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Oatly: Scaling a movement (A)

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Late 2022 was an uncomfortable time for Oatly. Only 18 months earlier, the company had debuted on public markets at a valuation exceeding $13 billion.[1] Investors had treated the business as the category-defining leader of a plant-based future. In the autumn of 2022, that future had no longer looked frictionless. The share price had fallen by over 90% from the IPO price (see **Exhibit 1**), and the company was facing the type of operational strain that consumer goods firms attempt to avoid at all costs. Supply chain bottlenecks, uneven production, cost overruns in new factories, and persistent logistics delays had replaced the narrative of unstoppable growth.[2] The mismatch between the scale Oatly had promised and the infrastructure it actually controlled had become evident across the system.

In the United States, throughput at the Ogden, Utah, plant had remained well below the targeted level.[3] Issues with automation and fire safety systems had forced stoppages and slowdowns. Every time the plant had underperformed, Oatly had been forced to cover demand by shipping the product from Europe. This decision had protected retailer relationships in the short term but erased gross margin in the process. Freight rates had remained inflated.[4] Oat prices had risen after weak harvests in North America and Northern Europe.[5] Energy prices across Europe had climbed sharply due to war-related disruptions.[6] The combination had produced a cost structure that was difficult to manage and even more difficult to predict.

At the same time, the category itself had been cooling. During the pandemic, oat milk demand had surged, as at-home coffee habits had changed and retail experimentation had accelerated. In 2022, that momentum had flattened. Repeat purchase growth had slowed across major retailers. Private-label oat milk gained market share because grocers could offer lower prices while maintaining acceptable quality.[7] For Oatly, this shift had been painful. The company had built its brand on bold storytelling and strong sustainability claims (see **Exhibit 2**), but this had not been sufficient to compete against cheaper alternatives in a price-sensitive market.

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Foodservice partners had also felt the pressure. Chains that had helped build Oatly's cultural presence, such as Starbucks, faced their own cost inflation and had begun tightening product rotation.[8] When Oatly had struggled to supply consistently, the company risked losing placements. Industry buyers who had once considered oat milk a driver for consumer excitement were now evaluating it against their own margin goals.

This was the backdrop for a tense set of board and executive discussions. Certain leaders had argued that Oatly had not been sufficiently aggressive. They had seen the production shortfalls as a temporary consequence of being the first to scale a new category. From their perspective, the company needed to complete the manufacturing buildout and hold its lead. They had believed that pulling back would signal weakness to private-label competitors and dairy incumbents, who were investing heavily in their own formulations.

The possibility that players such as Danone, Nestlé, or major grocery chains could take command of the category had been a very real fear.[9]

Others had argued that Oatly's problems stemmed from being too aggressive. The asset-heavy manufacturing strategy had required large capital commitments that the company could no longer sustain. The European factory network was spread across multiple sites, thereby diluting utilization. The footprint in Asia had been planned for pandemic-era growth levels that never materialized once the country adopted strict lockdown policies.[10] In North America, the speed of the buildout outpaced the organization's readiness to operate large-scale plants. This group had believed the company needed a reset before it ran out of cash.

Across earnings calls and internal reviews, a key concern had begun emerging. It was evident that the company could grow, but the real question was whether it could do so without destroying its margin structure (see Exhibit 3). The discipline of public-market economics had overshadowed the narrative that had worked so well from 2018 to 2021.

The leadership team had entered the final months of 2022 facing a strategic challenge: Should they protect the growth narrative that had defined the brand and the IPO, or should they protect the margin profile that would determine their survival as a public company? The answer had shaped everything that followed.

Oatly's recent history

The years from 2018 to 2021 defined Oatly's rise from a niche Scandinavian product to a global cultural force. The company had spent over two decades building its enzymatic technology in Sweden, but the actual shift had begun when Oatly reframed the product from a dairy alternative into a climate forward lifestyle choice.[11] This change in narrative enabled the brand to speak to younger consumers who cared about identity, values, and the environmental footprint of everyday decisions. The packaging had become a media channel. The copy had been conversational and wildly popular (see Exhibit 4). The tone had suggested that the global food system needed a reset and Oatly was willing to say, and do, what others would not.

Europe had provided the initial proof of concept. Markets such as Sweden, the United Kingdom, and Germany had witnessed early traction in the premium cafe channel. The Barista Edition performed well because it behaved like dairy milk in coffee.[12] The texture and fat profile had allowed baristas to steam and pour it in a manner that other plant milks could not. This was of

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significance because specialty coffee shops set the tone for consumer experimentation. When Oatly had begun to appear on menus in specialty cafes from London to Berlin, consumers began to associate it with quality.

Oatly's entry into the United States had followed the same pattern. Instead of going to grocery shelves first, Oatly had focused on the coffee community. The brand had partnered with independent roasters and positioned the Barista Edition as a premium tool for professionals. This strategy had built credibility before Oatly attempted national retail distribution. When the company had finally entered major grocers, the product had already accumulated cultural capital. The result had been a rapid increase in demand that outpaced Oatly's capacity. In 2020 and 2021, grocery chains had reported frequent stockouts.[13] The most visible sign of the demand surge came in March 2021 when Starbucks launched Oatly nationwide.[14] The chain had sold out in many locations within weeks, and the stockouts had generated media coverage that further boosted the brand.

The revenue picture during this period had looked strong. In 2021, the company had reported global revenue of $643 million, an increase of over 50% from the prior year (see Exhibit 3). Growth in Asia had reached 136%. Growth in the Americas reached almost 80%.[15] These numbers made investors confident that oat milk was not merely a fad but a category shift. Although gross margins had fallen due to high logistics costs and reliance on external co-packers, top-line momentum had outweighed early signs of cost pressure.

The 2021 IPO had crystallized the mood of the moment. Oatly had gone public at a valuation above $13 billion and raised over $1.4 billion in new capital.[16] With this money, the leadership team had committed to a manufacturing transformation. The idea had been simple—if Oatly owned its plants, it could protect its proprietary oat base, control quality, reduce reliance on co-manufacturers, and eventually expand its margins. The company had committed to new facilities in the United States, the United Kingdom, China, and Singapore.[17, 18, 19] The ambition was to build a global, vertically integrated network on a compressed timeline.

Investors had supported this plan because the plant-based category appeared structurally advantaged: flexitarian diets were rising,[20] younger consumers were comfortable paying premiums for sustainability and identity-driven brands,[21] and retailers wanted new products that attracted higher-margin shoppers. The narrative around climate impact had made Oatly appear as both a growth story and a values story. Capital markets had rewarded companies that could claim both.

Oatly's leadership had believed the category would continue to grow at double-digit rates for years. Retailers and foodservice partners had wanted more volume to respond to the unprecedented demand levels. It was this collective enthusiasm that had shaped the company's decision to rapidly build capacity across multiple continents. The assumption had been that the demand curve would be smooth and the organization would learn to operate the new factories as it scaled. The momentum of the brand narrative had been sufficiently strong to mask the early operational cracks.

When demand was rising and capital was abundant, this had appeared like a reasonable bet. When inflation hit, supply chains broke, and factories missed their ramp schedules, the economics had quickly shifted.

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