

“A STUDY NESTLE IN INDIA WITH & WITHOUT MAGGI”

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ABSTRACT

Maggi, a well reputed brand, is known to all. Even a small child can easily pronounce its name at a shop to buy it. It has become the favourite snack of most of the population of India. Maggi is the great contributor to the revenue of Nestle India Ltd., a subsidiary of a Swiss company. Maggi gained publicity because it remained in publicity for its taste. If we recall Maggi is in popularity but because of different reasons, it is bringing negative publicity to the product because of presence of monosodium glutamate (MSG) and excessive limit of lead in its products as per the guide line of FSSAI (Food Safety Standards Authority of India). This has shattered the trust of the consumers completely. As a result of this Maggi was banned in India for five months which has resulted to a huge loss of Maggi in India. The brand value has drop down and as a result the Bse and sensex of Nestle Maggi noodle also drop down. The assessment shows the damage done by it to Nestle and how agin Nestle has announced a re launch of Maggi

Keywords: Monosodium glutamate, Maggi, Nestle India Ltd., FSSAI, brand value, BSE Sensex.

INTRODUCTION

Nestle is a Swiss transnational food and beverages company. Its headquarters is situated in Switzerland. It is the largest food company in the world measured by revenues. Nestle's products include baby food, bottled water, breakfast cereals, coffee and tea, confectionery, dairy products, ice cream, frozen food, pet foods, and snacks. Twenty-nine of Nestle's brands have annual sales of over US\$1.1 billion, inclusive of Nespresso, Nescafé, Kit Kat, Smarties, Nesquik, Stouffer's, Vittel, and Maggi. Instant Maggi noodles are one of the most loved food brand in India. Maggi was launched in India in 1982 with a struggle where instant food was not popular in India and still after 31 years of its launch it holds 75% of market share. When we analysis market share of Maggi noodles in the noodles segment of India compared with other brands is around 65% (table 1). Nestle Maggi noodles faced turmoil in 2015 which lead to ban the sale of Maggi in the market resulting to huge loss to Nestle. Maggi which was the most trusted product and was consumed by all age groups of consumers was proved ethically wrong from the view point of the customers. Nestle has again introduced Maggi with all amendments.

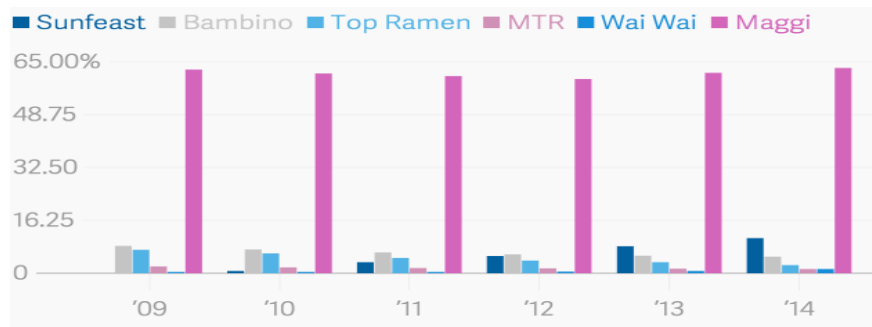


Table 1. Maggi's market share in India with other brands
 source: qz.com/420932/charted-how-maggi-rules-indias-noodle-market/

OBJECTIVE OF STUDY

The objective of the study is the popularity, reason behind the ban and how it affected Nestle India is the motive behind the research.

1. Maggi noodles being the most popular snack of India the motive was to find out sales of Maggi Noodles in India and how strong this segment of Nestle is to affect the company.
2. Nestle Maggi noodles faced agitation in 2015 which banned the sale of Maggi in the market caused a huge dropdown to Nestlé's profit and shares.
3. To analyze the comeback of Maggi.

REVIEW OF LITERATURE

The Brand Maggi is strongly established as a Family Brand with crisp brand equity in Indian market. The brand has always been known to have the first movers advantage in the portfolios like noodles, ketchups, soups, sauce, etc. The parent brand Nestle has been the strong symbol of family, shelter and warmth which brand Maggi has innovatively capitalised. A nation-wide controversy flare up by the end of December regarding the safety of Nestle's Maggi Instant Noodles with Tastemaker after a presence of impermissible level of lead was detected in the product pursuant to the sampling and testing of Maggi by the Commissioner of Food Safety, Uttar Pradesh. In keeping with the development, the FSSAI advised the Commissioners of Food Safety in various states to draw samples of Maggi and get the same tested from authorized laboratories which resulted in 14 Indian States banning the sale of Maggi.

The company is saying that the product is safe for consumption and FSSAI is saying the product is dangerous for consumption. Both have been defending one's own side. These have created a dilemma among the consumers whether Maggi should be consumed or not but, this row has impacted a lot in India and also will impact in future also, till the final outcome will come. This is all about what began as a minor labelling dispute that according to a local magistrate could have been settled with an INR 25000 fine, spiralled into Nestle's worst public relations crisis to date in India.

“Nestle India’s result for the second quarter does not reflect the real picture, as adjustments are based on mainly assumptions, and other expenses seem to be inflated,” said Sunita Sachdev, an analyst with UBS Securities India Pvt. Ltd. “The Maggi issue will have a recurring impact, and the next quarter is expected to give a better picture of where Nestle is heading. Also, there is no clarity on when Nestle will be able to bring back Maggi that accounted for about 30% of its sales.”

In a 15 June statement to the BSE, Nestle India had said that the recall and destruction of Maggi noodles will cost the company about Rs.320 crore.

With the Maggi ban hitting sales of company’s other products as well, Nestle India’s new chief Suresh Narayanan today said bringing the instant noodles brand back to the market is his top priority as he sought to strike a conciliatory note with authorities. The company has also identified other categories and looking at opportunities of introducing new products to overcome the challenge that has resulted in the company recording its first quarterly loss in over three decades.

RESEARCH METHODOLOGY

Research includes both primary and Secondary data, where primary and secondary data where primary is collection is through sampling to make this study purposive one. Where as if we talk about secondary data the collection of data is via websites, magazines, blogs. This research is based on secondary data.

RESULTS AND FINDINGS:

- Maggi the most important segment of Nestle:

Maggi was introduced in 1982 and since then with all the ups and down which it faced because India was not comfortable with the concept of instant food idea. With social and economical growth year by year Maggi started to grow with a trust people had over Nestle and its products. Maggi Noodles started to grow and resulted to most profitable food segment of Nestle. Maggi captured 75% of the noodle market of India. Maggi is the most easily available snack in the market targeting all type of customer segments with smallest to the largest pack of rupee 5 a pack to rupee 125. By the end of 2014 Maggi faced a controversy which forced Nestle to call off Maggi from the market. The whole issue was basically on food and health security. MSG (Monosodium Glutamate) and led in its product which has brought them in the lime light of the FSSAI (Food Safety Standard Authority of India). MSG is a naturally present in the food items such as tomatoes and cheese. The problem is not that it contains it the problem is with labeling of it which says “No Added MSG” it is misleading the customers according to packing and labeling regulation.

The second issue was Lead content in it which was more than the permissible limit. Since Maggi also serves children and Lead is most harmful to them other than adults. According to Food Safety and Standard every manufacturer has be responsible and ensure that the food

that he sells is safe in all respects and confine to the standards prescribed under the law. So due to these violations of major food regulations, various states have banned the sale of Maggi on 5th June 2015- Uttar Pradesh, Delhi, Gujarat, Tamil Nadu, Maharashtra, Kerala,, Madhya Pradesh, Jammu & Kashmir, Telangana, Bihar and several other states.

How Nestle got affected

Nestle faced major loss after the case was filed. Nestle Maggi BSE share prices went down, the brand image was hampered and a huge loss of Rs.64.4 crore loss in the three months ended 30 June. Nestle has admitted that if they would have been proactive the loss incurred could have been avoided. Nestle India had to recall the Maggi packets available in the market and destruction of Maggi noodles will cost the company a loss of about Rs.320 crore. With the Maggi ban hitting sales of company’s other products as well, Nestle appealed permission for some relaxation from Bombay high court and was allowed to export Maggi.

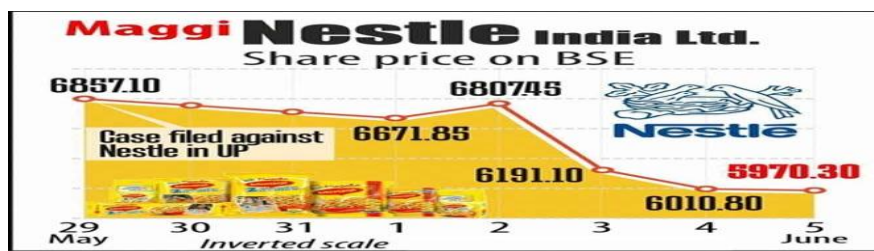
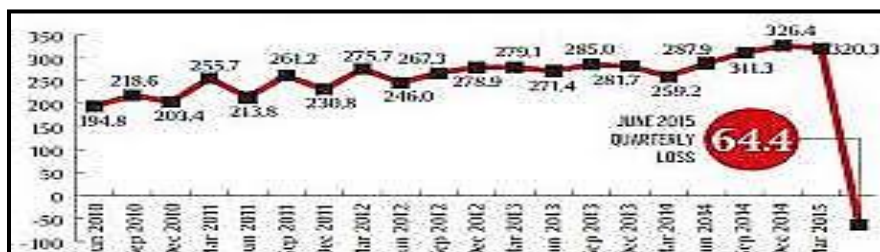


Table 2 The down fall of share price of Nestle Maggi



source: post.jagran.com/maggi-row-nestle-shares-end-flat-on-bourses-amid-damage-control-attempts-1433573360

Table 3: Quarterly Record of profit (in crores)source CMIE Prowess

NESTLE LAUNCHED MAGGI

Nestle India’s new CEO Suresh Narayanan launched Maggi on Diwali after five months of its ban. Nestle re-launched Maggi in Pune with all the necessary corrections made as per the allegation levied on them. Maggi is back without any brand ambassador as previous brand ambassadors were also accused for influencing and promoting a product which is ethically wrong for the customers. If we look at the product life cycle of the product then Maggi was enjoying its maturity but after the ban of it. It entered the decline stage. Now again Nestle is trying to grow from decline. Since the launch of Maggi has made the customer happy it is also the efforts of Nestle and its various effective commercial tag lines



1. Tagline Pre Launch



2. Tagline Post Launch



3. Customers response

CONCLUSION

Nestle Maggi noodles is the most demanded and popular snack for all age groups in India and it will definitely be back in demand but with all the turmoils Maggi has faced it will be highly difficult for the company to form the brand image which is shattered because of the controversy so the first target should be to bring back the trust of the customers and improve the brand image. Nestles second target should be to identify, develop, introduce another product in the market which might help Nestle to face such problems in future. Nestle also needs to develop the confidence of their shareholders as to improve the share rates of the same. Further Maggi needs to put all efforts to show its core competency in the markets.

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