



## The Overview of Supply and Demand: Economic Analysis of Maggi Noodles in India

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### INTRODUCTION

The world economy is increasing day by day, as consumers we play a vital role in the working of the economy of country. All the marketing of goods start with the decisions made by us- the consumers. These decisions made by the consumers concerning our consumption affect the demand and supply of a commodity. '**MAGGI – 2 MINUTE NOODLES**' is a leading brand and also an important part of the Nestle family. Over the years Maggi has positioned itself as '**Fast to cook, good to eat**'.

The adjustments to the changing requirements of the wider area and different consumer eating habits have made the growing population to accept the 2 minutes snacks. In India around 80% population eats Maggi every day irrespective to the age group. It acquires about 90% of the instant noodles market from the last 25 years. According to a Mumbai based advertising expert it is said that Maggi is now the '**Third staple food**' after wheat and rice.

Health concern has always been the z factor for every food commodity as consumers today are more active. **The Maggi noodles** being the most popular brand in India, was ban by the FSSAI and was termed as hazardous for consumption and ordered Nestle to shut down the noodles market. After it was approved safe to consume, it was relaunched again in the market in November 2016. But the demand and supply of Maggi noodles was severely affected after the ban.

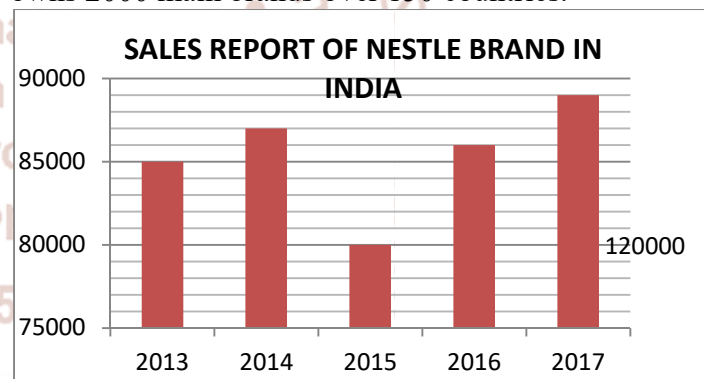
### Evolution and development of product and brand:-

Maggi was introduced in India by the Nestle family in the early 1980's. Maggi was invented in the mid 19<sup>th</sup> century by Julius Maggi as per the corporate history of the brand. **The Swiss brand maggi merged with the Nestle group of companies in 1947.** After the

launch the brand has become synonymous with the category of instant noodles.

### Nestle :

**Nestle is a swiss company** originated in 1905 and was founded in 1866 by Henri Nestle. Today the company has 447 factories, operates in 194 countries and employs around 339.000 people. Overall nestle owns 2000 main brands over 150 countries.



\*impacted by Maggi noodles issue.

Figures of 2016 and 2017 are stated as per Ind AS

\*Sales for the year not comparable due to the implementation of GST.

### Sales per category in CHF:-

- 20.3 billion powdered and liquid beverages
- 16.7 billion milk products and ice cream
- 13.5 billion prepared dishes and cooking aids
- 6.9 billion water

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[https://www.nestle.in/investors/stockandfinancials/documents/annual\\_report/01\\_nestle-india-annual-report-15.pdf](https://www.nestle.in/investors/stockandfinancials/documents/annual_report/01_nestle-india-annual-report-15.pdf)

**MAGGI NOODLES:**

The history of the noodles starts from the industrial revolution in Switzerland due to which the factory jobs grossly emerged for the women and they were left with no time. So to overcome this problem, a person **Julius Maggi** was given a task to create a food product quick and easy to prepare.

“In the year 1863, he came with a different idea to add taste to meals and after in collaboration with the Swiss welfare society, in the year 1882-1883 he launched first Maggi brand of instant soups. Later on many brands were added to the Maggi company. In India, it faced a stiff competition with biscuits, wafers and homemade snacks. After an extensive research the company targeted the kids as biggest consumers of noodles and various ads were build up with taglines- **Taste bhi health bhi, Bas 2 minute mein.** This idea served right for the company and Maggi became a brand name.

with price of Rs.60, 50, 30, 15,10 and also in a mini saver pack of Rs. 5. It can be understood with the help of figure 1.

Figure 1- THE DEMAD CURVE WITH RELATION WITH PRICE

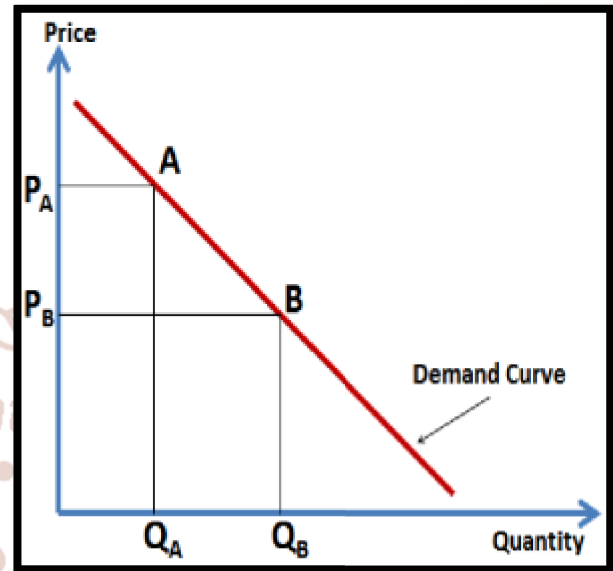
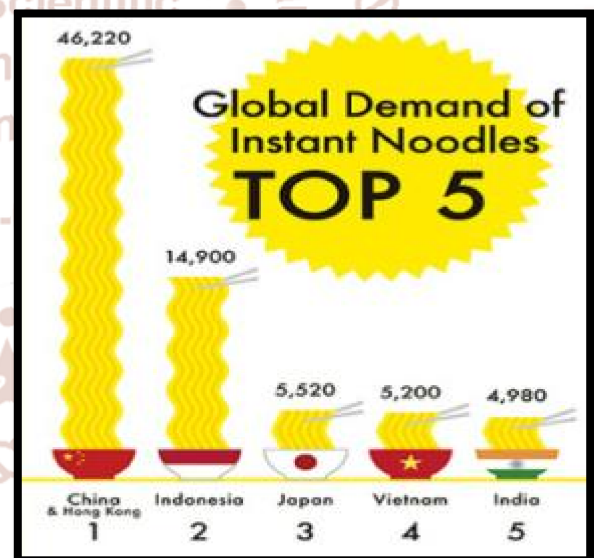
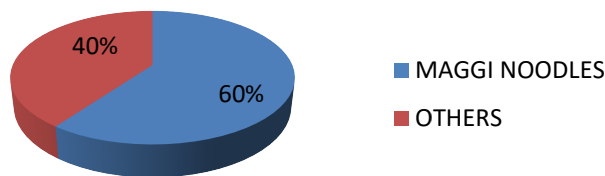


Figure 2-THE GLOBAL DEAMD OF INSTANT NOODLES –INDIA NO.5



**MAGGI NOODLES MARKET SHARE 2016-17**



**The demand and supply chain of Maggi noodles in India:-**

According to the report of the Economic times 2003- What Xerox is to photocopier and colgate to toothpaste, Maggi is to noodles in India. After the long journey of ups and downs, Maggi noodles has always acquired a mainstay in the Indian market across the nestle brands in the world.

The law of demand according to Alfred Marshall says that ‘Others things being equal, the demand for a commodity varies inversely with its price.’ Maggi noodles is the most loved meal defined by all age groups and bringing people together with a healthier taste without compromising on the great taste of love. The demand of the noodles is always high as it comes

The global market report shows that the Maggi has maintained its position in the market from the last decades with a market share of 70%. The demand is picking up after the ban in 2015 and coming to the same title with covering a lot of scope in the Indian market.

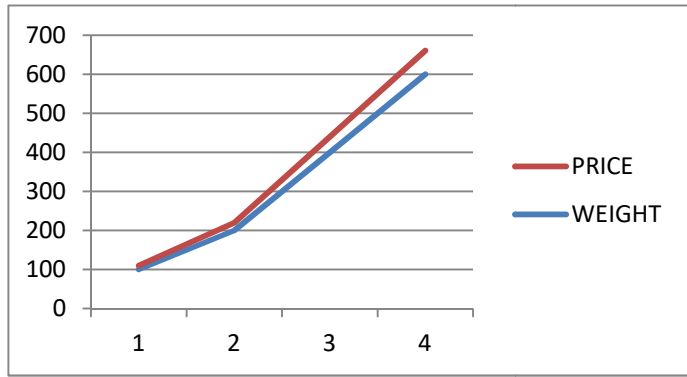
**Determinants of demand of maggi noodles:**

<sup>2</sup> Supra note 1

<sup>3</sup> TEJBIR KAUR ,volume 4,no.10, OCT 15,The case study of Maggi noodles story: IJMSSR

1. Price of the commodity:- The most important thing is the price of the commodity.

In the market demand and consumer behaviour the substitutes play major role because with a change in the factors of demand the consumers switch to the other products. Lets compare the scenario of maggi noodles with top ramen with change in price and income of the consumer.



Price	Rs 10	Rs 20	Rs 40	Rs 60
Quantity	100 g	200 g	400 g	600 g
Quantity	70 g	170 g	280 g	520 g

Maggi has susatined its position in the market because the Maggi products contains more quantity as compare with substitute product of top ramen in the same price. Maggi noodles have elastic demand and one of the major factor is the availability of substitute goods as decribed in figure 4. It shows that the little rise in the price of goods will have a impact of decrease in demand as it has large number of substitutes.

2. Income of the consumer:-

Income group	Lower	Middle	Upper	Elite
Pack/month	3	5	5	7

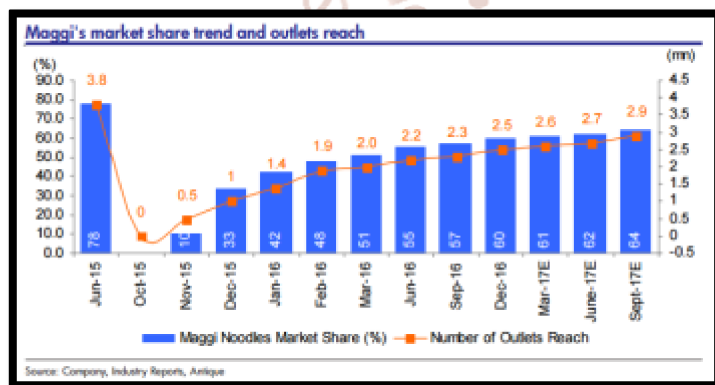
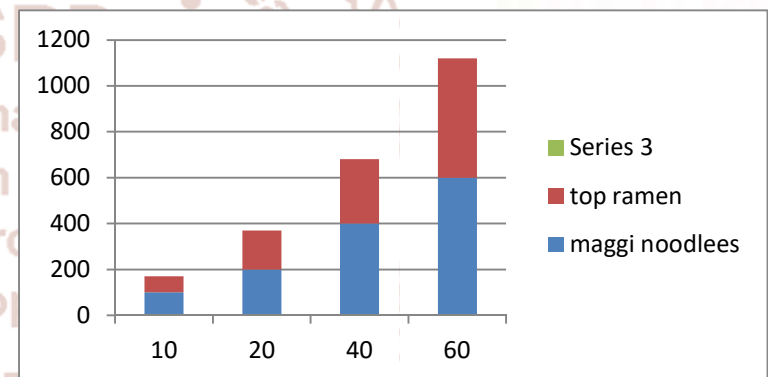
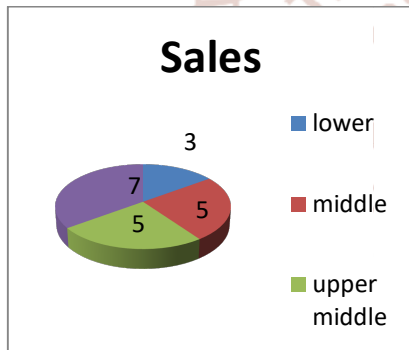


Figure 3- Maggi outlets in year 2015-17

**SUBSTITUTE GOODS:-**

1. Yipee
2. Top ramen
3. Knorr instant noodles
4. Wai wai
5. Chings chinese noodles

**ELASTICITY OF DEMAND:-**

1. Price elasticity- Maggi is a brand name product. Even if the price increased the customers are still ready to purchase maggi. Thus the elasticity is positive.

2. Cross elasticity- If there is an increase in the price of Top ramen or Knorr by 20% to 25% then the demand for maggi will increase by 10%.

3. Income elasticity- If the income of the people rises by 20% then demand of Maggi will also rise by 10%. Thus this is the effect of income elasticity on people.

**Short run and Long run impact in the elasticity of demand:**

In the Short run period of time, the demand for the Maggi is less elastic because if the price of Maggi suddenly increases the demand of the product will also decrease as per the long run scenario.

### Some other situations can also arise:-

Our product should be in the monopolistic competitive market product.

No change in the taste and quality

### Assumptions:-

- There are possibilities of change in technology and chances of product innovation in the long run.
- There are possibilities of increasing good quality instant noodles manufacturing units
- Growing no. of substitutes in the market.

### Maggi noodles on and off the shelves of india:-

The tagline of maggi noodles taste bhi health bhi, good food for good life suggests the picture of instant tasty noodles. The year 2015 june 5 was the biggest disaster for house Nestle as the **Food safety and standard of India (FSSAI)** demolished it and Maggi was termed hazardous and unhealthy for consumption. The supply of Maggi was shattered because of the ban on noodles for the presence of **MSG and lead**.

### Maggi story in India:-

Maggi instant noodles are having a brand name in India and has almost replaced the word instant noodles in the global world. It had a market shares of 90% of shares in India until FSSAI imposed a wide national ban on it and today contributes 53% of the markets noodles supply.

Maggi has created an impact by targeting the age groups, household class, working class etc. The brand name of Maggi has catered the buyers concern about their health issues due to the presence of wheat flour used in noodles. The brand popularized the image of mother as Maggi mom, working women that loves and cares for her children as much of traditional mother but they didn't have time for making time consuming curries. **Kids loves maggi, moms loves making maggi.** The demand of maggi before the year 2015 was high and it contributed to the profit of Nestle company.

### Maggi controversy:

The maggi controversy has shattered many hearts in India. It was not a brand or a product but the consumer trust in the product from years and years

supporting it. It was a betrayal of the trust of the consumer which is the worst of the maggi controversy. FSSAI has noted three major violations

1. Presence of lead detected in the products in excess of the maximum permissible levels.
2. The label of the Maggi was false as it conveyed 'MSG'.

In May 2015 Maggi was banned nationwide by the central government due to the presence of lead and MSG. The ban started from Uttar Pradesh Barabanki district where FSSAI, reported the unexpectedly high levels of monosodium glutamate, as well as up to 17 times permissible limits of lead.

### AFTER BAN :-

The brand title of Maggi has always shown that the brand is safe. Maggi had to pull stock worth Rs.320 crore from the market and had to pay 20 crore to a cement factory to burn the product. In addition the MCA imposed a Rs. 640 cr fine on Nestle India. The high court of Bombay struck down the ban and questioned the test results as the samples were not tested at authorized laboratories accredited to the NABL (National Accreditation Board of India).

**Test results:-** After few months Nestle India conducted more than 3500 products samples of Maggi noodles in both national and international accredited laboratories. These tests representing more than 200 millions packets of noodles in total have found Maggi noodles safe for consumption.

Nestle India is committed to collaborate and work actively with FSSAI the apex food regulator by maintaining the standards of food quality and safety in the manufacture of all its products and consumers trust of paramount importance.<sup>4</sup>

Its net sales declined 17% to Rs. 8123 crores and its profit declined 52.45% to Rs. 563.27 crore as per the table below listed. Nestle said sales in Asia, Oceania and sub-sahara africa (AOA) markets were overshadowed by the issue in India. Market research agency Nielsen's data for January 2016 put Maggi's market share at 42%, 35% points lower than the share of the brand a year ago. The company however has gained significant market share since its relaunch on **november 9.**

<sup>4</sup> <https://www.nestle.in/aboutus/ask-nestle/answers/maggi-noodles-india-latest-test-results>

Nestle net profit	Net profit
17%	52.45 %
Rs. 8123 cr.	Rs 563.27 cr.

	Jan 2016	Jan 2015
Maggi share market	42%	77%
Size of instant Noodles market	Rs 2000 cr	Rs 3400 cr.

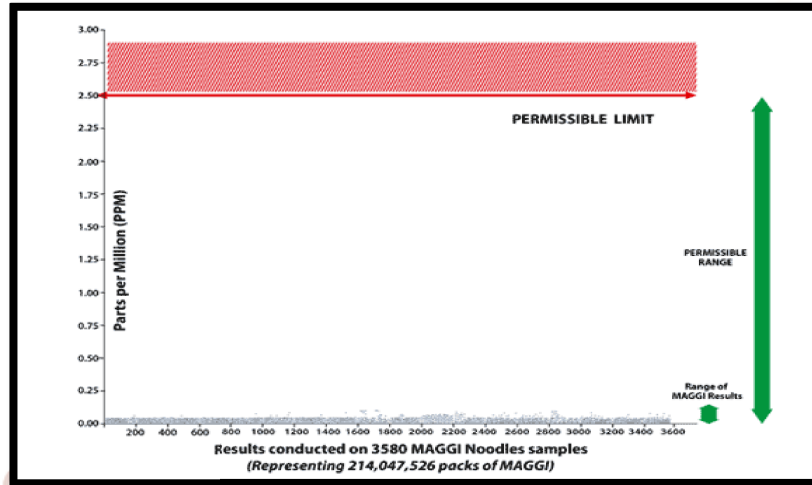


Figure 4- Test results of Maggi noodles

**Data analysis and interpretation:-**

The research sample was taken on the sample collected from different age groups in the area of hoshangabad, bhopal and jabalpur. The sample is based on questionnaire type related to the maggi ban its after effect and its consumption.

**STPD ANALYSIS:-**

**Segmentation** is the process of grouping people or organizations within a market according to similar needs, characteristics or behavior.

Segmentation	Targeting	Positioning	Differentiation
Age	Kids	Fast to cook good to Eat	Taste
Eating habits	Youth	2- minute noodles	Flavours
Lifestyle of urban families	Office goers	Taste bhi health bhi	Packaging
	Working women		

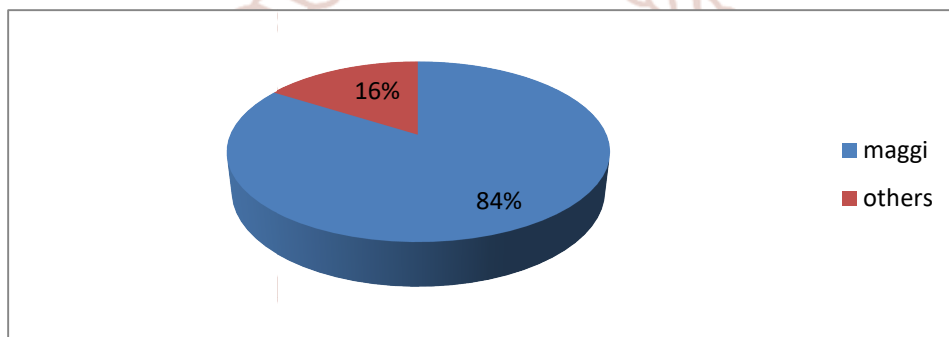
<sup>5</sup> Ibid

**QUESTIONNAIRE:-**

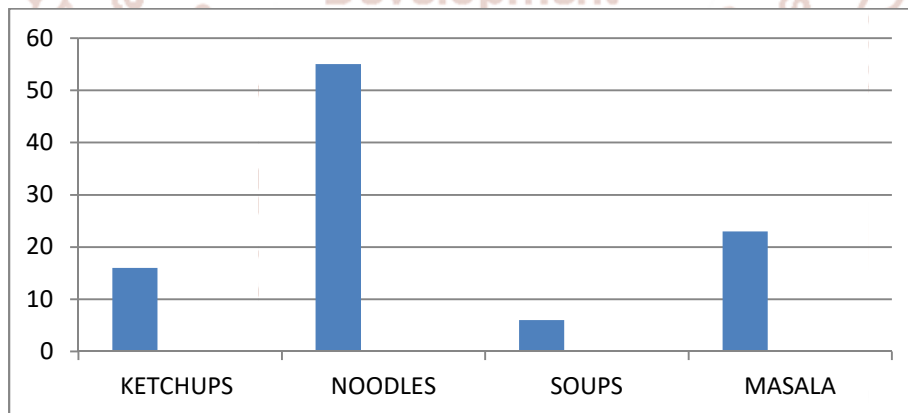
**Question 1:- Brand names of instant noodles consumed by the respondents recently.**

Brand names	No. of respondents	Percentage
Maggi	35	38
Yipee	44	47
Sunfeast	7	8
Knorr	3	3
Wai wai express	2	2
Others	2	2
Total	93	100

**Question 2:- How often do you consume Maggi?**

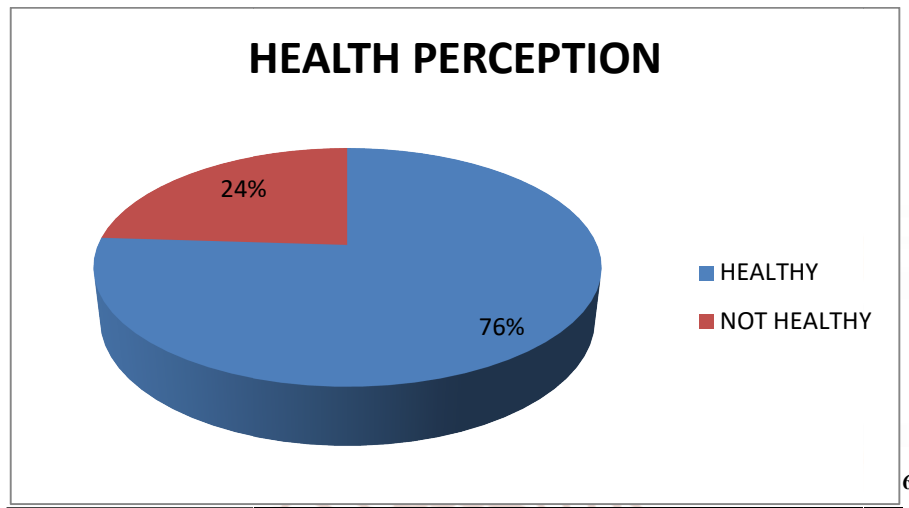


**Question 3:- With what products would you associate the brand MAGGI?**



**Figure 5 MAGGI NOOLDES HIGHEST ASSOCIATION**

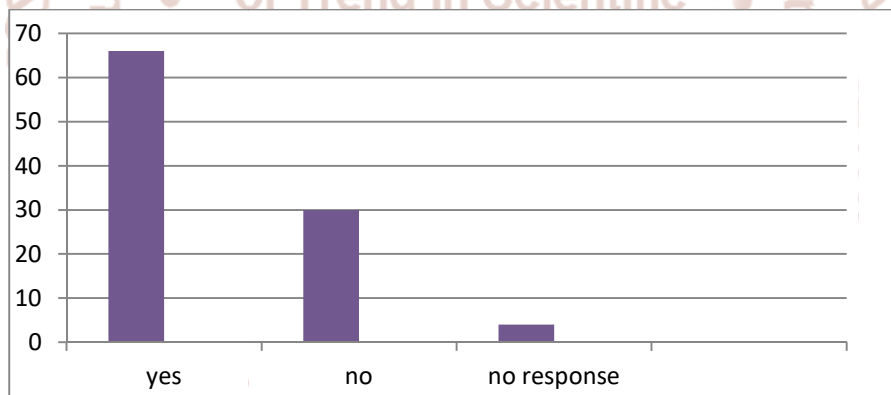
**Question 4:- Health perception of respondents regarding maggi instant noodles?**



**Question 5 :- Consumption of Maggi after its relaunch?**

Opinion	No.of respondents	Percentage
Yes	23	25
No	70	75
Total	<u>93</u>	<u>100</u>

**Question 6:- The opinion of the respondents regarding relaunch of Maggi instant noodles in the market?**



Opinion	Percentage
Yes	66
No	30
No response	4
Total	100

<sup>6</sup> <https://www.worldwidejournals.com/paripex>

## **RESULTS AND FINDINGS:-**

- Taste is the most important factor considered by the respondents while choosing instant noodles.
- Maggi as a good brand recall compared to its customers.
- Majority of the respondents did not like the taste of maggi and the demand of the noodles went down when it was banned and other continued consuming the noodles.
- So the company should maintain its previous and should follow strict safety measures by taking consumers health into consideration.
- After the ban majority of the respondents do fear about the safety of other branded products available in the market even though they wish to buy the same.

## **CONCLUSION:-**

The research shows that the consumers buying behavior is the biggest factor in the demand and supply of any product. The brand name of Maggi noodles has gained a very high position in the market in the last 25 years. Though the consumers are willing to buy the product which have taste but also includes ingredients which are good for health of the consumer. The demand of Maggi went down due to its ban as compared to the market share of last years. Maggi instant noodles after its roll back in the market are making every effort to win the trust of the consumers and soon will regain its position with regards to the health of the consumers.

