

# "Impact of Ban to Sell Maggi Noodles in India During 2015 on the Revenue of Nestle India Ltd."

Lavkush Yadav

[Research Scholar]

Department of Commerce & Business Administration

University of Allahabad, Allahabad

Uttar Pradesh, India

Dr. Himanshu Srivastava

[Assistant Professor]

Department of Commerce & Business Administration

University of Allahabad, Allahabad

Uttar Pradesh, India.

## Abstract

The present research study entitled "Impact of Ban Maggi Noodles in India during 2015 on Revenue of Nestle India Ltd." was attempted with the main objective to find out the effect of ban on sale of Maggie Noodles on the profit, shares, revenue of Nestle India Ltd. as well as to regain the markets. This study reveals a present study shows a clear impact of Maggi noodles on fast food market in India. Induced during 2015 there was clear effect of ban on Maggi's sales, profit and market shares for at least 6 months. After re-launching the market shares of Maggi Noodles have persistently increased months by month. Maggi noodles had adopted variations strategies for attracting consumers such as attractive slogans, tailor made products according to desires of consumers, much emphasis on health and quality, sale promotion schemes and market research etc. for increasing sales. Though, in today's competitive era, varieties of fast foods are available in the markets. However, instant Maggi noodles have become universal food product for the peoples of all age groups. There are immense possibilities of earning huge profit. There is need to establish more accredited laboratories. Government must always have a vigilant check over the quality of products keeping public health in mind.

**Key words:** food safety and standards act, 2006, FSSAI, food industry, food safety.

## INTRODUCTION

Instant Maggi noodles are one of the most loved food brands in India. Maggi was launched in India in 1982 with a struggle where instant food was not popular in India and still after 37 years of its launch it holds 75% of market share when we analyze market share of the Maggi noodles in the noodles segment of India compared with other brands is around 65%. Maggi being a well reputed brand is known to all. Maggi is the major contributors to the revenue of Nestle. India Ltd. a subsidiary of a Swiss company, Maggi gained popularity because of its taste. But, because of different reasons, it brought negative popularity to the product because of the presence of monosodium glutamate (MSG) and excessive limit of lead in its products as per the guide-line

of FSSAI (Food Safety Standards Authority of India). This had shattered the trusted the consumers completely. As a result of it Maggi was banned in India during 2015.

Various states of India such as Uttar Pradesh, Delhi, Gujarat, Tamil-Nadu, Kerala, Madhya Pradesh, Jammu and Kashmir, Telengana, Bihar and other states had banned the sale of Maggi Noodles on 5<sup>th</sup> June, 2015. Nestle India Ltd. faced major loss after he ban. Nestle Maggi BSE share prices went down and the brand image was hampered with a huge a loss of Rs. 64.4 crores during the three months ending 30<sup>th</sup> June, 2015. With the ban Maggi the states of company's other products had been affected as well.

The new CEO Sri Suresh Naayanan of Nestle India Ltd. re-launched Maggi on Diwali after 5 months of its ban at Pune centre with all the necessary corrections made as per the allegation levid on them. Maggi was back without any Brand Ambassador as previous brand ambassadors were accused for influencing and promoting a product which was ethically wrong for the consumers of Maggi. Maggi after the band of its had entered in decline stage. The Nestle India Ltd. has tried again to grow Maggi from decline and has made the customers happy and its various effective commercial tag lines to regain the previous conditions. Nestle Maggi noodles is the most demanded and popular snack for all age groups in India and its will definitely be back in demand but with all the turmoils Maggi has faced it will be highly different for the company to form the brand image which was shaltered because of the controversy. Further Maggi needs to show its core competency in the markets.

A nationwide ban on Maggi Noodles was imposed by some of the India's big retailers like Big Bazar, Nilgiris, Future Group and others in May 2015 after Food Safety Regulators from Uttar Pradesh, India had found that samples of Maggi Noodles had unexpectedly high levels of monosodium glutamate as well as about 17 times more of the permissible limit of lead. On June 3, 2015, the New Delhi government had banned the sale of Maggi Noodles in New Delhi stores for 15 days. Thereafter the state public health laboratory carried out. The tests and concluded that Maggi Noodles had contained the added MSGL (monosodium glutamate) and excessively high lead content.

Keeping the above cited statements in view, this research study entitled, "Impact of Ban to Sell Maggi Noodles in India during 2015, on Revenue of Nestle India Ltd., was attempted with the following objectives:

## **OBJECTIVES OF THE STUDY**

1. To find-out the effect of ban on sale of Maggi-Noodles on the profits and shares of Nestle India Ltd. Company.
2. To assess the loss in revenue of Nestle India Ltd. in terms of profits and shares caused by the ban.
3. To Study whether Maggi Noodles had regained the markets.

## REVIEW OF LITERATURE

**Atamam and Hlegngin (2003)** found that the strength of relationship between the consumers and the brand will reflect the fit between the consumers own physical and psychological needs and the brand's functional attributes and symbolic values as perceived by the consumers. Which create Maggi as a brand in the minds of the people.

**Katyalsaurabh(2007)** reported that marketers spend enormous amount of money annually on celebrity endorsement contracts based on the belief that celebrities are effective spokes people for their products as brands.

**Pughazhendiet.al. (2012)** found that in emerging markets advertisers use dominant celebrities in ads to promote their product image. Single and multiple celebrity involvement in ads affects buying behaviour in different ways. This study shows that consumer behaviour and attitude regarding brand, ads and purchase decision are positively affected by multiple celebrities.

**Sood Manvi Sharma (2015)**, reported that Maggi was banned in India for 5 months which has presented to a high loss of Maggi in India. The brand value has dropped down and as a result the base and Sensex of Nestle Maggi Noodles has also dropped down. The assessment shows that damage down by it to Nestle and how again Nestle has announced a re-launch of Maggi.

**PandeyManjarriet.al. (2016)**, found that various fast food products are available in the market but instant Maggi Noodles occupy predominant place in India. Maggi brand has been popular in India over three decades. But it was banned on 5<sup>th</sup> 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<sup>th</sup> November, 2015. Maggi Noodles is gaining traction in sale and it hold more than 50% of the instant noodles market by March, 2016. This study found three conditions in Maggi Noodles i.e. climb, knock-downs and resurgence.

**Bhooshan Shabista et.al. (2016)**, found that Maggi pioneered and became the leader in Instant Foods Category. Its strategic marketing technic gives, analysis and ability to maintain strong stakeholders relationships contributed in boosting the brand's growth. However, in 2015 this brand got a major obstacle as unhealthy levels of, lead and MSG got detected in the Samples of Noodles by FSSAI. Bombay High Court banned its production and distribution within correcting. Subsequently Diwali san the home coming of the warrior, as Maggi noodles passed all tests victorinsly.

This study reveals the effects of the crisis on psyche of its target and audience falling in age group of 18-24 years and the change in their buying behaviours. After re-launch Maggi is leading the instant noodles category.

**Kaur R.A. et.al. (2016)**, reported that Maggi is an international brand of instant soups and noodles owned by Nestle since 1947. Maggi controversy has shattered many hearts as found MSG and lead more than standard limit. This study shows the impact of controversy on the consumer mind set and the company itself. Nestle India Ltd. had reported 60.1% decline in standalone not profit at Rs. 124.20 crores for the third quarter ended September, 2015, fall in share prices and panic in the market etc. But after coming back it was concluded under the study that Maggi is the most preferred noodle brand among noodles consumers. 82% people still trust Maggi besides adulteration and controversy.

## RESEARCH METHODOLOGY

The present study being analytical in nature was based on only secondary information/ data. The internal secondary data of the Nestle India Ltd. were generated from the company's annual reports, manuals and brochures etc. The external secondary data on the Nestle India Ltd. Company were generated from newspapers, magazines, research reports, books and internet. The reference period was the years from 2009 to 2016.

## DATA ANALYSIS, RESULTS AND DISCUSSION

Due to paucity of both internally and externally generated secondary data only simple mathematical and statistical analysis was possibly carried out on the available data and the results are discussed in the following paragraphs:

### Trend in Growth of Fast Food Products by Nestle India Ltd. (2009-2016)

Nestle is a well reported multinational company. It's subsidiary Nestle India Ltd. produced various fast food products and made available in the markets such infant Mil, Nutrition, Chocolates, Ketchup, Tea, Cream Instant Coffee, Noodles Pastes and infant milks extracts. But Maggi Noodles has been the trust of millions of Indians over last three decades. The data analyzed in Table. I show the trend in growth of Nestle India Ltd., fast food products during 2009-2016.

**TABLE-1:** Trend in Growth of Fast Food products by Nestle India Ltd. (2009-2016).

S.N.	Years	Sale of Fast Food Products (In Billion Dollars)
1.	2009	55
2.	2010	76
3.	2011	80
4.	2012	1.20
5.	2013	1.35
6.	2014	1.50
7.	2015	0.34
8.	2016	1.15

**Source:** Euro Monitor International.

The data analyzed in Table-1 reveals that the trend in growth of the sales of fast food products during 2009 to 2014 by the Nestle India Ltd. was persistently increasing wherein the growth during these five years was more than double in the sales. But in the year 2015 it decreased to extremely low growth due to controversy of adulteration in Maggi noodles which increasing considerably during the years 2016 when the Maggi noodles was re-launched again after the said controversy. Maggi noodles regained the lost popularity in India and helped in the rapid growth of the sales of fast food products by Nestle India Ltd. thereafter.

**TABLE-2:** Trend of Growth in the Sales of Maggi Noodles by Nestle India Ltd. (2009-2015)

S.N.	Years	Sales of Maggi Noodles in Billion Dollars
1.	2009	0.20
2.	2010	0.22
3.	2011	0.25
4.	2012	0.30
5.	2013	0.40
6.	2014	0.50
7.	2015	-

**Source:** Euro monitor International

The contained in the Table-2 indicates that sale of Maggi Noodles was constantly increasing during the years from 2009 to 2014 were in the sale was reported as 0.20 billion dollars, 0.22 billion dollars, 0.25 billion dollars, 0.30 billion dollars, 0.40 billion dollars and 0.50 billion dollars respectively during all six years. This obviously shows the tendency of Indian consumers towards Maggi Noodles and their trust over three years. Indian was the world's fifth largest market of instant noodles worth Rs. 3800 crores where in Maggi has the high market share of 80% among the instant noodles as compared to 20% by other noodles. Thus, it is safely concluded that Maggi dominates the instant noodles market in India by Nestle Company.

**TABLE-3:** Net Sales of Maggi Noodles by Nestle India Ltd. during 2013 to 2015.

S.N.	Quarter	Net Sales (Rs. in Crores)
1.	June, 2013	2222.71
2.	September, 2013	2360.02
3.	December, 2013	2262.97
4.	March, 2014	2321.51
5.	June, 2014	2431.51
6.	September, 2014	2570.42
7.	December, 2014	2530.94
8.	March, 2015	2516.40
9.	June, 2015	1954.01

**Source:**Capitaline

The data contain in table-3 indicates that in the quarters June, 2013 the Maggi Noodles sales was Rs. 2222.71 crores which increased to Rs. 2570.42 till the quarter September, 2014. But after one year in June, 2015 the sales plummet and remained only to 1957.01 crores owing to controversy.

**TABLE-4:** Net profit from Maggi Noodles by Nestle India Ltd. during 2013-2015.

S.N.	Quarters	Net Profit (In Rs. Crores)
1.	June, 2013	271.38
2.	September, 2013	285.00
3.	December, 2013	281.66
4.	March, 2014	259.16
5.	June, 2014	287.86
6.	September, 2014	311.29
7.	December, 2014	326.38
8.	March, 2015	320.28
9.	June, 2015	-64.49

Source: Capital Line

Table-4 shows that the net profit from Maggi Noodles increased from Rs. 271.38Cr. in June 2013 to Rs. 326.38Cr. till December 2014 continuously. But from March, 2015 started decreasing and in June, 2015 there was a loss of -64Cr. due to controversy.

#### Market share of Maggi Noodles in India after Maggi's come back

**TABLE-5:** Growth in Market Shares of Maggi Noodles by Nestle India Ltd. after controversy

S.N.	Months	Market shares in %
1.	October, 2015	Nil
2.	November, 2015	10
3.	December, 2015	33.3
4.	January, 2016	42
5.	February, 2016	48
6.	March, 2016	51

Source: Nielsen

Table-5 indicates that Maggi Noodles have captured 51% shares of the noodles market by the end of March, 2016. While in October, 2015 the market share was nil, but thereafter, there was constant growth in market shares of Maggi noodles. Thus, it is safely concluded that consumers have still faith in Maggi noodles and Maggi Noodles again dominant the market in India.

## CONCLUSION

The present study shows a clear impact of Maggi noodles on fast food market in India. Induced during 2015 there was clear effect of ban on Maggi's sales, profit and market shares for at least 6 months. After re-launching the market shares of Maggi Noodles have persistently increased months by month. Maggi noodles had adopted variations strategies for attracting consumers such as attractive slogans, tailor made products according to desires of consumers, much emphasis on health and quality, sale promotion schemes and market research etc. for increasing sales. Though, in today's competitive era, varieties of fast foods are available in the markets. However, instant Maggi noodles have become universal food product for the peoples of all age groups. There are immense possibilities of earning huge profit. There is need to establish more accredited laboratories. Government must always have a vigilant check over the quality of products keeping public health in mind. Thus, consumers can purchase healthy food without any hesitation.

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