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Case Study 4: Ikea Malaysia and the Halal Food Crisis

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Introduction

In 2005, IKEA Malaysia faced one of their most serious challenges since they started operations in the country, when their restaurants were raided by government officials on suspicion that food served there did not comply with the strict religious dietary regulations in the country.

About the Company

IKEA was founded by Ingvar Kamprad in 1943 in Sweden. Since then the IKEA Group has grown into a global retail brand with franchise stores in more than 53 countries/territories. All together, there are 301 IKEA stores in 37 countries/territories. The IKEA Group itself owns 267 stores in 25 countries while the other 34 stores are owned and run by franchisees outside the IKEA Group in 16 countries/territories including Malaysia [1].

IKEA entered Malaysia in 1996 as part of the One Utama mall in Bandar Utama, Selangor. It later re-located to a new IKEA store in Mutiara Damansara, Selangor, in 2003. The new IKEA store was the largest in Asia at that time and it currently covers 35,000 square feet. It is operated by Ikano Pte. Ltd. which is a franchisee of Inter IKEA Systems B.V. Besides the Malaysian store, they also own and operate two IKEA stores in Singapore and one in Bangkok, Thailand [2]. Malaysian customers have developed a taste for both Swedish style flat pack

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furniture and their food as well including the popular Swedish meatballs. In 2011, the Malaysian store was the fourth most visited Ikea store in the world with 5.7 million visitors [3].

About Malaysia

Malaysia is a South-eastern Asian country which comprises of Peninsular Malaysia and the two states of Sabah and Sarak on the island of Borneo. It shares boundaries with Thailand to the north and Singapore to the south. In the east, Sarawak shares boundaries with Indonesia and Brunei while Sabah is bounded by Indonesia. With a population of 28.3 million [4], the Bumiputera, which include ethnic Malays, make up 62% of the population. The Chinese constitute about 24% while Indians (mostly Tamil) and others make up the rest of the population.

Though Malaysia has a multi-ethnic, multi-religious society, it has a majority Muslim population with Islam as the official religion. All food outlets selling to Muslims are required by law to serve only Halal food and have verified halal certificates. Halal is an Arabic term which means permissible or lawful in Islam. Halal food thus refers to the Islamic dietary standard as prescribed under Islamic law. This includes the kind of animals that can be eaten and the way they are killed [5].

Crisis in the Restaurant

The IKEA restaurant is on the first floor of the store and seats 1686 customers. It is highly popular with consumers. On 15th of March, 2005, their restaurant on the first floor of the IKEA store, was raided by the Malaysian Domestic Trade and Consumer Affairs and Health Ministry, the Selangor Religious Affairs Department (JAIS) officials, Malaysian Muslim Consumer Association and police.

Sixty boxes of sausages were seized from the restaurant by the team as they were suspected to be non-Halal. This followed raids at the factories of their suppliers, namely, Muller Sausage Haus Sdn. Bhd. and Pacific Refrigerating Sdn. Bhd. at Kompleks Selayang Industrial Zone, for suspected non-compliance with the country’s strict halal manufacturing regulations. It was revealed that the halal certificates of the factories had expired in January 2004 [6]. The store was also investigated to verify that they had the valid halal certification from the religious authorities failing which they were liable to be charged under the under the Trade Descriptions Act 1972 which provides for a fine of up to RM 250,000 (approximately £51,280 then).
Ikea Malaysia’s Response

The response from the top management was swift. The first response was to immediately close down their restaurant and cafe despite the fact that the authorities had only asked them to stop selling the sausages. They immediately sent out press releases detailing the incident and informing the public that the management were working with the authorities to verify the halal compliance of the other food suppliers.

A ritual cleansing or samak, was voluntarily carried out by 80 of the store’s Muslim staff and supervised by officials from the Selangor Religious Affairs Department [7]. This ritual cleaning involved not only all the utensils and cutlery but also the racks, ovens, the storage and exit areas. The general manager Joseph Lau said that the restaurant and cafe would only open after all of their 11 frozen food suppliers had signed a statute of declaration confirming that their current halal certificates were valid. They also terminated the supply agreement with the food company which supplied the suspected sausages. Sausages were removed from the menu as well. The cafe reopened for business on 26 March 2005 and went on to become more popular than before.

Questions

1. Do you think it is right for Ikea Malaysia to apologise publicly when the whole crisis was due to a supplier who had not renewed their halal certification?
2. Were any mistakes made by Ikea which led to this crisis?
3. Do you think that the company’s response was culturally-sensitive and timely?

References