Nestle Two Minute Noodles (MAGGI): The Rise and Fall Saga

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ABSTRACT
Maggi, a well reputed brand, is known to all. Maggi is the great contributor to the revenue of Nestle India Ltd., a subsidiary of a Swiss company. Maggi generally has remained in publicity for its taste. Maggi Noodles by Nestle are banned and taken off shelves in India because of the high lead levels in the product. Food Safety and Standards Authority of India (FSSAI) ordering a total recall of all nine variants of the best-selling instant noodles brand. This is the first ever recall of a popular food product in India. A renowned comfort snack, a common household item, perfect synonym for noodles recently lost its sheen and pride it held among the other entire noodles brand. The favorite of all age groups has started facing ban from government authorities all over India. The transformation of Maggi from being staple food for students and bachelors to being declared unfit for consumption has been quite instant. The detection of dangerous levels of lead in Maggi noodles was the biggest source of dispute. The FSSAI stated that samples sent to the Central Food Laboratory (CFL) in Kolkata contained 17.2 parts per million (ppm) when the maximum permissible level was 2.5 ppm. The dispute has placed the processed food industry, regulators, government, and even consumers in uncharted territory. This dispute has raised serious questions about processed food industry. This Paper emphasizes a little bit on the rise and fall of this 2-minute noodle of Nestle after the ban of this product in India.

Keywords: Nestle, Maggi, Noodles, FSSAI, Lead, etc.

INTRODUCTION
Many fast food items have swamp the markets but noodles prevail as the most preferred item of all of them. Urban and semi-urban markets are controlled by Maggi and other players are Top Ramen and other brands. Maggi has revolutionized the concept and this product has gone to majority of the urban households. As an offshoot of this development, noodles have become very popular in India [6]. Maggi, a well reputed brand, is known to all. Even a small child can easily pronounce its name at a shop to buy it [3]. It was primarily targeted at the working women who were having little time to prepare meals. But after a survey, it was found that much of the consumers were children as compared to women. So later on, Maggi was targeted at children and their mothers [3]. It has become the favorite snack of most of the population of India. Maggi is the great contributor to the revenue of Nestle India Ltd. India is the largest market for Maggi noodles. Maggi generally has remained in publicity for its taste. The Nestle India controversy these days have become an eye opener for many on one hand it shows that we Indians easily believe on what is said and not on what the reality is, it is very easy to befool innocent consumers and make millions and billions of money. Many
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Literate consumers also do not bother to read the ingredients except the expiry date or price on the pack which is their prime concern and it results because of the blind-folded faith in the brand. Even for the past more than 25 years our government, its officials were least bothered about the Indian masses. Till today the things have turned against Nestle India, which has landed the company to its dismal fate, the Indian government has filed case on the company to pay damages [1]. Now also it is in publicity but there is a difference now, it is negative publicity due to all the wrong reasons- presence of monosodium glutamate and dangerous excessive level of lead in its products. This has shaken the trust of the consumers fully [3].

History of Maggi

In the year 1872, in Switzerland, Julius Michael Johannes Maggi inherited his family business and made a revolution by producing appliances producing powdered flour from dried and roasted legumes. The purpose behind it was to provide nutritional instant food solutions to the poor worker families. He also gave a revolutionary recipe that changed of flavors, which proved a great success. Maggi was the first to bring protein-rich legume meal to the market, and followed up with ready-made soup based on legume meal in 1886. In 1897, Julius Maggi founded the company Maggi GmbH in the German town of Singen.

Evolution of Maggi [1]

- In 1982 Nestle Global introduces Maggi brand in India through Nestle India Limited.
- In 1983 Maggi instant noodles were launched with Maggi two minutes noodles concept in masala, chicken and curry flavors, which had a complete sweep over Indian market.
- In 1990 sales of Maggi declined as Top Ramen, noodles brand of Indo Nissin group entered India.
- In 1997 to meet the increased competition from other noodles brand in the market Maggi changed its formulation, i.e. taste and flavor of ingredients, the biggest folly committed by the company. It led to further declining of sales.
- In 1999 Maggi returned to the original formulation which helped in reviving the declining sales.
- In 2000 Nestle India took up the Health Mantra as the main focus area and started developing health and wellness products, even the punch-line became ‘Taste bhi, Health bhi’ in synonym with Nestle Global company motto of ‘Good Food, Good Life’; to further promote the health caring concerns of the company.
- In 2006 Maggi introduced Maggi Vegetable Atta noodles as a health product containing protein supplement. It later also introduced other versions of indigenous flavor like dal atta noodles but were not much successful as masala flavor.
- In 2009 Nestle India launched Maggi Rasile Chow gravy noodles keeping in mind the low income group consumers like Dharavi slum dwellers, and the micronutrient malnutrition in India, just for rupees four per pack.
• By the year 2010 Maggi noodles was fully
surrounded by the various opponents giving
tough competition like Yippee noodles of
ITC’s Sunfeast, Foodles of GlaxoSmithKline’s Horlicks, Knor soupy
noodles of Hindustan Unilever and Tasty Treat noodles of Big Bazaar. Later Capital
Foods launched Smith & Jones instant noodles and Chings also entered the market.

Positioning Strategy of Maggi [1]
Maggi noodles were launched in new packing
with attractive colours. Even family packing’s of
four plate servings and six plate servings were
launched apart from the double pack and the
single plate serving pack. With the passage of
time Nestle India neither increased the price of
the packs nor compromised with the taste but
has compromised with the quantity of the
noodles. The weight of noodles in a pack has
shown a decreasing trend. The company even
did not change the shape of the packed noodles
in all the years. To meet the tough competition
Nestle India started giving more concessions to
the retailers and started exploring Super-markets
Malls, army canteen outlets. From ‘Fast to
Cook and Good to eat’ slogan the company
shifted to ‘Taste bhi Health bhi’ positioning in
the market. Today Nestle India Noodles family
comprises of : Maggi 2-Minute Noodle (Masala,
Chicken, Curry and Tomato flavours, Maggi Dal
Atta Noodles (Sambhar taste), vegetables Atta
Maggi Noodles, Maggi Rice Noodles available
in Lemon Masala, Chilly Chow and Shahi Pulao
flavours, Maggi oat noodles a perfect breakfast
and Maggi Cuppa mania available in Masala yo,
Chili chow yo flavors. To commemorate 25
years of Maggi in India a new marketing
campaign with the slogan ‘Me and Meri
Maggi’. The purpose was to cherish the
emotional binding created by the product with
all the age groups. The consumers had to send
their Maggi related memorable stories to Nestle
India and the best were shown on the television
in the form of advertisements. The photograph
of the sender on the Maggi noodles pack and
now Nestle India started with the theme ‘Maggi
se bani aapki kahaniyan, aur ab aapki
kahaniyon se bane Maggi’. Maggi heavily
focussed on television advertising with soothing
jingles but paid less importance to the print
media advertising. Many heart favourites’
bollywood actors Like Amitabh Bachchan,
Priety Zinta Madhuri Dixit have endorsed Maggi
noodles. In media advertisement campaign
‘School se aate jab chillate mummy bhok
lagi, Bas do minute, inhe chaiye Maggi,
Maggi Maggi’. This campaign was so
successful that Maggi perfectly overtook to be a
synonym of noodles in India as Maggi being a
food ‘Fast to cook and Good to eat’. Maggi
initited tapping television media for its
advertising and sponsored ‘Hum Log’, one of
the most popular soap opera on Doordarshan, the
only channel available at those times. It also
attached itself with the kids program as
sponsors. Nestle India distributed packets of
noodles to school children and even offered gifts
in exchange of empty packets of Maggi noodles.

Competitors of Nestle Maggi
Yippee noodles of ITC’s Sunfeast, Foodles of
GlaxoSmithKline’s Horlicks, Knor soupy
noodles of Hindustan Unilever and Tasty Treat
noodles of Big Bazaar including Ramdev Baba’s
Patanjali Sevayian are neck to neck competiton.
Later Capital Foods launched Smith & Jones
instant noodles and Chings also entered the
market.

Major Violations Noted Against Maggi [2]
a) Presence of Lead detected in the product in
excess of the maximum permissible levels of
2.5 ppm,
b) Misleading labeling information on the
package reading “No added MSG”,

Detection of lead
Presence of lead in a food product as a heavy
metal contaminant beyond permissible levels
renders the food product unsafe and hazardous.
“Short---term exposure to high levels of lead can
cause brain damage, paralysis, (lead palsy),
anemia and gastrointestinal symptoms.
Long-term exposure can cause damage to the
kidneys, reproductive and immune systems in
addition to effects on the nervous system. The
most critical effect of low---level lead exposure
is on intellectual development in young children
and like mercury, lead crosses the placental
barrier and accumulates in the foetus. Infants
and young children are more vulnerable than
adults to the toxic effects of Lead, and they and
also absorb lead more easily. Even short---term
low-level exposure of young children to lead is considered to have an effect on neurobehavioral development. Consumption of food containing lead is the major source of exposure for the general population.

**MSG in the mix**

This salt version of glutamic acid is an amino acid the body can produce on its own but the processed MSG found in the processed food products can cause many adverse reactions, including skin rashes, itching, hives, nausea, vomiting, migraine headaches, asthma, heart irregularities, and depression. Maggi 2-minute noodles in India contain hydrolysed groundnut protein. It contains MSG used as a flavor enhancer, which is made using Bactosoytone, itself made from soy protein using a catalyst enzyme porcine (taken from intestine of Pig) [1]. Hydrolyzed vegetable protein can contain high levels of glutamate, but the company still mentioned “NO ADDED MSG” on the pack [4]. MSG i.e. Monosodium Glutamate is a flavor enhancer that occurs naturally in many foods, such as tomatoes and cheeses. People have been eating glutamate rich foods throughout the world. USA FDA (Food & Drug Administration) considers the addition of MSG to food to be generally recognized as safe (GRAS). So, what is the problem here? The problem is the labeling on Maggi products of ‘No added MSG’. It was misleading and in violation of the FSS (Packaging & Labeling) Regulation [3].

**Defense by Nestle [5]**

Nestlé India, on its part, still continues to defend it product and maintains that Maggi is safe for consumption and that it does not add either lead or MSG during the manufacturing process into the product.

The company released a statement where it said that it had had c.1,000 batches of the product tested in an independent lab, which found the product to be safe. According to management, the company has tested samples in-house from 1,000 production runs of the noodles. Separately, it requested that an independent lab test samples from another 600 production runs. Together, management stated that the tests covered 125mn packets of noodles, all of which were found to be safe for human consumption.

In fact, Nestle’s global CEO Paul Bulcke travelled to India in the first week of June and held a press conference where he reiterated that Maggi was safe for human consumption. To quote Mr. Bulcke from the conference: "we apply the same quality standards and methods in the world here in India too. Our tests have found that Maggi is absolutely safe.

**Arguments between Government of India (GoI) and Nestle [5]**

The argument between the GoI and Nestle is essentially based on three concerns:

**Presence of lead in excess of permissible limits in Maggi:** Nestle India contends that the testing mechanism was flawed due to: 1) some labs that kept samples open for months before testing, which contaminated the sample, and more important, b) the noodles and the taste maker were tested separately; whereas, they should have been tested as a combined end product, i.e., the form in which it is consumed.

The government’s argument against the above is that since the noodles and the taste marker are made separately, the safety standards need to be applied to each of these two components and have no bearing on the end product as it is consumed. The GoI has also denied that the samples were kept open for a considerable period before testing [5].

**Presence of Mono Sodium Glutamate (MSG):**

Management stated that the controversy is due to lack of clarity on the issue with its argument that the labeling was with regards to “added MSG” and that the company does not add MSG to the product during manufacturing. However, FSSAI sees this as a misleading claim to deliberately create the wrong impression in the minds of consumers [5].

**Launch of Oats variant without approval:**

The FSSAI contended that the launching of the product was in violation of government standards as any proprietary food, being non-standardized in nature needs a risk/safety assessment and approval completed before being manufactured and launched in the market [5].

**Effects of the Ban on Economy [3]**

Maggi noodles, which at estimated INR 2500 crore revenue that makes up over 30% of the Nestlé’s revenue and commands 80% of the market has severely, affected India. Maggi
noodles sales have been hit hard ever since it was revealed that the samples tested by Government lab contained MSG and lead beyond permissible limits. The brand Maggi, which has become the generic name of noodles in India, has therefore also witnessed a severe dent in its popularity and image.

Following are the few glimpses of the impact of Maggi row in India:

Around 1500 workers and other employees impacted: Around 1500 workers involved in manufacturing of Maggi in India have been impacted by the stoppage of production after ban on Maggi. According to senior company official, these workers have been redeployed, engaged in other units and in a way impacted. Company has not fired any of its permanent workers but has engaged them in other activities like training, team building exercise, etc. but their future is uncertain. Hundreds of contractual workers have lost their jobs due to Maggi production stop. Nestle India is not granting leaves to the employees unless there is emergency and the employees who were on leave have been called back [3].

Suppliers impacted: Owing to the Maggi ban, the production of Maggi has stopped and thus, the suppliers have also been hit. Suppliers have to look for new customers after the ban on Maggi. Nestle India’s largest supplier of spices, Moga based Paras Spices Ltd., has already ended the services of some of the workers out of 200 temporary employees. Due to Maggi ban, Paras Spices Ltd. has received a serious jolt as Nestle’s Maggi used to be its only major client consuming about 45% of its production i.e. around 200 tons of spices per month [3]

Impact on share market: The Maggi row has not even spared the share market from its impact. This crisis has made the investors bearish. Since BSE Sensex is considered as the best indicator of the economy’s position and also the benchmark index of Indian equities market. So, taking BSE Sensex as the base, position of Nestle India Ltd. has been shown. Earlier during the year the Nestle India Ltd. had performed better than the BSE Sensex on bourses [3].

Consumers have become more conscious of their food eating habits: Earlier, the most of the consumers were ignorant about the ingredients of the packaged food. What tasted better was preferred by them. If in some cases, they would bother, then it would be for MRP (Maximum Retail Price) and for manufacturing and expiry date and not more than that. But after the Maggi row, the eyes of consumers have opened up and they have understood the importance of checking the ingredients of the products also and see what quality of food they are eating. Evidence can be seen as most of the people are discarding the consumption of Maggi.
noodles all over the country leading to decline in sale of Maggi. As said by some retailers, Maggi sales fell nearly 30% after the issue came up [3]

Hit Nestle revenue badly: The instant noodles market is estimated at about INR 2500 crore. Maggi noodles contribute over 30% of the company’s total revenue and have 80% of the market share. According to analysts, the Maggi noodles controversy is eating into the Nestle India’s market size and could take away a big chunk of its revenue for a few quarters. As a result of countrywide ban on Maggi, large retailers like Reliance, Big Bazar, Nilgiris, etc. took the Maggi products off shelf. Some retailers said Maggi sales fell down by 30% after the issue came up. According to an analyst at a domestic brokerage, Maggi was perhaps the only growing brand (in volume) for Nestle India last quarter. Following this controversy, company’s volume growth in second quarter (April-June) could even be negative. Losses due to safety concerns are INR 320 crore as a result of recalling and destroying Maggi. Maggi issue has also affected the sale of other Nestle products like Tomato Ketchup and soups. Maggi was the favorite snack for children, tourists, youngsters, etc., but now, according to dhaba owners, many tourists now prefer parathas and other alternatives instead of Maggi. So, on an all, in every state of the country, Maggi row has affected Nestlé’s revenue adversely [3].

Loss of $200 million in brand value: According to brand Finance, an independent asset valuation consultancy, Maggi is going to lose $200 million in brand value after imposition of ban on Maggi’s nine variants (as can be seen from figure 3). Maggi is going to destroy $50 million worth of noodles labeled as ‘unsafe and hazardous’ after imposition of ban by FSSAI. $50 million loss of goods include the estimated sales value of the stock in the market including those with trading partners as INR 210 crore and estimated stock at its factories and distribution centers of INR 110 crore. According to Brand Finance, the Maggi brand was worth $2.4 billion before the recall of Maggi products. The brand was ranked as 23rd most valuable food brand in the world as ranked by Brand Finance. The consultancy calculated $50 million loss of goods along with a damage to brand that resulted in a reduced Maggi brand value of $2.2 billion. Any health concern raised by any reputed organization, such as FSSAI, most negatively affects a food brand. Now, Nestle will have to ensure its dominance in the Indian market [3].

### Brand ambassadors in trouble:

Since an ambassador plays a vital role in endorsing a product to the consumers and the consumers are affected by, who is endorsing the product, a lot. So, nowadays, companies are contacting and making the filmstars, famous sportspersons, etc. as their ambassadors. This shot up the sale to large extent. In case of Maggi also, Amitabh Bachchan, Preity Zinta and Madhuri Dixit are the brand ambassadors whose fan following has resulted in more favourable response of consumers towards Maggi. Now as the Maggi row has blared up, it has also put its brand ambassadors, along with the company officials, in trouble as a brand ambassador endorsing the product in the advertisement is also equally responsible for making the consumers fool. A district court in Muzaffarpur had directed police to register an FIR against two Nestle officials and filmstars- Amitabh Bachchan, Preity Zinta, and Madhuri Dixit, who have endorsed Maggi in advertisements, and to arrest them if required in the course of investigation. The FIR was made by a complainant claiming that he fell sick after

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| **Market size:** Around Rs 2,500 crore |
| **Sales:** Makes up over 30 per cent of Nestle India’s revenue |
| **Losses due to safety concerns:** Rs 320 crore |
| **Brand value hit:** $200 million (Rs 1,200 crore) |
eating Maggi purchased from a shop at Lenin Chowk of Muzaffarpur on May 30, 2015. The case has been filed under IPC section 270 (malignant act likely to spread infection of disease dangerous to health), 273 (sale of noxious food or drink), 276 (sale of drug as a different drug or preparation) and 420 (cheating and dishonesty) [3].

Highlighted the shortcomings in the country’s food safety network: Maggi has been in India since one decade. If the FSSAI has reported now that it is hazardous for consuming so where were they since long? After Uttar Pradesh’s lab test, other states have started testing of Maggi samples and then are declaring it hazardous to consume. So, why were they sleeping till now? Also after the first test report, when Nestle appealed against it, then it took more than one year for the report to come (such a long time for a report to come). Even a case of Maggi testing positive for MSG had come earlier also in 2013 where only penalty of INR 25000 was imposed and that was the end of the matter according to a local Magistrate in Barabanki. So, what about the food safety, what about consumers who consumed that Maggi? Whether the duty for food safety is only up to imposing penalty? Again totally on its will but it is the media that is raising the issue thereby compelling the authorities to investigate the issue? the same issue has heated up but now also, it is not the food safety network that have worked totally on its will but it is the media that is raising the issue thereby compelling the authorities to investigate the issue [3].

Other noodle making companies affected: Maggi row has also affected other noodle making companies. It has provided an opportunity for its competitors to take advantage of the situation and grab Nestlé’s customers especially to the key competitor ITC (Yippee noodles). But up to some extent it has also affected them negatively also. As Maggi has become the 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. Increased frequency of advertisement by these competitor companies during June and also more focus on quality as compared to earlier in these advertisements are the evidence that these companies have also been impacted in some way or other. After this Maggi row, various companies are under the FSSAI’s lens of suspicion [3].

<table>
<thead>
<tr>
<th>NOODLE OF SUSPICION</th>
<th>Packaged foods that are under FSSAI’s lens</th>
<th>Company</th>
<th>Product(s)</th>
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<tbody>
<tr>
<td></td>
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<td>Nestlé India</td>
<td>Maggi Nuti-licious Pazzta with Taste Maker (4 variants)</td>
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<td>Maggi Instant Noodles with Taste Maker (9 variants)</td>
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<td>ITC</td>
<td>Sunfeast Yippee Instant Noodles (3 variants)</td>
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<td>GlaxoSmithKline</td>
<td>Foodies noodles (10 variants)</td>
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<td>Indo Nissin Food</td>
<td>Top Ramen Atta Masala</td>
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<td>C G Foods India</td>
<td>Wai Wai noodles (3 variants)</td>
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<td>Yummy noodles (2 variants)</td>
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<td>Ruchi International</td>
<td>Koka Instant Noodles</td>
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</tbody>
</table>

Source: FSSAI
Remedial Measures [5]
1. Nestle India has agreed to repackage the product and remove the words “no added MSG” from the label.
2. The company has also agreed to withdraw the Oats variant from the market. The company has been requested by the FSSAI to seek fresh regulatory approvals and then relaunch the product.
3. The company has been asked to take appropriate action to re-ascertain the safety of its products.
4. After the independent testing, which showed that the product was indeed safe, the company voluntarily withdrew the product from the market, citing consumer confusion and shaken trust.
5. The company mentioned that it remains committed to regaining consumers’ trust and would spare no effort to return the product to the shelves as soon as possible.
6. The company also mentioned that it will re-work the packaging and remove the words, “No MSG” from the label to clear any further confusion.

CONCLUSION
The controversy started igniting last year but no officials of Nestle India paid heed to do the necessary rectification resulting now a bad name and shame for the company. Health is of prime concern for everyone though taste also matters. It is very difficult to restore the faith lost because even the school going kids now say Maggi is bad. For Nestle Company only thing which could be said is ‘Miles to go before they return, Miles to go before they return....’ Repositioning their brand in India again is the major challenge before Nestle Global for which we have to wait and watch. But for sure in present ‘Good Food, Good Life’ has been beaten because ‘Good hona important hai’.

When Maggi noodles, one of Nestlé’s top products was deemed unsafe in India, all eyes were on Nestlé to see how they would respond and manage the situation. Initially Nestlé defended its product and rejected all claims that its noodles were unsafe, and they did this on all digital channels.

As the pressure grew on the global company, in a press conference Nestlé’s CEO said that all
Maggi noodles in India would be withdrawn from shelves in order to comply with regulators. Again Nestlé used digital channels to explain to customers why this decision had been made and to answer all their questions. Nestlé also explained the science behind the reason for the ban in simple terms so customers could understand.

The scare was a huge blow to the company, which has been selling its Maggi products for over three decades in India with 80% of the country’s instant noodle market. However, through smart use of social media during the crisis, the brand limited further damage by reassuring and informing customers to encourage them to continue buying the noodles in the future.

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