

Maggi – An Entangled Tale Case Study

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Abstract

Maggi Noodles was launched in India in 1980s and since then it has captured the Indian hearts, it has been synonym for noodles in India. Maggi suffered losses for the first time when Food safety and Drug administration (FDA) said high lead content was found 17.2 ppm(parts per million) about seven times more than the permissible limits and high level of MSG Taste enhancer in all the two dozen packs used for routine checking. This paper tries to understand maggi controversy and examines action taken by the company.

Keywords: Food Safety and Drug Administration, Health, Nutrition

Introduction

Company History

Nestle the company founded in 1866 by Henry Nestle in Vevey, Switzerland, is one of the world's leading Nutrition, Health and Wellness Company. Nestle has 2000 plus brands worldwide and has around 3,33,900 employees in more than 197 countries.

The company logo, its name, its first product –baby food were given by its founder Henry Nestle. The company has now grown multi-fold and have incorporated the values of its founder – pragmatism, flexibility, open mindedness, and willingness to learn in its culture.

Nestle merged with its competitor The Anglo-Swiss Condensed Milk Company, founded by Americans Charles and George Page, to form Nestlé and Anglo-Swiss Milk Company in 1905. During 1914-1918 Nestle got orders from government which was trying to meet the shortage of dairy products by purchasing the company supplies. The 1920s were a time of deep economic hardship, and Nestlé suffered severe difficulties along with much of the world. Operations were partially streamlined, but the company was able to continue, and with the acquisition of Peter, Cailler, Kohler Swiss Chocolate Company, chocolate became an integral part of our business. In 1935 Nescafe one of the most successful product of Nestle was launched, which became popular in USA during World War II. In 1947 after the merger with Alimentana S.A., Nestle launched Maggi form soups to seasoning the entire range.

In 1974 Nestle for the first time diversified outside the food industry when and became a major shareholder in *L'Oréal*,

one of the world's leading makers of cosmetics. In 1977, they made their second venture outside the food industry by acquiring *Alcon Laboratories Inc.*, a U.S. manufacturer of pharmaceutical and ophthalmic products.

In 1970s declining rates of breastfeeding led a number of organisations to raise concerns about the marketing practices of breast milk substitute manufacturers - including Nestlé - in developing countries. As a result Nestle products were banned in 1977, the banned however was lifted in 1984. In 1981 the World Health Assembly adopted the *International Code for the Marketing of Breast-milk Substitutes* ("WHO Code") and recommended that its Member States implement it. Nestlé was the first company to develop policies based on the WHO Code.

Nestle has grown, diversified and benefited through various mergers and acquisitions in the years 1996-2009 and expanded their operations in Italy, China, Europe etc. And by this time Nestle made a strategic decision to establish themselves as strong Food Nutrition Brand, They acquired *Novartis Medical Nutrition*, *Gerber* and *Henniez and Wyeth Nutrition* (Pfizer Nutrition) in a strategic move to enhance the position in global infant nutrition. The creation of Nestlé Health Science and the Nestlé Institute of Health Sciences, innovative ventures aimed at the prevention and eventually treatment of chronic medical conditions with science-based personalised nutrition solutions.

Nestlé has a Board of Directors, led by our Chairman Peter Brabeck-Letmathe, who was the former Nestlé CEO. There are 14 members of the Board of Directors who manage the operations globally. Nestlé Group is managed by geographies - Zones EMENA (Europe, Middle East and

North Africa), Americas and Asia/Oceania/Africa - for most of the food and beverage business, with the exceptions of our globally managed businesses, which include Nestlé Waters, Nestlé Nutrition, Nespresso, Nestlé Professional and Nestlé Health Science. They also have joint ventures such as Cereal Partners Worldwide and Beverage Partners Worldwide.

Nestle 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 Tahlial (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.

Maggi

Maggi is a brand of seasonings, instant soups and noodles. The Maggi brand originates from Switzerland where in 1863 Julius Maggi created a recipe of flavours to bring added taste to meals. This marked the beginning of the Maggi brand and its convenient products. In 1897, Julius Maggi founded the company Maggi GmbH in the German town of Singen, where it is still based today. In 1947 Nestle acquired Maggi.

Maggi Noodles was launched in India in 1980s and since then it has captured the Indian hearts. The working women population was increasing in the decade and 2 – minute noodle which was also a healthy home meal provided an easy respite. There was no competition in noodle segment the existing snacks were also mostly fried roadside and thus considered unhealthy. The surveys indicated that Maggi was most popular amongst the kids and so Nestle came up with sketch pens, colours, back – packs, fun – books etc. to attract children. The tagline “Fast to cook and good to eat”, “Mummy Bhokh lagi”, “bas 2 – minute” were aimed at kids and women.

In 1990's Maggi faced tough competition from Top Ramen they also changed their core formula to capture market but later returned to original taste, as the new formula was not accepted well in the market.

Nestle started with the healthier options in all their products in 2000, and in 2005 continuing the same trend in Maggi they launched Vegetable Atta Noodles, a year later other variants like Dal Noodles came into market positioned as a

'healthy' instant noodles product that provided 20 percent of the daily RDA of dietary fiber and protein for a child aged between 7 and 9. The market still was conservative and preferred fresh home cooked meals as compared to packaged ready to cook food.

By the Year 2008, Maggi was celebrating its silver jubilee in and Nestle launched me and Meri Maggi campaign inviting people to send their stories, their advertising agency Publicis Capital received 30,000 entries. Maggi brand contributes more than 20% of Nestle India's revenue, clocking around 15bn rupees (\$235m; £149m) in annual sales. In 2014 a leading survey re-affirmed what everybody knew already: Maggi was the country's most trusted food brand.

Maggi Entrepreneurs

Maggi was loved by children and youngsters and had fans in all age groups, being a cost effective food it led to a new trend of Maggi stalls at street corners, crowded markets, near hostels etc. All they needed was a pressure stove, cheap aluminium utensils, and stainless steel/plastic crockery and cutlery at their command.

Maggi was cooked in various ways in India and these outlets became popular and also provide employment to a lot of vendors.

The Change in Fortune

For years a segment of Indian customers have been sceptical about Maggi, some school canteens to not use Maggi and asks the parents too to avoid sending Maggi in lunch boxes. All their fears and warnings came to life when High Court Banned Maggi.

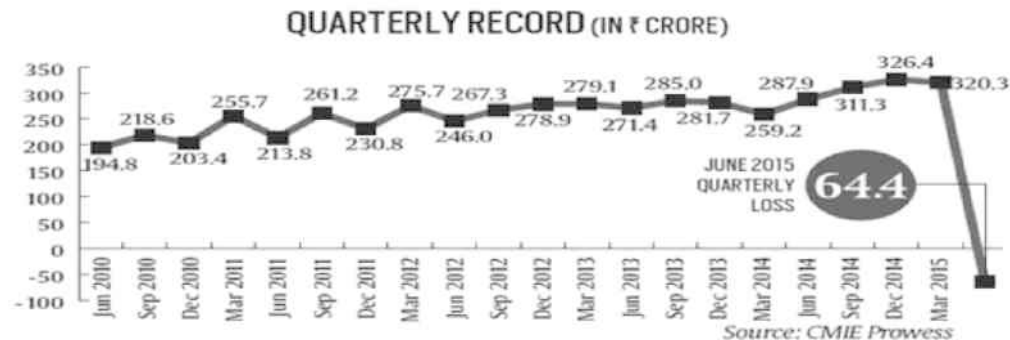
This episode is not unique to Maggi. Coke had faced similar issues a few years back. Hell broke loose in NIL when Food safety and Drug administration (FDA) said high lead content was found 17.2 ppm (parts per million) about seven times more than the permissible limits. Also found high level of MSG Taste enhancer in all the two dozen packs used for routine checking.

NIL responded to it by saying their products go through strict quality control for lead content and their tests have always found lead well within permissible limits. And also stated that they do not add MSG in Noodles it might have come through natural sources, which was not considered as a good argument by customers. Nestle called that batch back from that market. A Barabanki-based lawyer has also filed a case against Bollywood filmstars Amitabh Bachchan, Madhuri Dixit and Preity Zinta for endorsing Maggi as a healthy food.

Maggi faced the same fate in Kerala, Delhi, Maharashtra, Gujarat, Jammu and Kashmir, Tamil Nadu, and Goa. And

the “meri Maggi” the “khushiyu ki recipe” became a tragic tale tarnishing the company image, lost faith of loyal customers and went through a huge financial loss of 64.40 crore — its first quarterly loss in at least 17 years. This

comes on the back of a net profit of Rs 287.8 crore in the corresponding quarter last year and a profit of Rs 320 crore in the previous quarter ended March 2015.



The company withdrew its stocks from the market and destroyed stocks worth Rs 320 crore. NIL hired Ambuja Cement Rs 20 Crore just destroy the stocks.

The government filed a class action suit against Nestle India seeking about Rs 640 crore in damages for alleged unfair trade practices, false labelling and misleading advertisements. The Consumer Affairs Ministry has for the first time dragged a company to the National Consumer Disputes Redressal Commission (NCDRC) using a provision in the nearly three-decade-old Consumer Protection Act.

Nestle challenged the nationwide ban and sought permission for export of the lot made in India, which they were able to get. Nestlé's Indian arm exports Maggi noodles to the U.S., U.K., Canada and Singapore, among other countries. Noodles exported to these countries and those sold in India are produced in the same facilities. Nestlé's five noodle factories were shuttered amid heightened concern over the safety of the snack.

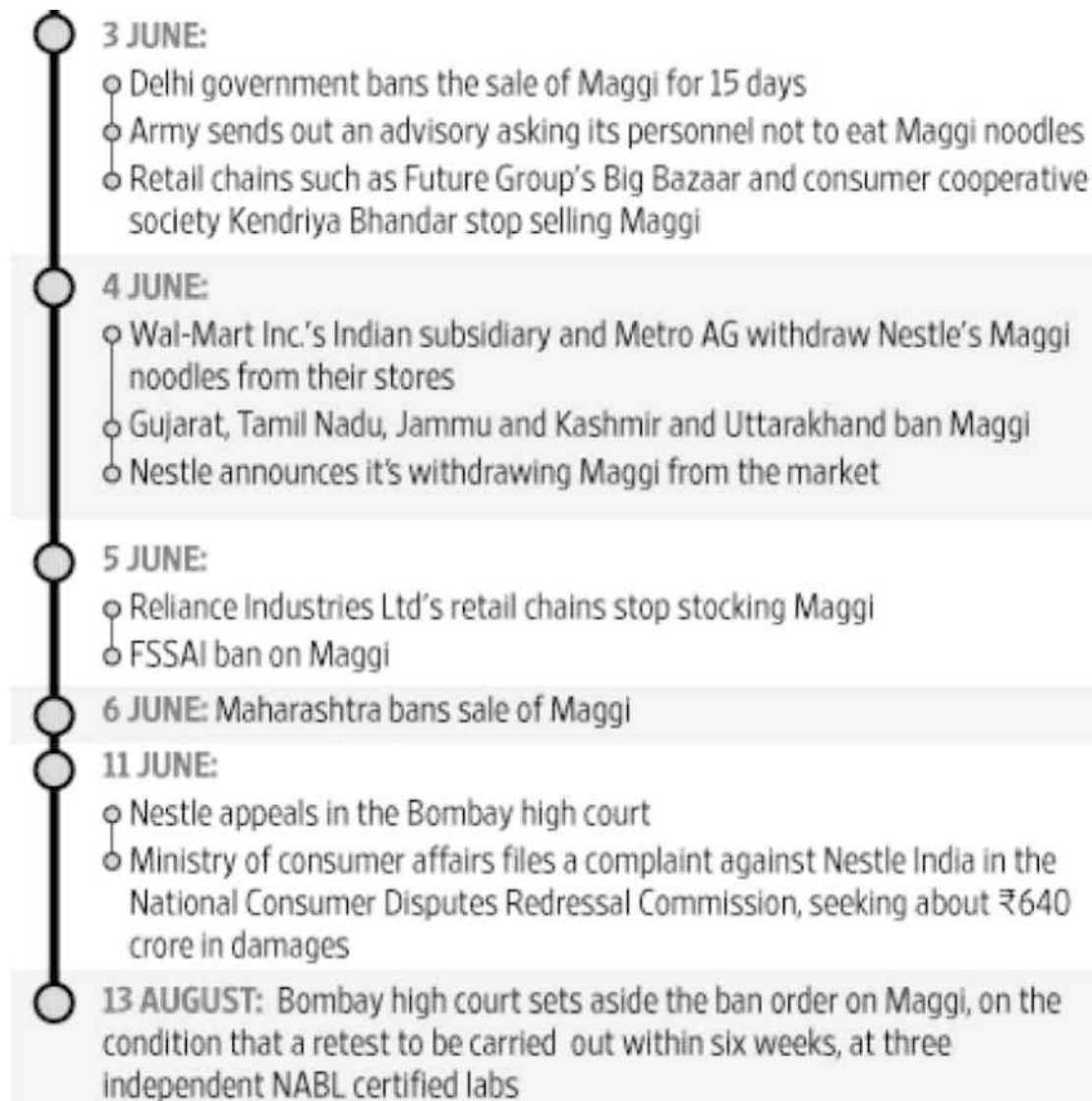
Maggi Relaunch

Nestle is advertising aggressively to regain Maggi's lost ground in retail shelves and consumers' hearts and their shopping carts. In September Nestle launched a campaign marking the company's hundred years in India, featuring its other brands such as Nescafe and KitKat. Nestle is all over traditional media (TV, radio, hoardings) and is also using digital media. It has already realized three short videos on you tube and social media is abuzz with “welcome back “messages of consumers.

It is a bit early to say that Maggi will be able to reclaim its old position as competitors ITC Ltd, maker of Yipee noodles, has launched a fresh campaign for its noodles, focusing on the safe and hygienic environment and quality standards the company uses in manufacturing the product. Yoga guru Ramdev has launched his own brand of Atta noodles from his consumer packaged foods company, the Patanjali Group. Maggi ads have hit a chord with customers and is getting positive response on social media.

HOW IT PLAYED OUT

- **MAR 2014:** Maggi samples tested at a regional lab in Uttar Pradesh find MSG
- **30 APRIL:** Uttar Pradesh FDA calls for recall of a batch of Maggi noodles manufactured in February 2014
- **2 JUNE:**
 - Kerala government asks retailers to take Maggi off the shelves
 - Sudhir Kumar Ojha, a lawyer in Bihar, files a petition in a local court against the top management of Nestle India and actors Madhuri Dixit, Amitabh Bachchan and Preity Zinta, who have over the years endorsed the brand



Source: Mint research

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