

A Story of Maggi

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Abstract

Maggi, the favorite 'two minute' noodle of India was embroiled in a controversy in June 2015, when some of its samples were found to contain high level of lead and monosodium glutamate which was responsible for various health problems, causing headache, nausea and chest pain. Maggi had been a chart leader in the instant noodle market of India since three decade. Its competitors such as Top ramen and Horlicks foodles could not even manage to match its popularity and growing sales in India. Maggi was also known for its unique advertising campaigns such as "khushiyon ki recipe ", two minutes and meri Maggi, which implied people to share their experience rewarding their favorite snack. Over the year Maggi had been ruling the Indian taste buds since it was first launched in the year 1983 in India, at a time when Chinese cuisine was still not that popular in the country, but the people's favorite snack grabbed eyeballs when a ban was imposed on Maggi Noodle's in India and Nestle India had to recall its Maggi samples from all parts of the country. In such a scenario, it was a daunting question that in what way would the Maggi noodles stage a comeback in the Indian market and into the Indian palate once again?

Key Words- Maggi, brand image, noodle industry

Introduction

This Research study is about the Nestlé's Maggi and its brand story, throwing some light on how Maggi brand was built, magic faded and it also disappeared and now it is planning to come back.

Maggi is a 100 year old brand (Nestle) comprising of instant soups, stocks, bouillons, ketchup, sauces, seasonings, and instant noodles. It became a pioneer of industrial food production, aiming at the improvement of the nutrition of Indian families. Over a period of time the scope of Maggi has been extended from a predominantly dehydrated cooking aid brand towards a general savory food brand including many type of readymade meals and frozen food. This in the line with the fact that people all over the world are cooking less and less from scratch.

Maggi noodles was launched in India in the early 1980. Carlo M Donati the present chairman and managing director of nestle India Ltd., brought the instant noodles brand to India in the early 1980"s. During that time there was no direct competition from the ready to eat snack segment which includes snacks like samosa, biscuits, peanuts, etc. The competition also came from the home made snacks like pakoras or sandwiches. So there were no specific buyers for snacks. Moreover both competitors had certain drawback in comparison. Snacks like samosa were usually purchased from outside and food prepared outside was generally considered unhygienic and homemade snacks had the disadvantage of extended preparation time at home.

Maggi was positioned as the only hygienic homemade snack despite it faced difficulties with their sales during the initial phase. The sole reason being the positioning of the product with the wrong target group .quickly they repositioned it towards the kid segment with various tools of sales promotion like colour pencil, sketch pens, fun books etc. which worked wonders for the brand. The time line in the development of Maggi is presented in Table 1.

Brand building of Maggi

The story began in 1866, when the first European condensed milk factory was opened in Cham, Switzerland, by the Anglo-Swiss Condensed Milk Company. In Vevey, Switzerland, founder Henri NESTLE, a German pharmacist, launched his

Farine lactée, a combination of cow's milk, wheat flour and sugar, saving the life of a neighbor's child. Nutrition has been the cornerstone of their company ever since.

"Henri Nestle, himself an immigrant from Germany, was instrumental in turning his Company towards international expansion from the very start. Henri NESTLE embodied many of the key attitudes and values that form part and parcel of Nestle's corporate culture such as: pragmatism, flexibility, the willingness to learn, an open mind and respect for other people and cultures.

NESTLE is the world's leading Nutrition, Health and Wellness Company. The mission of Nestle was "Good Food, Good Life" in order to provide consumers with the best tasting, most nutritious choices in a wide range of food and beverage categories and eating occasions, from morning to night. They employ around 2, 80,000 people and have factories or operations in almost all the countries in the world. NESTLE sales for the year 2009 was 108 billion dollars. Exhibit 1 furnishes information on Global Demand of Instant Noodles.

NESTLE's relationship with India dates back to 1912, when it began trading as The NESTLE Anglo-Swiss Condensed Milk Company (Export) Limited, importing and selling finished products in the Indian market. After India's independence in 1947, the economic policies of the Indian Government emphasized the need for local production. NESTLE responded to India's aspirations by forming a company in India and set up its first factory in 1961 at Moga, Punjab, where the Government wanted NESTLE to develop the milk economy. Progress in Moga required the introduction of NESTLE's Agricultural Services to educate, advice and help the farmer in a variety of aspects. From increasing the milk yield of their cows through improved dairy farming methods, to irrigation, scientific crop management practices and helping with the procurement of bank loans. NESTLE set up milk collection Centre's that would not only ensure prompt collection and pay fair prices, but also instill amongst the community, a confidence in the dairy business. Progress involved the creation of prosperity on an on-going and sustainable basis that has resulted in not just the transformation of Moga into a prosperous and vibrant milk district today, but a thriving hub of industrial activity, as well.

NESTLE has been a partner in India's growth for over nine decades and has built a very special relationship of trust and commitment with the people of India. The Company's activities in India have facilitated direct and indirect employment and provides livelihood to about one million people including farmers, suppliers of packaging materials, services and other goods.

The Company continuously focuses its efforts to better understand the changing lifestyles of India and anticipate consumer needs in order to provide Taste, Nutrition, Health and Wellness through its product offerings. The culture of innovation and renovation within the Company and access to the NESTLE Group's proprietary technology/Brands expertise and the extensive centralized Research and Development facilities gives it a distinct advantage in these efforts. It helps the Company to create value that can be sustained over the long term by offering consumers a wide variety of high quality, safe food products at affordable prices.

NESTLE India manufactures products of truly international quality under internationally famous brand names such as NESCAFÉ, MAGGI, MILKYBAR, KIT KAT, BAR-ONE, MILKMAID and NESTEA and in recent years the Company has also introduced products of daily consumption and use such as NESTLE Milk, NESTLE SLIM Milk, NESTLE Dahi and NESTLE Jeera Raita. Table 2 furnishes information on Nestle's market share in India & Maggi's competitors.

NESTLE India is a responsible organization and facilitates initiatives that help to improve the quality of life in the communities where it operates. After more than a century old association with the country, today, NESTLE India has presence across India with 8 manufacturing facilities and 4 branch offices. NESTLE India set up its first manufacturing facility at Moga (Punjab) in 1961 followed by its manufacturing facilities at Choadi (Tamilnadu) in 1967, Nanjangud (Karnataka) in 1989, Samalikha (Haryana) in 1933, Ponda (Goa) in 1955, and ,Pantnagar (Uttarakand) in 2006. In 2012, Nestle India set up its 8th manufacturing facility at Tahliwal (Himachal Pradesh). The 4 branch office located at Delhi, Mumbai, Chennai and Kolkata help facilitate the sales and marketing activities. The NESTLE India's head office is located in Gurgaon, Haryana. Exhibit 2 provides Locations of Nestle's Manufacturing Plants in India.

Fall of Maggi in India

Maggi is a name which no one Indian household could say have not heard about. It has become top most eaten noodle in India. Nestle started it in 1987 with the famous tagline 2 minutes noodles which still remains the same. In India Maggi has a market share of around 60% and stand undisputed for so many years.

It all started in the year 2014 by an officer at V K Pandey based at Barbanki, who took the first step against Nestle Maggi noodles for allegedly flouting food safety norms. It all started when traces of lead and Monosodium Glutamate (MSG) were found in excess than permissible limits in Maggi. The Food Safety Regulators in Uttar Pradesh, found that samples of Maggi noodles contained excess of MSG. The tests revealed that Maggi contained around 17 parts per million (PPM) of lead as against the permissible limit of 0.01 PPM. With the discovery of excess of lead many state banned Maggi and all its related products. The states include Delhi, Kerala, Punjab, Haryana, and Madhya Pradesh. Bollywood stars who endorsed the product were also booked under law for promoting it. Exhibit 3 furnishes information on Upsurge in negative sentiment on twitter.

How does consuming lead and MSG affect the body?

Excess of lead in take could damage the nervous system and cause brain disorders. Monosodium Glutamate (MSG) is naturally present in various food items such as mushrooms, tomatoes, Parmesan cheese and soy sauce. It has a unique taste which is different from salty, sweet, sour or bitter. The taste is described as 'meaty' and termed as Umami. Excess consumption of MSG promotes sluggishness in the body. It may also cause headache, nausea, increased thirst and a twitching sensation in the mouth. In some cases one may feel numbness, skin rashes and excessive sweating too.

There is mainly a technicality issue between Nestle and India's food authority, Food Standards and Safety Authority of India(FSSAI). Both Nestle and FSSAI agree that the level of lead found in single packet lies within the permissible limit but the issue is about the tastemaker. Tastemaker is the seasoning that is added to the noodles and FSSAI argues that it breaches 2.5 parts per million permissible limits when tasted. In Defense Nestle argues that tastemaker is never meant to be eaten alone and instruction on Maggi packets also states the same, therefore the two should be taken as single product instead of considering tastemaker as a single one. Though Maggi noodles are pulled off shelves in India there are other nations that have passed it in testing and consider them safe. Canada and Singapore have tested them and pronounced them safe. Table 3 furnishes the details of Food standards and safety Authority of India (FSSAI) Enforcement.

Then there was the issue of MSG (monosodium glutamate) which was found in noodles despite Nestle claiming they have not used any. Glutamate or glutamic acid occurs naturally in our body and naturally in various foods such as cheese, walnuts, tomatoes and mushrooms. The taste enhancer has become important part of the diet of the Asian people but in recent year people of the west are creating lot of scare-mongering connected to it. The only ill effect that was, when a scientific study was carried out on a rat that too when enormous quantities of the substance were injected, such large amount could damage or cause ill effect to anyone and also cause adverse reaction. There are various other substances such as cinnamon which cause ill effects even at low level when it is consumed in Indian households. Ban of Maggi have helped brands such as Yippee Noodles and Bambino a lot a huge increase in their shares signifies this fact. Currently the current share ITC Yippee is around 18-20% and could rise even more.

Implications on employee morale, legal and health

The ban on nestle Maggi brand and its recall have affected close to 1500 direct employees of the company involved in the production of the instant noodles. Nestle is relocated some of these employees to manufacture other items like dairy products, ketchup and infant nutrition. Most of the employees, who have been jobless since Maggi production was suspended on June 5th 2015, are now being involved in team building and other HR activities.

Effect of registration/licensing

Each packet of Maggi contained the FSSAI license number along with its logo. Does this not give an impression to the consumer that this food business operator is under the purview of the food safety authorities? Can consumers not assume that food safety authorities would have taken due inspection to ensure the quality?

During the whole Maggi episode, not even once did the FSSAI came out with a statement explaining how violations were allowed to take place at such a large scale. Forget about the explanation, even a future course of action has not yet been announced. This may mean that FSSAI is going to cancel Nestlé's license or it may mean that after a few months everyone will forget about it and Nestle will carry out its business as usual or with some improvement.

Non-identification of the source

Nestle never came out with a list of particular units where violations took place. Such a declaration would have

helped them in restricting food recall to the Maggi manufactured in only such units and saved them to a great extent. At the same time, in the absence of any such declaration, inference can be drawn against them that violations took place at all units.

Food recall procedure

Nestle stopped manufacturing Maggi noodles from June 5, 2015 when an order of recall was issued by the Food Safety and Standards Authority of India on its production, storage, sales and export. The company had to incinerate more than 30,000 tonnes of stocks at 11 cement plants across country.

In the past weeks, print and electronic media has been flooded with news of the recall and it is being projected as one of the largest recalls ever. It may surprise readers to know that FSSAI has not implemented any food recall procedure to date. The draft regulations in this regard were circulated for public discussion only 2-3 days prior to this Maggi fiasco. In the absence of these regulations how will FSSAI ensure the proper recall of the sub-standard Maggi packets? They might have to rely solely upon the declaration made by Nestle, which has already been widely published. Let's hope they do not rely solely on media reports, and instead try and verify the data themselves.

Labelling violations

One of the reasons for banning Maggi was because "No Added MSG" was mentioned on the packet label. As per the FSSAI, this is mis-leading and they have relied upon a document of the US Food and Drug Administration to support their argument. We appreciate the hard work that the FSSAI officials have put in to make a case against Nestle. However, it would have been appreciated more, had the guidelines been issued by FSSAI in advance. On the one hand, FSSAI maintains a view that what is permitted under Codex Alimentarius and other countries cannot be ipso fact regarded allowed in India, and on the other hand they themselves rely on foreign literature to make a case against a food business operator working in India.

FSSAI has been lethargic and inefficient in the past and it can be for many reasons including financial constraints and untrained manpower. Now they have started to pick up, however, they first need to put their house in order and then can expect everyone to follow them. Despite this, there is lot more to improve. We hope that FSSAI soon starts quoting their own advisories in their orders rather than relying upon that of another country.

Repositioning strategy

We all miss Maggi. We all miss "cooking" Maggi in our own signature styles. It never took us "two minutes", but no one ever complained. Since the Maggi ban, a generation has been craving for its favorite instant noodle. And it's good to know the feeling is reciprocated. Social media has been brimming with love letters to Maggi since the ban and Maggi has finally responded. Maggi India came up with a new advertisement professing its love for the country, saying We Miss You Too.

In a very minimalistic and simple ad, Maggi voices the query inside everyone's head: "Kab wapas aayega yaar? (When will it be back?)". Yes, most people have cooked Maggi in the middle of the night; while some woke up hungry, others were watching midnight football and thought it made a great midnight snack. The 52-second advert has struck a nostalgic chord with most of India's youngsters. Maggi India Twitter page has been responding to queries from consumers and has reciprocated to Maggi lovers' reaction to the ban. Overwhelmed by your love & we hope to bring back your favorite MAGGI noodles as soon as possible.

On 25th July 2015 Nestle has brought in a new managing Director, Suresh Narayanan to focus on promoting Maggi noodles. On 14th August 2015, Bombay High Court quashed the Maggi ban and ordered fresh tests. Immediately after the Bombay High Court order, the company came up with "missyoumaggi" teaser advertisements on Youtube, followed by a campaign on television and digital media highlighting the trust Nestle had enjoyed in India for over 100 years. Nestle India has said it plans to bring back Maggi in the market by end of 2015 and Maggi lovers can't wait.

Findings

1. Maggi had become a part of every kitchen in India and it has satisfied many hungry people and their taste buds. It was unfortunate what happened to Maggi because of negligence in quality control and it ended up with bad consequences such as loss of image and the magic got disappeared, Maggi worth of rupees in crores was

burnt, stock of more than 4.5 crores was recalled, it built a fear in every mothers eye and people got scared to have it, it affected the whole industry as every noodle manufacturer is incurring loses, employee morale was thrashed and many employees left nestle.

2. The issue faced by Nestle falls under the realm of trust and Reputation. For a brand two things are of critical importance - trust & reputation it enjoys with its customers. This issue damaged both trust and reputation of Maggi brand.
3. Nestle response to the controversy has been tepid. An official statement said, "We do not add Monosodium Glutamate (MSG) to Maggi Noodles. We use raw materials that may contain naturally occurring Glutamate which could be confused with commercially produced MSG. Glutamate is safe and is found in everyday and high protein foods including tomatoes, peas, paneer, onions, milk". The company is facing a legal battle in the court of law.
4. In absence of a strong defense from Nestle a perception will gain credence in customer's mind that it has taken a surreptitious route to 'add' glutamate - to overcome legal hurdles - instead of adding it directly they have used raw materials & ingredients which contains glutamate. Legally they cannot be prosecuted & presence of these elements will enhance the flavour which will get customers to consume more.
5. In addition, more collateral damage is likely to be caused to Nestle - perceptions will gain ground in customer's mind that as Nestle is not sure of what it does & therefore every claim it makes should be taken with a pinch of salt and to achieve its business objective it can adopt surreptitious means keeping its interest ahead of customers.
6. The result is customer will stop trusting the brand & its reputation will may be tarnished. Sooner than later it will impact their business.

Conclusion

The Maggi controversy has shattered many hearts, Maggi was not merely a product or a brand in India, Indian consumer who is not unused to suspect food standards, feels a deep sense of betrayal by one of the most trusted food brand in India. The Maggi controversy has exposed the pathetic condition of India's processed and packaged food industry. There's no denying that food safety regulations leave a lot to be desired. Despite establishment of the Food Safety and Standards Authority of India in 2006 and subsequent promulgation of the Food Safety and Standards Regulations, 2011, implementation of rules is haphazard and erratic.

Food safety demands adequate oversight and inspection at each step of the food production and supply chain. However, such a principle is rarely followed in India. The government should completely overhaul the Food Safety and Standards Authority of India (FSSAI) and state authorities. In fact, most of the states do not even have the accredited laboratories.

Nestle India, the company has disclosed having spent Rs 445 crore on Advertising and sales promotion last year while the expenses towards quality testing was less than 5 per cent of such amounts that itself explains everything, the company needs to be more forthcoming in communicating actively and transparently to the public. Since Nestlé sells similar products across the world, it means complying with numerous international food safety standards. Therefore, Maggi and other packaged food products must of course be held accountable for violating guidelines.

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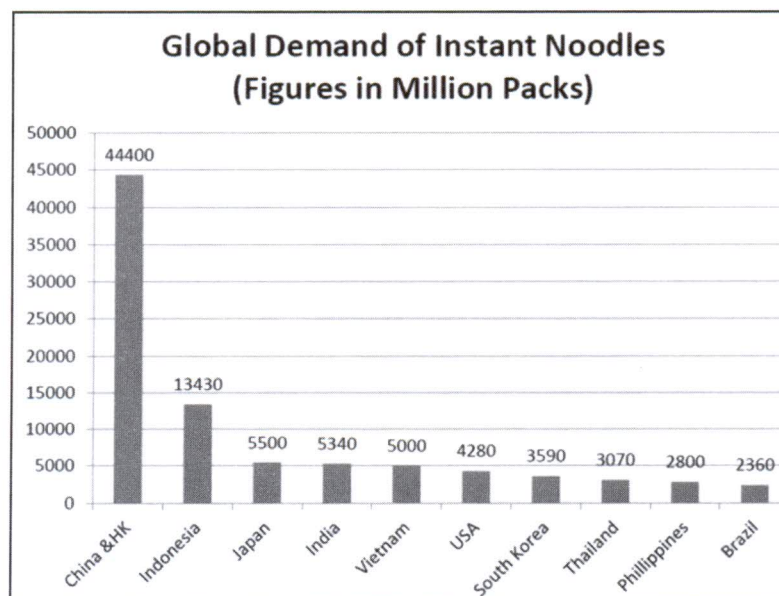
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Table 1. The Time Line in the Development of Maggi

Date	Happenings
Apr 7, 2015	MSG confirmed in Maggi; lead content more than allowed
May 30, 2015	UP FDA files case against Nestle India
Jun 1-4, 2015	Gujrat, Uttarakhand, Tamil Nadu, Delhi, UP and J&K ban Maggi
Jun 5, 2015	Nestle withdraws Maggi noodles from India; FSSAI issues countrywide 'order of recall', stops production, distribution and export
Jul 25, 2015	Suresh Narayanan replaces Etienne Benet as Nestle India head
Aug 13, 2015	Bombay HC strikes down ban on Maggi, orders retesting in 3 NABL-accredited labs
Oct 16, 2015	Three labs clear Maggi noodles; all 90 samples found safe.

Source: Business Standard 17th Oct 2015

Exhibit 1. Global Demand of Instant Noodles



Source: World's Instant Noodles Association

Table 2. Nestlé's Market Share in India & Maggi's competitors

MAGGI'S	COMPETITORS	NESTLE'S MARKET SHARE IN INDIA		
		CATEGORY	MARKET SHARE in %	RANK
Horlicks Foodles	GSK Consumer			
Knorr	HUL	Infant Milk Cereals	96	1
Sunfeast Yippee	ITC	Noodles	80.2	1
Top Ramen	Indo Nissin	Wafers And Whites	68.5	1
Maggi Brand Products <ul style="list-style-type: none"> ● Instant noodles ● Instant Pasta ● Ketchup and Sauce ● Instant Masala ● Soups 		Pasta	65.7	1
		Instant Coffee	51.8	1
		Tea Cream	49.9	1
		Infant Milk Nutrition	41	2
		Ketchup	26.9	1
		Overall Chocolate	18.8	2

Source: Edelweiss research

Exhibit 2. Locations of Manufacturing Plants in India (Nestle)

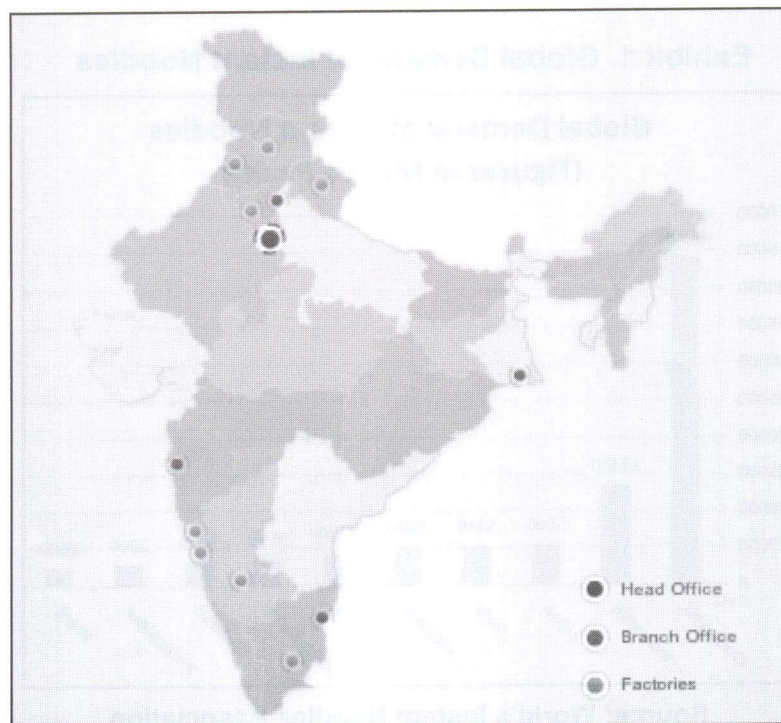
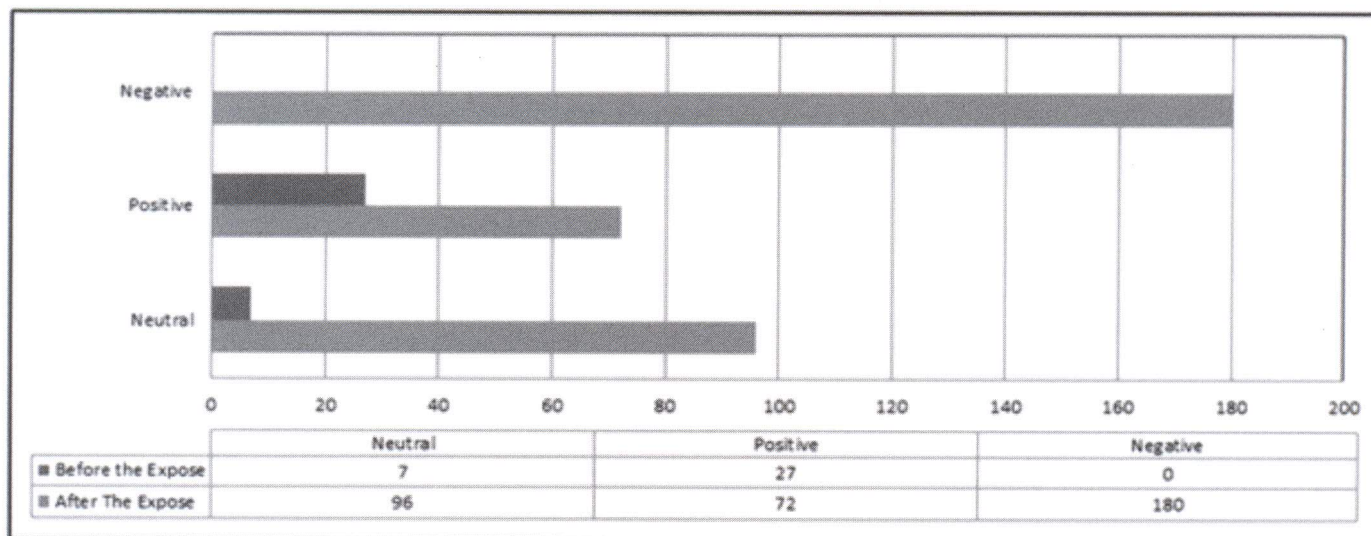


Exhibit 3. Upsurge in negative sentiment on twitter



The bright side for the brand is that positive comments also saw a significant 3x increase. The negatives were largely from influencers who amplified the negative sentiment, and might not reflect the consumer sentiment directly.

Table 3. Food Standards and Safety Authority of India (FSSAI) Enforcement

Year	Samples Examined	Non-Conforming	Prosecution Launched	Convictions/ Penalties	Penalties (Rs Cr)
2011-12	64,593	8,247	6,845	764	NA
2012-13	69,949	10,380	5,840	3,175	5.2
2013-14	72,200	13,571	10,235	3,845	7.3
2014-15	49,290	8,469	7,098	2,701	6.9

Source : FSSAI