



SCENARIO 4: Economic Polarization

Christina Pedersen sat in her home office, putting the finishing touches on the sales charts for the company's Q3 report. She was the senior sales and marketing executive at Danstol. Established in 1964, Danstol was mid-range furniture and lighting manufacturer. The company produced classic mid-century home and office furniture items and a range of lamps and decorative items. The brand positioned itself in the affordable luxury category: a high-quality brand that was aspirational yet attainable. Christina had worked for the company for eight years, and now reported directly to the Board of Directors, who were meeting the following week to review the company's quarterly performance.

Since its founding, Danstol's typically customer base were middle class families in Denmark and continental Europe, and businesses who wanted functional, yet aesthetically pleasing furniture that was better quality and design than IKEA. For the past 20 years, Danstol had held an exclusive contract to supply government offices with furniture for public reception rooms.

Despite its myriad bright colours, Christina's sales chart did not paint a cheerful picture. Furniture sales were stagnant in Denmark. Due to the aging population, many young families were inheriting furniture from parents or grandparents and did not need to purchase new items. Trends towards flexible working had reduced the quantity of office furnishings businesses invested in, and co-working spaces usually opted for cheaper décor items.

Elsewhere in Europe, sales had continued their downward trend. In Germany, Danstol's major external market, sales had declined by 29%. The German middle class felt anxious about rising taxes, economic stability and European security. Consumers therefore refrained from making large purchases that were not strictly necessary. Young consumers, if they were not inheriting furniture from parents and grandparents, opted for eco-friendly secondhand shopping. Many were concerned about climate change and faced greater instability in their employment and rising housing costs, and thus were less likely to invest in new furniture. They did, however, purchase small decorative items: vases, plants pots, and some smaller functional items like shelving, desk and floor lamps, and small storage items. These item however, had a very narrow profit margin for Danstol, and there was huge competition in the decorative home accessory market.

Danstol senior management knew that the company had to reach this cohort of younger consumers. Christina and her team had spent Q2 designing a new campaign called: Upcycle! Under this scheme, a customer could send original Danstol pieces back to the factory for repairs, reupholstery, and repainting, so that items could be updated and customized, within reason. The price of upcycling was typically less than purchasing a new item, and it helped the company reduce waste by using deadstock material. Digital and print media campaigns highlighted the brand's sustainability concept and heritage as an authentic made-in-Denmark. The intention was to win over a younger generation of customers even if their purchasing patterns might be different than previous generations.

Christina was proud of her marketing team's creative work. However, she and her senior management colleagues were aware that Danstol's declining sales reflected wider socio-economic trends that their business could not influence, no matter how sophisticated their advertising campaigns. The middle class was shrinking, with a widening gap growing between rich and poor. Denmark was somewhat insulated from this trend, due to its small population, economic strength and continued social welfare provision, but it was increasingly evident elsewhere in Europe and North America. Greater economic polarization was contributing to greater political alienation, as far-right and far-left political parties played on economic insecurity to build larger support bases, particularly in areas with higher rates of unemployment or economic inactivity. These political parties campaigned vociferously against migration into Europe. Christina didn't like to engage with politics, but she did wonder how companies like Danstol would recruit enough lower-skilled labour for manufacturing jobs if migration to Europe was curtailed.

At noon, Christina stopped work to walk her dog, Loki, outside. It was beautiful sunny day, and she wanted to make the most of the weather and the freedom of being at home. Working from home had been introduced in March 2020, at the beginning of the Covid pandemic, for all staff except for those in the production facility and the warehouses. Since then, administrative and design staff had continued to work from home, the office, or alternative locations. However, there were now concerns that working from home would end, or at least be reduced, after Danstol and its suppliers, had been victims too many phishing attacks. With staff working from home, hotels, cafes, and trains, using public wifi networks or sharing home wifi with family members, made company systems more vulnerable to attack. Being in one office might give the company more oversight and control of its cyber risk. Fortunately, Loki was not considered a cyber threat and could come into the office too.

Christina had experienced the impact of cyber threats firsthand. Last week, one of her interns had nearly opened an email from a marketing agency. Fortunately, he had noticed a minor spelling error in the subject line, and reported it to IT. Everyone in the company was anxious about cyberattacks because three months previously, Danstol had lost three weeks' production when their screw and bolt supplier had been subject to a ransomware attack. The financial impact had been significant, and the company had struggled to recoup its losses.

The attack had been traced back to a Russian hacker group, not a state sponsored activity but

teens who were able to make money through cybercrime. The Russian economy was impacted by three years of economic sanctions and the distortions of the war economy, leading to soaring consumer inflation and high interest rates. This primarily affected working class and middle-class families, who find themselves facing rising costs, limited choice of goods, and rising unemployment. Young Russian people felt resentment towards the west for Russia's economic alienation and their decreasing standard of living. With easy access to the internet, many young people were comfortable operating in the cyber environment, and easily learned to develop code. Some were recruited by organized criminal gangs, either directly or through videogame interfaces, to generate malicious code to attack foreign businesses and state services in return for payment. Others experimented with ransomware on their own as means of making money. Baltic and Nordic countries are targets, given their geographic proximity, vociferous opposition to Russia's full-scale invasion of Ukraine, and high levels of digitization.

Christina had never really considered cybersecurity in her work prior to these attacks. She had focused more on digital marketing strategy rather than digital security. Christina and Loki turned back towards home. There was still a report to finish before the end of the day.

Economic Polarization Potential risks for business
1. What are the key risk factors and vulnerabilities in this scenario?
2. What risks does this scenario pose to Danish businesses?
3. What vulnerabilities affect your business?
4. What mitigation, if any, has your business considered or implemented?