

PT DANONE'S HANDLING OF FINANCIAL ISSUES AND CRISIS DUE TO THE ISSUANCE OF THE MUI FATWA BOYCOTT

**Ni Pt Erlin Cahyani Putri^{1*}, I Made Yoga Suardana², Ngurah Surya Maotama³, Komang
Andrian Utama Putra⁴, I Wayan Mastra Adi Candra⁵**

^{1,2,3,4,5} Economic & Business, Udayana University, Indonesia

*Corresponding Author: erlincahyaniputri@gmail.com

Abstract: This article discusses the issue management and crisis communication implemented by the food and beverage company, Danone, in responding to the spread of hoax news related to the MUI fatwa accusing its products of supporting Israel. This fake news poses a serious threat to the reputation and trust of consumers so it also affects the company's finances and requires an effective financial management strategy. This article analyzes in depth the steps taken by Danone in responding to these problems, including problem identification, crisis planning, forming a crisis management team, and implementing appropriate management strategies to maintain financial liquidity. This research also highlights the impact of boycott news on the liquidity of the PT Danone company. The results of this research provide insight into how large companies such as Danone are able to handle complex issue challenges in the era of social media and the rapid dissemination of information in maintaining company financial liquidity. It is hoped that these findings will contribute to business practitioners, policy makers and researchers interested in the financial sector, especially in the highly sensitive food and beverage industry. This research also emphasizes the importance of targeted issues and financial management strategies as a key factor in maintaining company liquidity in the midst of an unexpected crisis situation.

Keywords: Financial Management Strategies, Financial Liquidity, Crisis Management

1. Introduction

Industry food and Drink always face to face with challenge complex, especially in the digital era where information can with fast spread and influence perception consumers. One of the companies that experience impact significant from news hoax is Danone, a company famous multinational with dairy products and nutrition. At one time, news hoax regarding the MUI (Indonesian Ulema Council) fatwa that emerged, stating that buy products certain, including those produced by Danone, are considered support Israel. Such hoaxes This can create impact Serious to image companies, especially If No handled with Good.

Recently, there has been a return to the issue of Israeli products that Indonesian people need to be wary of. According to CNBC Indonesia (CNBC, 2023), the Israeli prime minister ignored the resolution passed by the United Nations (UN) General Assembly and stated that Israel would continue to attack Palestine. In response to the Israel-Hamas confrontation, there was an outpouring of global solidarity, including protests at the United States Embassy and Monas in Indonesia. Protests were also held in South Korea, Brazil, and Malaysia, in addition to prayers and congregational prayers in London, England. With their participation, hundreds of thousands of ordinary people were able to condemn the barbarity of the Israel-Hamas conflict.

Businesses, investors, workers, and consumers can feel the impact of the boycott in both the short and long term. Shares of global companies that are considered sympathetic to Israel

have also decreased in value and show the fluctuating position of these companies in the post-Israel-Hamas war era as a result of the boycott movement (Ricky, 2022). The impact is especially large on brands affiliated with Israel, such as Starbucks and Disney from America. In Indonesia itself, the MUI has issued the Latest Fatwa Number 83 of 2023 concerning the Implementation of Land Law in the Palestinian Territory. The above fatwa strongly advises Muslims to avoid using products that are related to Israel. Through this fatwa, the MUI also encourages the government to take a flexible approach in supporting Palestinian rights (Mardeson & Mardesci, 2022). Some of the products produced include shampoo, body wash, milk-flavored foods, as well as ready-to-eat drinks and foods. Here are some lists of Israeli products in Indonesia that must be avoided according to the MUI fatwa (Trisnawati, 2024), one of which is the AQUA Drinking Water product managed by PT Danone, Tbk.

To express disapproval or exert pressure, some people choose not to do business with a particular company, individual, or country. This practice is known as a boycott. A common method of protest against Israeli government policies or conflicts is to refuse to buy products from Israel or related to Israeli entities. In response to imperialism and aggression, Muslims stand in solidarity with those who are suffering and fight injustices against Muslims through these boycotts.

The boycott movement of Israeli-supporting products has led to a marked social shift from imported to local goods in Indonesia, especially among Muslim consumers. The Indonesian economy has benefited from the increasing number of people buying domestic products. These results suggest that the boycott movement in Indonesia can lead to greater economic autonomy and the promotion of domestic products. The micro, small and medium enterprise (MSME) sector has experienced growth due to the increasing demand for local products. New jobs have been created and people's incomes have increased. However, to make the most of this opportunity, society, industry and government must work together to raise the standards of local products and expand their reach to consumers. Therefore, the boycott movement in Indonesia can be a stepping stone to a stronger and more independent economy. The Indonesian coffee industry is one of those that has reaped the benefits of the boycott campaign.

The movement to boycott products supporting Israel has caused a real social shift from imported goods to local goods in Indonesia, especially among Muslim consumers. Therefore, this study will discuss the handling of problems and financial crises carried out by PT Danone due to the issuance of the MUI boycott fatwa.

2. Literature Review

Boycott

Boycott is action organize a group for reject connection business with party certain or No relate with other competitors such as to suppliers or consumers certain (Rokan, 2012). Boycotts can also interpretation as an action or strategies that are carried out individual, group, or public for express disagreement or protest to a entities, such as company, product, service, or individual, with method on purpose avoid or reject involved in a way active with entity This is usually the case. done as response to actions that are considered not ethical, not in accordance values, or contradictory with view or objective certain (Rouza & Ridwan, 2019).

3. Method

This study uses a qualitative approach with literature study as a method of data collection. Qualitative research is a type of research that produces descriptive data in the form of written or spoken words from people observed, or observed behavior, or documents studied (Neuman, 2016). Literature study is a technique for collecting data by collecting various literatures and then drawing important points to then understand their relationship to other aspects (Burhanuddin, 2018). The object of this study is a case study of the sale of the beverage sector affected by the pro-Israel product boycott movement in Indonesia. Data collection involves various secondary sources of information, such as news sources, articles, data from social media platforms and other literature studies to gather information about the impact of the pro-Israel product boycott on the economy in Indonesia. This study will also use descriptive analysis to describe and provide an understanding of its influence and impact on the beverage industry in Indonesia, especially on PT Danone.

4. Result and Discussion

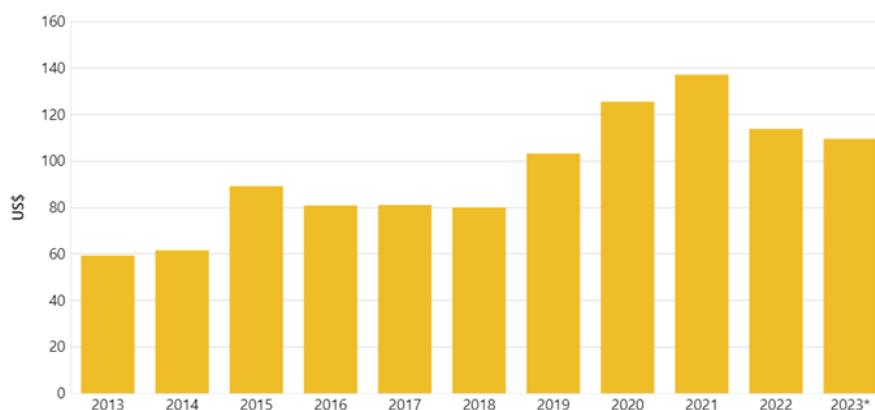
Impact Boycott to Aqua sales as Pro-Israel mineral water products in Indonesia

Based on its official website (Danone AQUA, nd), Danone AQUA is Fast-Moving Consumer Goods (FMCG) companies that become pioneer in in terms of Packaged Drinking Water (AMDK). Founded in 1973, Danone AQUA then become part from company from France named Danone in 1998.

Danone AQUA also implements upheld values high by each Danone employees, namely humanism, openness, proximity, and enthusiasm which are known as HOPE. Values the implemented by each employee for to achieve more companies Good again. Currently, one of the Danone AQUA's goal is make Danone get B Corp certification by 2025 (Danone AQUA, nd). Danone AQUA itself is the first FMCG company in Indonesia to receive B Corp certification since month February 2018 with score of 93.8 (the average of other companies is 50.9) (B Lab, nd). As information, B Corp is certification for successful companies show his commitment in use power business for finish issue social and environmental with high standards (Danone AQUA, 2018).

The boycott movement began in mid-October 2023 as a global response to Israel's genocide against Palestine. Since then, many leading products and companies associated with Israel have suffered major losses, including falling stock prices, negative publicity, and sales. The fact that Aqua sued its labor union for showing support for Palestine has led to accusations that the industry network is connected to or supports Israel. Humanitarian activists began boycotting Aqua in response to the company's claims that it had damaged its brand and caused losses, but Danone's CEO, denied the rumors and said that it was done in good faith. Both Aqua Indonesia openly said that the company does not financially support Israel's aggression against the Gaza Strip, Palestine.

Nevertheless, the boycott movement continued as of December 8, 2023, according to data, the largest market capitalization loss was more than \$12 billion, or Rp186.50 trillion (assuming an exchange rate of Rp15,542 per US dollar), which was recorded by the global beverage industry company, Danone Corporation, on the same day, Danone shares fell 1.6%, continuing the downward trend that had lasted for 11 trading days.



Sumber:
Companies Market Cap

Informasi Lain:
) data per 8 Desember 2023

Figure 1. Average Annual Market Capitalization Value of Danone 2013-2023

Since Danone's shares were first listed on the US Stock Exchange in 1992, this is the longest decline the company has ever experienced. The overall decline has reduced Starbucks' market value by 9.4%, or around \$12 billion USD. The worldwide boycott of brands that are considered to support Israeli aggression against Palestine is believed to be the cause of the decline in shares and market value of the issuer coded DANO. The fact that sales at Danone have been declining for some time now is also a source of concern. According to data compiled by Companies MarketCap, the market value of SBUX has actually fallen several times over the past decade. In 2023, there was the third largest decline in the past ten years. The average market capitalization was US\$ 109.62 billion on Friday, December 8, 2023, at 19:00 WIB, reflecting a 3.72% decline from 2022.

Not only that, which is more worrying is fact that PT Danone Indonesia, the shareholder Aqua franchise in Indonesia, predicts total sales decline by 30-35%. Although There is a number of marketing including free drinks- business slow down during Ramadan. Even in Indonesia, Danone has to to stop nearly 1,000 employee consequence impact psychological from vandalism that befell company.

In the last 30 days, DANO shares have fallen by at least 11.87%. It is known that DANO shares ended at level 1,590 or fell by 1.24% on November 14, 2023. Even on that trading day, foreign investors sold more DANO shares than other companies, amounting to 56.8 billion Rupiah. At the same time, Danone's parent company experienced a 1.79% increase in value over the last 30 days.

The suspicion of the influence of the boycott on the decline in Aqua sales in Indonesia was further strengthened by the second quarter 2024 earnings conference, Danone reported a decline in performance that was far from expectations, according to the Hops.ID report from the Instagram post @bigalphaid on Friday, May 3, 2024:

- Danone management reduced annual growth expectations from 7% to 10% to just single digits.
- Overall sales in Indonesia fell 6%.

The analysis estimated Danone's revenue at \$9.13 billion (IDR 148 trillion) but only generated \$8.56 billion (around IDR 138 trillion) from January to March 2024. When the results were announced, Starbucks shares fell 16%. This resulted in a loss of market value of \$35 billion (IDR 568 trillion) from its peak in 2021. PT Danone Indonesia, the holder of

the Aqua beverage industry in Indonesia, reported that the boycott movement could hinder Aqua sales by up to 35%, (Ghifari, 2024).

Handling of Financial Crisis Problems by PT Danone Due to the Issuance of the MUI Boycott Fatwa

PT Danone Indonesia once face challenge big when The Indonesian Ulema Council (MUI) issued a fatwa calling for boycott to products company This fatwa appear as response on controversy involving statement from one of brand Danone's main product, namely Aqua. Statement the touch on issues that are considered sensitive by some society, which ultimately trigger reaction hard from a number of group. Boycott This No only influence image company in the eyes consumers, but also has an impact significant to sales and operations business in Indonesia, considering that Aqua is one of the drinking water brands in the most recognized and consumed packaging in a way wide in this country.

Face a situation full of pressure This, PT Danone Indonesia took steps strategic that focuses on two aspects main, namely mitigation risk finance term short and strengthening position finance term long. In the long term short, company need respond with fast for minimize impact financial directly resulting from the boycott, especially with guard stability cash flow and securing possible market share threatened by action boycott. This includes do evaluation to risks faced and sought method for reduce the impact through more communication strategies Good as well as effort for build return trust public.

In addition, PT Danone also developed a strategy to strengthen position finance term length, which includes diversification products and innovation in distribution, use reduce dependence on one brand or One market segment only. Steps This expected No only can mitigate impact negative faced moment this, but also helps company in build a deeper foundation strong for face challenge similar in the future. Approach This show that PT Danone Indonesia is trying No only For stay in the middle crisis, but also for improve and strengthen its business model to make it more resilient and sustainable in the future

First of all, PT Danone did evaluation comprehensive to projection revenue and sales they for measure how much big impact direct from the boycott fatwa issued to cash flow and performance finance company. This step important because of the boycott fatwa can influence perception and decision consumers in the main market. With Thus, the company must in a way Be careful evaluate how much big decline sales that will be occurs, especially from segment consumers who choose for No Again support products they. Analysis This covers assessment to potential core consumers leave Danone products as well estimate How many big lost market consequence boycott the.

In the situation this, team finance must move fast for designing a more efficient fund management strategy efficient. This can means existence subtraction or deletion budget For expenses that are considered not enough priorities, such as campaign marketing that is not urge or promotion products that are not relevant in the middle situation crisis. However, the reduction This must done with full considerations so as not to bother initiative which are more important. One of the areas that must be still get attention and funding is effort communication strategic and campaign awareness public purpose for restore and repair image company in the eyes consumers.

In addition, long-term strategies long Possible need customized for the company Can still relevant and competitive in the market. Approach This covers guard connection with loyal consumers through improvement quality services and products, as well as introduce initiative not quite enough answer social that can change perception possible negatives has

formed consequence boycott said. This is effort important for ensure that impact boycott No to worsen PT Danone's market position in term long

PT Danone also strives guard stability financially through steps strategic involving negotiation repeat with suppliers and distributors. Negotiations This aiming for to obtain more flexibility big in payment and supply goods. With existence flexibility this, company expected can manage cash flow with more well, that's very important in face possibility decline future income. The company is aware that guard room motion in management liquidity is very important for continuity operations and growth in the midst uncertainty economy.

More Furthermore, PT Danone also focuses on optimization debt management as part from management strategy liquidity. The company seeks reduce the burden that arises from obligation debt payments so as not to burdensome condition finances, especially in the period full challenge like now. In case This, Danone considers various options, including refinancing or financing refinancing existing debt. This refinancing done with hope can extend term time payment or adapt ethnic group more flowers profitable, so that pressure financial company can reduced. With Thus, the company capable maintain smoothness operational and power the competition although is at in situation a full economy challenge. Not only limited to that, the steps like adjustment term time debt payments are also taken as effort strategic in guard stability finance. With extend period payment, company get more Lots time to manage cash flow, which ultimately can lighten up burden financial in term short and giving more flexibility big for focus on development business term length. This shows that PT Danone is proactive adapt policy finance they for face potential risks that arise consequence instability economy, while still try maintain position they are in the market.

PT Danone has take step strategic with strengthen market diversification as part from effort term long for reduce potential impact negative consequence boycott products in one region or segment consumer certain. Diversification strategy this is very important for sustainability business, especially when company face challenge geopolitics or change preference consumers who can bother sales in the main market. Therefore, PT Danone decided for No only relying on the Indonesian market, but also actively expand coverage its operation to abroad. With Thus, the company can increase resilience business to fluctuations in the domestic market and expanding opportunity growth.

Diversification geographical This is also accompanied by with launch Variants product newer one diverse. This step aiming for fulfil tastes and preferences more consumers spacious, both inside or abroad. With add portfolio products, PT Danone is able to reach different market segments and adapt self with change trend global consumers. Innovation products based on in -depth market research become key main in this strategy, ensure that every introduced variants own Power strong pull for consumer new at a time guard loyalty existing customers There is.

Role of the field finance in support this strategy No lost important. Management finance company sued for to design structure efficient and effective budget, ensuring that every investments made focus on initiatives with potential high returns. Proper allocation of funds, for example for research and development products, marketing in new markets, and increasing capacity distribution, is crucial for diversification strategy This can run optimally. With planning mature finances, PT Danone can ensure that source available power used in a way productive and supportive growth term long company

Open and transparent communication with investors and holder share be one of focus PT Danone's main focus in face challenging situation. In case this is the finance division

company Work The same in a way close with team management For convey detailed and clear information about every steps that have been and will be taken taken in to overcome crisis face. Delivery information This done with objective For ensure that investors and shareholders share own good understanding about the current strategy implemented by companies, especially in matter mitigation risk.

Mitigation strategies the risks applied by PT Danone are designed with great care For give guarantee to the stakeholders interest that company is at in strong position For face various challenge. With transparency shown in communication and explanation Details about steps taken, PT Danone is able to build and maintain trust from investors. This is important Because investor confidence in general direct impact on stability price share company. When investors feel Certain that company own a well thought out plan For face crisis, they tend For Keep going support company, which in turn help guard stability shares in the market.

More Far again, even though PT Danone is facing pressure big consequence boycott, company capable maintain stability its operation through implementation of a careful and measured financial strategy. In this case This, PT Danone shows his ability for adapt with challenge external through a full approach caution, without sacrifice sustainability business term long. Steps taken No only focused on efforts term short for dampen impact direct from boycott, but also on strengthening foundation company For ensure that they capable still survive and thrive in the midst conditions that are not Certain.

Overall strategy implemented by PT Danone, starting from from transparent communication with the holders share until management risk measurable finances, have help company going through hard times and still maintain competitive position in the market. This reflects commitment company to responsible management responsible and focused on sustainability term long, detached from challenges faced.

5. Conclusion

PT Danone Indonesia faces challenge big when The Indonesian Ulema Council (MUI) issued a boycott fatwa related statement of one brand Mainly, Aqua, who gives rise controversy. Boycott This impact on image and sales company, forcing Danone to respond with fast through mitigation strategies risk finance. They do evaluation projection income, managing funds efficiently efficient, and focused on communication strategic use restore image public. In the long term long, Danone strengthens his position with diversification products and markets, as well as manage debt and cash flow with be careful. Steps This ensure stability operational and maintaining Power competition company in the middle crisis.

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