

# CONCORDIA University

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## John Molson School of Business

*Example of a short case:*

### **MAGGI NOODLES IN INDIA: THE REVIVAL CHALLENGE**

The Maggi brand had its humble beginnings as a nutritional meals company in the late 19<sup>th</sup> century in Switzerland and owed its name to Julius Maggi, who later launched the Maggi ready-to-use soups in 1886. The brand spread swiftly across the world and caught the eye of Nestlé which bought it in 1947.<sup>1</sup>

Nestlé had a presence in India through Nestlé India Ltd. (NIL)<sup>2</sup> since 1912. Introduced in the country in 1983, Maggi noodles did not have to struggle for very long before the brand gained popularity in a culture that was increasingly focused on fast foods. It became widely popular among children and bachelors who preferred the snack over staple meals. Maggi noodles were also served in roadside shacks for college students and people on the move. Maggi ads had a liberating message for Indian women; ‘Maggi Mom’ could juggle her professional and domestic duties because of the instant snack. The brand initially enjoyed a 90% share of the market it had created. By 2015, India was Maggi’s largest market for instant noodles and the brand alone contributed 24% to NIL’s top-line. (Refer to Appendix I for NIL’s top-line over the years.)

In late May 2015, India witnessed a nationwide food scare, the first of its kind and scale the nation had ever witnessed. It all started on March 30, 2014, in Gorakhpur (a small city in

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<sup>1</sup> [www.Nestléprofessional.com](http://www.Nestléprofessional.com)

<sup>2</sup> Indian arm of Nestlé, a Swiss transnational food and beverage company

eastern India), where a lab analyst found MSG (monosodium glutamate)<sup>3</sup> in Maggi samples (product label specifically said “No MSG”). (Refer to Appendix II for an image of the Maggi Noodles labelled “No MSG”.)

NIL took the samples for further tests to a central food laboratory in Kolkata (East Indian city) where illegal levels of lead (at 17.2 ppm against the allowable limit of 2.5 ppm) were found, leading to a recall of Maggi products in the north Indian state of Uttar Pradesh in June 2015. Some popular retailers also withdrew the stock from their shelves.

By June 2015, the Maggi fiasco had stormed the nation and the media was aggravating the issue through heated debates. Nonetheless, NIL did little to calm the public outcry. The company claimed on June 1, 2015, that it had submitted samples from almost 600 product batches to an “external laboratory” for an “independent analysis”. It also stated that it had conducted in-house tests on 1,000 samples at its accredited laboratory. “These samples represent around 125 million packets. All the results of these internal and external tests show that lead levels are well within the limits specified by food regulations and that Maggi noodles are safe to eat,”<sup>4</sup> announced the company. Analysts said that the company’s reticence was questionable under the mounting controversy. NIL only issued a press release 16 days after the news broke on these findings, “that was an eternity in the age of social media”, said an analyst.

By the first week of June 2015, several Indian states had banned Maggi products.

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<sup>3</sup> MSG is a flavour enhancer used mostly in Chinese food. FDA (the U.S. Food and Drug Administration) has classified MSG as generally safe, however, its presence needs to be listed on the label, due to reported adverse reactions caused by its consumption. According to the Food Safety and Standards Authority of India (FSSAI) guidelines, MSG is not permitted in more than 50 food products, including pasta and noodles. Any product containing MSG needed to specifically carry the message ‘This package of (name of the food) contains added monosodium glutamate not recommended for infants under 12 months.

<sup>4</sup> “Maggi Noodles and Lead Concerns,” [www.nestle.in](http://www.nestle.in), June 05, 2015.

On June 5, the FSSAI had ordered NIL to withdraw all nine variants of Maggi instant noodles from the market, terming them “unsafe and hazardous” for human consumption. Post order, NIL destroyed Rs.3 billion worth of Maggi noodles products without going for any further tests. The Global CEO of Nestlé, Paul Bulcke said, “Unfortunately, recent developments and growing concerns about the product have led to confusion for the consumer to such an extent that we have decided to take the product temporarily off the shelves, inspite of the product being safe.”<sup>5</sup>

The Maggi fiasco had repercussions on the company as a whole, and NIL sustained its first quarterly loss in 17 years, according to its quarterly report for the period ending June 2015. Its top line for the quarter had fallen by 20% to Rs. 19.34 billion<sup>6</sup> (Refer to Appendix III.).

With Maggi products off the shelf, there was a huge vacuum in the Rs 40 billion Indian instant noodle market, and the competition was eager to fill in, yes the overall Indian instant noodle market was still nervous, and the FSSAI was busy sampling and testing other popular brands (refer to Appendix IV for Maggi’s major competitors). Noodle brands like ITC’s Yippee had released preemptive print campaigns stating that their noodles were safe, and distributed pamphlets at retail outlets educating how their instant noodles were processed and checked for quality in their state-of-the-art facilities.

NIL India also appointed Suresh Narayanan (Narayanan) as its MD, replacing India head Etienne Benet. Narayanan took charge from August 1, 2015, the first time in 17 years that an Indian was at the helm of NIL.

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<sup>5</sup> “In spite of MAGGI noodles being Safe, Nestlé India decides to take the products off the shelves,” [www.nestle.in](http://www.nestle.in), June 05, 2015.

<sup>6</sup> 1 US\$ = 65.01 INR or Indian Rupee, as of October 12, 2015.

In late August 2015, NIL had come up with short video ads leveraging on nostalgia and emotional quotient attached with Maggi instant noodles. The ads featured mostly bachelors, subtly talking about how life had changed after the Maggi ban and asking, “When it will be back?”

In October 2015, Nestlé claimed that it had cleared three lab tests mandated by a court in the western state of Maharashtra, and would relaunch Maggi by November 2015. As Maggi geared for its relaunch, Narayanan had several challenges ahead of him. He said, “For us, it is a question of re-establishing the primacy of trust in the brand, which did suffer on account of the crisis.”<sup>7</sup>

The clock was ticking, competitors had doubled their production and new players had popped-up to fill the gap. NIL had to act swiftly and decisively in order for their noodle products to remain top of the mind or head towards irrelevancy.

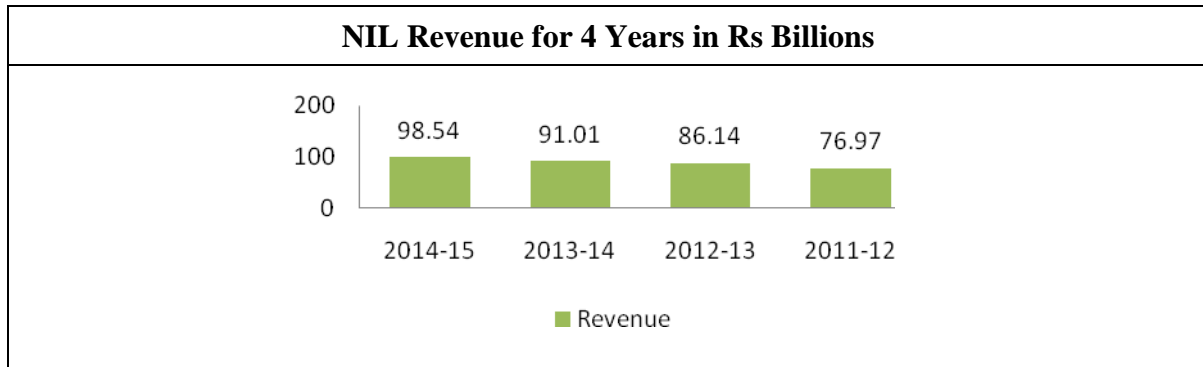
#### **NARAYANAN HAD THE FOLLOWING CHALLENGES:**

1. How Maggi noodles would proceed to regain its pre-fiasco market share?
2. What should be NIL’s communication strategy to win its customers back?
3. How should NIL address the challenges posed by competitors who have gained ground over the last few months?
4. How to ensure that no permanent damage is caused by the controversy?
5. What should have been its corporate communication strategy after the crisis broke out?
6. Quality control or Crisis control? What makes more sense at this hour?

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<sup>7</sup> Viveat Susan Pinto , “Nestle to go all out for relaunch of Maggi Noodles,” [www.business-standard.com](http://www.business-standard.com) , September 10, 2015

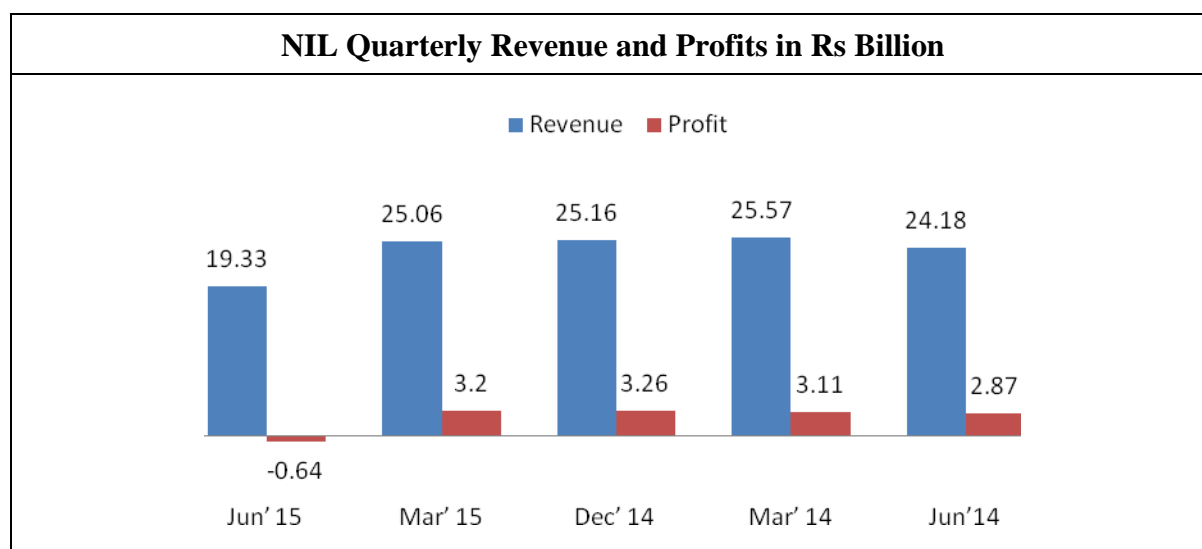
Appendix I:



Source: Moneycontrol.com

Appendix II:



**Appendix III:****Appendix IV:****Maggi Noodles Competitors and their Action during the Ban**

Competitor	Owning Company	Status after Maggi Ban
Sunfeast Yippee Noodles	ITC	Undertook an aggressive advertising campaign and doubled production to fill the demand.
Smith and Jones	Capital Foods	Recalled products and exited the noodle category.
Top Ramen	Nissin Foods	Pulled products off shelves due to high lead content.
Knorr Soupy Noodles	Hindustan Unilever	Recalled its product due to pending FSSAI approval.
Patanjali Atta (Wheat) Noodles	Patanjali Ayurveda	To be launched in November, product is advertised with “No MSG” and “No Lead” labels.

**Suggested Readings and References:**

1. Maggi Noodles and Lead Concerns, [www.nestle.in](http://www.nestle.in), June 05, 2015.
2. In spite of MAGGI Noodles being safe, Nestlé India decides to take the products off the shelves, [www.nestle.in](http://www.nestle.in), June 05, 2015.
3. Ruchi Dua, Ramdev Launches Atta Noodles before Maggi Returns, <http://indiatoday.intoday.in>, September 3, 2015.
4. Viveat Susan Pinto, Nestlé to go all out for relaunch of Maggi Noodles, [www.business-standard.com](http://www.business-standard.com) , Sep 10, 2015
5. Nestlé steps up marketing for Maggi relaunch, [www.business-standard.com](http://www.business-standard.com), September 26, 2015.
6. Maggi ban: Nestlé India alleges government bias, [www.livemint.com](http://www.livemint.com), Oct 1, 2015
7. [www.nestle.in](http://www.nestle.in)
8. [www.maggi.in](http://www.maggi.in)
9. <https://twitter.com/MaggiIndia>