

Product Failure and Repositioning (with special reference to Maggi a product of Nestle India)

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Abstract

Maggi is a reputed brand of Nestle India, having 70% market share and dominated in Noodles market. The brand positioning in the market was strong but it had lost its image after banning of Maggi by Food Safety Standard Authority of India. But it is surprising to note that again it had recovered in 2016 its image and convinced the customers through its messages in the media after guaranteeing for safety for health after consumption.

In Food sector, the companies try to attract the customers by more flavor and taste of food but ignoring the quality which are unknown to customers. The Food Safety Department investigated and reported that the excessive lead which can be harmful for health leading to various diseases.

Maggi lost its sales and profit to a certain extent during that period as it damaged the product positioning and brand image. Therefore it is very important to give more consideration for ingredients in food items which can give more improvement for health rather than deteriorating health because of consuming the particular product item.

The manufacturers in the food sector should be careful in marketing of goods which are not healthy and safety, otherwise they may lose their business at any time after investigation.

Keywords : Food, Ban, Maggi, Nestle, Safety, Product. Food, Marketing, Product, Failure

1. Introduction:

Fast food appeared in the world after the Second World War. It attracted busy working people, children, and middle class population, because it saved time for cooking. Initially the aim was to offer healthy and nutritious food.

Maggi was dominating and contributed good revenues for Nestle. It had 70% market share though its competitor Top Ramen consider as premium quality was equally performing well.

The Food Safety Department of Government of India investigated and reported that the instant noodles of Maggi contains lead disproportionately exceeding the norms. This information helped to know that the more content of lead in noodles is harmful for human consumption and it is the reason for various diseases like cancer, diabetes and hyper tension. Therefore it banned the sale of Maggi instant noodles.

Though Nestle suffered losses because of Maggi instant noodles it recovered after giving message to the society about guaranteeing quality and safety.

2. Hypothesis:

- I. The demand for food products reduces due to following reasons:
 1. Unsafe and dangerous for health
 2. Consumers are health conscious.
- II. The demand for the products can be increased through guarantee, modifying the product for better health enhancing relationship and trust through strong message to the society.

3. Objectives of the study:

1. To find out the impact of fast food consumption.
2. To know the function food safety department.
3. To find out the reason why the product was banned.
4. To know the demand for the product before banning the product, after banning the product and after lifting the ban.
5. To find out the reason how it recovered its position in the market.

4. Research methodology:

This study is about product positioning and product failure. It is a case study method, studying about a product in detail which can represent the sample of other similar products.

5. Data Collection:

Secondary data has been collected from internet for updating knowledge about the product brand and its parent brand.

Analysis is carried out with the help of the data collected from Internet.

6. Limitations of the study:

This study is restricted to instant Maggi Noodles. Other products are not considered. This is a detailed case study about Maggi Noodles of Nestle. The cause and effect of the banning the product has been taken into consideration for this study.

7. Scope of the study:

The product mix with special reference to ingredients of Maggi Noodles has been considered for this study. The other related elements such as Price, Place, Promotion have

not been studied in detail. The research can be extended to other Marketing Mix elements.

8. Problem investigated:

Banning Maggi Instant Noodles resulted in less profit and sales turnover.

9. Contribution of Knowledge to the society:

Fast foods are not healthy if it contains disproportionate chemical elements for more flavor and taste. Young generations are attracted towards fast food even if it is not healthy. The quality of food is not known to them as they enjoy only the taste of food item. It should not be consumed regularly every day as there may be different combinations of ingredients which may not be suitable to all.

10. Literature review

- ❖ Analytical study on Consumer behavior towards “Maggi Instant noodle” in Mumbai – A post ban Scenario Mr Rahul .M.Mhabde1 , Mrs Rajeshri Soni
- ❖ Impact of Maggi Noodles on the youth - Nitin J. Maniyal Dr. M. M. Munshi
- ❖ Study of consumer’s preferences and its affecting factors towards selection of various noodles of branded companies in Ahmadabad city - by Mr. Nehal A. Shah and Mr. Jaideepsingh H. Jetwat

11. Theory related to Product

Product is a bundle of utilities and satisfaction. Product quality should not be affected by any other factor such as disproportionate ingredients, cheap materials and wrong process.

The Marketing Managers should arrange appropriate marketing mix in which product mix play an important role. If there is no quality, the product fails in the market.

Product should be withdrawn from the market if it is not sold and the profit is inadequate. The survival of the product depends on quality which means healthy in case of fast food, durability in case of other kinds of products.

Proper satisfying promotional methods should be undertaken to spread message like word of mouth publicity and other types of sales promotion. It should be suitable to the product line.

The pricing methods should be proper in corresponding to quality. The product can not survive for long when it is found that the quality of the product are not good. The distribution is also affected due to product failure. The inventory is locked leading into great losses for the company.

There are different kinds of goods like convenience goods, shopping goods and specialist goods. The goods can also be classified as perishable, semi-durable and durable goods.

The marketing plan varies from product to product, depending upon the nature of the product. The marketing plan includes marketing mix strategy where strategy for product survival and product positioning is very important.

The middle level managers can give ideas for improvement in different areas such as Product, Price, Place and Promotion. The top management should consider the suggestions given by lower level Managers.

12. Company Profile

NESTLÉ India manufactures products of truly international quality under internationally famous brand names such as NESCAFÉ, MAGGI, MILKYBAR, KIT KAT, BAR-ONE, MILKMAID and NESTEA and in recent years the Company has also introduced products of daily consumption and use such as NESTLÉ Milk, NESTLÉ SLIM Milk, NESTLÉ Dahi and NESTLÉ Jeera Raita.

NESTLÉ India is a responsible organisation and facilitates initiatives that help to improve the quality of life in the communities where it operates.

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 1992; Ponda and Bicholim (Goa),
- in 1995 and 1997, respectively; and
- Pantnagar (Uttarakhand), in 2006. In 2012,
- Nestlé India set up its 8th manufacturing facility at Tahliwal (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.

Nestle Brands products are:

- Milk Products and Nutrition
- Beverages
- Prepared dishes and Cooking Aids

- Chocolates and Confectionery
- Vending and Food Services

Nestlé brand is in itself having strong position in the market because it has 150 years of trust and credibility. It has good R&D facilities for food technology which flow to Nestle India.

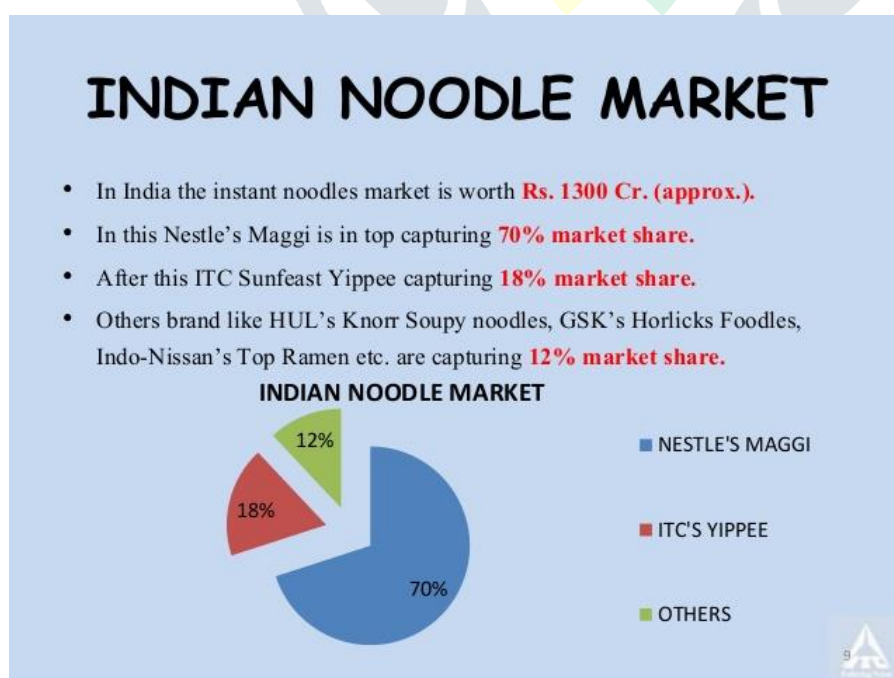
Maggi is a product of Nestlé India, a subsidiary of Nestlé of Switzerland. Major Maggi products that are manufactured by Nestlé include instant noodles, stocks, instant soups and ketchups. The various products of Maggi are manufactured in the seven highly technologically advanced factories of Nestlé India that are located in Moga (Punjab), Choladi (Tamil Nadu), Nanjangud (Karnataka), Samalkha (Haryana), Bicholim and Ponda (Goa), Pantnagar (Uttarakhand) and Tahliwal (Himachal Pradesh).

Problem faced by Nestle because of Maggi instant Noodles:

Reason for banning Maggi

Sodium makes the noodles' flavoring taste good. Not only sodium chloride (salt), but also monosodium glutamate (MSG, an artificial chemical flavor enhancer). Both of these eaten in excess amounts lead to hypertension, which can cause stroke or heart attack. Of course humans must eat some salt. We have it in every meal. But the amount in instant noodles is extremely high.

Major Competitors of Maggi Noodles:



13. Findings:

Impact on Profit and turnover after banning Maggi in 2015:

Rupees in Millions					
Particulars	2012	2013	2014	2015	2016
Domestic Sales	81,561.90	87,537.40	94,853.20	77,949.10	88,338.00
Profit after taxation	10,679.30	11,171.30	11,846.90	5,632.70	9,265.40
Earnings per Share (Rs.)	110.8	115.9	122.9	58.4	96.1
Dividends per Share (Rs.)	48.5	48.5	63	48.5	63

Domestic sales and profit suffered losses during the year 2015 due to banning of Maggi Noodles. Earlier it had generated lot of revenue but it lost its reputation due to the message spread of unsafe product about Maggi. But again it regained and recovered its position by eliminating the problems and giving guarantee and safety for the Maggi Noodles.

Share price of Nestle India dropped during the banned period and it again gained its momentum in the year 2016 by achieving increase in share price.

The product Maggi Noodles initially its demand was less during the year 2015 and but later on it recovered and regained its position in the market and it reached more number of outlets.

Shares of Nestle India ended flat following the damage control attempts by Nestlé's global Chief Executive Paul Bulcke amid mounting trouble over the alleged presence of lead and MSG in Maggi Noodles. (Graph: PTI)

14. Conclusion

Product positioning in the market i.e. creating image in the minds of the customers is very important. Maggi regained its position after facing lot of criticism. It had not only overcome the problems but also communicated to the customers about their modifications in the product and gave guarantee for quality. It has been found that Maggi Noodles picked up its sales in 2016 after efforts taken by Executives of Nestle India. They have won the confidence of the customers by giving guarantee for food safety

15. Suggestion

It is very important to be honest and sincere to the customers. The claims made in advertisements should be true otherwise at any time the companies have to face problems and ultimately resulting in damage to the reputation for the product brand as well as parent brand (here noodles is the product, Maggi is a brand name and Nestle is parent brand.).

Customer satisfaction achieved but there was problem in the quality of food which was unknown. The manufacturers should ensure that there is zero defects in quality, then only the companies can survive forever.

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