

The data gathered will consist of both primary and secondary data, and it is in the areas of:

- Theories and data related to branding and brand perception
- General data related to Arla Foods and their media exposure in Denmark
- Arla Foods from consumers point of views

As mentioned above, this thesis will be approached as a single case study. When approaching a project in this way, Yin (2003) has listed six information sources, which each have their strengths and weaknesses, and therefore as many as possible

should be utilized to supplement each other. The sources and strengths/weaknesses are shown in the following figure:

Information sources	Strengths	Weaknesses
<i>Documentation (newspapers, reports, etc.)</i> written	Stability, unobtrusive, broad coverage, exact	Low retrievability, biased selection, reporting bias, limited access
<i>Archival records (data files, maps, etc.)</i>	Stability, unobtrusive, broad coverage, exact, precise, quantitative	Low retrievability, biased selection, reporting bias, limited access, privacy issues
<i>Interviews</i>	Targeted, insightful	Question bias, response bias
<i>Direct observations</i>	Reality, contextual	Time-consuming, selectivity, reflexivity
<i>Participants observations</i>	Reality, contextual, Interpersonal insight	Time-consuming, selectivity, reflexivity, investigators bias
<i>Physical artifacts</i>	Cultural and technical insight	Selectivity, availability

Figure 5: Overview of general information sources  
 Source: Yin (2003), page 124

Based on Yin’s (2003) generic sources of evidence, figure 6 summarizes and assesses the information sources exploited in this thesis.

Information sources	Kind of source	Internal or external	Subjective or objective
<i>Arla Foods’ financial reports and press releases</i>	Archival reports	Internal	Objective
<i>Independent scientific journal related to branding and brand perception</i>	Documentation reports	External	Objective
<i>Theories about branding and brand perception</i>	Documentation reports	External	Objective
<i>Consumer and professional interviews</i>	Interviews	External	Subjective

Figure 6: Information sources used in this thesis  
 Source: Own creation

The categorization of the information sources shown in figure 6 is made to arrange the data collection and thereby explicit illuminate the sources characteristics.

## 2.8. Secondary data

The literature review in this thesis is based on the results from both theorists and practitioners. This means that the literature review, which forms the basis of the theoretical framework is not just based on documented theories, however it also includes the results and conclusions of practitioners. In this way many of Yin's (2003) information sources (see figure 5) have been taken into account, making the literature more reliable. To use Yin's (2003) terms, e.g. documentation, interview and participants observations have been used by the sources the in literature review. A consistent source that is drawn upon throughout the thesis is Randall (2000). Randall (2000) is mainly a practitioner, however in the beginning of his book he states and discusses ideas proposed by different authors, brand consulting firms and researches. Because of this, Randall (2000) has been chosen as the main source, as it allows for theoretical approaches that are discussed and to some extent tested in real life.

The description of Arla Foods and the Muhammad Crisis is based on data from the archives of Arla Foods and from different news' archives. Using information from more than one source reduces the chances of bias and subjectivity, as the sources are both internal and external, given a more objective picture of Arla Foods and the crisis.

With reference to the research objective, the analysis, as regards to secondary data, is also based on both different news archives and Arla Foods' own archives. This is done in order to investigate the impact the crisis had Arla Foods in the media. In relation to how Arla Foods is portrayed in the Danish press, stories from different and well-known news agencies have been used in order to avoid subjectivity. Different newspapers have different political agendas, so in order to get around the fact that that Arla Foods would be depicted from one political side, different newspapers have been drawn upon. To this it should be mentioned that from before the crisis, it was only possible to find useable data TV2, Berlingske Tidende, Informationen and Jyllandsposten. Although TV2 is considered neutral, both Jyllandsposten and Berlingske Tidende are considered more liberal. It was expected by the author that these newspapers might have depicted Arla Foods in a more lenient way, making the data from these newspapers less reliable, however this was not the case. Compared to TV2, the two newspapers did not depict Arla Foods less leniently, which is why the secondary data from before the crisis gathered from the two newspapers is thought of as valid and reliable. Internally, Arla Foods' annual reports from year 2003 to 2007

will be drawn upon to investigate variations in the company's sales on a year-to-year basis. Because annual reports are meant for shareholders and other stakeholders, and the fact that it is illegal to falsify annual reports, the validity of these annual reports will not be further discussed.

As mentioned earlier, secondary data is data that is originally collected for another purpose than the one at hand, however it can uncover areas that need further study in order to make the investigation both more valid and reliable. The following will discuss the primary data collected in order to investigate the research objective more meticulously.

### **2.9. Primary data**

The primary data consist of six in-depth interviews. This is done in order to support the secondary data and get in-depth knowledge of how people feel about Arla Foods and some of the factors that motivate these feelings.

In order to gain knowledge and insight that is as valid and reliable as possible, the six respondents had different roles during the Muhammad Crisis in relation to Arla Foods:

Respondent no. 1 is a journalist at Børsen and has written articles about Arla Foods both before and during the crisis. Because much of the secondary data is collected from different news archives, respondent no. 1 will provide knowledge from a professional point of view; e.g. the media's effect on brand image, reputation and awareness.

Respondents no. 2, 3 and 4 are everyday consumers. They were approached at the dairy counter at Super Brugsen. The original idea was to interview them at sight, however there seemed to be too much back ground interference. In the light of this, it was decided that phone interviews would be a better approach. So instead of interviewing the consumer respondents at sight, phone appointments were made instead. As this thesis also deals with areas consumer perceptions and feelings, respondents no. 2, 3 and 4 will provide insight into how the crisis affected their feelings towards Arla Foods and the factors that motivated the change of feelings. Although three consumers might seem as a small number of respondents to represent the Danish consumers, it was not found necessary to interview additional consumers,

as this data will not be used to make generalizations. The data collected will generate an insight into the minds of the chosen respondents.

Respondent no. 5 is a co-op manager at Super Brugsen. As a co-op manager, respondent no. 5 is operating where the products meet the consumers, meaning that he has knowledge about consumer feelings, as he speaks with consumers on a daily basis, as well as sales number from both Arla Foods and competing dairy companies. Because of this, respondent no. 5 can bring forth new insight as to how the crisis has affected the consumers' feelings towards Arla Foods or verify the previously gathered data.

Respondent no. 6, is sales director at Thise Mejeri, Working for a competing dairy company, the author is aware that his information about Arla Foods might be biased. However, as this information will not be used for analyzing Arla Foods, it is still consider as reliable data. The information will be used in order to get insight from a professional. Respondent no. 6 can elaborate on the media's effect on a dairy company, and why the Arla brand in Denmark might have benefitted from the crisis.

In addition to the above mentioned respondents, it was also the author's intension to have an interview with someone employed in Arla Foods' communications or marketing department. This would have given insight into how they have experience the crisis as well as their relationship to the media and if they take external factors into consideration when planning marketing strategies. Despite several attempts to get in connection with an employee from their marketing or communications department, Arla Foods refused to participate.

### **3. The Case**

*This section will introduce the reader to Arla Foods as an international company. This is done in order to describe what Arla Foods is, and how it is operating in a globalized market place and to put the thesis into context. Firstly, a company description will be made. This will mainly be based on corporate information and data from different news archives. Then, some implications of globalization for an international company are discussed, and finally Arla Foods will be described in relation to the Muhammad Crisis.*

#### **3.1. Arla Foods**

Arla Foods is a Swedish and Danish owned cooperative that was established in a merger between the Danish owned MD Foods and the Swedish owned Arla in year 2000. The company is owned by 9.500 Swedish and Danish farmers and has its headquarter in Aarhus, Denmark (appendix 2).

Through time, Arla Foods has grown and expanded and amongst other things, it has become the largest producer of organic dairy products. However, according to some, it has also reach an almost monopoly status in Denmark (appendix 3). In October 2003, this monopoly status in Denmark led to a breach of the Danish competition regulations, which had much news coverage in the Danish press. Evidently, Arla Foods misused their position on the market as they agreed on given a third-party company subsidy for marketing activities if the company agreed on terminating their cooperating with Hirtshals Andelsmejeri (appendix 4). District court of Aarhus found Arla Foods guilty, and they were fined five mill. DKK (appendix 5).

#### **3.2. Arla Foods – an international company**

Arla Foods is second biggest producer of dairies in Europe and the 7<sup>th</sup> largest worldwide. Besides Denmark, Arla Foods owns companies in many European countries and sales and rep. offices in even more countries; amongst others in the Middle East (appendix 2).

Today the world is becoming more and more global, forcing companies into a harder competitive situation where flexibility, production location strategy, and alignment of competencies are a necessity and where the companies have to acknowledge the entire world as their sphere of interest (Slywotsky et al. 2006). Formerly most companies have been operated on a market limited by regions or even sometimes national borders. Due to declining trade barriers, such as NAFTA, EU etc.,

establishment of more and more comprehensive trade agreements, easier and easier transfer of capital between countries, increased focus at the development of technology dealing with transportation and communication, emerging of new markets and production opportunities, today's companies finds themselves forced onto competing on a global market (Morrison, 2002). However entering a new market place can bring forth new issues, which the company has never dealt with on its home markets (ibid.).

When operating in new countries and cultures is it necessary for a company to develop different approaches to where cross-cultural issues arise. Different nations are distinguishable from each other by language, religion, ethnic or racial identity, and above all, a shared history. All of these factors blend into a national culture (ibid.). Important behavior within a national culture can be better understood by references to shared cultural symbols. Cultural symbols can be explained as "*objects that represent beliefs and values*" (Arnould et al, 2004, page 91). In order to relate this to social constructivism, national culture can be viewed as a common shared construction between many people. E.g. that many people in the Middle East share the meaning the pork is not clean and should not be eaten. This does not mean that this is a meaning shared by everyone in the Middle East, however it is a belief shared by many and is constructed from the cultural material at hand.

So when Arla Foods started operating on markets in the Middle East, they entered a different national culture where many people share constructed cultural symbols that are different to those on their home markets.

Arla Foods has many activities in the Middle East. Besides exporting from Denmark, the company also has factories in Saudi Arabia, Qatar, Kuwait, Bahrain and Lebanon. The Middle East works as one market with 100 mill consumers and it has the same tariffs and language. Before the Muhammad Crisis broke out, Arla Foods had ambitious goals in the Middle East. They wanted to triple their production within the next five years, and Lebanon was to be used as a test market to see if the consumers want their newly developed products. Before the crisis, Arla Foods' brand awareness in the Middle East was as high as Coca Cola's, and often consumers walked empty-handed away from stores, as Arla Foods could not supply the demand (appendix 6).

### 3.3. The Muhammad Crisis

On 30 September 2005, Jyllands-Posten, a Danish newspaper, published 12 satiric cartoons depicting Muhammad, Islam's prophet. These cartoons caused great upheaval in many Islamic countries and led to many demonstrations. Afterwards, the cartoons were published once again in Weekendavisen, another Danish newspaper, and in a Norwegian newspaper. The conflict escalated and resulted in a diplomatic crisis between Denmark and many Arab countries, which amongst other things led to a trade boycott of Danish manufactured products in the Middle East, some of Arla Foods' employees were assaulted and the Danish flag was burned at many of the daily demonstrations (appendix 7).

Besides the assault on employees, Arla Foods' sales were seriously affected by the trade boycott. The boycott started in Saudi Arabia and spread across the Middle East, as the boycott of Danish products was the main topic in Saudi Arabic media. Consequently, sales came to a complete stop in Saudi Arabia, Kuwait, Qatar and Bahrain (appendix 8). The boycott meant a 450 million loss for Arla Foods.

The crisis escalated quickly and was hard to resolve due to its fundamental nature. According to Islam, one is not allowed to depict the Prophet. Because of this, the cartoons are a violation of Muslims' fundamental religion and belief system, and the cartoons became to represent a source of grief and distress. However as the Muslims demanded that the cartoon should be taken off the air and started threatening the newspaper that published the cartoons, they started representing the freedom of speech, which is a fundamental freedom in Denmark. As the cartoon represents some fundamentally imbedded for both parties, no easy solution was at hand.

This crisis involved issues that Arla Foods never had to deal with before. However the difference from this case and many others is that Arla Foods was not the actor who started the crisis that led to the boycott. The majority of the literature encountered for this thesis regarding both branding and crisis management take starting point in the company, meaning that in way or another, the company is at fault when a crisis emerges, and it is company activities that define the brand. As mentioned above, Arla Foods did not have anything to do with this crisis. It arose due to the publication of the cartoons which resulted in diplomatic problems regarding religion and freedom of

speech. Arla Foods was a bystander with interests and stakeholders in both countries, meaning that it got dragged into the crisis without being a cause to it.

Due to the scope of the crisis, a global media storm swept in both Denmark and the Middle East. This media storm was out of Arla Foods' control and consisted of TV, radio and print, giving it both a high frequency and high exposure to many recipients. Because of Arla Foods' position in the crisis, they were mentioned many time and many of the stories in the media evolved around Arla Foods. Given the nature of the research objective, this thesis will only deal with the exposure Arla Foods has had in the Danish media.

## **4. Literature review**

*After having stated how the author wishes to investigate the research objective, the following section will present a literature review within the area of research. The literature review is composed of two parts in order to present a holistic theoretical basis that allows and justifies for an in-depth analysis of the empirical findings. The first part clarifies the concepts of the modern consumer, brand equity and consumer perception, hence dealing with brands from a consumer's point of view. The second part deals with brand concepts that explain the value of brands for companies, including brand loyalty and reputation. These concepts will serve as points of references for later argumentations.*

### **4.1. The modern consumer**

Today, society is influenced by different types of consumers. The political consumer acts with the intention to influence companies, politicians and other decision makers, making it a kind of active political engagement (Austin & Aitchison, 2003). The conscious consumer is characterized by the fact that he demonstrates ethical conduct, which means that he does not buy e.g. food products that have harmed animal during the making and chooses to buy products from companies who display a good ethical conduct. In addition to this the conscious consumer mainly buys organically and environmentally sound products. For these reasons these consumers have become more aware and critical.

The term “the modern consumer” has become popular in the ongoing debate on consumer behavior.

According to more consumer researchers the product is a part of our identity (Arnould et al., 2004). This is due to an increasing need for individualization and for standing out from the crowd. The single consumer wants products and services that are specialized to his own wishes and needs. Because the selection within one product category has risen fast, the consumer should have the possibility to find a product that suits his needs. Due to the fact that many of the products on the market are quite similar in function, a good approach to catching the consumers' attention could be through experience – make a good atmosphere and give the consumer a good experience when he tries the product. This is because emotions have a large impact, when choosing products.

The modern consumer would rather save money on articles of daily use and spend it on experiences and products that make him realize himself and create an identity (ibid). Commercials, brands and identity are all connected, but as a consumer it is not just the products you use that give you an identity. It also shows your attitude when you distance yourself from a product.

The consumer is not a passive machine who reacts to stimuli with an expected response. He is an active individual who understands the intention of marketing.

The modern consumer has become more aware when he chooses products, which makes marketing more demanding. On daily basis the consumer gets bombarded with brand messages through many different channels: radio, TV, Internet, busses, caps, billboards, etc. This has made it harder to catch the consumer's attention, because it is difficult to break through all the information that is out there. With regards to the fact that consumer attention is a limited source, people have begun talking about mind share instead of marked share.

As a result of this, many consumers have grown tired of commercials, and they consciously try to ignore them by changing channel, by not accepting advertising, by blocking pop-ups, etc.

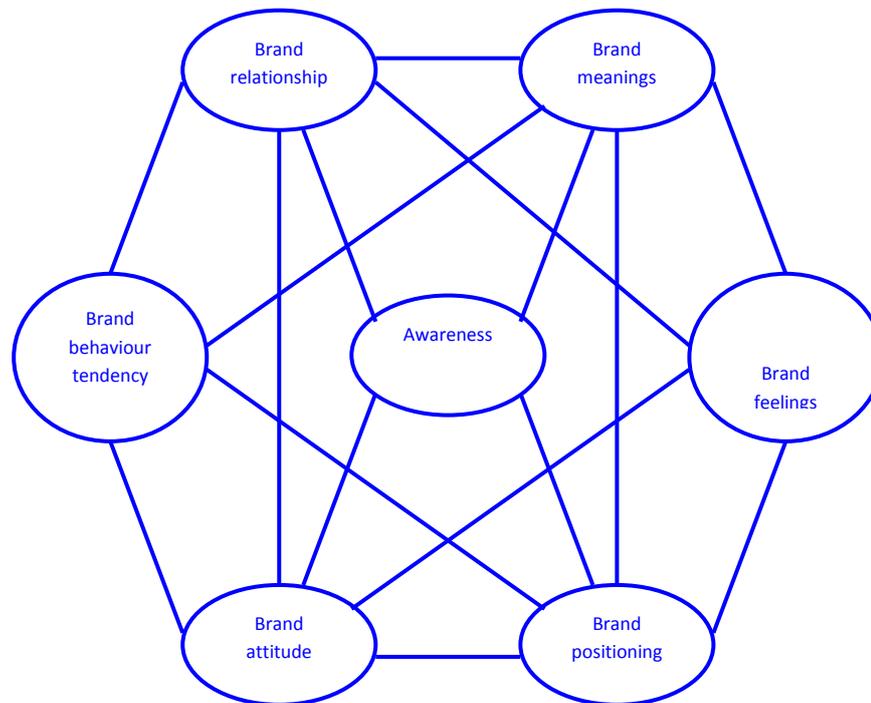
As mentioned the consumers have become more conscious about the products they buy. Many consumers are no longer typical brand orientated. Instead they have become more life-style orientated (Grantham & Carr, 2002). This means that when the consumers buy a certain brand, they buy it because it represents or fits the life style, they have chosen to lead.

## **4.2. Brand Equity**

When branding corporately, the idea is to create a series of values and a corporate identity in order to attract employees, clients and other stakeholders (Kotler 2003). This acceptance from society contributes to the fact that companies can distinguish them from competitors, thus creating a competitive advantage. These values and the identity that is created can generate added value to the company which is called Brand equity or corporate brand equity.

A brand could be looked upon as a network of associations in the mind of every single individual. From this perspective, the value attributed to a product or a company will only hold a value as long as it is perceived as valuable by the consumer.

This network of associations can be regarded as mutual components that are dependent from one and another. Together these components form the consumer's view on a brand. By categorising these different associations, this network can be described as a Brand Associative Network (BAN). BAN can also be illustrated as a model as seen in the following figure.



*Figure 7: Brand Associative Network*  
*Source: Franzen, (1999), page 289*

In the light of figure 7, the brand will be whatever the consumer thinks of it. On this assumption, the associative components, which together make up the consumer's brand perception, can be divided up into six categories: brand meanings, brand feelings, brand positioning, brand attitude, brand behavior tendency and brand relationship. All of these will more or less be present in the consumer's mind. It can also be described as consumer "awareness" in connection with the brand.

Brands have a special meaning to every single consumer (brand meaning) which can be either symbolic or product related. These are closely connected to feelings that are associated to the brand (brand feelings). These can be both positive and negative. The emotions are often related to situations where the consumer has used the product, or it could be emotions that in one or another way are tied to the brand, e.g. through marketing and advertising. Simultaneous these associations will have a comparative

place and strength in relation to other products (brand positioning), and the brand will in some areas differentiate from these. In this way the brand is classified in groups which have a shared characteristic within e.g. a product category. This is why the associations make up the total evaluation of a brand on the basis of cognitive and affective dimensions<sup>1</sup> which form an opinion about a brand (brand attitude). Whether this opinion is positive or negative, the consumer will have a behavioral tendency (brand behavioral tendency), which will be present in the minds of the consumers both during and after the buy. Finally a relationship between the consumer and the brand will arise (brand relationship), which can be weak or strong. This relationship is like a friendship a mutual relationship that covers brand loyalty, brand attitude and how the consumer perceives the brand's attitude towards himself (Kapferer, 2004).

As mentioned above, these associations are more or less always present meaning that they can be weak, and the consumer is hardly aware of their presence, or they can be strong, and the consumer is aware of the brand. The accumulated associations will interact and can be strengthened or weakened by influence. Every time some of these connections are activated, for instance by means advertising, some parts of BAN will grow stronger, making the consumer more aware of the brand (Franzen, 1999).

According to this, branding is a process that mainly takes place within every single consumer, or as Steve Yastow (2003) states: "*Branding isn't something companies do to their customers. Branding is something customers do to companies and their products.*" (Yastrow, 2003, Brand Harmony. Page 7).

However this does not mean that the consumer's brand conception cannot be changed. Although the brand exists in the minds of the consumers it is possible to influence the brand perception through various marketing activities. After all, all forms of marketing are based on the fact that it is possible to change the consumer's opinion about a brand (Janich, 2003), so this is also assumed possible in this paper.

The value a brand is given is of great importance to the seller and can therefore be regarded as an asset. Based on this the term brand equity came into existence, and it describes the intangible value of a brand. Through time many definitions on brand equity have been made, however there is unanimity about the fact that brand equity is

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<sup>1</sup> Cognitive dimension = Attention. Affective dimension = interest and desire. Based on the AIDA-Model (Kotler, 2003).

a measurement for the value a brand attributes to a certain product. As mentioned before, a brand can be understood as a network of associations. If the sum of the BAN components is positive, the brand equity is positive too. The creation of brand equity is in this way a creation of value to the consumer both in the form of the consumer's expectation of the brand and in form of improvement of the consumer's experience with the brand.

Based on this, brand equity can be described as consisting of three components: the mental brand equity which lies in the mind of the consumer as earlier mentioned in this passage, the behavioral brand equity which is linked to buying behavior and use of the branded product and finally financial brand equity, which is the seller's profit earned as a result of branding (Franzen, 1999). This means that commercials and other marketing initiatives can affect the BAN-components in a positive way, hence changing the buying behavior in a positive direction.

Because of this brand equity can be explained as a brand value where the value of the brand is in communicating the quality and all the other aspects of the brand. This means that it is not only the brand, but also all the aspects connected to the brand that can create value. According to Austin (2003), the world of branding has rotated 180 degrees. *"Once, brand owners created messages that defined their brands to consumers. Now we have entered a brave new world. The power has shifted. Today, consumers define brands by choosing how they wish to interpret them."* (Austin 2003, Page 15). Brand equity is what the consumer wants it to be. In contrast to brand value, brand equity is viewed through the eyes of the consumers. What can the brand give them and what are they willing to pay for it?

As earlier mentioned, traditional corporate branding strategies do not take the modern consumer into account, which gives food for thought due to the fact that it is the consumers who define the brands.

### **4.3. Consumer perceptions of brands**

In today's supermarkets, the consumers are faced with an abundance of alternatives when shopping. How much information do the consumers need, how much can they absorb and how do they perceive brands? All of these questions lead to the question of how consumers' buying behaviors are composed and affected. To this, it has to be mentioned that there are many difficulties related to assessing and understanding

buying behavior as there are unknown and sub-conscious variables in the minds of the consumers related to the subject (Randall, 2000). However research has found that there exist patterns that can be applied to many buying situations. Randall (2000) operates with two categories of consumption or buying situations. The first category is a low-involvement situation. For the consumer, a low-involvement buying situation is routine and trivial, hence it does not require a long decision making process. Many consumer goods, especially fast moving consumer goods, represent a low-involvement situation and decisions are made on basis developed preferences. The second category is high-involvement buying situations. In a high-involvement buying situation, other brands are assessed and evaluated by seeking more information.

During his research within the area the consumer buying behavior, Ehrenberg (cited in Randall, 2000) concluded that consumers, in most cases, buy a range of brands. This conclusion contradicts the concept of brand loyalty (Brand loyalty will be described in further detail in section 4.7) to a certain degree, as it implies that consumers buy different brands over a certain period of time. In other words, consumers have a range of preferred brands, where some of which are bought more often than others depending on the consumers' preferences. In addition to this, it was found that once buying patterns have been established in the minds of the consumers, these patterns are hard to change (ibid.).

Also, according to the 80/20 rule (Greenberg, 2001), 80% of a company's revenue is generated by 20% of its customers; the main consumer base that should have the highest priority. The consumers' perceptions of the overall brand quality reflect the general attitude towards the product and in the end also the likelihood of purchasing the given brand. According to Baldauf (2003) perceived quality is positively related to the perceived value. A higher perceived quality in the minds of the consumers is likely to make the consumers choose that product in a buying situation, and therefore making consumers choosing a more expensive product.

Obviously, brand loyalty also influences the perception of the overall value to a great extent. Moreover, there is a general trend towards positioning brands as "authentic", which highlights the importance of timeless value desired by the consumers in contrast to the apparent commercial motives of a brand (Beverland, 2005). Attributes such as authenticity, respect for traditions, cultural link or strong, historical values all

downplay the commercial identity. The challenge for a modern organization is to balance the call for authenticity and the commercial aspect of every business. In this way a company can maintain a moral legitimacy while generating revenue.

Regarding brand perception, there also exist some basic principals which can be applied to various buying situations. *“People perceive the brand as a whole.”* (Randall, 2000 pages 45-46). This means that they do not break it down into its separate elements, but they rather see it as a unity. On the basis of this, the whole company needs to be very focused, since branding revolves around it, and secondly that the emphasis in building a competitive advantage will be placed more and more on emotional aspects rather than functional due to the ubiquity of technology. Hansen & Christensen (2003) claim that there exist two general understandings of corporate brands. The first is the company-as-brand-strategy where only one brand is communicated, and big emphasis is places on internal factors such as values, staff and identity. The other understanding is where one brand has the endorsement function behind other brands such as present in Nestle, Beiersdorf or Microsoft.

According to Randall (2000), companies that engage in corporate branding generally communicate the company as a brand, meaning that they communicate their value system and create a recognizable and valuable name in the minds of the consumers. Corporate branding can strengthen the credibility of a company, since it reduces uncertainty and provides consistency. Harris and de Chenatony (2001) state that brand *“perception depends on a person’s expectations and previous encounters with the brand as well as the information presented by the stimulus (...)”* (Harris & de Chenatony, 2001, page 4). In addition to this, perception is selective and restricted, which means that the consumer can only absorb a limited amount of information, and some fall victim to the selective filtering based on experiences, beliefs and attitudes, however even though consumers might not identify some pieces of information as an influential factor in their decision making, it can, however, manipulate to a subconscious purchase (Randall, 2000).

#### **4.4. Brand Essence**

According to the American Marketing Association a brand is a *“name, term, sign, symbol or design, or a combination of them, intended to identify the goods or services of a seller (...) to differentiate them from those of competitors”* (appendix 9).

Although this definition was formed during the early stages of marketing, it still captures the main idea and essence of branding. A brand is more than a simple commodity (Wood, 2000; Kotler, 2003). Commodities are characterized by the fact that they do not have any perceived differentiation, whereas brands perceive a standard of quality and reliability and credibility (Harris & de Chenatony, 2001). Delvecchio (2000) compares a brand to an “*insurance policy against the potential time, monetary and social losses facing consumers when they have purchased a product*” (Delvecchio, 2000, page 1). A product with all its physical attributes e.g. color, shape, taste, size, smell, etc. represents a major part of its quality and functionality. It does not matter how much money you spend on marketing activities, if it is a poorly made product of low quality (Kotler, 2003). However all brands start as undifferentiated products in the beginning, differentiation is exactly what will distinguish it from other products/brands (Randall, 2004).

In other words, the difference between a brand and a commodity lays in the concept of added value which the consumers experience when they buy and/or consume a branded product.



Figure 8: Brand Creation  
Source: Own creation

Wood (2000) even draws lines between added value and branding and claims that they are synonymous.

Just like all variables that cannot be quantified, added value is a very subjective attribute that can vary from consumer to consumer (Cooper & Schindler, 2003); e.g. some consumers may be indifferent with which kind of soda they buy and consume, just seeking a refreshing drink, whereas others attach much more to the product and think of the brand e.g. Coca-cola and connect it to a certain life style and image. As Randall puts it “*A product is something that is made in a factory; a brand is something that is bought by the consumer*” (Randall, 2000, page 4). Features such as image, reputation, credibility, etc. are, if managed carefully, connected to a

commodity in a positive way and thereby increasing the value for the consumer. According to Franzen (1999), brands aim at satisfying both consumers' rational and emotional needs, ranging from e.g. taste and quality to feelings of prestige, style and social reassurance. Woods (2000) identified the establishment of competitive advantage over rivals as the main purpose of brands. This is achieved by creating differentiated attributes that the consumers value and are willing to spend more money on. Furthermore, Keller (2003) states that "*strong brands blend product performance and imagery to create a rich, varied, but complementary set of consumer responses to a brand*" (Keller, 2003, page 99). According to this, a brand should address both head and heart (rationally and emotionally as mentioned above). No matter how the consumers perceive a brand, it has to be defined in their terms, clearly communicated and properly managed in order to ensure a constant delivery of these values. These added values create a differentiation of the product and other competitive offerings, making brands critical success factors for a company.

Taking this and brand equity into consideration, it is important to realize that brand management entails a continuing relationship between the brand and the consumer, which is a dynamic and not static relationship. Hence, companies have to use resources to maintain this relationship. The focus on adapting to changing variables in this relationship is not only due to changing consumer preferences, but also due to competition. Branding has to be constantly adapted to remain both effective and efficient and to stand out from all the other brand alternatives out there (Randall, 2000).

The fact that consumers play an extremely important role in the branding process is widely acknowledged (Austin, 2003) – ( for more information, please see section 4.1). A successful brand has to transfer this set of benefits to a collective target group and not just a few individuals.

In order to create a strong brand, a high degree of familiarity and awareness in the consumers' minds have to be created, which should take starting point in strong, unique and favorable associations. It is essential to deliver the message that there is a difference between this brand and other brands in the same category that is meaningful for the target group.

#### 4.5. Brand image and brand awareness

According to the brand associative network (please see section 4.2 for further details), the memory of a brand can be explained by a network of different brand associations the consumers have obtained. Brand knowledge, which is what marketers aim at establishing and anchoring in the minds of the consumers, is composed of two concepts: brand image and brand awareness. Brand awareness relates to a consumer's ability to consider a brand under different conditions. However, the definition on brand image was found to be imprecise and less definite. Randall (2000) explains it as *“the sum of all information customers have received in relation to the brand, which means the present attitude in the minds of the consumers”* (Randall, 2000, page 7).

In comparison to brand awareness, which represents unfiltered information without judgment, brand association reflects the meaning of the brand in the minds of the consumers and therefore forming the image.

As mentioned earlier, brand equity refers to how a brand is positioned in the minds of the individual consumers. According to Keller (2003), products are equipped with *“the power of brand equity”* with the means of successful branding strategies.

In other words, in order to create brand equity, consumers must have a high level of awareness and familiarity with the given brand. The term brand awareness consists of brand recognition and brand recall performance, which represent different circumstances in which a brand is identified. Brand recognition is the ability to recognize a brand as previously seen, heard, experienced, etc. when confronted with it. To connect this to Arla Foods A/S, it relates to a buying situation where e.g. brands are displayed openly in the supermarket. However, brand recall is harder to achieve, as this is the ability to recall a brand without being directly confronted with it; or more specific, it relates to recalling the brand when thinking about a certain product category in a buying situation (Franzen, 1999). Keller (2003) argues that if the brand awareness is high enough, it can lead to a purchase in a given buying situation. He argues that a consumer has a set of considerations within a product category, and the higher the brand awareness, the higher is the possibility for the consumer choosing the product – given that the brand equity is positive that is.

If brand awareness really is the bedrock for a strong brand then how is this bedrock achieved? Awareness is created by raising familiarity with the brand, which can be

achieved by repeatedly exposing the consumer to the brand. The more times you see, hear and experience the brand, the more likely it is that the brand will establish itself in your memory. As simple as this might sound, there are many ways of creating brand awareness. These marketing activities can range advertising, promotion, sponsorship, event marketing, PR, etc. However these activities mainly influence brand recognition, as they familiarize the consumers with the brand. However in order to create a positively influence brand recall, it is necessary to establish links to the brand and the product category, the brand is more likely to be recalled and considered in a buying situation.

When a certain degree of brand awareness has been obtained, brand image can be created by linking strong, unique and favorable associations to the consumers' memories of the brand. According to Franzen (1999), brand associations refer to anything that has to do with the likeability or unlikeability of the brand and helps creating the brand image. Chen (2001) argues that brand associations are associations that are connected to either a product or a company. These associations vary from company to company, depending on how they emphasize corporate benefits versus product benefits. Research (Brown & Dacin, 1997) has shown that both corporate- and product branding can boost the value of a brand. These association can be achieved by marketing programs, however it can also be influenced by personal experiences, word-of-mouth, external communication channels, etc (Austin, 2003). The strength of brand associations is dependent on both quality and quantity of the information, which means that repeated exposure to the brand enhances the chances of the brand being stored in the memory. If this information is of relevance for the consumer and communicated with high consistency it can create brand awareness with a positive brand image.

Another aspect, mentioned by Keller (2003) which influences brand image is the uniqueness of associations which refers to "unique selling proposition". These unique features represent a competitive advantage over rivals, and it is a critical success factor for a brand. Although brands in the same product category can share the same attributes and associations, a brand needs to be associated with unique attributes in order to differentiate itself from competitors. Balmer and Dinnie (1999) denote these attributes that make a company distinct as a company's corporate identity. According to Balmer and Dinnie (1999), corporate identity refers to "what a company is" and

communicates this to its stakeholders in a way so the communication is tailored to each stakeholder group. If the corporate identity is managed correctly, the character of a brand increases the ability to attract and keep people, achieve strategic alliances; such as co-branding agreements and other forms of co-operations.

#### **4.6. Brand reputation**

Corporate reputation can be defined as “*the overall estimation in which a company is held by its constituents*” which means that it is a “*net of affective or emotional reactions – good or bad, weak or strong – of customers, investors, employees, and the general public to a company’s name.*” (Fombrun, 1996, page 37). As defined by Kotler (2003), a reputation refers to the attitudes and feelings to the specific qualities of the company or product. It refers to the perceived performance of a company, including performance of products, services, activities and employees. Within this area, vision, CSR and other emotional ways of appealing are some of the intangible aspects to consider. Harris and de Chenatoy (2003) state that a brand’s reputation is a brand’s collective representation of past actions and describes a brand’s ability to deliver extra value to many different stakeholders.

A reputation is a valuable dimension, especially for service companies, as they heavily rely on their marketing reputation due to the intangible nature of their products. A positive reputation can enhance the financial value of a company, as a good reputation can act as an insurance for a product, enhance brand equity and create satisfied employees (Kotler, 2003). Fombrun (1996) argues that the value of a reputation stems from information about which product to buy and trust and personal perception, based on both the credibility and reliability it communicates. In this case reliability refers to the quality of the product and the compliance with the company’s claims. A lack in this value dimension can, on the other hand, result in a loss of sales to other companies with a better reputation. Reputation is of great importance for all the stakeholders connected to a company, including clients, employees, media, suppliers, analysts, the public, etc. as they all influence business opportunities and the probability of capitalizing on it (Kotler, 2003), however as this thesis is only concerned with consumers’ attitudes towards a brand this will not be discussed in further detail. Although hard to quantify, corporate reputation is of great importance for companies as it increases profitability as by attracting consumers to its products (Fombrun, 1996).

According to Apéria & Back (2004), the perception of price is another influential factor, and it should be interlinked to product quality. To this it should be stressed that the perceived price is very subjective and does not necessarily align with the actual price, but it also includes other non-financial aspects such as time and energy spent in order to purchase the brand.

In most cases regarding brand-related variables, these variables are neither static nor indestructible (Fombrun, 1996). Due to changing surroundings, it can be hard to establish a good reputation, and sustaining it in the long run is just as difficult. A coherent self-presentation and consistent communication of values and images are crucial elements. In order to achieve this, it is necessary to consider both internal and external factors. Internally, the compliance with core principles needs to be secured, which means that there should be placed high emphasis on product quality. By meeting their quality standards, the company demonstrates to its employees that living up to product claims is important and that credibility is a serious concern. Employees have to be convinced that the company constantly tries to live up to its vision and reputation, hence creating organizational integrity. Reast (2005) characterizes the term credibility as the fairness and sincerity the brand reflects and how much concern they show for their customers. Externally, relationships with key stakeholders have to be managed and maintained. These relationships are varied and can range from environmental or social engagement to government relations, media relations and investor relations. When both internal and external actors are involved and managed adequately, reputation can become a solid framework, which benefits the company (Fombrun, 1996).

#### **4.7. Brand Loyalty**

A successful relationship between a brand and its consumers is ultimately aimed at brand loyalty. A brand's value is strongly influenced by brand loyalty, since it creates future cash flow (Wood, 2000). According to Keller (2003), the nature of the relationship between the brand and the consumer can be explained by two dimensions; intensity and activity. Intensity refers to the strength of attachment and the sense of community experienced by the consumer and Keller (2003) explains loyalty as "*how deeply the loyalty towards the product or organization is felt*" (Keller, 2003, page 94).

Activity on the other hand can be described as acting upon the “intensity” and executing the loyalty. Baldauf (2003) explains brand loyalty as “*a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future*” (Baldauf, 2003, page 3), and it is characterized by refraining from switching to another brand.



*Figure 9: The customer-based brand equity pyramid*  
*Source: Baldauf (2003), page*

The Customer-Based Brand Equity Pyramid illustrates a relationship based upon the belief that brand loyalty is the final pinnacle to reach. The prior steps that have to be overcome in order to create brand loyalty are: brand salience, performance and imagery (Keller, 2003). Brand salience relates to the concept of brand awareness (for more information, please see section 4.4), or in other words the probability of recalling or recognizing a certain brand. According to the above brand equity pyramid, this is the basic level of knowledge; identifying the product category and the needs it satisfies. Then brand performance is addressed, which revolves around the centre of branding – the product or service. This means how well the brand covers the needs of the consumers. Delivering a satisfying product that fulfils or even surpasses consumer expectations is crucial when creating brand loyalty. Besides a product of good quality, the main categories regarding brand loyalty are supplementary features, product reliability, durability and serviceability, style and design and the price. In addition to brand salience and –performance, brand imagery also matters in the creation of loyalty. This aspect of brand creation is aimed at the psychological and social needs of the consumer. This dimension includes more intangible features such

as personality and values, perception of typical consumer profile, purchase situation as well as history, heritage and experiences.

Further to these more basic aspects, the brand equity pyramid is affected by another dimension that deals with consumer response: brand judgment and brand feelings. These two aspects can have an impact on brand loyalty (Keller, 2003, page 86).

Brand judgment relates to consumers' personal opinions of a brand and stems from their own perceptions of all the performance and imagery aspects. Brand judgments mainly concern brand quality and –credibility. Quality is a very strong influential factor that forms the overall brand attitude to a great extent. Brand attitude is defined as “*consumers' overall evaluation of a brand*” (Keller, 2003, page 87). Brand credibility does not only include the product, but also the organization as a whole. According to Reast (2005), trust or credibility can be described as the willingness of the average consumer to rely on the brand to perform its stated function, and this is essential when building a long-term relationship. Consumers and the general public form judgments about the company behind the product. These judgments are based on perceived expertise, trustworthiness and likeability (Keller, 2003). In order to connect this to case, this means that the crisis have made consumer form different judgments about Arla Foods that are not related to its products.

Credibility can both refer to the functional expertise of a company as well as its trustworthiness in relation to its brand promise, or in other words if the brand lives up to what it has promised (Reast, 2005). In order to sum up, this means that a company has to needs to execute its operations in a competent and innovative way and walk the talk. Further to this, brand consideration and superiority over competitors also play an important role in judgment.

Brand feelings relate to another consumer response and refer to emotional reactions in connection with the brand. There are experimental feelings, which occur immediately, such as warmth, fun and excitement, and then there are private feelings, such as security, social approval and self-respect.

By taking these influential factors, both rational and emotional, into consideration, it is possible to establish a positive brand reputation. Behavioral loyalty is the weakest form of loyalty. It is created by a repeated purchase of relatively high volumes of a

brand. However the purchase decision is not necessarily made due to high attachment to the brand, but rather due to convenience and availability. The probability of losing buyers of this status to competitors is high. Hence, it can only be advised to pursue the creation of strong brand attachment. When a high level of loyalty is reached, consumers are not as sensitive to an increase in price (Baldauf, 2003).

#### **4.8. Brands and the environment**

As explained in section 4.6, a brand is highly related to a distinct point of differentiation and the reputation it creates. Fombrun (2000) mentions that tying reputation to strategic issues has proven to be a successful approach; especially the concern of environmental issues. As stated in section 4.1, ethical consumerism had become more and more popular, and many companies have realized the need to catch on with this development. This means that many companies have shaped their strategy and corporate image in a way that it takes social and/or environmental issues into account. Thereby these companies have created a competitive advantage due to the new distinctive reputation. In this case, ethical consumption refers to avoiding certain types of commodities that pollute either during manufacturing or during consumption, making products from companies with a good environmental reputation more likely to be purchased by modern consumers and this reputation also gives a good point of differentiation. The high consumer trust this strategy evokes can result in a rapid market penetration, even when using less resources on marketing and advertising (ibid.). In order to connect this to the case of Arla Foods, it is evident from the case described in section 3 that even though Arla Foods is the 7<sup>th</sup> largest dairy company in the world, it is the largest producer of organic dairy products in the world. Based on the above, it is fair to assume that this can differentiate Arla Foods from other dairy companies.

The above-mentioned concepts in this section, along with the case, will form the basis for the interview guide. This ensures that data that can be related to the theoretical framework will be collected. Likewise will the theoretical framework be included when analyzing both the primary and secondary data.

## **5. The crisis' impact on the Arla brand**

*Having discussed different aspects related to branding and brand perception, this section will investigate the impact the crisis had on the Arla brand in relation to the different areas discussed in the latter section. The following consists of two parts: the first part is based on secondary data, discussing how Arla Foods was portrayed in the press and Arla Foods' own communication. The second part is based on primary data, giving the thesis a qualitative aspect into how the crisis affected the consumers' perceptions of Arla Foods.*

### **5.1. Arla Foods and the Media**

As mentioned, a company cannot control how the consumers will perceive their brand. It all depends on how consumers choose to interpret the actions of a given company. However this does not mean that the consumers cannot be influenced through different marketing activities. For more information, please see section 4.2. In addition to this, brand awareness refers to a consumer's ability to consider a brand under different circumstances, and this brand awareness can be created by raising the familiarity to the brand. This can be done by e.g. more brand exposure. Please see section 4.5 for further details. Given the above, it is only fair to assume that the Muhammad Crisis has raised the brand awareness of Arla Foods, due to all the media exposure. In addition to this, Randall (2000) states that people tend to view the whole brand and that they do not break it into different parts, meaning that media also plays an external part when it comes to branding as well as external phenomena such as the crisis.

As a result, the media could have had a huge impact on Arla Foods' brand equity, depending how Arla Foods is described in the media and in which context. Because of this, a discussion of how Arla Foods was mentioned in Danish newspapers before, during and after the Muhammad Crisis will be made.

#### **5.1.1. Before the crisis**

Before the crisis, Arla Foods was a much-criticized company in Denmark. Words like monopoly, dairy giant and dominance are mentioned at random when describing the company. On the other side, when describing the "so-called victims" of Arla Foods' monopoly status, they were often referred to as small, poor and little. Words like this connote two different feelings, making Arla Foods look bad, whereas words like poor and little might generate emotions like sympathy and compassion. Repeated

statements describing Arla Foods in such a light, could have pushed its brand equity in a negative direction, hence making the consumer perception of the brand negative as well.

In an article published by TV2 regarding Arla Foods and its monopoly status, the dairy company is criticized for its tough business methods. The article is based on an interview with COOP Denmark and their reaction to the situation on the dairy market. COOP Denmark was actually on the lookout for other dairy suppliers, because they wanted the consumers to have a bigger choice; both regarding price and product. A COOP representative stated that *“if we can get the same quality at a lower price, it is our job to find them (...) at the moment, milk from Northern Germany looks quite interesting”* (appendix 10, page 1). The same article then describes the history of Arla Foods, however in a negative light, using phrases as *“MD’s goal did not change – it was monopoly”* (appendix 10, page 3), *“the giant meant, it was too expensive for the market”* (appendix 10, page 2), and the article ends by stating: *“The goal [monopoly] was fulfilled”* (appendix 10, page 4). Another article by TV2 has a headline that expresses delight because demands have been given to Arla Foods and later explains why the laws regarding competition should be reviewed due to the given situation on the dairy market.

An article in Berlingske Tidende, published before the crisis, deals with the fact that consumers are avoiding Arla Foods. Although this article seems more objective, it still makes use of the word “small” and mentions that Arla Foods *“socks and pushes small dairy companies away from retailing”* (appendix 11, page 1). This article starts by stating that the consumers want alternatives to Arla Foods, due to the company’s declining image, and that many retail shops want more milk from Thise Mejeri. Then it mentions that The Danish Competition Authority has reported the company to the police because of the situation with Hirtshals Mejeri, and then predicts that the image problems will result in a loss, due to the hard competition on the market.

Entitled *“Arla is still struggling with a bad image”* (appendix 12, page 1), this article from Jyllands Posten, published 21 September, 2005, states that Arla Foods is paying due to all the bad publicity caused by the way the company behaved. In this article, Arla Foods’ public relations officer states that she was surprised that they still were being haunted by their bad image because they thought the political consumer had

gone extinct (ibid.). In immediate continuation of this, a lifestyle expert comments on her reaction and states when a bad history made has been as evident in the media the in the case with Arla Foods, it can be hard to come back on track, and he believes that it is going to be hard for Arla Foods to regain what they lost.

The above-mentioned articles are of course just a excerpts of negative articles about Arla Foods. Many more also commented on an almost day-to-day evaluation of Arla Foods' trial in connection with Hirtshals Mejeri.

Before the crisis, the media portrayed the company a bad actor on the market, using its muscles in form of capital to gain influence. This is also consistent with the concept of brand feelings. Everything a company does is reflected its brand which then influences the feelings the consumers have towards the brand, meaning that the company to some extent is able to control the brand. For further information, please see section 4.7. In the case of Arla Foods, some of their actions did not lived up to the expectations of the consumers, which made impacted their feelings towards the Arla brand and the brand loyalty.

### **5.1.2. During the crisis**

Only nine days after the above-mentioned lifestyle expert claimed that it was going to be difficult for Arla Foods to regain what they had lost, Jyllands Posten published the Muhammad cartoons, which eventually resulted in a diplomatic crisis that severely impacted the dairy company. This led to a global media storm, which often included Arla Foods. However during the crisis, the discourse used when describing the company seems to have changed. During the crisis, Arla Foods is not mentioned in connection with lawsuits, monopoly, etc., however the negative impact this crisis had on Arla Foods in terms of loss of sales is mentioned in almost every newspaper. Even in a synopsis that was supposed only to regard the Muhammad Crisis, published by TV2, mentions that Arla Foods in many occasions almost as if the Arla Foods had become synonymous with the crisis (appendix 13).

Børsen, a newspaper normally concerned with business and financial news, wrote an article about an Arla truck that was vandalized in the Saudi Arabia. This article

delineates Arla Foods as a victim by describing how people in the Middle East is organizing the boycott and all the precautions and actions they take while teaming up against Denmark, even mentioning that locals in Saudi Arabia threw stones at an Arla truck. This article is mainly about the trade relations between Denmark and the Middle East and how the Danish Foreign Minister relates to the situation, however in this article, as with many other articles during the crisis, it seems as if, it is Arla Foods that represents Denmark in the Middle East (appendix 14).

Another article from TV2 takes starting point in Arla Foods, and how they look at the situation. Nor in this article is Arla Foods mentioned as a giant or with similar words, however it evolves around the fact that Arla Foods is losing capital as a result of the Muhammad crisis (appendix 15).

But the crisis also had a direct impact on Denmark. Arla Foods had to let go employees at a Danish dairy factory as a direct result of the trade boycott. The dairy factory mainly produces products to the market in the Middle East. The Danish media did not spin this negatively by using words like rationalization and that Arla had to let go of employees due to rising competition. The media depicted it as a necessary move due to the trade boycott (appendix 16).

From the above articles, it is evident that the media has shifted focus during the crisis. All the words describing Arla Foods in a negative light have been left out, meaning that instead of depicting Arla Foods as a giant suppressing small local dairy companies, Arla Foods was depicted as a victim and almost as if the company represented Denmark in the Middle East during the crisis.

A major difference in the situation from before the crisis is that Arla Foods was not an agent in crisis. The negative publicity Arla Foods had before the crisis was self-conflicted because of bad moves made by the company itself which did not correspond with the expectations of the consumers. However Arla Foods did not start the crisis - it was pulled into it or in other words, Arla Foods did not start the crisis, nor could it stop or control it. Judging from the media, the crisis might have had positive influence on Arla Foods' brand perception, as the media shifted focus and did not portray the company in a bad light. Another reason for an improved brand perception amongst consumers could be the crisis itself. As mentioned, the modern consumer might have a political agenda behind the products he/she chooses to buy

and consume. It was stated in section 3 that the crisis was not resolved right away due to the fact that the Muhammad cartoons, which were under attack, represented the freedom of speech, which is a fundamental freedom in Denmark and a cornerstone in the Danish democracy. As a result, it is not unlikely to think that some consumers have shifted to Arla products in order to make a political statement or to support Danish democratic values.

### 5.1.3. After the crisis

Immediately after the crisis, Arla Foods still enjoys positive and/or neutral media coverage. If it is news related to the Muhammad Crisis, Arla Foods is still described in the same way as during the crisis, however if the news relates Arla Foods in general, not including the crisis, the media seems to give a neutral picture of the company.

E.g. an article published in Børsen after the crisis states that Arla Foods is rehiring the employees it had to let go as a result of the crisis, even though sales are still suffering (appendix 17). An article like this could create a positive brand attitude towards the Arla brand in the local community where the employees were fired or even in the entire country as it could mean that Arla Foods, representing Denmark, made it through the crisis.

In another article by Børsen regarding the Arla Foods' growth in the United Kingdom, the company is described using neutral words. The article is concerned Arla Foods' growth that has risen rapidly after the company had sold off areas of the UK company that did not do particular well (appendix 18). Even in an article regarding growth and capital, Arla Foods is not portrayed as a money-making and suppressing giant. This article states the news and facts as they are in a neutral light. This is also the case in another article from Børsen regarding angry farmers. They believed that Arla Foods was keeping the price on milk artificially low and demanded more money for their milk, as prices were rising on the global markets. The case ended with a settlement and Arla Foods agreed on paying more for the farmers' milk. Even in a case regarding capital and farmers, the company is not described in a negative way.

However after the crisis, a new category concerning Arla Foods has emerged in the media, which was not mentioned both before and during the crisis; the environment.

After the crisis, Arla Foods has adapted a new environment friendly strategy with the aim to reduce its harm on the environment by 25% by year 2020 (appendix 19). Even though the irony in the title of this article is obvious, the article still describes Arla Foods in a positive light. The article titled “*Arla – now with environmental strategies*” (appendix 19, page 1) published by Informationen brings forth a neutral description stating how Arla Foods has planned to reach its target (ibid.). Børsen has taken the same approach as Informationen and describes the company’s new strategy (appendix 20), but Berlingske, on the other side, takes the new initiative a step further and brings a story about how Arla Foods is rewarding its farmers if they will restructure their production and start to produce organic products (appendix 21). Even the title of this article “*Arla handsomely rewards organic farmers*” (appendix 21, page 1) contains positive adjectives and verbs, and according to section 4.8, this could aid in better consumer perception of the Arla brand.

Articles concerning Arla Foods and their improvement of the environmental strategies could influence consumers’ perceptions of Arla Foods in a positive direction. As mentioned, consumers tend to have a more positive view on companies, which they think have a good and well-defined CSR policy and think about the environment, than on companies that do not.

After the crisis, Arla Foods still enjoys good publicity in the Danish media. The issues and topics regarding Arla Foods and the media have changed as well as the context in which they were/are written from both before, during and after the crisis. The words the media choose to use when describing the dairy company changed along with the changing context, meaning the discourse got friendlier and the context made Arla Foods a victim of a crisis in which it had nothing to say. These changing factors and shift of focus could have influenced different components in the consumers’ brand associative networks in a positive way, giving the Arla brand a better brand equity and brand perception.

In this way, the media has helped to market the Arla brand. It has raised the brand awareness due to all the exposure, it has changed focus from negative aspects to positive contributions and it has added value to the brand.

## 5.2. Annual reports

As mentioned in section 4.6, brand perception can have a profound impact on sales, and a lack of a brand's value dimension can result in a loss of sales to competitors.

The following figure is a synoptic overview of Arla Foods' annual reports from 2003 to 2007.

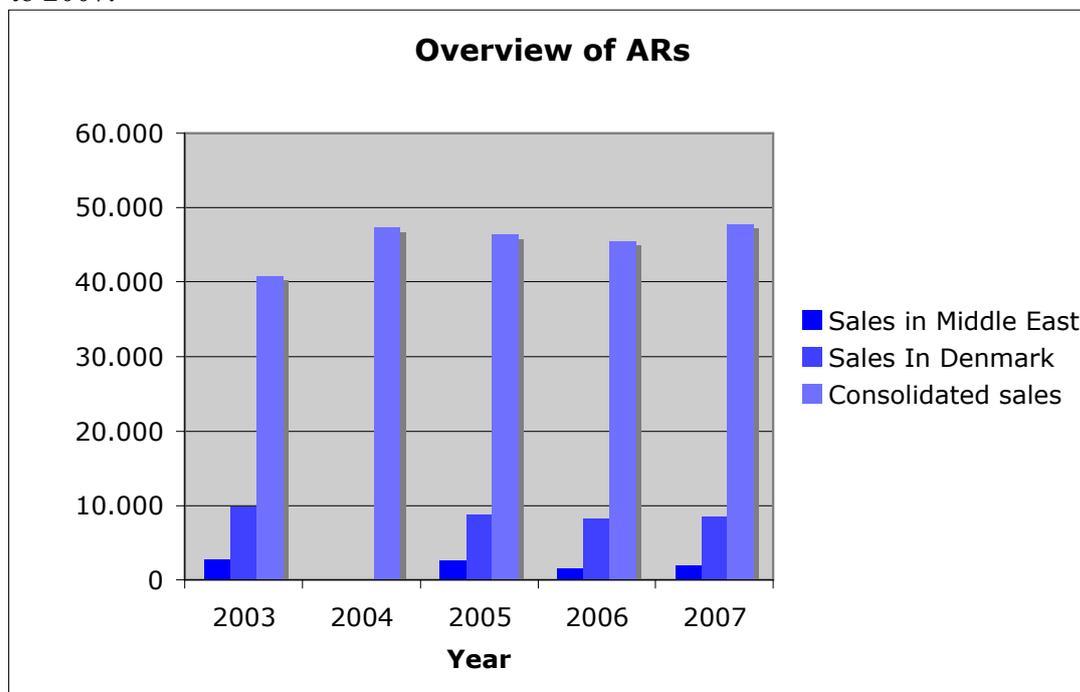


Figure 10: Overview of Arla Foods' annual reports

Source: Own creation – for numbers please see annual report on attached CD

Figure 10 illustrates Arla Foods' consolidated sales from 2003 to 2007 and the sales in respectively Denmark and the Middle East. Although this thesis is only concerned with Arla Foods in Denmark, it could still be interesting to investigate how sales were affected on a yearly basis in the Middle East also, as it was one of the agents in the crisis. In addition to this, the loss of sales in the Middle East was also frequently mentioned in the Danish media during the crisis.

In 2003 and 2004, Arla Foods had much and negative media coverage. Because it is believed that information and other marketing activities can influence peoples' perceptions of a brand (please see section 4.2), it is only fair to assume that this has had a negative impact on sales in Denmark. Its consolidated sales have risen despite its negative coverage in the Danish media, however the consolidated sales are also made up of sales from other markets than Denmark and the Middle East. As evident, the sales in 2005 have decreased (number for 2004 were not accessible) and they keep dropping until 2006 from 9.850.000.000 DKK to 8.324.000.000 DKK. In 2007, Arla

Foods enjoyed an increase in sales and had a total of 8.583.000.000 DKK in Denmark, however it is still not as high as in 2003 before the bad publicity started.

Although the effect is delayed, the numbers correspond with how Arla Foods has been portrayed by the media. During 2003 and 2004, Arla Foods was described badly, and their sales in Denmark started to decrease in 2005. During and after the crisis, the words that the media used when describing the company softened, and they also experienced good exposure. Once again this corresponds with Arla Foods' sales in Denmark that once again rose in 2007, but it has not yet reach amount of 2003. To this it has to be mentioned that other factors than communication and marketing can influence the sales numbers in Denmark, e.g. the fact that the above sales numbers not just are up of dairy products, but many more food items that do not display the Arla logo.

As mentioned in the case, Arla Foods had a loss of 450.000.000 mio DKK in the Middle East because of the crisis, so the decrease in the sales in the Middle East is no surprise. It was at its lowest in 2006 as it decreased to 1.592.000.000 DKK, however it started to recover in 2007.

### **5.3. Arla Foods' Communication**

Having discussed how Arla Foods was portrayed in the media, both before, during and after the crisis, it would make sense to investigate if Arla Foods' communication to its stakeholders has changed during the same period.

As Randall (2000) stated, external factors, in this case the media and the crisis, can have an impact on a brand, however the rest of the theory in the literature review suggest that it is the company that is the agent regarding branding issues and that everything a company does has an effect on how consumers perceive the brand. Having this in mind, it is only fair to assume that there would be a change in Arla Foods' communication, as they have to be proactive in connection to the external factors that have an impact on their brand.

#### **5.3.1. Before the crisis**

Before the crisis, it is almost as if Arla Foods is in denial. As mention in the case (section 3) Arla Food struggled with issues concerning their status on the Danish market, which resulted in e.g. lawsuit and loss of sales to competitors (within the dairy segment). This, however, is not evident in the pre-crisis news and press releases.

Browsing through their news archive, it is as if the issues never happened. On the contrary, one would get the impression that Arla Foods experienced a good period before the crisis, as all the news and press releases are positive or have a positive twist.

Appendix 22 is a randomly picked article from their news archive from before the crisis. The article is about the commercial that Arla Foods was about to shoot and how many people showed up for the audition. The author of the article clearly tried to use the large number of people who wanted to audition for the commercial as an indicator of Arla Foods' good image, even though their image was struggling at the time.

However two articles are almost on the verge of being propaganda. The articles titled "Arla's image is doing well" and "Praise for Arla" (appendices 23 and 24) contradict the media and the general perceptions of the consumers, by claiming that Arla Foods is on the right track and living up to the expectations of the consumers. To this it has to be mentioned that Arla Foods' communication in appendix 23 is a straight contradiction to what respondent no. 1, journalist at Børsen, states about Arla: "*(...) and Arla are the losers almost every year when it comes to brand image*" (R1, 05:02). This shows that Arla Foods is not honest in their communication, and it is as if they are trying to convince people that things were better than they really were.

At this time, Arla Foods is not a company that is in tune with their consumers' expectations, nor are they acting proactively to of how consumers perceived their brand. As mentioned in section 4.2, it is to some extent the consumer that brand, and if the company is not aware of this and act accordingly the brand value might decline in the minds' of the consumers. In addition to this, the modern consumer also demands more than "just" a good product. They also value a good CSR set-up as well as corporate governance and transparency, which is not evident in Arla Foods' communication from before the crisis.

### **5.3.2. During the crisis**

During the crisis, Arla Foods' communication has changed from before the crisis, however it is not a result of the crisis. It seems that it was a strategic decision to change Arla Foods' communication platform in order to accommodate the demands of the consumers. In an article titled "Arla's image is ok, but not good enough"

(appendix 25), one gets the impression that the company has realized that they had a brand image. In this article, the marketing director states that they need to be more forthcoming, open and transparent in order to create a dialogue with the consumers, and she calls this new approach for “*The New Arla*”. Not only did this involve TV-commercials, and the opening of five web logs on their website, where consumers can have a direct dialogue with the company, however it is also evident in the news and press releases from this period. E.g. appendices 26 and 27 are articles directly concerning the above mentioned issues and the outcome.

Regarding the crisis, it was surprising how little Arla Foods has in their archives in connection to how the crisis had a negative impact on Arla Foods. As evident from appendices 28 and 29, which are some of the few articles to be found in their archives about the crisis, surprisingly they do not try to spin it to their favor. As opposed to the media, Arla Foods describes the crisis objectively, only stating the facts and the outcome for the company. They do not use coloring adjectives or try to obtain compassion from the consumers.

It appears that Arla Foods did not change their communication platform proactively in relation to the Muhammad Crisis. However it was changed as a part of a strategic decision to improve Arla Foods reputation just as the crisis started. Judging from the above, it appears that the media played in bigger role than Arla Foods in changing the focus from Arla Foods’ monopoly status to being a hostage in a crisis that they did not start.

Taking the media and the communication platform of “*The New Arla*” into account, this could, according to the theory in the literature review, be the beginning of a better brand image for Arla Foods in the minds of the consumers; The crisis made the media change focus from the pre-crisis issues to making Arla Foods a Danish representative in the Middle East, and Arla Foods became more open and transparent.

### **5.3.3. After the crisis**

After the crisis, Arla Foods is remaining open and transparent, communicating about both good and bad issues. Not much has changed in Arla Foods’ communication from during the crisis to after the crisis, however there is less emphasis on the Muhammad Crisis and more emphasis on organic initiatives. As apparent from appendices 30 and

31, Arla Foods has focus on the environment, but they also communicate openly about negative issues and acknowledge they exist.

This is also consistent with the way the media is portraying Arla Foods after the crisis. They also have more focus on Arla Foods and the environment, and they describe negative incidents objectively.

Seemingly, the Muhammad Crisis should have had a positive effect on the Danish consumers as regards to brand perception. In section 4.2, it was discussed how the modern consumer plays a huge role in the branding process, as it is he/she that interprets the actions of a given company. Before the Muhammad Crisis, Arla Foods was struggling with their image, because they have misused their status on the market, and this negative brand reputation was further reinforced by the media.

As the crisis escalated, and started to involve Arla Foods, the media's discourse softened and they portrayed Arla Foods as a victim. Arla Foods got much media coverage making its brand awareness grow. It is only fair to assume that it grew in a positive direction due to the way, the company was described in the media, and that there was no longer focus on the negative issues from before the crisis. In addition to this, Arla Foods began to more open and listen to their consumers, making the company more in tune with the demands of its consumers. Although this is not a direct reaction to the crisis, it could still have a positive impact on the consumers' brand perceptions of Arla.

Having discussed the secondary data on how the Muhammad Crisis has had an impact on how Arla Foods was portrayed by the media, and how Arla Foods communicated before, during and after the crisis, the following will revolve around the primary data collected for this thesis.

#### **5.4. Consumer perception of Arla Foods**

Having discussed Arla Foods in the media, its sales and how the company communicates, it was found necessary to collect primary data to support the secondary data. After analyzing the secondary data sets and with the research objective in mind, the following areas have been identified for further research:

- The media's influence on a brand.
- How has the Muhammad Crisis had an impact on the Arla brand in the minds of the consumers?
- Consumer feelings towards Arla Foods.

The three points above recapitulate the areas found to be most important from the secondary data. Investigating them qualitatively brings forth a bigger knowledge about the subjects and can either verify or falsify the findings from the secondary data as well as give an insight into why and if there has been a change in the perception of the Arla brand.

#### **5.4.1. The media's influence on a brand**

Respondent no. 1, a journalist with Børsen, would not be surprised if this thesis concluded that the Muhammad Crisis did have an impact on Arla Foods' brand image. *"The impact that the media can have a company's brand image can be enormous"* (R1, 04:25). The media is everywhere, communicated through TV, radio, billboards, Internet, etc., meaning that it is capable of frequently reaching a huge target audience. When asked how he knows about Arla Foods, respondent no. 2 answered *"from the supermarket, but also from commercials, news and newspapers"* (R2, 01:00). This was not an isolated incident. All the consumers interviewed for this thesis, all mentioned that they have heard about Arla Foods through different kinds of media channels. This is also confirmed by Respondent no. 6, sales director at Thise Mejeri: *"I believe that the media has a huge role in such a situation"* (R6, 04:16).

As mentioned, the repeating of a brand name can raise the brand awareness of a brand and the context in which it is mentioned can change its brand reputation. *"E.g. the situation in which Arla was before the crisis. That is a bad situation as regards to the media, and off course in such a situation, Arla will be subject to a lot a negative media exposure"* (R1, 01:59) and he also mentions that *"Arla stood for monopoly and that Arla and Post Danmark are the only companies in Denmark, I can mention in a sentence with monopoly without getting into trouble"* (R1: 02:15). This is also reflected in the consumer interviews. *"I used buy a lot of Arla's products, but then I started hearing about monopoly status and how they treated local dairy companies"*

(R3, 01:01). From respondent no. 3's statement, it is evident she used to buy Arla products, however after she started hearing about Arla Foods' monopoly status on the market, she stopped buying their products, meaning that the media indirectly have had an influence on her perception of the Arla brand. The other way around, the bad publicity Arla Foods experienced from the media, also had an impact on These Mejeri:" *The negative exposure of Arla in the media in relation to the law suit, etc. has also had an positive influence on our brand and sales*" (R6, 05,01).

As apparent from the above, the media can have a huge impact on a company's brand and how the consumers perceive it as this kind of news will be communicated through many different media channels. Because of this, the context in which the brand is mentioned is of great importance, and as concluded in section 5 the Muhammad Crisis did change that context.

#### **5.4.2. Has the Muhammad Crisis had an impact on the Arla brand in the minds of the consumers?**

Evidently, the Muhammad Crisis did make the media change focus and discourse as regards to how Arla Foods was portrayed. As concluded above, this did influence the way consumers perceive Arla Foods, and how they feel about the brand. Although the motive for altered brand perception of Arla Foods varies, the crisis has had a positive impact on the Arla brand. As cited above, respondent no. 3 mentioned that she used to consume Arla products, however she started looking for alternative, as she became familiar with how Arla Foods used its monopoly status, however she admits that "*my attitude towards Arla did improve because of the boycotts and the layoffs Arla had to make - perhaps they are not as bad as I thought*" (R3, 01:27). In the case with respondent no. 3, it seems that she sympathized with Arla and felt sorry for the employees who were directly affected by the crisis; "*It wasn't fair – they did not have anything to do with the crisis, and I felt sorry for all of those who lost their jobs*" (R3, 03:24). Respondent no. 3 is the only female amongst the interviewed consumers, which could explain why she feels compassion and empathy for the parties involved. Respondent no. 2 and 4 also believe that the crisis has had a positive impact on how they perceive Arla Foods, however in their case it is from an economic point of view. Respondent no 2 did not buy products manufactured by Arla Foods because "*they treated the local farmers badly*" (R2, 01:42), however as Arla Foods got involved in the crisis his perception of Arla Foods changed. "*Sure, I feel sorry for the people who*

*got fired, but Arla also lost around 400 Mio. DKK. Despite the monopoly status, I realized that large companies could be a good thing. It is a good thing that large Danish companies have foreign activities as well, as it can bring more capital back to Denmark”* (R2, 03:16). The same mindset is shared by respondent no. 4. Throughout the entire interview with respondent no. 4 it is evident that thinks a lot about money and that he is very price conscious, and as the crisis hit Arla Foods *“I felt sorry because it affected Danish foreign activities”* (R4, 06:23). Respondent 6, sales director at Thise mejeri agreed and said: *“I am certain that people felt sorry for Arla because of the crisis”* (R6, 00:54). *“Arla was brought in a situation with which the consumers could identify themselves. They were hit by an external factor, which I think evokes feelings of understanding and compassion”* (R6, 03:08).

In the minds of the consumers, the Muhammad Crisis has had a positive influence on Arla Foods in terms of its brand in Denmark. Although it is different factors that motivate the consumers, it has had a positive impact, as the crisis as well as the press’ new discourse have influenced the consumers’ brand associative networks in a way that pushed the brand equity in a positive direction. Respondent no. 1, journalist, believes that *“the crisis has created a we-feeling in Denmark. Arla is no longer the bad big brother”* (R1, 10:02), and he thinks that the reason for Arla Foods’ improved brand reputation is because *“they fell victim for a misunderstood political agenda”* (R1, 03:57). Instead of being a giant on the Danish dairy market, Arla Foods has been reduced to a “regular” company that also can suffer during hard times. So whether it was an empathic or an economic denominator, the crisis has had a positive influence on the Arla brand in Denmark. Not only did the crisis make the media change its focus, but it also provided shelter for Arla Foods:” *The crisis changed the agenda. Other issues than how Arla Foods acted got prioritized”* (R6, 07:15).

#### **5.4.3. Consumer feelings towards Arla Foods**

As concluded above, the Muhammad Crisis has had a positive impact on the Arla brand in the minds of the consumers. Although different consumers had different motivators, the Muhammad crisis has added extra value to the products, but it has not improved Arla Foods’ brand reputation and the consumers’ feelings towards the brand in such an extent that it has changed the consumers buying habits.

Respondent 2 stated that: “(...) normally, I still try to find other products, but if it is sold out I do not have as bad a conscious as I would have before the crisis” (R2, 04:11), and continued: ” They are not as bad as before, but I would still like to support the small dairy companies” (R2, 04:38). Even though his perception of Arla Foods has improved, respondent 2 still prefers to buy other brands. Respondent 3 shares the same opinion, however she feels a little more compassion for Arla Foods; “I think it is because of the crisis that I am not as strict anymore, when it comes to avoiding Arla products” (R3, 05:31).

Respondent 5, who is a co-op manager at Super Brugsen confirms the above mentioned statements:” Arla definitely is a market leader, but there is no doubt about the fact that consumers in my shop get more and more loyal towards These products” (R5, 01:20), and he even had customers who told him that:” I will not support Arla – I want something else!” (R5, 04:35).

Apparently, the positive impact the crisis had on the Arla brand has not influenced the buying habits of the consumers. In section 4.3, it was claimed that buying consumer goods of this nature is a low-involvement buying decision, however the primary data collected indicate otherwise. “I am very conscious about the dairy products I buy” (R3, 05:31) respondent 3 said and elaborated: “I go to different places in order to get the products that I want” (R3, 05:38). Respondent 4 is also highly involved in the buying decision, however he is not as brand loyal as the other respondents, but focuses more on the price: “I do not buy anything that has the Arla logo directly on it. It seems like an expensive brand” (R4, 01:47). Later in the interview he mentioned: “It is not because, I do not want to support Arla. If they had the cheapest products, I would buy Arla.” (R4, 07:16).

Respondent no 6, sales director at These Mejeri also mentions that they did not experience a loss of sales in Danish stores during the Muhammad Crisis (R6, 05:32), meaning the crisis has not had big enough impact on the loyalty of “These consumers” to make them change to another brand. The buying situation of dairy products seems to be more high-involvement, on both a emotional and rational level, than assumed. So even though the Muhammad crisis did improve Arla Foods’ brand equity, it did not have a big enough impact to make the consumers switch to Arla Foods.

In order to sum up on the above, the crisis caused the media to change focus. Before the crisis, Arla Foods was a criticized company in Denmark. During the crisis, the Danish media started to portray Arla Foods in a different light, meaning the discourse and context in with Arla Foods was mentioned got more positive from a consumer's point of view. With reference to the literature review, the media has given Arla Foods a high brand awareness, as the company is often mentioned in the media through many different communication channels. However a high brand awareness is not the same as a positive brand perception. So this shift of context and discourse may also have caused a positive change in the consumers' brand associative networks.

Because the crisis affected the Danish freedom of speech, caused layoffs in Denmark, burnings of the Danish national flag, etc., this new contest in which Arla Foods was mentioned during the crisis, has created a better brand reputation. Because brand reputation also is made up of emotions connected to the brand, and the crisis evidently arouse different but positive emotions towards Arla Foods and its situation, the crisis not only boosted Arla Foods brand awareness. It also pushed the company's brand reputation in a positive direction.

All of this helps in adding value to the brand. As mentioned in section 4.4, a product brand is a commodity with added value, which constitutes the essence of the brand. Besides a loss of sales in the Middle East, the crisis added value to the brand name in Denmark, meaning that Arla milk is not just a fluid that is used to quench thirst. Arla milk became a symbol of a "we-feeling" that was either struggling for Danish interests in the Middle East or a source of compassion because Arla Foods had to lay off Danish employees. Apparently, the feelings aroused by the crisis did improve the consumers' perceptions of the company and its products. The crisis added values to the products, which in more ways than one appealed to the modern consumer. This resulted in a better brand equity, however none of the consumers interviewed in connection to this thesis have changed their buying behavior.

## 6. Conclusion and remarks

*This section consists of a conclusion and final remarks. In the conclusion, the findings will be summed up in relation to the research objective. Having concluded, the following section will quickly comment on implications the above findings have on the business environment.*

### 6.1. Conclusion

This thesis is based upon a solid theoretical framework and a case study that was followed by many Danish citizens, which was combined with an in-depth hermeneutic analysis of the collected empirical data.

This thesis has investigated different areas of branding and analyzed both secondary and primary data in order to gain insight into how the Muhammad Crisis has affected the Danish consumers' perceptions of the Arla brand. With reference to the research objective:

#### **What impact did the Muhammad Crisis have on Arla Foods' brand in Denmark?**

it can be concluded that the Muhammad Crisis has had an effect on the Arla brand. In the light of the above, it is evident that the crisis has had a positive effect on the Danish consumers' perceptions of Arla Foods.

As regards to the Danish media, the Muhammad Crisis caused a shift of focus. Before the crisis, Arla Foods was a much-criticized company in the media, however during the crisis, this changed and Arla Foods started enjoying favorable media coverage. In the media, Arla Foods almost became a Danish representative in the Middle East. This shift of focus and discourse in the media had an impact on Arla Foods' brand equity and the consumers' perceptions of the company as all the consumer-respondents agreed upon the fact that they are influenced by the media and this was also confirmed by respondent 1 and 6, the journalist and sales director, who believe that the media can have a major influence on a company's brand equity.

As mentioned above, the crisis did have an impact on how consumers perceive Arla Foods. Although different consumers have different motives, aroused by the Muhammad Crisis, for their improved perception of Arla Foods, all of the interviewed consumers' perceptions of the brand have improved; e.g. due to compassion or due to

capitalistic reasons. However, although the consumers' perceptions of Arla Foods have improved, these improved perceptions have not caused any changes in their buying behaviors.

Regarding Arla Foods' organic initiatives, they do not seem to have any impact on their buying behavior either. Although they think it is a good initiative, they are still skeptic as to why Arla Foods made these initiatives.

## **6.2. Theoretical and practical implications**

The overall value of this thesis is based on the practical nature of the investigation and the identification of a practical issue. The findings in the empirical data clearly show that it is not just the company that is the actor when it comes to brand building and management. External factors can have a huge impact on a company's brand image and brand equity. This shows that a brand is more than just the definition made by American Marketing Association (see section 4.4 for further information). This study has shown the fragile composition of a brand, because a brand is nothing more than the consumers want it to be, and the consumer's perceptions of a brand can also be affected by external and uncontrollable factors.

In the light of this, it gives food for thought that during the making of this thesis only very few sources were found that take external factors into consideration, and many of these do it on a general level.

Based on the above branding is an abstract concept that does not solely belong in the marketing department. Evidently, the case with Arla Foods and the Muhammad Crisis involved a large number of different stakeholders, meaning branding should be managed across different departments. So besides the marketing department, brand management should also include e.g. the communications department and issue management.

For further research, it would be interesting to conduct quantitative research in order to map the general tendencies in Danish consumer's buying behaviors. The primary research conducted for this thesis, does not uncover general tendencies, but it gives an insight into what people feel towards the brand and why. Although it does not seem as if the improved brand perception has changed the consumers buying behaviors, Arla Foods' revenue still increases and the co-op manager also stated that Arla Foods still

sold the most dairy products in his shop. So in order to shed some light on how and if consumers' buying behaviors have changed as a reaction to an improved brand perception, a quantitative research could generate valuable data on this subject and to what extent this improved brand perception has affected consumers' buying behavior. In addition to this, a further investigation could also include more products than just dairy products. Arla Foods is by most people associated with milk and cheese products, however they have several other foods products, which also make up Arla Foods' consolidated sales.

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## 8. Appendices

For appendices, please see the attached CD.

Appendix 1: *Muhammed-krisen dag for dag*. DR 08/02/2006

Appendix 2: *Årsrapport 2007*. Arla archive 2007

Appendix 3: *Alvorlig situation for Arla*. DR 17/07/2007

Appendix 4: *Arla kræves idømt mindst 30 mio kr*. Arla archives 19/01/2006

Appendix 5: *Arla kendt skyldig*. Arla archives 10/02/2006

Appendix 6: *Arla udvider i Libanon, Qatar og Kuwait*. Arla archives 13/05/2005

Appendix 7: *Muhammed-krisen dag for dag*. DR 08/02/2006

Appendix 8: *Arlas salg I Mellemøsten står stille*. Arla archives 29/01/2006

Appendix 9: *Dictionary*. American Marketing Association

Appendix 10: *Den forudsigelige ballade om giganten Arla*. TV2 14/11/2003

Appendix 11: *Forbrugerne går uden om Arla*. Berlingske Tidende 02/02/2004

Appendix 12: *Arla kæmper stadig med dårligt image*. JP 21/09/2005

Appendix 13: *Sagen om tegningerne af Muhammed*. JP 03/12/2005

Appendix 14: *Arla-lastbil stenet under boykot*. Børsen 26/01/2006

Appendix 15: *Muhammed-krise koster Arla 400 millioner*. TV2 02/03/2006

Appendix 16: *Tegninger: Arla sender 125 hjem*. TV2 01/02/2006

Appendix 17: *Arla genansætter efter Muhammed-krisen*. Børsen 29/06/2006

Appendix 18: *Arla Foods in England reported a profit*. Børsen 23/11/2006

Appendix 19: *Arla – nu med miljøstrategi*. Informationen 13/03/2008

Appendix 20: *Ambitiøs miljøstrategi fra Arla*. Børsen. 12/03/2008

Appendix 21: *Arla forgylde øko-landmænd*. Berlingske Tidende 17/12/2007

Appendix 22: *6.500 vil være med I Mini-reklame*. Arla archives 12/03/2003

Appendix 23: *Arlas image I top*. Arla archives 04/06/2003

Appendix 24: *Ris og ros til Arla på øko-kongres I Odense*. Arla archives 17/11/2004

Appendix 25: *Arlas omdømme bedre – men ikke godt nok*. Arla archives 13/05/2005

Appendix 26: *Forbrugeren i fokus hos ny direktør*. Arla archives 15/06/2005

Appendix 27: *Arla Weblogs*. A screen print from website. 24/05/2008

Appendix 28: *Salg i Mellemøsten er 15% af det normale*. Arla archives 23/05/2006

Appendix 29: *Arla berørt af reaktion på tegninger*. Arla archives 26/01/2006

Appendix 30: *Karolines køkken med på økotrenden*. Arla archives 16/08/2007

Appendix 31: *Britisk konkurrencesag på vej*. Arla archives 20/09/2007