

# Branding Strategies of Noodle Companies: A Case Study of Recovery of Maggi

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**Abstract:** *The study aims to find out the noodle companies and their branding strategy in India. The purpose of study is to know the leading noodle brands in India and the renowned Nestle India Maggi noodles recovery after it was banned in 5<sup>th</sup> June 2015 in some states of India. The study is about the noodle companies branding strategy. The leading company Nestle India Ltd. (NIL). It came into existence in 1982 in India. It was the Swiss company founded in 1866 by Henri Nestle with focus on Great taste with health, nutrition and wellness. The research objectives are: (1) To observe the branding strategies adopted by the Maggi. (2) To observe the branding strategy of the competing noodle companies. (3) To observe the strategy that may adopt by Maggi to recover its brand image. The research will be descriptive research based on secondary data like journals, newspaper articles, websites etc. The research methodology will have variables like the demand of Maggi noodles and its impact/ influence to Indian market. Expected conclusion would be the importance of branding for the leading noodle company to recover its image post decline.*

**Keywords:** Strategy, Branding, Brand image, Recovery Span

## I. INTRODUCTION

The industrial revolution in Switzerland in the late 1800s created factory jobs for women, who were therefore left with very little time to prepare meals. This widespread problem grew to be an object of intense study by the Swiss Public Welfare Society. As a part of its activities, the Society asked Julius Maggi miller to create a vegetable food product that would be quick to prepare and easy to digest. Born on October 9, 1846 in Frauenfeld, Switzerland, Julius Michael Johannes Maggi was the oldest son of an immigrant from Italy who took Swiss citizenship. Julius Maggi became a miller and took on the reputation as an inventive and capable businessman.

In 1863; Julius Maggi came up with a formula to bring added taste to meals. Soon after he was commissioned by the Swiss Public Welfare Society, he came up with two instant pea soups and a bean soup - the first launch of the Maggi brand of instant foods in 1882 - 83. Towards the end of the century, Maggi & Company was producing not just powdered soups, but bouillon cubes, sauces and other flavorings. The Maggi Company merged with Nestlé in 1947. Today, Maggi is a leading culinary brand and part of the NESTLÉ family of fine foods and beverages. Under the Maggi brand, which is today known worldwide for quality and innovation, Nestle offers a whole range of products, such as packaged soups, frozen meals, prepared sauces and flavorings.

### 1.1 Company Introduction

Nestle is the world's leading Nutrition, Health and Wellness company, with mission of "Good Food, Good Life" is to provide consumers with the best tasting, most nutritious choice in a wide range of food and beverages categories and eating occasions, from morning to night. Nestle India is a subsidiary of Nestle S.A. of Switzerland. With eight factories and a large number of co-packers, Nestle India is a vibrant Company that provides consumers in India with products of global standards and is committed to long-term sustainable growth and shareholder satisfaction.

The Company insists on Honesty, integrity and fairness in all aspects of its business and expects the same in its relationships. This has earned it the trust and respect of every strata of society that it comes in contact with and is acknowledged amongst India's 'Most Respected companies' and amongst the 'Top Wealth Creators of India'. Nestlé'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. Nestle India manufactures products of truly international quality under internationally famous brand names such as NESCAFE, MAGGI, MILKYBAR, KIT KAT, BAR- ONE, MILKMAID, and NESTEA.

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.

### **1.2 NESTLÉ's Presence in India**

After more than a century-old association with the country, today, NESTLÉ India has presence across India with 8 manufacturing facilities and 4 branch offices.

NESTLÉ India set up its first manufacturing facility at Moga (Punjab) in 1961 followed by its manufacturing facilities at Choladi (Tamil Nadu), in 1967; Nanjangud (Karnataka), in 1989; Samalkha (Haryana), in 1993;

Ponda and Bicholim (Goa), in 1995 and 1997, respectively; and Pantnagar (Uttarakhand), in 2006. In 2012, Nestle India set up its 8th manufacturing facility at Tahliwal (Himachal Pradesh). The 4 Branch Offices located at Delhi, Mumbai, Chennai and Kolkata help facilitate the sales and marketing activities. The NESTLÉ India's Head Office is located in Gurgaon, Haryana.

### **1.3 Research and Development Centre in India**

Research and Development (R&D) in India is part of NESTLÉ S.A.'s global R&D network and supports all markets worldwide with new product development and manufacturing excellence for Noodles.

It is also a Centre of expertise for local Indian cuisine within the NESTLÉ R&D network and offers assistance to Culinary, Confectionery, Nutrition and Dairy products in the South Asia Region (SAR). NESTLÉ India has always had Research and Development support from the NESTLÉ R&D network across the world. Now, with the new R&D Centre in Manesar, NESTLÉ South Asia Region will benefit from a greater 'regional consumer' focus. Having an R&D Centre in India also brings Research and Development closer to NESTLÉ India businesses, and reflects the NESTLÉ spirit of R&D-Business partnership towards developing winning concepts, suited to the local consumer. It will in turn help NESTLÉ R&D to bring out strong local concepts that are in accordance with the NESTLÉ Group ambition to provide 'affordable Nutrition, Health and Wellness'.

## **II. MAGGI BRAND IN INDIA**

Maggi Comes to India – teething troubles Maggi noodles was launched in India in the early 1980s. Carlo M. Donati, the present Chairman and Managing Director of Nestle India Ltd, brought the instant noodle brand to India during his short stint here in the early eighties. At that time, there was no direct competition. The first competition came from the ready-to-eat snack segment which included snacks like samosas, biscuits or maybe peanuts, that were usually 'the bought out' type. The second competition came from the homemade snacks like paratha or sandwiches. So there were no specific buy and make snack! Moreover both competitors had certain drawbacks in comparison. Snacks like samosas are usually bought out, and outside food is generally considered unhygienic and unhealthy. The other competitor, homemade snacks overcame both these problems but had the disadvantage of extended preparation time at home. Maggi was positioned as the only hygienic homemade snack! Despite this, Nestlé faced difficulties with their sales after the initial phase. The reason being, the positioning of the product with the wrong target group. Nestle had positioned Maggi as a convenience food product aimed at the target group of working women who hardly found any time for cooking. Unfortunately this could not hold the product for very long. In the course of many market researches and surveys, the firm found that children were the biggest consumers of Maggi noodles. Quickly they repositioned it towards the kids segment with various tools of sales promotion like color pencils, sketch pens, fun books, Maggi clubs which worked wonders for the brand.

### 2.1 Why the Specific Brand Positioning?

Maggi was positioned as “2-minute noodles” with a punch line that said “Fast to cook! Good to eat!” and this gave the implied understanding to the consumer that it was a „between meals” snack. The company could have easily positioned the product as a meal, either lunch or dinner. But, it chose not to do so, because the Indian consumer mindset did not accept anything other than rice or roti as a meal. Hence, trying to substitute it with noodles would have been futile. The firm did not position it as a “ready-to-eat” meal either, as the housewife prefers to make a meal for her kids rather than buy it for them. And if she can make it in two minutes with very little effort, then obviously it’s a hit with her! What’s more, if kids also love the taste, the product is as good as sold!

### 2.2 Brand Story

Launched in 5 flavors initially – Masala, chicken, Capsicum, sweet & sour, and Lasagna – Maggi had to fight hard to be accepted by Indian consumers with their hard-to-change eating habits.

The packaged food market was very small at this time; Nestle had to promote noodles as a concept, before it could promote Maggi as a brand. It therefore devised a two-pronged strategy to attract mothers on the “convenience” plank and lure kids on the “fun” plank. Gradually, the market for instant noodles began to grow.

The company also decided to focus on promotions to increase the brand awareness. In the initial years, Nestle promotional activities for Maggi included schemes offering gifts (such as toys and utensils) in return for empty noodles pack. According to analysis the focus on promotion turned out to be the single largest factor responsible for Maggi’s rapid acceptance. Nestle’s Managers utilized promotions as measured to meet their sales target. Gradually, sales promotion became a crutch for Maggi noodles sales.

Later many of the Maggi’s extensions also made considerable use of promotional schemes. The focus of all Maggi’s extensions was more on below the line activities rather than direct communication. In addition to promotional activities, Maggi associated itself with main stream television programme and advertised heavily on kids programme and channels. After its advertisements with taglines like “mummy bhokh lagi hai, bas do minute” and fast to cook good to eat Maggi’s popularity became highly attributed to its “extremely high appeal to children”. As a result, Maggi’s annual growth reportedly touched 15% during its initial years.

### 2.3 Maggi’s Brand Extension

In 1998, Nestle launched Maggi’s first brand extension, Maggi soup. At this stage, there was no organized packaged soup market in India. Nestle planned to create a market for packaged soup as it felt the category had a lot of potential. However, according to analyst, the company had introduced soups only to cash in on the Maggi’s brand name, and was never very serious about the segment.

In 1993, “Sweet Maggi”, the first variant of Maggi noodles was launched. The company supported the launch with a huge advertisement outlay that amounted to 75% of the total yearly expenditure on the Maggi brand. However, the product failed to generate the desired sales volume and Nestle was forced to withdraw it. At the end of the year, Maggi noodles were generating sales volume of around 5000 tons and remained a loss making proposition for Nestle.

To boost sales, Nestle decided to reduce the price of Maggi noodles. This was made possible by using thinner and cheaper packaging material; the company also introduced “money saver multipacks” in the form of 2-in-1 pack and 4-in-1 packs.

As a result volume increased phenomenally to 9700 tons in 1994 and further to 13000 tons in 1995. Maggi’s euphoria was, however, short lived, as sales stagnated in 1995 at the previous Year’s level. With soup business being threatened by a new entrant “Knorr soups” launched in 1995, offering 10 flavors against Maggi’s 4 the company started rethinking its strategies towards the soup market.

In order to stretch Maggi’s brand to include Indian ethnic foods the company tied up with a Pune based cordial foods to launch pickles under the year 1995. The company also tied up with Indian foods fermentation (IFF), a Chennai based Food Company to market popular south Indian food preparation such as sambher, dosa, vada and spices in consumer packs in Dec 1995. The company reportedly saw a lot of potential in the market for ready to use south Indian market.

In 1996, products from these two ventures received lukewarm response from the market; sales were rather poor in the regions in which they were launched. Analysts attributed the failure of these Maggi extensions to the fact that Nestlé seemed to be particularly bad at dealing with traditional Indian product categories. Maggi noodles performed badly in 1996. Despite slow sales in the previous two years, Nestlé had set a sales target of 25,000 tons for the year. However, Maggi couldn't cross even 14,000 tons. Adding to the company woes was the failure of Maggi Tonight's Special, a range of cooking sauces aimed at providing "restaurant-like- taste" to food cooked at home.

The range included offerings such as Butter Chicken gravy and tomato sauce for pizzas. Understanding these failures, and buoyed by the fact that the Maggi brand finally broke even in 1997, Nestlé continued to explore new options for leveraging on the brand equity of Maggi noodles. The company realized that the kids who had grown up on Maggi noodles had become teenagers by the late 1990s. As they associated the product with their childhood, they seemed to be moving away from it.

To lure back these customers and to explore new product avenues, Nestlé launched "Maggi Macaroni" in July 1997. According to analysts, Maggi Macaroni was launched partly to deal with the growing popularity of competing noodles brand Top Ramen. Maggi Macaroni was made available in three flavors, Tomato, Chicken, and Masala. The company expected to repeat the success of Maggi noodles with Maggi Macaroni. As with most of its product launches, Maggi Macaroni's launch was backed by a multi-media advertisement campaign including radio, television, outdoors and print media with the tagline, "Tum Roz Baby".

## **2.4 Product Variants**

The product mix of Maggi is divided into various categories defined below. The company has launched various products under each category as mentioned below:

### **A. Noodles**

- Maggi 2-Minute Noodle (Masala, Chicken, Curry and Tomato)
- Maggi Dal Atta Noodles (Sambhar taste)
- Vegetable Atta Maggi Noodles
- Maggi Rice Noodles (Lemon Masala, Chilly Chow and Shahi Pulao)
- Maggi Cuppa mania (Masala yo, Chilli chow yo)

### **B. Sauces**

- Teekha masala
- Tomatohatpat
- Imlikhatamitha
- Tomato ketchup
- Hot and sweet
- Tomato pudina
- Ginger, Garlic & Coriander
- Maggi Oriental Chilli Garlic

### **C. Maggi Pichko**

### **D. Soups Healthy**

- Chef Style
- Cream Mushroom
- Sweet Sour Tomato Noodles
- Tangy Tomato Vegetables
- Home Style

- Creamy Chicken
- Mixed Vegetable
- Rich Tomato
- Chinese Style
- Chinese Hot Sour Chicken
- Chinese Sweet Corn Chicken
- Chinese Sweet Corn Vegetables
- Chinese Hot & Sour Vegetables

#### **E. Maggi Soup Sanjivni**

- Amla
- Badam
- Spinach
- Dal
- Tomato

#### **F. Maggi Bhuna Masala**

- Bhuna masala for gravy dishes
- Bhuna masala for vegetable dal

#### **G. Maggi Magic Cubes**

- Chicken
- Vegetarian masala

Noodle brands in India and recovery of Nestle Maggi.

The study is to know the branding strategy of noodle brands in India and the recovery of nestle noodles post its decline, what will be its strategy to build its brand image again after getting ban in states of India due to detect in excess amount of 'LEAD' which is harmful for health.

#### **2.5 Objective**

1. To observe the branding strategies adopted by the Maggi.
2. To observe the branding strategy of the competing noodle companies.
3. To observe the strategy that may adopt by Maggi to recover its brand image.

### **III. RESEARCH METHODOLOGY**

Type of study is exploratory, descriptive and case study. The research conducted as a part of our study would include Secondary research. Secondary research would include various aspects of Brand management through Internet, Journals, company reports, expert views etc. Report is based on secondary data include case studies, articles published on-line, part reports by researchers and the news published.

### **IV. DISCUSSION**

#### **4.1 Recovery Journey Overview**

##### **A. Crisis Management Case Study**

Nestlé's Maggi noodles banned in India.

At the end of May 2015, India's Food safety administration (FDA) ordered Nestlé India to recall its popular 2-minute Maggi noodles after tests showed that the product contained high levels of lead and MSG. This case study looks at how the situation developed, and how Nestlé reacted and managed the situation using multiple digital channels.



### 21st May 2015 – Indian State Orders Recall of Maggi Noodles

Indian food inspectors order Nestlé India to recall a batch of Maggi Noodles from the northern Indian state of Uttar Pradesh claiming that tests have found Maggi instant noodles "unsafe and hazardous" and accused Nestlé of failing to comply with food safety law.

### Nestlé Response

The initial response from the global FMCG Company rejected the accusation that the noodles were unsafe and said on their website and social media accounts that there had been no order to recall any products. A statement on their website said that "The quality and safety of our products are the top priorities for our Company. We have in place strict food safety and quality controls at our Maggi factories... We do not add MSG to Maggi Noodles, and glutamate, if present, may come from naturally occurring sources. We are surprised with the content supposedly found in the sample as we monitor the lead content regularly as a part of the regulatory requirements."

### 1st June – Nestlé Re-Assures Customers its Noodles are Safe

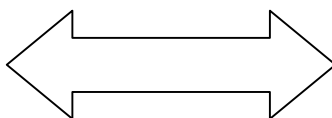
Nestlé continues to keep its customers up to date on the investigation into the safety of Maggi noodles in India. On the official Maggi noodles India Facebook page, Twitter and website, Nestlé states that extensive testing reveals no excess lead in Maggi noodles.

### 2nd June – Nestlé Interacts with Customers on Social Media Thanking them for their Support

Nestlé uses Twitter and Facebook to answer customers questions about the levels of MSG and lead found in their noodles. The company continues to re-assure customers that the noodles are safe and that they are a transparent company working closely with authorities in India to resolve the issue. As well as this Nestlé explains the science behind the tests, what lead and MSG are and gives an informative breakdown of the ingredients in their product. @MaggiIndia makes an impressive effort to respond to every tweet from customers on this issue with a pre-prepared statement explaining that lead occurs naturally in soil and water.

### 3rd June – Nestlé Launches a FAQ Page on the Official Nestlé Website

Nestlé continues to engage in an active dialogue with customers on social media channels Facebook and Twitter. As well as this the company created a FAQ page on the official Nestlé website to answer all questions.



### 4th June – Nestlé backtracks and recalls all Maggi noodles from India

After re-assuring customers that its noodles are safe, the brand does a U-turn and decides to recall Maggi noodles produced in India. Nestlé CEO Paul Bulcke spoke to the media and said that "We are working with authorities to clarify the situation and in the meantime Nestlé will be withdrawing Maggi noodles from shelves."

### 16th June – Nestlé to destroy withdrawn noodles

Nestlé decided to destroy more than £32million (\$50million) worth of Maggi Noodles in India after they were deemed unsafe by regulators.

### 3rd July – Testing on Maggi noodles abroad finds levels of lead are within food safety levels

After the food safety scare in India Maggi noodles have been tested in other parts of the world to reassure consumers that they are safe. Results from noodles tested in the UK found that levels of lead in the product are within EU levels. Shortly after the UK results were published, Canada also cleared Maggi noodles as safe.

### Overview- using social media for damage limitation

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.

Nestlé took to social media, Facebook 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 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.

### August 2015 Update

After a difficult summer for Nestlé India the company finally receives some positive news after an Indian government approved laboratory has found that Maggi noodles do in fact comply with national food safety standards. India's food minister has slammed the FSSAI (Food Safety and Standards Authority of India) for creating an environment of fear in the food industry. Meanwhile, Maggi noodles have been cleared in many foreign countries; Nestlé also received permission from the Bombay High Court to export Indian Maggi noodles.

### News Published:

#### Food Regulator to Pursue Maggi Ban Case in Apex Court.

MUMBAI: Two months after the Bombay High Court set aside the order passed by Food Safety and Standards Authority of India (FSSAI) and state Food and Drug Administration (FDA) to ban nine variants of Nestle's Maggi instant noodles, the FDA has decided to file a special leave petition (SLP) before the Supreme Court.

"We have carefully studied the high court order. I think we have scope for knocking at the doors of the apex court against the high court verdict. We have submitted our proposal to the state government for approval. I expect to file the special leave petition as early as possible, may be within a week," FDA commissioner Harshadeep Kamble told TOI.

Nestle India filed a writ petition before the Bombay high court against the ban orders passed by the regulatory bodies, FSSAI and FDA. Nestle had said the ban was "unauthorized, arbitrary, unconstitutional for violating right to equality and trade" and had violated principles of natural justice since it was not allowed a proper hearing. Setting aside the ban order, the Bombay high court had on August 14 observed that it was arbitrary and against the principles of natural justice. "While passing the order, principles of natural justice have not been followed before passing the impugned order and on that ground alone the order is liable to be set aside," Justice V M Kanade and Justice B P Colabawalla had observed in their order. Further, the court made critical observations against the regulator for lack of transparency and passing the order in an arbitrary manner.

A. While Maggi is Off Shelves, Yoga Guru Ramdev's 'Patanjali Noodles' to Hit Markets Soon

NEW DELHI: Yoga Guru Ramdev will soon be launching a new range of 'instant noodles' which it claims does not have lead or taste enhancer MSG. Ramdev's 'Patanjali Ayurveda' with its new product hopes to capture the market lost by Maggi.

Nestle's Maggi noodles, which were market leaders in the category, had to be taken off the shelves after the Food Safety and Standards Authority of India (FSSAI) found excess lead and taste enhancer MSG despite 'No MSG' labeling.

These findings were later challenged by the company before the Bombay High Court, which quashed those orders and ordered fresh tests. Nestle is looking to re-launch the product by December.

Talking about the catchphrase of the product, "**Jhat pat pakao, aurbefikr khao,**" which resembles Maggi's 'two-minute noodles' and 'taste bhi, health bhi' tag lines, the yoga guru claimed it will have **'no added monosodium glutamate (MSG) and lead'**.

The 'taste-maker' used in Maggi will be replaced by 'health-maker' in Baba Ramdev's instant noodles. "We will launch Patanjali noodles on October 15. It will be made from whole wheat flour (atta), not like noodles of other companies which are made up of maida and has only 10 per cent atta," Baba Ramdev said at a press conference. "Our noodles will be available at Rs. 15, whereas other used to sell it for Rs. 25," he added. He further said, "Patanjali noodles will use rice-bran oil and not cheap and inferior palm oil as used by others." "We are working on the principles of swadeshi, where we work for the betterment and health of the country," he said. The yoga guru also said that he has no issues with the functioning of FSSAI and is open to any scrutiny of his products. (Story First Published: October 09, 2015 20:23 IST)

B. Nestle awaits test results before resuming Maggi production

Its patrons are looking forward towards a quick comeback. Its raw material suppliers are counting days to get out of "the misery" that they are in caused by the ban on its production and sell in the country.

But Maggi noodles will not be available for sale before the festive season is over this year. And although Nestle India and the country's food safety regulator – Food Safety and Standards Authority of India (FSSAI) have fought over the instant noodles' quality for the past four months at various forums. The controversy, at last, may end without another round of legal battle. Samples of the instant noodles are being tested in three laboratories in Mohali, Jaipur and Hyderabad on orders of the Bombay High Court. Nestle India will not have to seek permission from the court to start producing Maggi noodles if samples test for less lead than is permissible.

The court had on August 13 quashed the ban on production, distribution, sales and export of Maggi noodles. On clarifications sought by Nestle over resumption of production, the court said if lead was found to be at lower than 2.5 parts per million the company could start manufacturing immediately. The new packets will have to be tested again in three laboratories specified by the court before they can be sold. "The petition stands disposed as per the order passed by the Hon'ble Court. The order is abundantly clear that manufacturing at the first stage and selling in the second stage could begin once the testing is in place for each of the stages. There is no requirement to approach the Hon'ble Court for the order to operate further. The order intelligently does not make it cumbersome for the Petitioner to approach the court again", Zakir Merchant, partner, Khaitan & Co. said. "We can start manufacturing if lead is found within permissible limits. The products will then undergo fresh tests at the three laboratories. Once the tests confirm lead within permissible limits, we can proceed with sales," a Nestle India spokesperson said. "The company can start production as soon as the reports come in, provided the lead content is under the permissible level," said Ashish Prashad, partner, Economic Laws Practice. According to Paras Spices, the largest supplier of spices for Nestle in India, as soon as the test reports come in production will start at Nestle's Moga factory at Punjab.

"According to our estimates, production of Maggi should start by the end of October," said Dharmendra Gill of the Ludhiana-based Gilco Flour Mill, another supplier to Nestle. "A total of 90 samples that comprise six variants of Maggi noodles are to be tested. This process has commenced," the Nestle spokesperson added. Since the ban, most of the raw suppliers of Maggi noodles are suffering huge loss of business. While, Paras's sales has dipped 45%, Gilco had to cut down more than 50% of its production. To maintain quality, Nestle India recently ended their 12 year old association with the third party manufacturer of Maggi noodle - SAJ Food Products. Nestle procures some 90% of the noodle in



their five plants across India. According to Suresh Narayan, the company is leaving no stones unturned to regain trust of the consumers and Maggi noodles will be back on shelves within this year.

C. Nestle defends itself in NCDRC regarding fresh tests; hearing on Oct 15

The Bombay High Court had set aside the ban imposed on Nestle's Maggi noodles but the class suit filed by Government of India's consumer affairs department in the National Consumer Disputes Redressal Commission (NCDRC) against the food giant continues to haunt the company. So far the suit only had submissions from both sides but in the hearing Nestle had tried to challenge the suit by making reference to the Bombay High Court order. In a recent hearing, the company told the NCDRC that the latter had no jurisdiction in the case to order test of noodles' samples. The company argued that the HC had already ruled in the case and ordered fresh tests. The company, according to sources, further argued that the said product was governed under the Food Safety and Standards Regulations (FSSR) or FSS Act and hence Consumer Protection Act need not be brought in the case. However the department of consumer affairs was clear that consumer rights needed to be protected and it would pursue the suit. The next hearing with regard to fresh tests is scheduled for October 15. The Rs 640 Crore first-of-its-kind class suit was filed by the department soon after the apex food regulator FSSAI imposed a ban on all variants of Nestle's Maggi noodles. However the ban was revoked by the Bombay High Court after hearing both sides on August 13 this year. Earlier, accepting an appeal by Nestle to not conduct fresh tests on samples collected by the authorities from the market, the commission had asked the government and the company to appear before it on October 8.

Meanwhile, the Commission had asked both the sides to explain their positions while hearing on the core issue of whether Nestle was liable to pay Rs 640 Crore as damages. This has been postponed till October 30. Test reports from various Food Safety and Standards Authority of India-approved laboratories, showed presence of Lead at higher-than-permissible levels (2.5 parts per million) and monosodium glutamate (MSG) in Maggi noodles. This led to a country-wide recall of the product on June 5, followed by Nestle approaching the Bombay High Court. The consumer affairs ministry took suo motu cognisance and filed a class action suit against Nestle India in NCDRC, a first in the country, and claimed Rs 640 Crore in damages by invoking the Consumer Protection Act.

(Economics Times: Indians eat most Maggi noodles in the world)

"India has emerged as the largest consumer of Maggi noodles across all Nestle operations in the world," Donati told ET. It was Donati who brought the instant noodle brand to the country during his short stint in the early 1980s. Maggi went on to create a whole new product category and caught the fancy of kids across the country in no time.

Today, while India tops in world-wide Maggi sales, the latter has grown to an estimated Rs 160-170 crore brand contributing as much as 8-9% to Nestle India's top line. Maggi noodles sell in most Asian countries, Australia and Africa. However, FMCG analysts are not impressed. They say Maggi has done little to expand the noodles category. "Nestle's investment on Maggi has been squarely disproportionate to the growth of the brand," Mumbai-based equity research firm ASK Raymond James senior vice-president (research) Nikhil Vora said.

Today, after 20 years of flogging the Maggi brand, the size of instant noodles market is a small Rs 200 crore. Yet, most analysts agree that Nestle India has done well to leverage the brand to enter a large number of culinary products. Just for the record, "In 10 years, I want to sell two and a half times of what I am selling today," said Donati. So, the learning curve is shrinking.

Launched in early 1980s, Maggi was positioned on the convenience plank which yielded good results. Looking at the success of noodles, Nestle India decided to extend the brand to a number of products such as sauces, soups, pickles and macaroni in mid-1990s. Maggi macaroni bombed and pickles didn't do well either. Maggi soups and sauces chugged along and today have a decent presence in the market. Maggi noodles' acceptance among Indian consumers didn't come easy.

Nestle changed its formulation some time back which was rejected by the consumer. So, the company had to revert to the original make. Since then, it has been a smooth sailing for the brand. Interestingly, it is only now, during Donati's second stint, in the country that the brand has stabilized. "Maggi noodles have seen a robust double-digit growth in sales during the last four years," said Donati. Last year, Nestle India launched Chinese Noodles as a snack food for the adults.

### **Brand Recall**

Maggi has a good brand recall as compared to its competitors like Top Ramen, Surya noodles etc. Consumers could easily associate Maggi with noodles.

In the Age wise category, the respondents of the age group of 25-45 were highly cautious of Maggi brand and seemed to be consuming Maggi more as compared to other age segments.

### **Brand Awareness**

From the responses of the respondents in the conducted survey it was evident that Maggi's Brand awareness was very high in terms of noodles were around 65 % of the respondents associated Maggi as noodles and only 20 % of the respondents knew, Maggi as a Ketchup, 9% as soup etc.

### **SWOT Analysis of Maggi**

The SWOT analysis of Maggi brand clearly indicates the strengths of Maggi as a Brand in Indian market. The Brand was found to be a leader in its category of Noodles, with strong customer loyalty. Intensive distribution of Maggi as a Brand was seen in urban areas of the country. The major threats of the brand as shown in the figure below indicates that Maggi has made several attempts to revamp itself as a "Healthy Product" but till date its perseverance towards the tag line is low by the consumers. The brand is in the growth stage of product life cycle with a strong inclination towards the maturity stage.

### **STPD analysis of Maggi Brand**

#### **Segmentation:**

Market Segmentation divides the heterogeneous market into homogenous groups of customers who share a similar set of needs/wants and could be satisfied by specific products. Maggi Brand has segmented the market on the basis of lifestyle and habits of urban families.

#### **Target:**

Market Targeting refers to evaluating and deciding from amongst the various alternatives, which segment can be satisfied best by the company. The Maggi Brand have mainly targeted the Kids, Youth, Office Goers & Working Woman which falls into the category of "convenience - savvy time misers" who would like to get something instant and be over with it quickly.

#### **Positioning:**

Market Positioning is the act of designing the company's offerings and image to occupy a distinctive place in the minds of the target market. The goal of positioning is to locate the brand in the minds of consumers to maximize the potential benefit to the firm. Maggi has positioned itself in the SNACKS category and not in the meal category since Indians do not consider noodles as a proper food item. Therefore Maggi have developed its brand image of instant food products with positioning statements such as "2 minutes noodles" and "Easy to cook, good to eat"

#### **Differentiations:**

Points-of-difference (PODs) are attributes or benefits consumers strongly associate with a brand, positively evaluate and believe they could not find to the same extent with a competitive brand. The Maggi Brand has also differentiated its brand image from its competitors in terms of taste, flavors and packaging. Maggi have launched wide varieties of products in different flavors which can attract larger set of customers. Maggi products are also available in different sizes catering to different customer needs.

## Cases

### **Maggi: Brand Positioning from 1982 through 2000s**

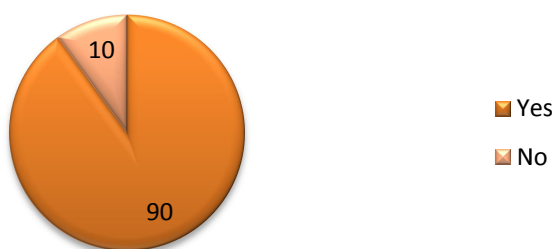
At the time, when Maggi made their entry in Indian market, Indian customers were much conservative in their food habits, preferring homemade traditional food, rather than canned or packed food. At the initial stage, they targeted Indian women on the perception that they can be easily attracted since maggi is easy to cook. But all such efforts did not really work in the expected fashion. To find out the exact problem, NIL conducted a market research and found that children are the largest consumers of the product. So, NIL positioned Maggi noodles as a 'convenience product' for mothers and as a 'fun' product for children by wearing the tagline of 'Fast to Cook Good to Eat' (in 1980s). Advertising taglines like 'Mummy, bhokh lagi hai', 'Bas 2-Minute,' and 'Fast to Cook Good to Eat' (in 1990s) easily positioned Maggi in the minds of target consumers. Along with aggressive advertising, NIL had adopted other measures like distributing free samples, giving gifts for empty packages, etc for increased product promotion. In 1988, Maggi launched its first extension product 'Maggi instant soup', which soon acquired a prominent position in the packaged soup market in India.

### **Maggi: Brand Positioning from 2000 till 2012**

From the year 2000 onwards NIL came up with a new marketing strategy that focused on the development of health and wellness products. They shaped their marketing strategy after considering the changing lifestyles and eating habits of Indian consumers. As an outcome of this, Vegetable Atta Noodles entered Maggi family in 2005. At this time they promoted their products with the tagline "Taste bhi, Health bhi". By 2010, Maggi faced severe competition due to new entrants like ITC (Sunfeast Yippee), GlaxoSmithKline's (GSK) Horlicks, Foodles, Hindustan Unilever's (HUL) Knorr Soupy noodles, and Big Bazaar's Tasty Treat. The competition continues, but still 'Maggi' stands as a market leader in instant noodles market. To maintain their market position, NIL has started to offer aggressive discounts and incentives to retailers on Maggi. Maggi's market share had slipped from 90% (which was 2 years ago) to 80% in the last few months. But now, through innovative marketing strategies they have regained some ground and now they have 88% market share. But in the future Nestle expects the competition to hot up and it remains to be seen what all innovative steps that Nestle would take to arrest the erosion of their market share.

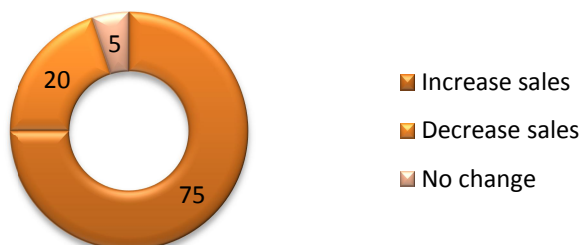
\*The case is prepared based on secondary data and the purpose of this case study is to just bring out the key marketing strategies and techniques deployed by different firms from our perspective.

### **Assumption: Maggi will be accepted?**



Interpretation: After this scam response on assumptions is majority 90% will accept as its brand positioning is strong.

### Effect of controversy by media on sales.....



Interpretation: Response on effect of controversy by media on sales is 75% sales will increase, 20% will decrease and 5% not affected by media.

#### V. FINDINGS

- 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.
- Case looks at the various phases in the product life cycle of Maggi noodles in India.
- The various measures taken by NIL to keep the Maggi brand fresh in the minds of Indian consumers.
- The case also talks about the various extensions of the Maggi brand and tries to analyze why only the sauces and ketchups category, among all the other product extensions, managed to succeed.
- Suresh Narayanan, New MD of Nestle India.
- Nestle Maggi has cleared all test that bring trust back of customers.
- Brand loyalty and positioning is still in hike.
- Market share downfall of 320 Crore approximately.
- Journey of five months to recover from controversy and target back to house ladies who look after the meals for family.

#### VI. CONCLUSION

- The Indian Supermarkets are being pressured by Nestle to not sell the noodle that is going to knock them off their perch. Also, it beats all the other brands that is available in the market, be it Top Ramen, Aata Noddles etc.
- NIL brand positioning is extremely high.
- Sales downfall by 320 Crore.
- Span of five months to recover and develop faith again among customers.
- Target strategy is same as previous "The house ladies" with scientific awareness educating strategy.

#### VII. SUGGESTIONS

- Sales affect can be recovered by targeting youth.
- More variants in noodles must be launched like variations in flavors.
- Continuous lab testing process which may not affect later.

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