

Maggi Noodles: Magic Of The 2-Minute Campaign

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INTRODUCTION

Many fast food items have flooded the markets, but noodles have emerged as the most popular item as they are cheaper, and very easy to make. Maggi has revolutionized the concept, and the product goes into a majority of the urban households. Maggi controls the urban and the semi-urban markets. The Brand is popular in: Australia, India, Malaysia, and New Zealand. Maggi is at the 35th position among the top 100 brands of India¹.

Nestle India is a subsidiary of Nestle S.A. of Switzerland, which was founded in 1866 by Henri Nestle, markets products in 130 countries across the world. In 2001, the company earned revenues of \$ 50.2 billion and a net profit of \$ 3.9 billion, and was ranked 55 in the 2002 Fortune 500 list. Nestle has established itself as one of the world's most successful FMCG companies. Nestle India Limited is the market leader in Indian Noodle Market, with its Maggi Brand of Noodles launched in 1982 in the packaged food market of India. Nestle took several years to establish its Noodles brand in India.



GROWTH OF MAGGI NOODLES IN INDIA

Today, big players are breaching the Noodles market. Fast moving consumer goods giants GlaxoSmithKline Consumer Healthcare (GSKCH) and Hindustan Unilever (HUL) have entered the ₹ 1,000-crore instant noodles market with their respective brands, *Foodless* and *Knorr*. In addition, there are the private label brands of large retailers, which are increasingly finding a way into the consumer's shopping trolley.

It is not the first-time that Maggi has faced competition in the noodles' category. In 1997-98, Indo Nissin entered the market with its noodles brand - Top Ramen. Nestle changed the formulation of Maggi 2-minute noodles around the same time, which was rejected by the consumers. As a result, sales of Maggi noodles declined, with the company finally bringing back the old formulation in 1999 to arrest the drop in sales. Meanwhile, Indo Nissin had also become complacent, and Maggi was able to quickly consolidate its position as the leader. In 2005, Maggi was the highest spender in the Promotion and Sales in the Indian Market in the Noodles Category.

OBJECTIVES OF THE CASE STUDY

This case study focused on the following objectives:

1. To determine the promotional strategies adopted by Maggi noodles in India.
2. SWOT analysis of Maggi noodles.
3. To determine the reasons why Maggi *atta* noodles failed to capture the taste buds of the Indian consumers.
4. Hurdles faced by Maggi noodles.

RESEARCH METHODOLOGY

The study aims to determine the strategies adopted by Maggi noodles to grow its market share. For this purpose, secondary data has been collected from various sites, magazine & newspapers.

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¹ <http://hubpages.com/hub/Top-100-Brands-of-India/2010/09/18> accessed on April 10, 2011.

THE HEALTH ANGLE

In the early 2000s, the Company set up new research and development facilities with a view to improving the attributes of the existing Nestlé products to make them healthier. In March 2005, the Maggi brand took to the health route with the launch of Vegetable *Atta* Noodles. According to NIL (Nestle Indian Limited), Vegetable *Atta* Noodles are healthier as they are made of whole wheat flour instead of *Maida* (refined wheat) and also because they contain real vegetables.

HEALTH CLAIMS CONTROVERSY

In October 2008, Nestlé aired an advertisement. The advertisement made false claims that the noodles would "*help to build strong muscles and bones*". The British Advertising Standards Authority said that the advertisement did not abide by the new EU (European Union) consumer protection legislation, by which advertisers have to provide proof of health claims. However, according to Nestle Consumer Services, Maggi Noodles contain the additives E150d and E627. E150d is sometimes made from maize. "*The ingredient flavour enhancer- E627 (Sodium Guanylate) is made from vegetarian source, i.e. from Tapioca starch. It is not prepared from any non-vegetarian item.*" According to Nestle Consumer service, Maggi contains Protein & Calcium. 85g of Maggi noodles meet 19% RDA⁺ (Recommended dietary allowances) of protein for children (13% for adults) & 21% RDA⁺ of calcium for both children & adults.

Table 1 : Nutritional Value In Maggi	
Nutrition Information	Per 100g
Energy (kcal)	402
Protein (g)	9.2
Carbohydrate (g)	58.9
Sugar (g)	1.5
Fat (g)	14.4
Calcium (mg)	100.0

BRAND JOURNEY – A TESTIMONY IN ITSELF²

✿ **In the last twenty five years, we have just asked for 2 minutes of your time :** Today, India is the largest market for Maggi Noodles. To gauge the success of the brand, check out the following it has among the Kids, there is even an Orkut/Facebook community of Maggi Lovers. Initially, Nestle tried to position the noodles' brand on the platform of convenience, targeting working women. However, it found that sales were not picking up despite heavy promotion. Research then showed that kids were the largest consumers of the brand. Realizing this, Nestle repositioned the brand towards kids using sales promotions and smart advertising. However, the fact lies that even if the target market were kids, a survey would reveal that a considerable slice of Maggi noodles' consumers are single men and women. The pricing and the variety in tastes are the added advantages. In 2005, Nestle made a smart move. It knew that although kids love noodles, the parents were bothered about the health aspect of the noodles, which was made of *maida* (refined flour). Hence, Maggi launched Maggi *Atta* Noodles with the baseline '*Taste bhi, health bhi*'. It also produces rice noodles & instant noodles known as "*Hot Bowl*" noodles named "*Cuppa Mania*" in India.

BUS DO MINUTE (JUST 2 MINUTES)

The instant noodle market in India is worth over ₹ 1,300-crore (\$260 million) and is growing at a phenomenal rate of over 17-20% per annum. "*Main reasons responsible for this growth include a rise in the number of working professionals living away from parents, lack of time, and premium placed by consumers on convenient food options*", says Ankit Bansal, consultant with Data Monitor, Consumer Markets team.

One key reason for the success of instant noodles is the ease & speed with which these can be cooked. Noodles sold in a cup can be eaten right away after adding hot water; perfect for on-the-go consumption. Apart from the traditional

² <http://www.business-standard.com/india/index2.php/2009/07/02> accessed on April 10, 2011.

positioning for kids, manufacturers are now targeting the adult consumers as well by leveraging on the convenience aspect that has become more important, given the changing employment patterns.

Maggi, along with its creative agency Publicis India, has created a special and interesting communication called '*Me & Meri Maggi*'. Giving it a nostalgia flavour, Maggi lovers are invited to pen down their memories and thereby get a chance to feature on the Maggi packs or ads. "*The consumers of Maggie Noodles in 1983 are now grown up, and the girls are now mothers with their own children.*" So, Maggi started a conversation with, '*What's your Maggie story?*' In line with this campaign, an interactive website for consumers, www.meandmeri.in, has also been launched, inviting viewer participation. This campaign is supported by 360-degree activation across television, print and the Internet, beside on-ground activities.

STPD (SEGMENTATION, POSITIONING, TARGETING, DIFFERENTIATION) ANALYSIS

1. Segmentation:

- a. Age
- b. Lifestyle
- c. Eating habits of urban families

2. Targeting

- a. Kids
- b. Youth
- c. Office Goers
- d. Working women

3. Positioning

- a. Easy to cook, Good to Eat
- b. 2-minute Noodles
- c. *Tasty bhi, Healthy bhi*

4. Differentiation

- a. Veg. *atta* noodles- Health conscious
- b. Rice Mania- Teenage
- c. Cuppa Mania- Working women & office goers

MAGGINOODLES : SWOT ANALYSIS

Strengths

- 1. Established Family Brand;
- 2. Market leader & strong presence, especially in the urban areas;
- 3. Innovative flavours for Indian tastebuds;
- 4. Strong Global Corporate Brand (Nestle India Limited);
- 5. Symbolization of warm, family & shelter;
- 6. Strong promotional schemes;
- 7. Research & Development division in India.

Opportunities

- 1. Growing package and canned food market in India by 15% annually;
- 2. Affinity of Indians to Chinese foods;
- 3. Increasing number of working class in India;
- 4. High brand awareness of Indian consumers ;
- 5. Opportunity to be substituted for other snacks category of food products.

Threats

- 1. Strong presence of competitors like Top Ramen, Horlicks Foodles, Tasty Treat, Knorr Annapurna etc.;
- 2. Single product focused competitors like Wai Wai Noodles;
- 3. Less entry barriers in the Market segment for product category;
- 4. ITC's strong base in the Indian Market (As ITC *Sunfeast Pasta Treat* has been seen as a product having the potential of capturing the market of noodles and Maggi failing to launch Pasta under the Maggi brand);
- 5. Competitive pricing : Like Top Ramen.

Weaknesses

- 1. Generic Brand to Noodles in India;
- 2. Low rural market presence constraint;
- 3. Uniform Brand for all food categories;
- 4. Brand Proliferation.

MARKET PENETRATION STRATEGIES

1. Promotional campaigns in schools (Focusing on Kids).
2. Advertising Strategies:
 - a. '*Bas 2-Minute*,' (Only 2 minutes);
 - b. '*Mummy, bhookh lagi hai*' (Mom, I'm hungry);
 - c. '*Fast to Cook, Good to Eat*';
 - d. '*Tasty bhi, Healthy bhi*'
3. Promotions like to advertise Maggi lovers on Maggi packs. There is even an Orkut /Facebook community of Maggi lovers.
4. Product size: Product available in all sizes to tap the different categories of consumers.
5. New product innovations– Veg. *Atta* Noodles, *Dal Atta* Noodles, Cuppa Mania.
6. Provide various promotional schemes like distribution of free samples, free gifts on return of empty packs etc.

GRAPHICAL REPRESENTATION

1) Introductory Stage

- a. **Product:** Launched keeping in mind working women & children; Pioneer in instant noodles market; Higher production cost.
- b. **Price:** High rate of failure.
- c. **Place:** Limited distribution.
- d. **Promotion:** Promotion focuses on awareness and information, promoted with the tag line "*Bas 2 minute*". Higher promotion cost.
- e. **Competitors:** No competition.

2) Growth Stage

- a. **Product:** Accepted as ready to eat food ; Number one brand in the instant noodles market.
- b. **Price:** Prices normally fall.
- c. **Place:** Wide distribution.
- d. **Promotion:** Promoted with tag line "*Good To Eat, Fast To Cook.*"
- e. **Competitors:** Entrance of competitors like Top Ramen.
- f. Increase in sales & profits , Development costs are recovered
- g. Enjoyed around 50% market share (approximate value ₹ 250 crores).

3) Maturity Stage

- a. **Product:** Stylistic product changes; Extending product line: *dal atta* noodles, Maggi Cuppa Mania, Maggi Chicken.
- b. **Price:** Prices fall; enters 5 markets with affordable prices.
- c. **Place:** Intensive distribution.
- d. **Promotion:** Heavy promotions to dealers and consumers.
- e. Declining sales growth & profit.
- f. Saturated markets.

4) Decline Stage

- a. In 1990s, sales declined due to the growing popularity of Top Ramen; in 1997, formulation of Maggi noodles changed, but customers did not like it.
- b. Long-run drop in sales.
- c. Failure of various cooking ads.
- d. **Competition:** Tough competition from Top Ramen.
- e. Elimination of all non-essential marketing expenses.

5) Reintroduction of The Product

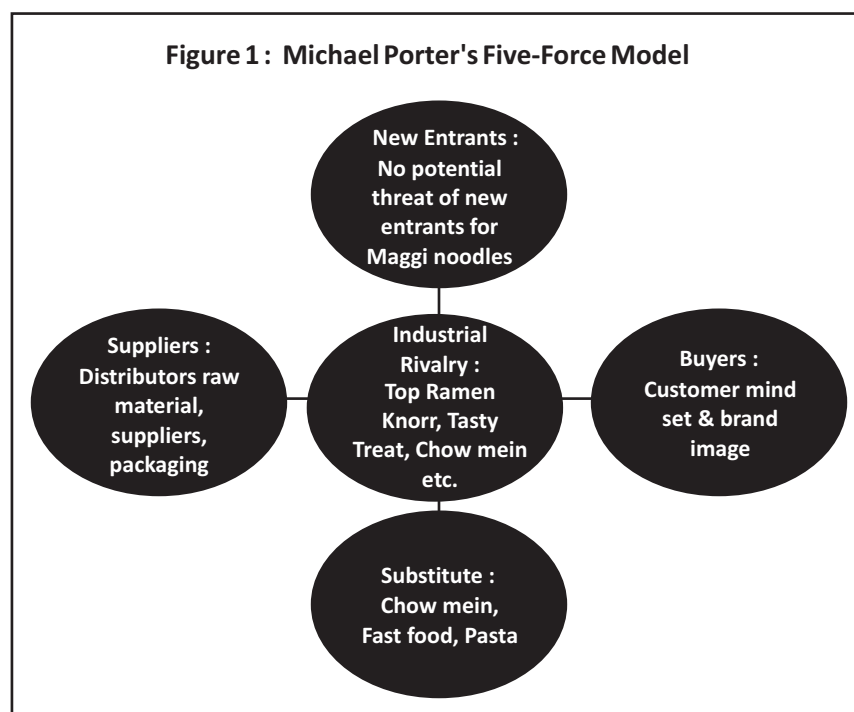
- a. In 1999, Maggi reintroduced the old formulation of the noodles to revive sales.
- b. Increase in distribution.
- c. Focus on other segments other than children & working women.
- d. Higher expenses on promotion.
- e. In the year 2000, Maggi became the leader in the branded instant noodles segment.

FAILURE CAUSES (WHY MAGGI ATTA NOODLES FAILED?)

1. **Indian Psyche** : A new product with a new taste & from a different culture will have difficulty in appealing to the Indian market.
2. **Price** : The price of *Atta* noodles was a little more than the Maggi 2 minute noodles.
3. **False Claims** : In October 2008, Nestle aired an advert that Maggi noodles "*help to build strong muscles and bones*". The British Advertising Standards Authority said that it was a false claim.
4. **Not Purely Vegetarian** : Maggi Noodles also contain the additives E150d and E627. E627 is partly prepared from fish, and is thus not suitable for vegetarians. But according to the Nestle Consumer Services, the ingredient flavour enhancer- E627 (Sodium Guanylate) is made from a vegetarian source i.e. from Tapioca starch.
5. **Lack Of Essential Nutrients** : The new Maggi *Atta* noodles lacked essential Vitamins like Vitamin A and Vitamin C.

COMPETITORS OF MAGGI

1. Hindustan Uniliver's Knorr ;
2. GlaxoSmithKlines's Horlicks Foodles;
3. Capital Foods' Ching's Secret;
4. Indo-Nissin's Top Ramen ;
5. Big Bazaar's Tasty Treat;
6. Wai-Wai by The Chaudhary Group;
7. Aditya Birla Retail's Feasters and several other players.



POSSIBLE ALTERNATIVES

✳️ **Strengthen And Use The Distribution:** NIL should focus on distribution channels and use of the distribution channel to expand its market to Rural India with products like Maggi targeted to the market. It is the way in which it could increase its volume of sales.

✳️ **Increase The Usage Of Maggi Brand Products:** Since Maggi Noodles is a market leader, it has to adopt a strategy to increase the usage of the product to protect its market share. As it cannot further grow sales drastically in the same segment, the only way is to increase product usage like Noodles for breakfast.

✳️ **Launch Health Awareness Promotion Campaign:** NIL should launch Health Awareness campaigns to educate consumers about the benefits of health food. It can sponsor health camps, publish health information.

OUTLOOK

According to the FICCI 'Food and Beverage Survey' published in February 2006, health foods, health-food supplements, convenience foods and branded foods were the '*rapidly rising*' segments of the food and beverage industry. The survey also revealed that the market for branded food products was growing at a healthy rate of around 15 percent in the early 2000s. The changing lifestyles and eating habits of Indian consumers and the increasing purchasing power of the growing middle-income group were thought to be the reasons behind this growth.³

Even though the demand for convenience foods was increasing in India in the early 2000s, analysts said that most of the Indian consumers were still conservative in their food habits, and gave importance to the perceived health benefits of traditional food. Therefore, it remained to be seen whether products like Maggi *Atta* Noodles, despite their '*health*' focus, would prevail in the long run. India's booming middle class is still slightly suspicious of packaged and processed foods, and it can afford to be. It often is the household help that prepares meals, so why pay extra to save time for your cook? One ready-to-eat food that has found its way into the Indian kitchen, though, is Maggi noodles. The instant noodles — first brought here by Nestlé in the '80s — started as an after-school snack and have grown up with their consumers to an easy-to-make after-work meal.

"The Maggi magic may not continue forever," Ankit Bansal, consultant with Data monitor's consumer markets. As a growing number of companies are gunning for the market. A line of noodles from Horlicks called Foodles is trying to capture customers with interesting flavors with catchy names like "Ala Masala," "Curry in a Hurry," and "Slice of Spice."

Japan's Nissin is even launching its famous Cup Noodle brand here with a flavor that is supposed to taste like *pani puri*. Meanwhile, many of the new grocery-store chains are launching their own in-house brands of noodles. The result is that Nestlé is fighting back by taking the noodle wars to the countryside.

FUTURE OF MAGGI NOODLES IN INDIA

Maggi instant noodles, foods major Nestle's flagship brand which has dominated instant noodles for nearly three decades, is losing market share on a monthly basis to newer entrants such as GlaxoSmithKline's (GSK) *Horlicks Foodles*, Hindustan Unilever's (HUL) *Knorr Soupy noodles*, Big Bazaar's *Tasty Treat*, *Top Ramen* and several other smaller players, according to data by the market research firm Nielsen (a global marketing & advertising research company). The data shows that Maggi's share of instant noodles, on an all-India basis, across urban markets, had slipped consistently in the period between December'09 to July'10. Shares of Maggi instant noodles, excluding the vermicelli product, slipped to 86.5% from 90.7% in July 2010 all over India. Analysts say with new competition, Maggi's market share is certain to get impacted. However, they also say that Nestle has the potential to expand the ₹ 1,300-crore instant noodles category.⁴

According to Ankit Bansal, consultant with Datamonitor estimates, the instant noodle market in India is worth over ₹ 1,500-crore and is growing at a rate of over 17-20% per year. *"Main reasons responsible for this growth include a rise in the number of working professionals living away from parents, lack of time, and premium placed by consumers on*

³ <http://www.icmrindia.org/casestudies/catalogue/Marketing/Maggi%20Brand%20in%20India.htm/2006> accessed on April 10, 2011.

⁴ economictimes.indiatimes.com/news/.../Maggi/2010/08/31 accessed on April 10, 2011.

convenient food options", says Bansal⁵. One key reason is the ease & speed with which it can be cooked. Growth opportunities for noodles are not restricted to urban areas alone, as several FMCG companies have increased their reach in the rural markets as well. Nestle is keeping the buzz alive in both the urban as well as rural markets through frequent launches of new flavours at lower price points. The Swiss major obviously wants to have its footprint in both India as well as Bharat. In the last two years, when the urban markets cooled down, the rural markets continued to remain buoyant. High support prices for all large crops, the National Rural Employment Guarantee programme, and the farm loan waiver have ensured that there is good purchasing power in the rural markets. This has begun to drive FMCG companies to villages and small towns.

Analysts highlight the fact of changing snacking needs of people as the concept of *'healthy snacking'* is becoming popular in India, and consumers are opting for healthier food choices in order to stay fit. Moreover, the factor of increasing competition in the snack food space has also affected Maggi's shares, challenging its long-lived monopoly. However, Maggi's parental company Nestle is planning to expand its operations in the food market with healthier snack options, and an investment worth ₹ 1,300 crore has been made in the instant noodles' category. Along with Maggi, other new entrants have geared up to launch a wide range of healthy snack food packaged in attractive wraps to lure more and more consumers. Hence, Maggi will face a cut-throat competition in the coming future from now onwards.

CONCLUSION

Good quality and cheaper products can be pushed in the market with systematic strategy and network. Maggi has around 86.5 per cent market share, down from around 90 per cent a year ago. But private brands like Future Group's *Tasty Treat* and Aditya Birla Retails' *Feasters* are making their presence felt. Devendra Chawla, Head, Private Labels, Food and FMCG, Pantaloon Retail, says, *"We have seen an excellent growth for our private brand"*. In Future Group stores, Maggi is the No 1 sold brand, while Tasty Treat is in the second slot⁶.

There have been, at different points of time, different competitors who attempted to replace Maggi from the breakfast/ lunch/ dinner bowl, but have, in the long run, failed to do so. Competitors like Top Ramen and others are good for the occasional change in taste, but it is Maggi that still remains a staple on the dinner table.

Maggi has slumped 5 places to a lowly 33rd position. There's a bigger reason for the fall and that is its unsatisfactory performance during the past year with extensions like *atta* noodles and Maggi Rice Noodles with three variants. These are efforts by Maggi to affix the health tag to its already tasty image, but the consumer still has to develop a taste for the new variants⁷.

The company needs to take a number of steps to increase its market share:

1. Conduct promotional campaigns in schools in small towns.
2. Focus on creating distinctive image, based on twin benefits of *"Instant"* and *"Healthy"*.
3. Maggi had to offer Pasta as the Indian Pasta market is seeing a huge growth.
4. Maggi must adopt a low price strategy to retain the price conscious segment.
5. Maggi should extend the reach to the rural areas by providing additional offers.

QUESTIONS FOR DISCUSSION

Q 1. Discuss the strategies undertaken by Nestle India Ltd. to create and establish a new product category.

Q 2. What measures were undertaken in sustaining the image of a popular brand (Maggi noodles) and the reason behind the brand extension of the same?

Q 3. What strategies were adopted by Nestle India Ltd. in repositioning Maggi noodles?

⁵ <http://www.jimandaz.com/searchNews.aspx?newsid=32659/2010/05/29> accessed on April 10, 2011.

⁶ <http://www.business-standard.com/india/index2.php/2010/02/04> accessed on April 10, 2011.

⁷ <http://www.iipm.edu/iipm-editorial-746.html> accessed on April 10, 2011.

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