NESTLÉ’S MAGGI IS ON THE SHELVES - A CASE STUDY

ON DELIVERING BUSINESS STRATEGY

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ABSTRACT

"What Xerox is to photocopier and Colgate to toothpaste, Maggi is to noodles in India."

The Economic Times, a prominent newspaper in India, in 2003.

Nestlé India Ltd. (NIL), the Indian subsidiary of the global FMCG major, Nestlé SA, introduced the Maggi brand in India in 1982, with its launch of Maggi 2 Minute Noodles, an instant noodles product. With the launch of Maggi noodles, NIL created an entirely new food category - instant noodles - in the Indian packaged food market. NIL successfully managed to retain its leadership in the instant noodles category because of its first-mover advantage until the early 2000s. Over the years, NIL extended the Maggi brand to a variety of culinary products like soups, sauces and ketchups, and cooking aids among others. However, these product extensions were not as successful as the instant noodles. In 2005, NIL started offering a range of new 'healthy' products under the Maggi brand, in a bid to attract health-conscious consumers. This case study is aimed to analyze the business strategy used by the company to reenter the market and also looks at the various phases in the product life cycle of Maggi noodles in India. It also talks about the various challenges faced by the company, after it is off the shelves. It further discusses the measures taken by NIL to reposition Maggi as a 'health product'.

Objectives:

1. To study about the company and the product
2. To analyze the challenges faced by the company to maintain consumer loyalty towards their brand
3. To study the brand repositioning decisions used by the company
4. To analyze the digital channel strategy used by the company.
The original company came into existence in 1875 in Switzerland, when Julius Maggi took over his father's mill. He quickly became a pioneer of industrial food production, aiming to improve the nutritional intake of worker families. Maggi was the first to bring protein-rich legume meal to the market. In India and Malaysia, Maggi instant noodles were very popular; Nestle has 39% of the market in Malaysia, where "Maggi" is synonymous with instant noodles and had a 90% share in India. Nestlé unleashed Maggi in India in 1982. Nestlé’s iconic brand-Flagship culinary brand in India as well as globally. Maggi launched in India at a time when the instant noodles market was not a popular one. Nestle launched Maggi in India with the tagline: ‘Fast to cook and good to eat’ i.e. they focused on Convenience and Health.

The Indian consumer was on a lookout for a product that would provide quality food and was also convenient at the same time. Maggi recognized this need and thought of a ‘fast relief from hunger’ product. In a fast growing India, where women were no more just home makers but professionals helping their spouses to run their households, cooking food was an important issue. Therefore, initially maggi 2-minute noodles targeting the women. But the sales was not picking up despite heavy Media Advertising. Indian consumers were rather conservative in their food habits, preferring to eat traditional Indian dishes rather than canned or packaged food. They realized that the Indian consumer was still orthodox and believed in traditional home made Indian food, they conducted market surveys. They found that it was the children who enjoyed the taste of maggi more than women. They shifted their focus on children and their mothers.

With the launch of Maggi noodles, Nestle India Ltd. created an entirely new food category: instant noodles. NIL had the first-mover advantage which helped it retain leadership in the instant noodles category for a long time. Maggi positioned itself as ‘the 2-minute noodles.’ Consumers still associate maggi with ‘Easy to cook and good to eat. The biggest problem faced by maggi in India was the Indian psyche: Traditional Indian food was still a psychological barriers in India. The idea of instant food or fast food was not acceptable as much as it is today. The strategies they followed to sustain in the market is ‘taste bhi health bhi’: reinforcing their focus on health and getting in a new angle to 2-minute maggi: taste. The following strategies worked well for the company like

1. First-mover advantage: the introduction of instant noodles as a food segment
2. Continuous persuasion through adds/campaigns to their TG (children and their mothers)
3. Consumer connect and loyalty
4. Newer and more relevant contacts (taglines/ads) with the consumer
5. Customized products to suit the consumer changing demands

According to a report published by the World Instant Noodles Association, India stands fourth in the global instant noodles consumption listing at 5.5 billion servings per year.

On June 5, the Food Safety and Standards Authority of India (FSSAI) had ordered a pan-India ban on the Nestle India's Maggie Noodle on the ground that these were "unsafe and hazardous" for humans due to the presence of lead, allegedly beyond permissible limits. The report says that samples of Maggi 2 Minute Noodles had unexpectedly high levels of monosodium glutamate, as well as up to 17 times the permissible limit of lead. Some of India's biggest retailers like Future Group which includes Big Bazaar, Easy day and Nilgiris have imposed a nationwide ban on Maggi. Thereafter multiple state authorities in India found an unacceptable amount of lead and it has been banned in more than 5 other states in India. Monosodium glutamate (MSG) as well as tertiary-butyl hydroquinone (TBHQ) - a chemical preservative derived from the petroleum industry - may be present in instant noodles for their taste enhancing and preserving properties. Though dietary intake of these elements is allowed within a limit, regular intake of these can cause severe health issues," said Dr. Sunil Sharma, general physician and head of emergency, Madan Mohan Malviya Hospital, New Delhi. Women who
ate instant noodles twice a week or more had a higher risk of metabolic syndrome than those who ate less, or not at all, regardless of whether their diet style fell into the traditional or fast-food category, “as published in The Washington Post. The study concluded that excessive instant noodle consumption can not only trigger obesity but also metabolic ailments like diabetes, high blood pressure, hypertension, heart problems and so on. When Maggi noodles, one of Nestlé’s top products was deemed unsafe in India, all eyes were on Nestlé to see how they would respond and manage the situation. Initially Nestlé defended its product and rejected all claims that its noodles were unsafe, and they did this on all digital channels. The scare was a huge blow to the company, which has been selling its Maggi products for over three decades in India with 80% of the country’s instant noodle market. However, through smart use of social media during the crisis, the brand limited further damage by reassuring and informing customers to encourage them to continue buying the noodles in the future. Nestlé took to social media, Face book and multiple Twitter accounts (main Nestlé account, Nestlé India, Maggi India) to reassure customers that its product was safe. Nestlé responded directly to all comments on social media. As well as this Nestlé created a section on their main website to keep customers updated. As the pressure grew on the global company, in a press conference Nestlé’s CEO said that all Maggi noodles in India would be withdrawn from shelves in order to comply with regulators. Again Nestlé used digital channels to explain to customers why this decision had been made and to answer all their questions. Nestlé also explained the science behind the reason for the ban in simple terms so customers could understand. The ban imposed by the Food Safety and Standards Authority of India (FSSAI) was revoked after it cleared all tests ordered by the Bombay High Court at three accredited laboratories.

The return of Maggi Noodles on the auspicious eve of Deepawali and on the day of Dhanteras is a moment of celebration for all of us," Nestle India chairman and managing director Suresh Narayanan said, announcing the re-launch, after it was taken off the shelves on June 5.

Nestle India termed the five-month ban as "one of the biggest crises" it has faced in the 32-year history of the brand in the country. "The crisis we went through is a big one for Nestle India. But we were always confident about the quality and safety of Maggi noodles. It is an important brand for the company," Narayanan told a round-table with journalists to announce the re-launch.

The re-launched pack would be exactly the same as it was pre-crisis, and would have the same product formula, Narayanan said, adding: The packaging, however, will not have the line "no-added MSG (monosodium glutamate)" which, too, had become a contentious issue.

References:

3. "FSSAI Order to Nestle India" (PDF). FSSAI, India. 5 June 2015.