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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

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• Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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### EFFECT OF THE MAGGI FIASCO ON THE BRAND IMAGE OF NESTLE AND ITS IMPACT ON OVERALL PACKAGED FOOD CATEGORY

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#### **ABSTRACT**

Maggi noodles were launched in India by Nestle in the year 1982, with its catchy tagline of 2-minute noodles. In the beginning it was launched in 5 flavors- masala, chicken, capsicum, sweet and sour and lasagna. The brand had to struggle hard to find acceptance amongst Indian consumers who had very rigid eating habits during that time the market for packaged food was very small with little or no competition. However, the biggest challenge for Maggi was to first promote the concept of noodles, before promoting the brand Maggi. The research on "Effect of the Maggi fiasco on the brand image of Nestle and its impact on overall packaged food category" deals with the study of Maggi brand that was launched in India in the year 1983, by Nestle India Limited, which became synonymous with noodles. This research tries to find a solution to a real life problem of Maggi to launch its products as a healthy product.

#### **KEYWORDS**

Maggi, India, marketing strategy.

#### INTRODUCTION

aggi noodles were launched in India by Nestle in the year 1982, with its catchy tagline of 2-minute noodles. In the beginning it was launched in 5 flavorsmasala, chicken, capsicum, sweet and sour and lasagna. The brand had to struggle hard to find acceptance amongst Indian consumers who had very rigid eating habits during that time the market for packaged food was very small with little or no competition. However, the biggest challenge for Maggi was to first promote the concept of noodles, before promoting the brand Maggi. So it adopted a two-prong strategy in which it attracted mothers by showcasing the element of "ease of cooking" and it attracted kids by promoting it has a fun food. Nestles sole focus was on the large-scale promotion of Maggi through schemes, offers and free gifts. This turned out to be extremely effective as Maggi was widely accepted by the Indian consumer. Maggi also continuously associated itself with television programmes where it was advertised as a tasty and healthy snack. Maggi was thus successful in becoming a generic brand in the instant noodles category. Maggi had such a stranglehold in the market that it had become synonymous for noodles. Even though in the late 90's Maggi started facing competition from top ramen, it was successful in maintaining its market share by innovative and aggressive advertising campaigns, where it roped in various celebrities to promote its brand.

In May 2015, the food regulatory authorities of Uttar Pradesh found that Maggi samples had unexpectedly high levels of monosodium glutamate, as well as up to 17 times the permissible limit of lead. Subsequently tests were carried out by various state authorities and similar results were found. On June 5, 2015, Food Safety and Standards Authority of India (FSSAI) ordered a recall of all nine approved variants of Maggi instant noodles and oats masala noodles from India, suggesting them unsafe and hazardous for human consumption. On the same day, Food Safety Agency of United Kingdom launched an investigation to find levels of lead in Maggi noodles. On June 6, 2015 the Central Government of India banned nationwide sale of Maggi noodles for an indefinite period. Nepal indefinitely banned Maggi over concerns about lead levels in the product. Maggi noodles have been withdrawn in five African nations- Kenya, Uganda, Tanzania, Rwanda and South Sudan by a super-market chain after a complaint by the Consumer Federation of Kenya.

After an intense legal battle that followed the ban on Maggi, the FSSAI-approved laboratory of Central Food Technological Research Institute (CFTRI) conducted a test on august 3 and found Nestlé's Maggi to be perfectly in line with the country's food safety standards. This came as a relief to Maggi, and soon Maggi is set to come back on the shelves. However, the impact that this fiasco will have on nestle, as well as the packaged food industry is something that cannot be ignored. It is this very reason that we have chosen this subject for carrying out our research.

#### **REVIEW OF LITERATURE**

1) Title: A month into Maggi fiasco, sales of instant noodles crash 90% Dated: July 6, 2015

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#### Times of India – Business

The article talks about how the instant noodle market has taken a hit owing to the Maggi fiasco. It describes in detail the impact of the entire controversy on the FMCG sector as a whole. It stated that In the last one month the instant noodles category has suffered a massive drop in sales to about Rs 30 crores a month. Before the Maggi ban this category was around Rs 4,200 crores annually, which is about Rs 350 crores per month.

#### 2) Title: Nestlé takes instant hit from India's Maggi noodle ban amid lead scare

Dated: June 16, 2016

The Guardian – Business

The article illustrates the safety concerns among the consumers in the market. India's food safety regulators (FSSAI) have posed question marks over the ingredients of Maggi noodles. The article further elaborates Nestlé's current predicament over what to do with its most popular products. Nestlé said its Indian unit had estimated the value of Maggi noodle stocks withdrawn from the shelves at 2.1bn rupees. Another 1.1bn rupees worth of Maggi stocks were in factories and with distributors, the company said. The total amounted to 3.2bn rupees' worth (£32.3m/US\$50.5 million).

#### 3) Title: How Cadbury's won the battle of worms

Dated: December 24, 2006

Rediff.com – Business

The October 2003 Cadbury Case shook the FMCG market and questioned the safety of one of India's most loved chocolate. It was observed that the company got back into the market and regained its share. This case is a great example of a company handles a controversy in a mature manner and Nestle can learn rom this and thus act accordingly. The major emphasis should always be towards customer safety. Cadbury clearly stated that the infestation was not possible at the manufacturing stage and poor storage at the retailers was the most likely cause of the reported case of worms.

#### OBJECTIVES

- 1) Analyzing buying behavior of consumers post the Maggi fiasco.
- 2) Assess the impact on Nestlé's brand image.
- 3) Studying the underlying effect on packaged food industry as a whole.

For our study, the best type of research methodology would be to collect primary data from the consumers. This was done to collect information from a large sample of people by means of questionnaires. People who are directly associated with the FMCG sector were also interviewed for their expert opinion. The idea was to get an overview of how this Maggi fiasco has changed the consumer's perception.

#### **RESEARCH METHODOLOGY**

This research analyses the buying behavior of consumers post the Maggi fiasco and how it has impacted the brand as a whole. We will examine how the packaged food industry is getting impacted because of this and what the subsequent results.

#### SELECTION OF SAMPLE SIZE

A sample is a group of the population with a particular characteristic, in this case people who eat junk food and are Maggi lovers. The characteristic of this sample was similar to the larger population. Sample is taken when the population size is too large to cover.

Sample chosen for this report were the general consumers in Pune. The sample consisted of people who are aware about day-to-day happening and are associated with ready-to-eat food products. The sample consisted of a majority of people who are student, i.e., 77 out of 150 respondents followed by unmarried working and non-working professionals.

#### DATA COLLECTION

The data collected was from consumers in Pune. Data was also collected from various age groups of people belonging to different sectors. Some of the parameters for the data that was needed are as follows:

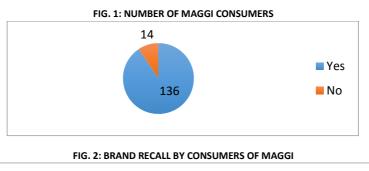
- Age
- Gender
- Occupation
- Income Level

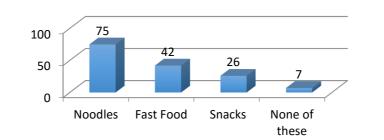
The data was collected directly from the people who go to buy different FMCG products in the market. Data was based on age, gender, occupation and income levels of the people. A database was maintained for the same. Results of this database were presented in the form of graphs, pie charts and statistical tables. **LIMITATIONS OF STUDY** 

- 1) Study is limited to Pune city.
- 2) It is assumed that all consumers are taking rational decisions.

#### DATA ANALYSIS

#### **IDENTIFYING THE MARKET SIZE**

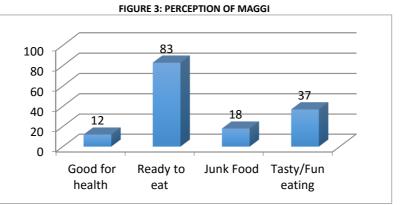




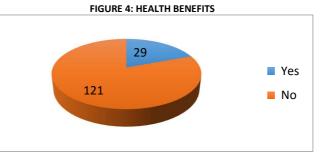
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#### CONSUMER PERCEPTION OF MAGGI

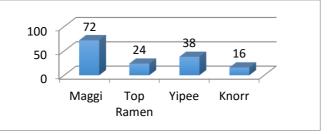


#### **ANALYSIS OF QUESTION 5: HEALTH BENEFITS**

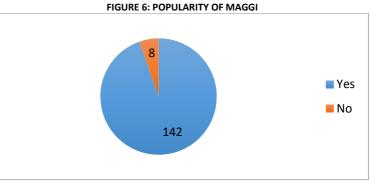


#### **BRAND PREFERENCE**

FIGURE 5: CHOICE OF BRAND

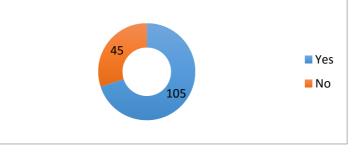


#### POPULARITY OF MAGGI



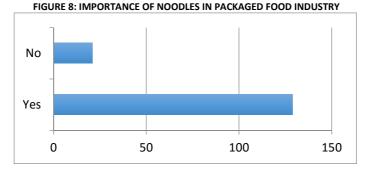
#### MOST TRUSTED FMCG PRODUCT

FIGURE 7: MOST TRUSTED FMCG PRODUCT

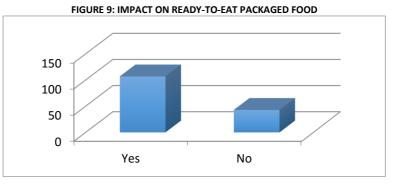


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#### IMPORTANCE OF NOODLES IN PACKAGED FOOD INDUSTRY

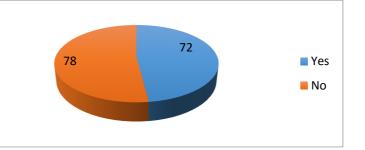


#### IMPACT ON READY TO EAT PACKAGED FOOD INDUSTRY



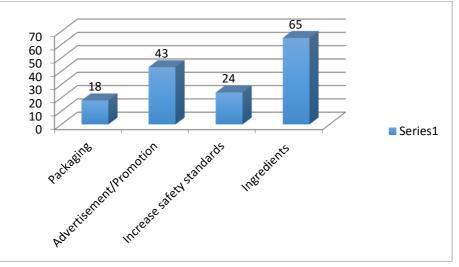
#### SCOPE OF RECOVERY

FIGURE 10: SCOPE OF RECOVERY



#### COMEBACK STRATEGY

FIGURE 11: COME BACK STRATEGY



#### CONCLUSION

Consumer's perception of the health attributes of Maggi may or may not have changed after the Maggi fiasco. Even prior to the fiasco, it is possible that consumers had perceived Maggi as a tasty, convenient and safe snack, not necessarily healthy. So it is difficult to say whether this current perception of Maggi has been formed after the Maggi fiasco or not. Even though nestle has got all clearances from various safety authorities of the government, and has proven itself to be a safe product, it will have to rethink its strategy when it comes to Maggi. Since it will be difficult for Maggi to regain its previous market share immediately, nestle will have to think of the rest of its portfolio to make up for Maggi's losses. Nestles brand Maggi, is a benchmark for safety in a sector as large as the FMCG sector. In the situation, which nestle is in currently; it should leverage the trust that Maggi as earned over the years. Since Maggi has a rich legacy and a special connection with its consumers, now is the time when this can come in handy. Since nestle needs to reestablish Maggi after the whole fiasco, its advertising and promotion

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strategy should incorporate the above aspects. Consumers of Maggi are finding it difficult to fathom that if such a reputed and trustworthy brand like Maggi can come into question over the issue of safety, then how can they trust any other packaged food item. After the Maggi fiasco, nestle will obviously have to do a lot to win back the faith of the consumers. The most important aspect that any company needs to focus on after a controversy of this magnitude is recovery. Recovery will not be that easy, because in the absence of Maggi, brands like yippee and top ramen have pounced on this opportunity, and launched aggressive campaigns to promote their products. Only time can tell whether Maggi will be able to dominate the market like it once did.

Nestle will have to aggressively campaign to win back the faith of the consumer. It will have to use various promotional as well as advertising strategies to reposition Maggi as a healthy, safe product which is still as good as it has been over the years. Since the entire controversy was around the ingredients in Maggi, it is essential that the ingredients are highlighted to convince consumers about the safety. Consumers also believe that Maggi should also focus on targeted advertising and promotion as an integral part of its recovery strategy. This can be due to the fact that through advertising, Nestle can recreate the image of Maggi that it had before the entire controversy took place. Although a long process, nestle has to take the right steps in a sustained manner to achieve what it has set out to do. Now with the Maggi fiasco behind them, manufacturers of packaged foods will have to focus a lot on the safety of their products. They will have to do more than what they were doing previously, in order to win back the faith of the Indian consumer on packaged goods Considering the results of this study which showcase the importance of noodles in the packaged food industry, it is extremely important that nestle has a well thought out strategy in place, to implement after they re-launch Maggi in the market. Since Maggi is one of nestles most popular product, the results further reiterate the importance of re- launching Maggi noodles in the market.

#### RECOMMENDATIONS

According to the results of this study, the following recommendations can be given to nestle and other packaged food manufacturers:

- 1. Nestle will have to aggressively campaign to win back the faith of the consumer. It will have to use various promotional as well as advertising strategies to reposition Maggi as a healthy, safe product.
- 2. Maggi should also focus on targeted advertising and promotion as an integral part of its recovery strategy.
- 3. Manufacturers of packaged foods will have to focus a lot on the safety of their products and take extra precautions to ensure that they win back the trust of the consumers.
- 4. The aspect of localization should be taken into consideration i.e. nestle should take into consideration Indian rule and regulations, MSG levels allowed in china and the USA are much higher than those in India. So nestle should take steps accordingly.
- 5. Quality control should be taken very seriously by nestle. Had their quality control and quality check been in place, nestle would have never allowed those packets with high MSG levels to enter the market. In future nestle should ensure that this is not repeated in the future.
- 6. Nestle should show complete faith in its product Maggi- back it in all possible ways because Maggi is certainly not lost and will make its way back into the Indian market.

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