

Maggi Noodles: Ban and Revival

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ABSTRACT

Maggi is a name which needs no introduction as it is a world-renowned brand. Maggi noodles were introduced into the Indian market by its parent company Nestle India in 1983. Maggi, ever since it had entered the Indian market was one of "The Most Powerful & Influential Brands in India". This case is a study of ban and revival of the famous Maggi Noodles in India. The Maggi controversy broke the trust of many consumers because MSG (Monosodium Glutamate) and Lead were reported to be beyond the prescribed level. It was found in the year 2015 that MSG and Lead were found beyond prescribed limit in some of the tests conducted on Maggi samples in India. Bombay High Court directed to take away and destroy all the types of Maggi variants throughout the country. The Brand value worth Rs. 1300 crore was affected due to recollection of Maggi instant 2 minutes Noodles. Maggi 2-Minute Noodles, a brand sustained for more than three decades in India and loved by everyone, be it hostellers or housewives, had crumbled. The case discusses the ban scenario along with the timeline of events that occurred after it was found that "MSG and Lead levels" were beyond prescribed limit in "2- Minute Maggi". Further the case deals with the revival of the brand after the removal of the ban. Several strategies were employed for the revival of the brand like use of emotional touch, television promotion and exclusive availability at stores.

Keywords: Controversy, India, Maggi ban, Ready-to-Eat, Revival

I INTRODUCTION

Ready-to-Cook (RTC) food industry includes all those companies that manufacture foods that can be eaten & cooked instantly and the foods that do not require any additional cooking or ingredients upon opening. It is one of the most dynamic and largest sectors of the food industry. Ready-to-Eat foods are packaged in air tight sealed solutions and are manufactured to last fresh for long time in packed lunches, frozen food, home meal replacements, ready meals and more. Frozen food is an alternative to fresh, canned and cooked foods (Poojara, 2014).

In the 1980s Ready-to-Eat (RTE) food segment was launched for the first time in the Indian Market but was not well received by Indian consumers due to their inclination towards the method of traditional cooking. Once again in the early 2000s, RTE gained popularity in the Indian market with the introduction of new technological advancements in the field of boosting or improving the shelf life of a product. There was also a tremendous growth in the number of storage and distribution centre (warehouses) due to which once again RTE products gained popularity. Various segments in the industry were introduced resulting in an increase in product differentiation. One of these segments was developed by using retort technology and came to be known as the Heat and Eat Food Industry (Singh, 2017).

Almost a decade back or more, the homemakers or the housewives enjoyed cooking for their family and took it as a pride while preparing something delicious for the family despite using cooking aids that cut down cooking preparation time like using chopped and peeled veggies or readymade idli-dosa batters. This made the ready-to-cook (RTC) item market wide and numerous brands selling such products entered the market. In today's scenario young generation who is busy in earning their livelihood is rather more interested in Ready-to-Eat (RTE) food segment than Ready to Cook (RTC). The shift of consumers from the Ready to Cook items to the Ready-to-Eat category is because of the changing lifestyles of consumer, high income of families, home delivery facilities, disinterest in cooking of the youth, etc. Various studies in developing countries have shown that the interest of youth towards cooking and enhancing their culinary skills is decreasing. It is the older generation that is keen in serving their families and showing their culinary skills as a result of love for family. The heat and eat food industry in India, valued at INR 2,370 million (USD 39.5 million) in FY 2016, has been growing at a CAGR 18 per cent for the last three years. There is an expectation in regard to industry that it might grow up to 22 per cent CAGR in the upcoming five years because of changing lifestyles of consumers, development in the retail industry, urbanisation, etc (NIIR Project Consultancy Services, 2018).

Major players in Ready-to-Eat industry are:

- (a) Nestle
- (b) Kelloggs

- (c) H.J Heinz
- (d) ConAgra
- (e) ADF Foods Ltd
- (f) ITC Ltd
- (g) Kohinoor Foods Ltd
- (h) Haldiram Manufacturing Company Pvt
- (i) MTR Foods Pvt. Ltd
- (j) McCain

II TRENDS IN INDUSTRY

As per a research done by Tech Science “Research on Indian Ready-to-Eat Food Market Forecast and Opportunities, 2019”, there is an expectation in regard to industry that it might grow up to 22 per cent CAGR in the upcoming five years because of changing lifestyles of consumers, development in the Retail Industry, urbanisation, etc. Desires of consumers towards RTE category is increasing in India as per the predictions by the various studies for the projected time period due to employment generation and changing lifestyles of the consumers. India has a large youth segment that forms majority of the country’s workforce. Youth in India creates a significant potential for Ready-to-Eat market due to busy lifestyles and lack of interest in cooking. Providing pocket friendly product for the price conscious consumer despite rising disposable expenditure of the Indian consumers is big challenges for the producers of Ready-to-Eat food products. Indian consumers are very price conscious and they make their best effort in saving the money so even a slight change in the pricing strategy of the product can affect the brand switching of the customers. In order to overcome this problem, manufacturers are constantly offering competitive prices along with the best quality. Retail chains play a major role in educating and spreading awareness about the RTE products. Retail players such as Reliance Smart, Vishal Mega Mart, Easy day etc. that offer display of each product item offered for sale are a great contributor for the increasing demand of the RTE products in the country (TechSci Research, 2014).

Growth Leading Factors

- (a) Changing Lifestyle
- (b) Rising Dual-Income Families
- (c) Diminishing Culinary Skills
- (d) Technological Advancements
- (e) Rapid Urbanisation
- (f) Increasing Disposable Income
- (g) Improving Retail Sector
- (h) Consumer Behaviour
- (i) Time Saviour

III NESTLE

Nestle, headquartered at Vevey, Switzerland is a swiss international food and drink company founded by Henri Nestle. The growth of the Nestle took place in the time period of 1st world war and by the time of 2nd world war the company expanded their product line apart from baby food items& condensed milk. Nestle has its presence in more than 200 countries around the world and has over 2000 brands under its flagship (Nestle official website).

- (a) **Nestle India**-NESTLÉ’s relationship with Indian Market relates back to 1912, the year in which Nestle started operating as ‘The NESTLE Anglo-Swiss’ in 1947, the schemes of the bureaucrats at that time aimed at the economic welfare of the country which led to entrance of Nestle in India. NESTLÉ in response to the Indian economic policies then formed and established its business in India and set up its first Manufacturing Plant in the year 1961 at Moga District of Punjab, where Nestle was asked to build and grow the milk economy of India by the government by introducing technologies in the Indian market that yielded high production of milk. NESTLÉ has always been a support factor for the growth of the country ever since it entered the Indian market and has developed various manufacturing plants, units and companies like Condensed Milk Company (Export) Limited is a company established by Nestle that imports and sells finished products for the Indian market. After the independence of India Nestle developed a special bond of trust, commitment to serve and loyalty with the citizen of India. The Company's growth in the Indian market has contributed to direct as well as the indirect employment affecting the livelihood of approximately 1 million people by giving them opportunity to be employed. Employed persons include farmers that provide farm yields, suppliers of packaging materials, the organisational staff, etc. The Company continuously aims at understanding and adapting to the changing needs and wants of the Indian consumers and making such products to match their changing lifestyle which is tasty and full of nutrition (Nestle official website).
- (b) **Nestle Maggi**-Maggi is a world renowned international brand that offers variety of products like tomato ketchup, noodles, soups, etc. Since 1947 Maggi is a brand under Nestle. The founder of the company is Julius Maggi who founded it in the year 1886. Quality and innovation are the two main aspect for which Maggi is known for all over the world. Its parent company Nestle offers a huge range of product line to its consumer making it one of the top companies in the world. The concept of

instant 2 minutes Maggi noodles was introduced during the 1980's (Nestle official website). According to Maarten Geraets, General Manager, "MAGGI is like our Mothers who are constantly understanding our

lifestyles as we grow, anticipating our needs, preparing for them and nurturing them, sensing the change in our personalities and speaking our language."

Table 1
Product Mix of Maggi

S.No	Product	Sub Category Product
1.	MAGGI 2 MINUTE NOODLES	a. Veg. Atta noodles b. Maggi Oats Noodles c. Maggi 2-minute masala noodles d. Maggi cuppa mania ✓ Cuppa Masala ✓ Chilly Chow e. Maggi Hot Heads f. Maggi Chicken Noodles
2.	MAGGI PAZZTA	a. Masala Penne b. Cheese Macaroni c. Tomato Twist d. Mushroom Penne
3.	MAGGI SAUCES	a. Rich Tomato Ketchup b. Tomato Chilli Sauce(Hot & Sweet) c. Masala Sauce d. ImliPichkoo
4.	MAGGI CUP-A- LICIOUS SOUPS	a. Tomato Margherita b. Winter Vegetables c. Vegetable with Chilli Pepper d. Green Pea with Coriander e. Dal Shorba f. Cream of Corn
5.	MAGGI COOKING AIDS	a. Maggi Bhuna Masala ✓ For Makhani Dishes ✓ For Korma Dishes ✓ For Gravy Dishes, Dals &Vegetables b. Maggi Magic Cubes ✓ Vegetarian Masala ✓ Chicken Masala c. Maggi Masala-E-Magic d. Maggi Coconut Milk Powder

Source: Dhillon et al. (2015)

IV MAGGI: SWOT ANALYSIS

(a) Strengths

- (i) **High Share in the Market:** Maggi had the highest market share in the Indian market when it came to the noodles. When it comes to noodles a customer always recalls of Maggi. Such was the brand image of Maggi before the ban.
- (ii) **Image of Brand:** Maggi in India is known as "Family Brand" as everyone, no matter what age they are can enjoy a bowl of Maggi anytime and anywhere. With an enormous product mix of the Maggi, it has an advantage over its competitors in the market.

- (iii) **Leader of the Market:** Maggi was the leader of the market in field of instant 2 minutes noodles. And despite the ban Maggi revived its brand and once again became the market leader.
- (iv) **Pull Strategy:** Maggi has a pull strategy to attract its customer which acts as great strength for the company.
- (v) **Distribution Channel:** a well networked distribution channel is the key for its success (Fazeelath, 2016).

(b) Weaknesses

- (i) **Maggi Controversy Affected its Brand Value:** The ban controversy affected its brand value to the extent the its market share in the Indian market decreased from 70 per cent to nil. Its competitors gained the advantage of the crisis and managed to gain

21st May, 2015

MSG and Lead was found in Maggi Noodles samples tested by FSSAI authorities in Barabanki, a district of Uttar Pradesh (UP).

3rd June, 2015

Maggi Noodle was banned in New Delhi as per the order of government for period of 15 days.

4th June, 2015

Later many other in India also banned Maggi. The first amongst them was Gujrat which had reported 27 out of 39 samples of high Lead content in the Maggi 2 Minute Noodles. Meanwhile Assam imposed ban on "Maggi's Xtra-Delicious & Magic -AE- Masala Noodles" variant for time period of one month. Many retail outlets like Big Bazaar and easy day also banned the sale of Maggi Noodles in their retail outlets. This was followed by series of bans in India of Maggi being banned for more than 5 states (States that have banned, 2015).

5th June, 2015

13 tastemaker sachet samples were collected from Uttar Pradesh and tested by Delhi authorities for lead content in it. 10 out of 13 tastemaker sachet samples were reported to contain high percentage of lead content. It had 17.2 ppm of lead. Simultaneously, In Andhra Pradesh Maggi Noodles and all the products under the flagship of Maggi were banned in the state. Maggi was recalled from all over India (Booshan and Das, 2016).

6th June, 2015

A ban for unlimited time period was imposed on the Maggi Noodles by the Central Government of India.

4th August, 2015

No unhealthy content was found in Maggi exported to US from India. The test report indicated no Lead content.

13th August, 2015

Ban over Maggi Noodles was removed temporarily by the Bombay High Court and inquired about the previously conducted test reports that resulted in country wide ban of the product. These tests were not done in the laboratories recognized by "National Accreditation Board Testing & Calibration Laboratories (NABL)" (Booshan and Das, 2016).

19th October, 2015

It was revealed in a sting operation that was done by India today that FSSAI passes sample without testing in exchange for bribe.

20th October, 2015

Ban was removed by Bombay HC.

9th November, 2015

From all over India ban was removed.

30th November, 2015

Manufacturing resumed in all five manufacturing units of Maggi

Maggi produced by Nestle India is currently exported to Canada, UK, Singapore and Kenya, etc. The same noodles that are made for Indian market are exported to other countries except for Canada. Maggi for Canada has a different type of salt in its seasoning. Packaging materials are designed as per the marketing strategies of individual country and as per the legal bindings of the importing country. Food standards authorities in USA, Canada, UK, Singapore, Australia and New Zealand have also tested the Maggi samples from India. After the ban countries to which India exports Maggi were worried and tested the Maggi samples. Although the tests were negative and the Maggi exported to these countries is the same Maggi as produced for the Indian market (States that have banned, 2015).

THE INTERNATIONAL TESTS**UK**

On 1 July, the Food Standards Authority of UK announced that it had carried out tests on samples of Maggi noodles and found levels of lead in the product well within EU permissible levels. Nestle informed the FSA that the only variety of Maggi noodles they import into the UK from India is the 'masala flavour'.

SINGAPORE

On 11 June, Nestle in a press release stated that results from the Agri-Food and Veterinary Authority's on Maggi noodles available in Singapore, including those produced in India, showed that it met Singapore's food safety standards.

US

On 12 August, it was widely reported in the media that the USFDA found Maggi noodles to be safe for consumption. There was no press release issued by USFDA. An email sent to the agency did not elicit any reply. Nestle India has not informed BSE of any such development.

AUSTRALIA

On 19 June, Nestle Australia issued a press release stating that testing by the National Measurement Institute in Australia confirmed that Maggi noodles imported from India are safe to eat.

CANADA

On 2 July, the Canadian Food Inspection Agency (CFIA) tested Maggi noodles sold in Canada but its investigation did not find any health risk.

Source: Afaqs! News Bureau. (2015)

Fig. 2 Reports of Test Conducted by Other Countries

(a) Dent on the Brand Image

Maggi is expected to have eroded in brand value by at least 30-40 per cent, say brand specialists. Sales have dropped by at least 60-70 per cent with a loss of over Rs 1,000 crore, say retail analysts (Chandran, 2015). Nestle had said that growth of its Zone AOA (Asia, Oceania and Africa) region, at 0.5 per cent, was "seriously impacted by the Maggi noodles issue in India". It could take three years for Nestle to completely recover its India revenues following the impact of the Maggi episode as per conventional wisdom but the Swiss foods giant is looking to do it faster, its Asia head has said (Bhushan, 2016). The following section covers the events taking place during the revival of the brand.

VII MAGGI REVIVAL: TIMELINE OF EVENTS

As said by Suresh Narayanan, “bringing the instant noodles brand back to the market is his top priority as he sought to strike a conciliatory note with authorities”. There were many different strategies adopted for the revival of the brand in the Indian market. The entire episode can be seen as a positive reinforcement strategy that will help Maggi pull back its lost customers who went on to try other brands such as Yippee, Knorr and Wai Wai. This Maggi affair can surely help Nestle in reintroducing the brand with a stronger advertising appeal, this time an emotional one to connect and bond with their innumerable fans (Mitra, 2015).

(a) Timeline of Events of Revival 9th November, 2015

Maggi sales resumed once again (Nestle).

4th November, 2015

New Maggi samples were tested and reported safe to eat by laboratories (Nestle).

16th October, 2015

“Test results from all three laboratories mandated by the Bombay High Court show MAGGI Noodles to be safe, with lead content well within the permissible limits.” (Nestle).

Manufacturing at Maggi plants resumes for again testing.

13th August, 2015

“The Bombay High Court overturns the government's ban on MAGGI Noodles, arguing that the move was arbitrary and that principles of natural justice were not followed.” The court directed “Nestlé India can bring the product back to the market if fresh tests – conducted in three accredited laboratories on the existing samples and subsequently on the freshly manufactured product– find the product safe”. (Nestle).

VIII STRATEGIES TO REVIVE MAGGI

- (a) **Emotional Touch**-Maggi’s advertisement campaigns always have emotional touch in it to attract its customers. This time as well for the revival of the brand Maggi chose to include emotions in their ads (Ray 2016).



Source: Parande (2015)
Fig. 3 Revival of Maggi

- (b) **Television Commercials**-There was huge campaigning done through the medium of television and Maggi spent a lot of money on it in order to gain back customer’s trust (Ray, 2016).



Source: afaqs! News bureau (2015)

Fig. 4 Commercials showing Maggi is safe

- (c) **Various Sources for Promotion**

There were various efforts made by Nestle to revive its brand. Social media interaction was done and new commercials were aired (Ray, 2016).



Source: <https://twitter.com/MaggiIndia>

Fig. 5 Twitter responses

- (d) **Exclusive Availability**- Maggi made its Noodles available exclusively through Snapdeal to create curiosity and demand in the market. This was a very smart move by Maggi. This was a strategic move. Snapdeal was the only platform where Maggi was available until stock lasted and the stock lasted for few minutes as it was a time bound sale (Ray, 2016).



Source: <https://www.nestle.in/aboutus/ask-nestle>

Fig. 6 Exclusive availability at Snapdeal

IX ANALYSIS OF EFFECTS OF MEASURES FOR REVIVAL

After Nestle India adopted several strategies for revival of Maggi noodles, some drastic changes were seen. Earlier, Nestle India used to spend only 4.2-4.8% of its total income on advertising and sales promotion but after 2015 the company spent Rs 525.21 crore or approximately 6.42% of its total sales on promotions which is a significant increase. The company has also tried to cut down the complexities in its organizational structure by reducing layers in order to decrease the processing time by 30-40%, using strategies such as empowerment in decision making. Before the Maggi fiasco the company was very confident and this confidence turned into complacency. The Maggi crisis has changed their perspective and they have become more flexible with it becoming easy for others to do business with the company. Another major change that was seen was the company's entry into new product categories like coffee, pet care, healthcare and skincare. For example, the company entered in cereals market with Nestle Ceregrow. The company wants to tap middle class and working women in order to maintain its profitability (Mitra, 2017).

X THE RIDE AHEAD

The company's overall market shares almost halved to around 15 per cent in the four-five years (2013-17) due to stiff competition from both multinationals and home-grown brands, the latest being yoga-guru-turned-businessman Baba Ramdev's Patanjali Ayurved Ltd. Besides directly attacking Nestle on various issues, Ramdev launched noodles just a week after Nestle India relaunched Maggi noodles in the market. During the period when sale of Maggi noodles was banned, ITC Ltd's Yippee noodles and Wai Wai noodles from Nepal's CG Foods gained market share, filling a gap in a Rs3,182-crore noodles market. Given the competitive landscape and the fast-

changing consumer behaviour, the local arm of the Swiss company is trying to spot at least one, if not two, brands that could emerge as big as Maggi noodles, at least in terms of sales numbers. According to Suresh Narayanan, Chairman and Managing Director of Nestle India, over the next 10 years Nestle will slowly move from packaged food to focus on health and nutrition products (Mitra, 2017).

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