

Nestle India “MAGGI” Crisis -Test of Trust and Social Media

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Abstract:

Extant marketing communication approaches may not adequately avail digital and traditional media options effectively. A planned response methodology is thus imperative to avert any crisis while strategizing to complement diverse media platforms to an organization's advantage. In 2015, Nestle India was indicted with violation of food safety compliances for “Maggi”- instant noodles by FSSAI - Indian food regulator. An ungainly response from Nestle quickly precipitated a simple procedural situation into a crisis of epic proportions. Though Nestlé India' was absolved for unsubstantiated claims, yet it had to feverishly strive for making headway to win over stakeholders trust. It is apparent that Nestlé's crisis was affected by its dated corporate culture, while being aggravated by its pace to communicate and counter any tainted portrayal. Moreover, the issue got escalated and rife because of social media; hence the question is on the applicability of conventional crisis communication strategies in digital era. This brief case attempts to recognize the need to address the factor of speed and intricacy to crisis communication along with the dimension of transparency, and quick social response by using digital era strategies.

Keywords: Nestlé India, Maggi, Crisis Communication, Social Media, Public Relations, Digital Media

I INTRODUCTION

In 2015, a misjudged crisis and a resultant ban of its iconic noodles brand “MAGGI”; compelled Nestle India to re-strategize its conventional mode of reputation management. Apparently, Nestle over-relied on its self- compliance while disregarding official intimation of food safety norms violations by FSSAI –Indian food regulator. Rather than being prompt and articulate Nestle responses were misaligned which ignored practical synergies from integration of marketing communication functions with cross-disciplinary perspective. Nestle grossly downplayed the reciprocity of social media in crisis communication which added an overwhelming complexity to resolve. The case thus accentuates the increasing importance of a social media intervention to help resolve any crisis before it escalates.

Nestle India goofs on Maggi–

Worldwide there is heightened sensitivity regarding food safety, and when the world's top food company which claims benchmarked practices fails to be articulate on reasons, status-quo and corrective measures on a slip-up – it's a strategic failure. The onus for healthy and safe food is a collective effort of all concerned in the food value chain. Still about 600 million get indisposed globally after consuming contaminated food while 420,000 die every year as claimed by a WHO report¹. However, both deliberate and accidental contamination of processed foods may compromise with consumer safety which remains a dark truth. This is evident in numerous food recalls, food-borne illnesses, hospitalizations, and deaths reported annually responsible for causing consumers' anxiety towards processed food industry. Evidently, the consumers are nowadays

overtly conscious about any oversight regarding food safety and hence are skeptic to any claims assuring inherently safe products. And obviously any mention of any fiasco or occurrence of a reason to raise alarm bells might prove pricey to the company. A brands' response thus becomes pivotal in ensuring that the brands' image remain intact.

On June 5, 2015 **FSSAI - Food Safety and Standards Authority of India** – the state food regulator, prohibited business activities of **Nestle Maggi - Noodles brand** on detection of 17.2 ppm² of banned “**Lead contaminant** “in its noodles sample. The allegedly tainted sample was collected in 2014 which exceeded the permissible limit of 2.5 ppm. FSSAI, also accused “**Nestlé**” with devious **No Mono Sodium Glutamate (MSG)** - a flavor enhancer- labeling and presumptuous sales of ‘Maggie Oats’ variant disregarding risk appraisal without product approval. However, Nestle persistent disregard and non-response on **FSSAI** assertion of Maggi Noodles being hazardous for human consumption compelled FSSAI to issue a diktat against an apathetic **Maggi noodles** brand –which accounted for almost 30% of Nestle revenue in 2014- to pull out all its nine variants and suspend further production, distribution and sales of Maggi immediately.

Though the initial news outbreak was endemic, it later became a full-blown crisis culminating in an eventual five-month ban on Maggi. The fall-out was a loss of \$277 million in revenues and additionally \$70 million in a recall of purportedly contaminated production batch, to Nestle India. Furthermore, the incidental effect was detrimental to the tune of half a billion U.S. dollars on its brand equity. The World Instant Noodles Association³also corroborated the impact of Maggi contamination incidence on instant noodles consumption, which fell from 5,340 million servings in 2014, to 3,260 million servings in

2015.

II MAGGI NOODLES – IN THE EYE OF THE STORM: TIMELINE

March 2014

FSSAI notifies Nestlé labeling violation mentioning “No added MSG”which requires mandatory disclosure⁴ and a warning of consumption, a condonable nonconformity with a fine of up to US\$400⁵

June 2014

Nestlé India denies adding MSG; appeals to send a second sample to another referral state lab.

January 2015

The second sample tested glaringly after the product's shelf-life.

April 2015

FSSAI conveys toxic levels of **lead** in Maggideleterious to the nervous system and intellectual growth of consumers. However, Nestlé in its tests concluded **Lead** compliance.

Nestlé stated that Maggi may test positive for MSG, because of its naturally occurring ingredients⁶. Further it dubiously asserted that Glutamate is nontoxic and has traces in regularly consumed food products. This fickle standpoint was largely perceived as its evasiveness from any culpability charges.

May 2015

FSSAI notices adduced by incriminating referral lab report were disregarded by an unyielding Nestle⁷ but since the evidence was merely of two sample units, FSSAI was impelled to investigate further.

The dissension finally imploded on May 07, 2015, on a Hindi TV news bulletin, followed by probing customer queries on Maggi's, Twitter and

Facebook page, stoke rumors of an impending Maggi ban. An inert Nestlé reassured harmlessness of Maggi by remaining stoic till May 21 while declining any FSSAI fiat to recall inventory.

An explanation by the regulatory body finally prompted a cornered Nestlé' CEO visited FSSAI office to resolve the crisis, but was rather apprised of FSSAI reports determining contamination of Maggi noodles.⁸ However Nestlé remained steadfast while ascribing:

- That sample in question might have become tainted during its protracted transportation, though it was without any evidence.
- Indian court of law instructions putting new product approvals under abeyance for launching **Maggi Oat Noodles** without statutory 'Prior Product Approval' while accepting its oversight while seeking impunity.
- Regulatory ambiguity guilty for the "**No added MSG**" labeling fiasco which it promised to rectify.

While an erratic Nestlé continued vacillating, state branches of FSSAI decided to ban all Maggi variants while suspending commercial activities as well on its trading and manufacture, removal of the "No Added MSG" claim and pulling out Maggi oats noodles. Overwhelmed with indicting evidence of non-compliance, FSSAI issued a diktat to Nestlé seeking a response within a fortnight explaining that - why product approval of all variants of Maggi noodles should not be withdrawn. Nestlé meanwhile claimed suo-motu weighing of options to recall the inventory of tainted noodles, which was about 27,420 tonnes from 3.5 million outlets, 29 states and 38 distribution centers across India -an onerous task which takes about 13 days to get to the market.

June 2015

Nestlé seeks a judicial review against FSSAI order from the Bombay High Court, while asserting-

- The FSSAI ban was based on particular results from unaccredited laboratories that used inapt investigative methods without giving Nestlé a proper hearing.
- Nestlé asserted consideration of overwhelming evidence—approximately 2,700 lab reports submitted from its own as well as external labs—that indicated lead levels in compliance.
- Diagnosis by food compliance authorities in six nations – United States of America, United Kingdom, Canada, Australia, New Zealand and Singapore – declaring Maggi noodles produced in India as healthy for consumption.

FSSAI in its revised submission averred that in 72 samples collected, 30 had Lead exceeding safe consumption limits, but certainly not with unreasonable levels as claimed initially. FSSAI thus considered it a compelling reason to ban Maggi temporarily as Nestlé failed to defend its case on June 4, to safeguard public safety. FSSAI reasoned that Nestlé did not incur any loss as Nestlé had already recalled Maggi even before the temporary ban was promulgated. Food and Drug Administration (FDA) claimed that Nestlé has conspired evaded facts and incinerated 400 million packets or 27,000 tons of dubious Maggi consignment. Had it been salubrious, there was no need for this devious act of cover-up. Similarly, Nestlé's scores of self-conducted test results could have been effortlessly fabricated. FDA counsel stated that all evidence was destroyed by Nestlé, which has been claiming foul of each and every test report conducted by test laboratories

June 2015

FSSAI relented on any objections whatsoever

facilitating Nestle to gain requisite permissions to resume Maggi exports⁹. In the meanwhile, Nestlé reacted ungainly in the form of an FAQ page on its website.

August 2015

The National Consumer Disputes Redressal Commission filed a class action litigationcontending Nestlé India viewpoint while seeking USD 100 million (INR Rs 640 crore) in amends for supposed unjust business practices, bogus labeling and deceptive advertisements.

Maggi gets conditional reliefwith favorable court verdict revoking the ban, disputing that the move was “subjective” and “that morality of accepted integrity were not abided¹⁰.” The court directed Nestle to deliver five samples each of its six variants to the three qualified laboratories to conduct fresh tests and furnish conclusive evidence within six weeks¹¹, prior to which the Nestle can't manufacture or sell its products.

October 2015

Mandated NABL laboratories found all samples, safe for consumption, following which Nestle commenced manufacturing, only to wait for sales approval by the designated laboratories. Nestle thenreleased an announcement of all major newspapers nationwide, comforting its faithful customers that “Your MAGGI is SAFE, has always been”.

November 2015

New conclusive evidence from government accredited laboratories found newly manufactured Maggi noodles to be safe for consumption. A relievedNestlé India makes Maggi noodles available for sale once again.

The case delimited itself to the court verdict, though the spar continued. FSSAI challenged the court's verdict as erroneous since the samples were facilitated to the notified labs by Nestle India

itself. FSSAI asserted that their labs obey compliances as mentioned in the FSS Act and any concern about its abilities will bring all its executive powers to languish jeopardizing the welfare of consumers."

Further, to an appeal made to the Supreme Court of India by FSSAI against lifting the ban, the court declared that NCDRC would discontinue persuading the litigation ensued by Indian government.¹²

III MAGGI: A BOTCHED P.R. EXERCISE-

Compelled to yield, an initially reluctant Nestle respondedin denial with an attempt to clarify the charge and reaffirm that the quality of Maggi Noodles has never been compromised and it remains healthy for consumption like always¹³. Though rare but initial Nestle'sresponses to consumers who keyed in the words Maggi and MSG were impersonal and template based. Further, awkwardlyphotoshopped images of a godman who featured in a movie titled MSG were sent making fun of the question when queried about proofs of surplus MSG. Nestle stooped further by demeaning its consumers by issuing a four page PDF sheet with no company logo and a highly technical explanation. Another bizarre exhibition of their poorly planned social media strategy was when its social media sites remained devoid of any activity from the 21st of May to 1st of June, extremely crucial duration when consumers had no formal source to facilitate interpretation of situation. However, the unconvincing discrepancy between Nestlé passivity and apparent cogency of FSSAI allegations called its truthfulness to question.

Analysts at “Hootsuite”- a social media management platform, purports that 28 percent of crises that major brands comes across proliferate worldwide within an hour. Ideally, marketers shouldrein in developing issues and initiate damage control proceedings as soon as humanly

possible. Obviously, during crisis times sticky situations must be handled very cautiously. Since a brand's credibility is primarily affected by a composite of countless factors, this incidence of undesirable assumption was essentially required to be articulated and erased with a prompt response. Quite the contrary, Nestle was initially incommunicado and when it finally yielded to the rumor mill, it was an absolute denial with a vague reference to the issue. An indifferent attitude and a delayed response by Nestle led to confusion, lack of direction, disengagement, leaving everyone to speculate¹⁴. Though, the allegations on Maggi were concluded as unproven, yet it caused a huge loss to its reputation and business worldwide. The numerous channels, user-level control of messaging, and real-time delivery with unprecedented pace make social media far more complex than typical media releases and conferences.

IV DIGITAL REINVENTION AND BRAND REHAB BY NESTLE INDIA: THE REVIVAL OF MAGGI

A censuring social media, relentless mainstream media, unapprised and assumed bureaucratic decisions, litigation and protests against Maggi and celebrity endorsers took over any rationale with a furious pace. While Nestle should have looked at processes that might exclude it from replying appropriately. While Nestle should have used social media collaboratively along with the mainstream media, the cost of inaction definitely exceeded the costs of action. Nestle undermined the necessity to "partner with the public" when assimilating social media with a crisis communication plan: social media's distinctive feature is that it empowers "stakeholders to generate content."

V TRIAGING THE PROBLEM

Nestle's inability to digitally reimagine the business caused a serious issue being left disregarded and unattended. Nestle should have

looked into the question that- can the situation seriously affect the organization's standard workflow or distract top management? Will it severely influence the bottom line? Can it smear the company's image or reputation in the minds of significant stakeholders? Nestle was actually left struggling on all the fronts, wherein it should have thought over the impending crisis strategically, and about how to react and what plans to use."Immediately after the viral outbreak of the news Nestle should have determined the need to a prompt reply as time is at the core. In this contest social media should have been used to assist Nestle's to facilitate prompt circulation of relevant information while being in control of the circumstances. While Nestle's response was contrary as it permitted too much time lapse wherein a lot of disapproval filled that void."Nestle's denial of the adverse report and attempting to minimize the details or blaming government labs, food chain, samples etc just made the crisis worse when a different story has already gained traction in the media. The best strategy for Nestle would have been to own its loopholes, express regret to the affected parties, take actions to establish how it intends to improve in the future and move on.

VI SOCIAL MEDIA AND PERCEPTION BUILDING: Perception at times gains more significance than reality. If anyone perceives something to be factual, it is more significant than if it is in fact correct. These behaviors concerning legitimacy and false perceptions are now gaining recognition in context of unbridled mainstream/social media spreading judgmental opinions. This implies that if consumers have a biased knowledge of a crisis, than a genuine marketer's communication is likely to be interpreted as unreliable, as consumers will have more confidence on like-minded consumers' version of the incident. Mere monitoring a crisis may be inadequate, as it is interpretive. Thus marketers, should partner with the customers to decipher the "instigator" and "accelerator" on

social media, therefore any scarcity of coherence and transparency by any business may not forebode well for it.

Nestle should have been more wary of that whether a crisis will happen, as the timing of an unprecedented event can never be predicted. Consequently, brands must agree to be in a continuous discussion with their target market. An evidence by Hootsuite reveals that 28 percent of crises that influential brands come across spread globally within an hour. With this in context, Nestle should have worked hard to prevail over nascent issues and start damage control proceedings as soon as feasible. The exigency should thus have been addressed immediately as the casual and slack approach in reacting to the situation casted a possible huge disappointment and survival issues to the Maggi brand. While Nestle should have taken a stand to acknowledge the situation subject to certain terms and condition, if not in its entirety. Still honesty and responsibility are two of the utmost imperative elements in a communication strategy.

Nestle could have been cautious in its initial public statement. This would have sent the message that your target audience is cognizant of the situation, however the company is still determining the truthfulness and thus not concluding before the facts are ascertained reasonably. Nestle should have been the first to publish a neutral, formal statement while conceding the crisis at its face value and promising publics that the company is investigating the matter further. While there are no established benchmarks to peg your marketing communication strategy, still Nestle could have adhered to following strategy:

i. Permit exchange of opinions and attend to them

Though social media has its own demerits, however it also has its merits. Post, an initial

reaction Nestle should have intently paid attention to various types of critical talks with a self-analytical perspective to what customers are talking about its brand. Nestle could have leveraged technology itself as its savior in this situation. Nestle should have deployed readily available social media intelligence tool which can give marketers the resources to stay on top of - and participate quickly when needed - any dialogues regarding any doubts, objections or clarifications regarding the allegations being levelled on itself. While attentive scrutiny of discussions is one side of the coin the same technology should have been capitalized to let you filter messages and handle responses with data-driven sentiment analysis.

Nestle should have avoided reacting to a rumor created by the media, which has given way to machinations and trivialness of any or every voice, discount the facts behind it. Hence, in modern world, a crucial way to handle a crisis is being proactive in responding to anything baseless dealing before the social media analysts and news makers create their version – the story.”

Further, to cope with relationships with its publics, Nestle should have not kept incommunicado and then later on justifying rationale behind its restraint. Since when sentiments are running high, logic may relegate thus interceding in discussions could end up boomeranging and aggravating the situation. Nestle could have identified an opportune time to respond to people directly while keeping it short without engaging the dialogue for long. While offering a direct could have cut short the rant in a public space while establishing a convincing rapport with the audience. Since, experts can attest the providence that viral social media live streams and pages may not conclude in satisfaction of the factions working at cross purpose.

ii. Educate your public and keep them posted

During this social media crisis, Nestle must have reacted to ease the fears of their customers through talk and action – and which were either inappropriate or too delayed. Dialogue consents firms to communicate the facts and allows their consumer to have an ideas into what's really going on. This act of transparency could have calmed feelings of anger and fear and is a positive way to gain trust. However, merely discussing the crisis is not enough, in order to convey an honest intention to solve the problem and labors, they must tell what actions are being taken to accomplish sought for changes. Customers for long being demanding transparency in business activity which thus becomes an extremely valued business characteristic nowadays. However, Nestle chose to go silent after newsbreak thus making it even a bigger crisis. Nestle landed into trouble for food contamination controversy just because it was not able to foresee the news outbreak and its speed to reach potential stakeholders and their outage. This thus reminds brands that if you're in between of handing a brand crisis, ensure that you're engaging publics in your insight sharing and investigation proceedings. Nestle thus should have kept its customers posted of any positive updates or corrections immediately. Further, if your business is at fault, ensure that stakeholders are aware of the corrective measures you intend to undertake to address the issue.

iii. *Stay abreast of environmental factors and keep reevaluating your strategy.*

In the current 24/7 dynamic information cycle, it's almost incredible to evade gaps in customer judgment in any form, whatever their nature is. Irrespective of whether it is a trivial mishap or a comprehensive failure, there remains a need for continual assessment of the situation. Though the crisis may subside, it is essential to scrutinize various happenings. That is documenting every portion of communication relevant to the event,

including:

- a. Response protocol effectiveness
- b. Variation in Web traffic patterns
- c. Search volume patterns
- d. Platform-specific notifications
- e. Mainstream media coverage
- f. Social media exchanges
- g. Emails

An effective resolution begins from the company's initiatives and works its way out on different dimensions. The marketer needs to cautiously watch and react to address the problems while critically analyzing the reasons behind what occurred and what led to it. This strategy is more applicable where open communication and responsible collaboration within departments is promoted. A Chief Marketing Officer or an executive in the top hierarchy should overlook the happenings while preparing the brand's crisis response to strengthen and integrate communication between the public relations/publicity, marketing and customer care departments so that the number, speed, and quality of responses are all synergized and no room is left for any probability. This will thus ensure a crucial feedback on the happening while checking it for any likelihoods of any future occurrences of brand crisis. Since a repeat act may lead Without this crucial reflection and revival stage, there can be no assurance that a brand crisis will not happen again. As one of the most disappointing things that can occur to your brand reputation is to repeat the mistake again.

VII CONCLUSION

Marketers will have to put tireless effort while working towards projecting and maintaining a flawless brand image This further can be

questioned as a for-profit business will have its own challenges to address. Though a crisis may not define a brand; but the way it is sorted ultimately makes a much bigger impression on the minds of the target audience. Though the entire incident shook up its stakeholders' conviction and made Maggi loyalists diffident, while leaving Nestle to wade through the rumor mill to win vacillating consumer trust all over again. However, Nestle was able to recover and win most of its ceded territory back. The case thus recounts phenomenal success, descent and restoration of Maggi, the flagship brand of Nestle India.

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