



Regaining the Brand Value: an Analysis of Maggi Fiasco

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ABSTRACT

Today is a world of citizen journalism; news goes viral in a flash. And if it is bad news, it acquires a spin and speed that is virtually impossible to stop. Brands, therefore, are more susceptible to a tarnished image today, than in any other day and age. The latest brand to find itself in this quagmire is Maggi, the instant noodles brand from food and beverage company Nestle. One of India's most trusted brands and perhaps the country's most favoured comfort food, it has taken a huge knock in terms of brand value and sales ever since the recent controversy broke over. Regaining customer confidence isn't easy once consumers have a negative perception of a brand. This paper highlights the impact and recovery strategy of the food giant's fiasco.

KEYWORDS : Brand Value, Brand Equity, Customer perception, Brand Recall, Revival

Introduction

In today's world of citizen journalism, news goes viral in a flash. And if it is bad news, it acquires a spin and speed that is virtually impossible to stop. Brands, therefore, are more susceptible to a tarnished image today, than in any other day and age. The cocktail of the online and offline world, consumer and shareholder activism, random decisions by government bodies, volatile social groups, and hatchet jobs by competing firms make it all too easy to fall from grace. And the loss of goodwill can play out in the form of decreased revenue, loss of clients or suppliers and loss of market share.

The latest brand to find itself in this quagmire is Maggi, the instant noodles brand from food and beverage company Nestle. One of India's most trusted brands and perhaps the country's most favoured comfort food, it has taken a huge knock in terms of brand value and sales ever since the recent controversy broke over allegations that it had lead and monosodium glutamate (MSG) in excess of permissible limits and was, therefore, unsafe to consume.

Brand Maggie: The Bonding

The passion for this two-minute snack has actually soared during all these years, as we can see little children, even infants, getting addicted to it. It's a cute scene to see a young mother sharing the noodles with the infant in her arms! What more, the passion is not limited to youths; it's the same among older generations. In fact, Maggie has become a staple of the Indian kitchen and one of the most preferred substitutes for a full-course meal! Not in a mood to cook? Have Maggi. "Want a change in taste", "just two minutes" and many more uninteresting excuses exist to eat Maggi. When it had earned a permanent seat in the family there was this sudden ban that left everyone surprised.

The Noodle Crisis

The Food Safety & Standards Authority of India (FSSAI) ordered the recall of Maggi noodles on June 5 after tests showed lead in excess of permissible limits besides mislabelling with regard to monosodium glutamate (MSG) content. Any health concerns raised by a credible source such as FSSAI will most certainly damage customer loyalty and consideration of a food brand. As Maggi's parent company, Nestle will have to turn around swiftly to ensure that the Maggi brand can retain its dominance in the Indian market. If not, the Nestle brand itself could be at risk as the Nestle logo prominently features on the back of Maggi noodles packaging, making it synonymous with the Maggi brand. Prepared dishes and cooking aids comprise 29% of Nestle's sales, the majority of which is instant noodles.

Besides the obvious impact on sales, the crisis could also hurt the operating leverage of Nestle as prepared dishes and cooking aids was the only segment during calendar year 2014 that was growing in volumes,

The exercise, one of the biggest in the history of packaged foods in India, involved the withdrawal of Maggi noodles worth Rs 320 crore, or 27,420 tonnes of stock, and destroying the contents.

NOODLES CRISIS

- **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)**

Source: Nestle India, analysts, industry estimates

Maggi was ranked number 18 in the BrandZ Top 50 Most Valuable Indian Brands study, conducted by Millward Brown and commissioned by WPP last year, with a valuation of \$1,127 million. It is expected to have eroded in brand value by at least 30-40%, say brand specialists. Sales have dropped by at least 60-70%, say retail analysts.

Strategy to Regain the Trust : Denial Vs Acceptance

The Indian subsidiary of the \$100-billion Swiss food major, after a slow response to the crisis initially, is now moving quickly to contain the damage, and, of course, to hasten its comeback in the Indian market. Its crisis management began in June, with the company releasing a press statement to announce a voluntary recall of Maggi noodle, which at an estimated Rs 2,500 crore makes up over 30 per cent of its India revenue and commands 80 per cent of the market.

A statement from Nestle India said that the company will take the product off the shelves, and yet insisted that the quality standards had been met. Speaking at a press conference in New Delhi, Paul Bulcke, global chief executive, Nestle said, "The trust of our consumers and the safety and quality of our products is our foremost priority everywhere in the world. Unfortunately, recent developments and unfounded concerns about the product have led to an environment of confusion for the consumer, to such an extent that we have decided to withdraw the product off the shelves, despite the product being safe. We promise that the trusted Maggi Noodles will be back in the market as soon as the current situation is clarified."

Regaining customer confidence isn't easy once consumers have a negative perception of a brand. Crisis management requires more than a hurriedly called press conference. Way back in 2003, when reports surfaced of a few instances of worms in Dairy Milk bars made by Cadbury India Ltd (now Mondelez India Foods Ltd), the company launched a public relations campaign for the trade in two weeks. In three months, the company revamped the entire packaging and launched a major advertising campaign featuring actor Amitabh Bachchan to reassure consumers of the safety of the product. Once you do that, you can build the brand up slowly by investing in corporate social responsibility activities, signing up a credible endorser, effective public relations etc.

Other brand custodians advocate honesty and reassurance, in the face of sticky situations. In a scenario where there has been a lapse or error on the company's part, then acknowledgment is the best way

out. During the time of a crisis of such a magnitude, it is imperative for a brand to communicate. Connecting with your stakeholders in order to share a message that helps ease them emotionally is the key to good reputation management. The lapse may or may not be intentional but humility at such a juncture is the least that the consumers expect. Acknowledging the lapse, taking corrective, timely and stringent actions and making a pledge to ensure that no such incidence would ever be repeated is the best way forward. The only response to an image crisis should be transparency and accountability. If you don't have something to hide, then don't. But if you do, come clean with it.

Food is a high-involvement category and the brand is loved by children and adults who have grown up consuming Maggi. People in India are lot more health-conscious and reports such as this may need to be addressed immediately. Winning back the trust of consumers and investors is key to reviving the brand image. The business performance of the company originates from the consumer performance. Nestle certainly recognized this.

The Advertising Strategy: Recall & Revive

The recall advantage :

Technically speaking recall is the second objective of advertising and now when the ban is being lifted, Nestle needs to pursue this given the fact that there are many similar players to take advantage. The company can achieve this by utilising the free publicity it had gained from media!

Keeping Maggi alive :

The word 'recall' that was extensively used by the media, indicating withdrawal of the product from the market, has unknowingly helped the drowning brand live on in our hearts through negative publicity.

Revival :

In the past one year there has been news about the falling market share of Maggi from 90 per cent to 70 per cent. Maggi, the lead actor, it seems, was losing to the newcomers. Before it is too late, Maggi Noodles has started working on its strategy to make the customers recall their favourite two-minute treat. The entire episode can be seen

as a positive reinforcement strategy that will help Maggi pull back its lost customers who went on to try other brands such as Yippee, Knorr and Wai Wai. This Maggi affair can surely help Nestle in reintroducing the brand with a stronger advertising appeal, this time an emotional one to connect and bond with their innumerable fans. And this has already begun. Certainly this will not come for free. Nestle will have to work on increasing the nutritional value of the product and developing a rational campaign as well to overcome the doubts about health concerns. A mix of logic, emotions and relationship will definitely make an effective advertisement.

Conclusion

Certainly, over the years Maggi has nurtured the emotional bond with the Indian consumers. And it is these emotions that can help Maggi recover its lost brand equity once again by recalling Maggi to the minds of its consumers. The hue and cry over Maggi noodles can actually do the company some good. The company has benefited from the attention. The product that was losing its importance has received overwhelming attention from its customers. The frequent coverage about people's emotions, their craving for the noodles, their concerns, and such may become a boon in disguise. It's time that the company turns around its advertising strategy and builds on these past incidents. Though Maggi has suffered badly in terms of market share and brand image, it still can make a powerful comeback with a creative marketing plan.

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