

Maggi Noodles Sales Trend: Before and After Controversy

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ABSTRACT:

Due to changing lifestyle of people fast food has become important in our day to day life. Various fast food products available in market but instant noodles occupy predominant place. In India Maggi is synonym of instant noodles. Maggi brand has been popular in India over three decades. But it was banned on 5 June 2015 during controversy over high level of lead and presence of monosodium glutamate. After recovering from ban on sale and production, Nestle Company had re-launched maggi noodles on 9 November 2015. Again Maggi Noodles is constantly gaining traction in sales and it hold more than 50% of the instant noodles market by March 2016. This paper is an effort to analyze the sales trend of maggi noodles and found three conditions climb, knock down and resurgence.

Keywords: Maggi, Controversy, Sales, Fast Food

INTRODUCTION:

In recent years India has witnessed huge transformation especially in eating habit of people that have drastically changed. Ready to eat concept is catching fast in India, it has a high market share in the noodles category. These type of food are processed or it could be prepared in just few minutes without extra effort. 'Many fast food items have entered into the market but noodles remained most popular among them' (Umadevi and Magesh 2015). Due to globalization, changing lifestyle, number of increasing working women, hectic life and so on, Indian people have become too fast, they want everything to be instant and many fast food items have flooded in market. But instant noodles occupy a dominant place in fast food items.' The largest category within noodles in India is instant noodles, due to high retail sales growth during the review period many new players have entered instant noodles' (Shah and Jewat 2012). In the early 80's the concept of ready to cook or fast food was unknown in Indian market, people were conservative in their food habit. At that time Maggi understood the consumers' propensity to try new things which provide ease, fun and save time. Maggi is the most popular brand in India among the instant noodles and it introduced in 1982 by Nestle India Limited (NIL), the Indian subsidiary of global FMCG major, Nestle, SA. Maggi was banned on 5 June 2015 due to controversy on high level of lead and presence of monosodium glutamate. Nestle relaunched Maggi noodles on 9 November 2015 and again this brand constantly gaining traction in noodles market. By the end of March 2016 Maggi lead more than 50% market share and it gained month on month. Again maggi is climbing ladder of success. This paper is an effort to know the sales trend of Maggie Noodles before and after controversy.

OBJECTIVES OF THE STUDY:

Following are the main objectives of the study:

- 1 To find out the strategies which affect sales of Maggi Noodles
2. To analyze the reasons behind the stumble of maggi noodles.
3. To study the impact of Maggi Noodles on market.

RESEARCH METHODOLOGY:

This study is analytical in nature and it is based on secondary data. The data has been collected from journals, newspaper, books, various websites etc.

ABOUT THE MAGGI BRAND:

When Nestle launched Maggi in 1982 in India, consumers were undesirous to go for instant food. But there is need of a product which provides quality, good for health and easy to cook. Nestle company perceive it and launched Maggi noodles in Indian market, gradually it gained popularity day by day and become synonym for noodles. 'Riding on the success of noodles, nestle India tried to make extensions of the Maggi noodle in the year 1990s' (Kumar and Dhivaya 2014). Over the time the scope of Maggi has been extended and it available in various flavors and categories such as Maggi Two Minute Noodles, Maggi Chinese Noodles, Maggi Vegetable Atta Noodles, Maggi Dal Atta Noodles, Maggi Rice Noodles Mania etc. Nestle launched Maggie noodles with its attractive 'two minutes' tagline. 'Maggi has got the brand image of a noodle that can be made in 2 minute so this makes it a very good choice for the people who don't have time to make a meal' (Jaggi and Bahl 2015). Its other taglines were also successful Fast to Cook, Good to Eat, Taste Bhi Health Bhi for attracting customers. Nestle always positioned its products with the attributes of health and quality. Over period of many years, Maggi has become dominating brand not only in market but also in consumers mind.

MARKETING PENETRATION STRATEGIES:

'Today India is the largest market for instant noodles' (Sardar 2015). But Maggi has faced a lot of difficulties in its initial years because Indians preferred only traditional product and they thought packaged product not fresh. 'But today noodles market is growing at 20% annually in India' (Ray, 2014). During that time, Nestle Company made huge efforts for brand development, brand recall and brand sustaining. Initially Nestle tried to position maggi noodles as convenience food and were targeting only to women but Maggi Noodles were not picking up sales, despite heavy media advertising. To overcome this problem, Nestle conducted research and found children who were the largest consumers of Maggi Noodles. But now this has become favourite of all age groups because Maggi always emphasized on nutrition and wellness factor. 'Maggi though has been able to differentiate itself from other noodles' (Ganeshan, et al 2015). Maggi was also distributed as free samples in schools, offices and other public places in its initial years. The price of maggi has been always affordable to every class/category and this noodles has kept in different sizes pack. 'Gradually it become the 'third staple' of Indian food after wheat and rice' (Gomathi and Muugantham 2016) For sustaining Maggi's image NIL constantly innovates and renovate their products according to desire and need of consumers. "The long term of success of any company can be effectively

measured in terms of brand value it creates in the market place, but more than that it is the brand image in the consumer's heart which matters the most"(Gupta, 2015).Over the time consumers developed emotional bonding and it has become trust of consumers.

MAIN RIVALS OF MAGGI:

During 1990s, Maggi sales affected because of increasing competition. Many competitors entered in market. It was a new challenge for sustaining brand in market and in mind of consumer. Main rivals of Maggi Noodles are Sunfeast Yippee Noodles, Top Ramen, Knorr Soupy Noodles, Chings Noodles, Horlicks Foodles and other local manufacturers. During controversy, it provided opportunity for its competitors to take advantage of the situation and grab maggi customers but upto some extent it had also affected negatively because maggi has become generic name for noodles, so hearing anything wrong about maggi make the consumers conscious of all the noodles as they associate other noodles with maggi.(Garg, 2015)

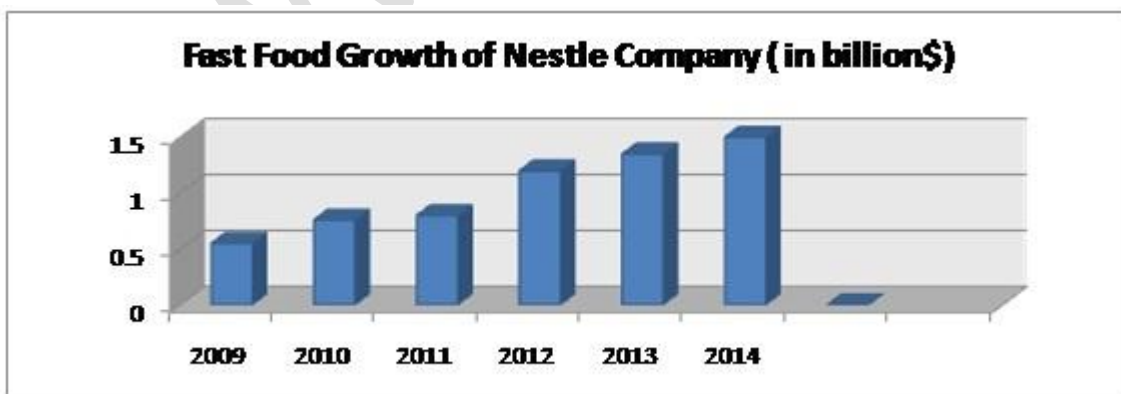
FAST FOOD GROWTH OF NESTLE COMPANY:

Nestle is a well reputed Multi-national Company. Various products of Nestle available in market such as infant Milk Cereals, Noodles, Pastes, Instant coffee, Tea Cream, Infant Milk Nutrition, Ketchup, Chocolates etc. But Maggi noodles has won the trust of millions of people in India over last three decades. Below data reveals the Nestle fast food growth in India:

❖ Fast Food Products Growth of Nestle Company in India

Years	Sales of Fast Food (in billion dollar)
2009	.55
2010	.76
2011	.80
2012	1.20
2013	1.35
2014	1.50

Source: Euromonitor International

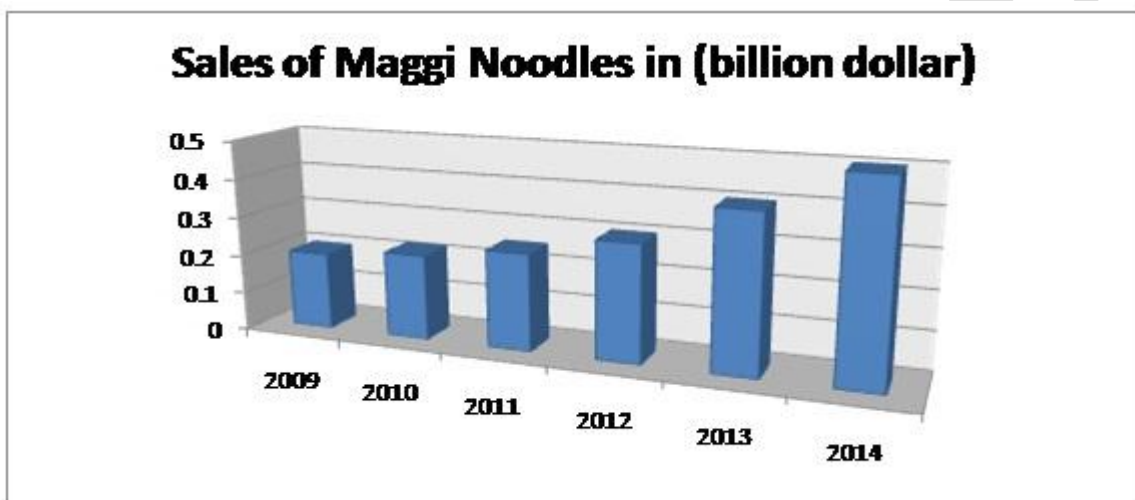


The above bar chart and table clearly reveals the trend of fast food sales in India. During 2009 to 2014 sales of fast food persistently increasing, above data shows more than doubled growth in last five years.

❖ **Growth of Maggi Noodles in India**

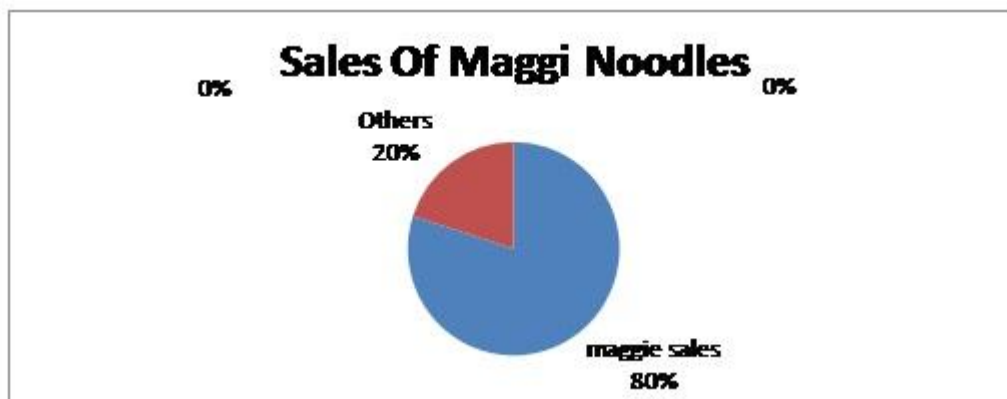
Years	Maggi Noodles Sales (in billion dollar)
2009	.20
2010	.22
2011	.25
2012	.30
2013	.40
2014	.50

Source: Euromonitor International



The above data clearly indicates the tendency of Indian consumers towards noodles. Sale of noodles constantly increasing during last few years. During 2009 to 2014 sales of Maggi Noodles was 0.20 billion dollar, 0.22 billion dollar, 0.25 billion dollar, 0.30 billion dollar, 0.40 billion dollar, 0.50 billion dollar. This distracts the interest of many manufactures but only those got success that is able to maintain trust over the years.

❖ **Before controversy sales of maggi noodles and other rivals sales**



Source: Edelweiss research

Before controversy, India was the world's fifth largest instant noodles market of Rs 3800 crore wherein Maggi has a high market share of 80% in the noodles category while others only 20%. Maggi dominates the noodles market.

DURING CONTROVERSY:

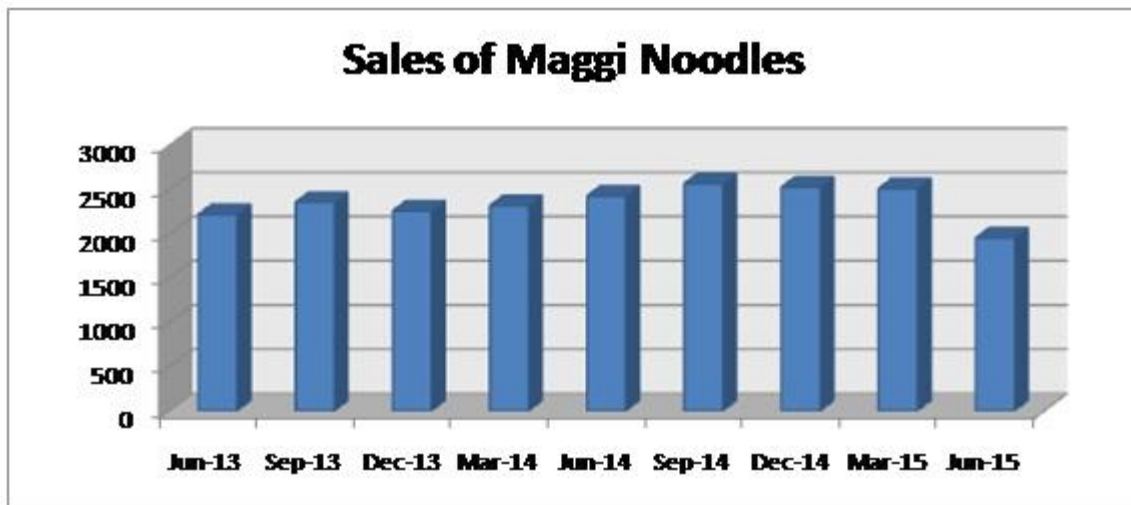
A popular noodle, a common household item, perfect synonym for noodles during crisis lost its shine and pride. The favourite Maggi noodle had began facing ban from government authorities. Maggi noodles were banned on 5 June 2015 due to presence of monosodium glutamate and excessive level of lead. As a result of nationwide ban on Maggi, big retailers like Nilgris, Big bazaar, Reliance took the Maggi products off shelf. It provided big chance for its rivals to grab Maggi customers. Maggi controversy had also affected sales of other Nestle products like soups and ketch up category. 'Maggi is good example of how a brand takes twenty years to build and just two minutes get destroyed'. (Kanteti 2015)

Maggi was the favorite brand among people before controversy but during that time they preferred other eating options instead of Maggi. 'Most of the people started consuming the competitor's products like Yippie Noodles and others' (Maniyal, 2014). At that time consumers felt cheated and this brand had lost the trust of many customers. The Maggi controversy smashed many hearts, because Maggie was no merely brand, it became a trust of consumers. Consumers feel deep sense betrayal by one of the most trusted brand. Such type of negligence or ignorance of company, leave the scars for a long time. Before controversy Maggi was enjoying dominating position in instant noodles market thereby it shuffle in the whole food industry of Indian economy. During this Maggi controversy it made uproar whole Indian food industry. At that time it had disclosed Nestle Company spend Rs 445 crore on advertising and sales promotion schemes last year while the expenses towards quality testing was less than 5% of such amount that itself reveals everything.

❖ Net sales of Maggi Noodles during the year 2013, 2014, and 2015:

Quarters	Net Sales (in crore)
June 2013	2222.71
September 2013	2360.02
December 2013	2262.97
March 2014	2321.51
June 2014	2431.51
September 2014	2570.42
December 2014	2530.94
March 2015	2516.48
June 2015	1957.01

Source: Capitaline

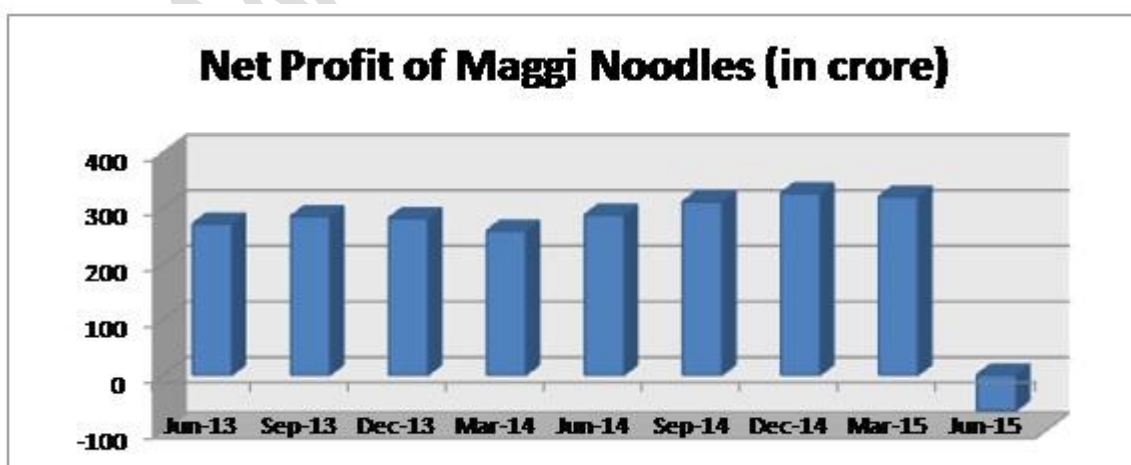


The above bar chart and table reveals the quarter net sales of Maggi Noodles. During June 2013 to June 2015. In June 2014 Maggi Noodles sale was Rs 2222.71cr But after one year in June 2015 Maggi Noodles sales plummet and it was only Rs 1957.01cr because of controversy.

❖ **Net Profit of Maggi Noodles in India**

Quarters	Net Profit
June 2013	271.38
September 2013	285.00
December 2013	281.66
March 2014	259.16
June 2014	287.86
September 2014	311.29
December 2014	326.38
March 2015	320.28
June 2015	-64

Source: Capitaline



The above data shows net profit of Maggi Noodles from June 2013 to March 2015, but in June 2015 it conversely shows net loss. During Maggi Noodles controversy its sales and profit severely affected. In June 2015 net sale was Rs 1957.01cr and net loss was Rs -64cr.

MAGGI'S COMEBACK

Nestle relaunched maggi noodles on 9 November 2015. Nestle said in a statement that all samples of maggi noodles tested by three government approved laboratories have been cleared and approved for consumption. After recovering ban on sale and production last year, Maggi constantly gaining traction in the instant noodles market. As per neilson data maggi hold more than 50% market share in march 2016 and it gained month on month.

Market Share of Maggi Noodles:

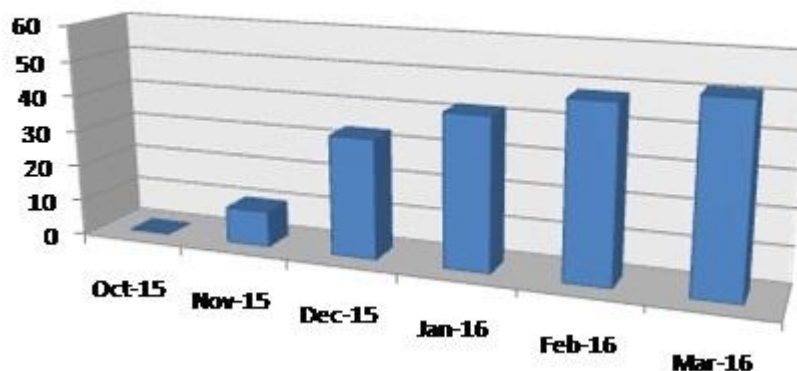
Below data shows the Maggi Noodles market share in India after maggi's come back.

❖ Market share of Maggi Noodles after controversy

Months	Market Share
October 2015	Nil
November 2015	10
December 2015	33.3
January 2016	42
February 2016	48
March 2016	51

Source: Neilson

Market Share of Maggi Noodles



Maggi noodles have captured over 50% share of the noodles market by the end of March 2016. In October its market share was nil but after that data reveals constant growth in market share. Market share represents the amount of a market total sales that one company earns when consumer make purchase and this data clearly shows consumers have still faith in Maggi Noodles. So, this reveals not only sales but it is trust and positive experiences of consumers over the years through which Maggi Noodles again become a leader of market.

SWOT ANALYSIS:

Strength

1. India has become biggest market for instant noodles in the world.
2. Maggi has dominating brand over 30 years.
3. Good advertising and sales promotion schemes for brand recalling and sustaining.
4. Focus on needs and desires of consumers.
5. Good distribution network.
6. Constantly innovate and renovate products.

Weakness

1. More spend on advertising and sales promotion schemes but less on quality testing.
2. More focus on increasing sales this led to controversy.
3. Fear of competition.

Opportunity

1. Busy lifestyle of consumers.
2. Changing perception of Indian people.
3. Consumer have attuned with instant noodles.
4. Rising income levels of consumers.

Threat

1. War with competitors but it should be evolutionary rather than revolutionary.
2. People have become more demanding.
3. Establish more accredited laboratories.

CONCLUSION:

This study reveals impact of maggi on food market. It has been seen that after re-launching Maggi shares persistently increasing month on month. Again it is climbing ladder of success. Maggi Noodles has been adopted various strategies for luring consumers such as advertising, sales promotion schemes, marketing research, influencing and attractive slogans, tailor-made products according to consumers expectations and desires, always emphasized on health and quality. These strategies are very helpful for increasing sales. But small negligence of any company it could lead to huge loss. Though in this competitive era, varieties of food available in market. However instant noodles have become universal product to be enjoyed by all, irrespective of age barriers. By passing of time, people have become attuned with this product. There are immense possibilities of earning huge profit. This distract the interest of many manufacturers of product, they want to encashing these opportunities. These manufacturers spend huge amount on advertising and government earns lot of revenue through advertisement. But what about consumers? They want to use healthy products which could provide nutrition as well as fun. Though, there is lot of competitors in food market who claim and positioned their products as a healthy companion. But is it true? In this regard government will have to take persistently steps to overcome such problems. There is need to establish more accredited laboratories. Government should always have a vigilant check over the quality of products keeping public health in mind. If the government takes continuous steps to overcome such problems, Indians without any suspicion can enjoy healthy food.

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