

Shri Swami Vivekanand Shikshan Sanstha's
Vivekanand College, Kolhapur

(Autonomous)

A Project Report on
"The Market Analysis of
MAGGI MASALA NOODLES"

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Certificate

Shri Swami Vivekanand Shikshan Sanstha's
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This is to certify that the project report entitled "**The Market Analysis of Maggi Masala Noodles**" submitted by Miss.Madhura Jayant Kulkarni of T.Y.B.A. (Department of Economics) for the subject 'Market and Pricing' (Paper No. XII) to Vivekanand College, Kolhapur has been completed under my supervision and guidance.

Place :

Date :

Project Guide
Dr. Kailas S. Patil

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Declaration

I hereby declare that the report entitled 'The Market Analysis of Maggi Masala Noodles' is bonafied work prepared by me as under the guidance of Prof. Dr. K. S. Patil Sir. The empirical findings of the project report are based on the data collected by me. The matter presented is not copied from any other sources.

Place : Kolhapur.

Date :

Index

Sr. No.	Contents	Page No.
i	Certificate	i
ii	Declaration	ii
iii	Index	iii
iv	List of Tables and Charts	iv
1	Introduction	1
1.1	Objectives	1
1.2	Importance	2
1.3	Data Collection Methods	2
2	Report Writing	3
2.1	History of Maggi	3
2.2	Maggi in India	4
2.2.1	Introduction	4
2.2.2	Crisis	5
2.2.3	Current Situation	7
2.3	Market of Maggi	9
2.3.1	Features of Market of Maggi as Monopolistic Competition	11
2.3.2	Features of Market of Maggi as Oligopoly	17
2.4	Analysis of Success of Maggi	20
3	Conclusion and Summary	22
4	Bibliography	23

List of Tables, Charts and Flow Charts

1	Flow Chart No. 1	6
2	Table No. 1	9
3	Pie Chart No. 1	9
4	Table No. 2	13



1. Introduction

Human wants are ever changing and never ending. Consumption is the start and the end of all economic activities. In day-to-day activities, he consumes a hundred of goods and services. Some of them are necessities while some are luxuries. Some are perishable while some are durable. Each commodity has a different market structure. To understand the role of the market structure and prices of the different commodities, in the consumption pattern of people, understanding the different types of market structure, their pricing is important.

In this project report "Market Analysis of MAGGI MASALA NOODLES" I will be studying the market structure of the product 'Maggi' Masala Noodles with different aspects like its price, its substitutes, its history and current market position etc.

With this project, we will be able to identify the type of market structure of 'Maggi Masala Noodles' and its different aspects related to market and the consumers.

1.1 Objectives

Following are the objectives of this project report :

- i) To understand meaning and different types of market structures.
- ii) To understand the market structure of 'Maggi Masala Noodles'.
- iii) To understand the price determination of 'Maggi Masala Noodles'.
- iv) To understand the availability of substitutes in the market.
- v) To learn and analyse the market structure to 'Maggi Masala Noodles'.

1.2 Importance :

'Maggi Masala Noodles' has been a very influential good in Indian market of instant noodles. In fact 'Maggi' and 'Instant Noodles' are synonymous in India. This project report on "The Market Analysis of Maggi Masala Noodles" will enable us to understand the market structure of 'Maggi Masala Noodles'. This project will deal with identifying the type of market structure according to the characteristics of the market of 'Maggi Masala Noodles'. It will also deal with the price determination in the particular market structure. Hence, the project report of "Market Analysis of Maggi Masala Noodles" is important.

1.3 Data Collection :

For data collection, the primary and secondary methods will be used.

1) Primary :

- i) Filed Visit : in different market places like shops, stores etc.
- ii) Observation : of consumers while shopping.
- iii) Interview.
- iv) Questionnaire

2) Secondary :

Different secondary sources of data collections will be used like books, magazines, research articles from internet etc.

2) Report Writing

2.1) History of Maggi :

The 'Maggi' brand was originated in Switzerland. It was founded in 1886, by the Swiss entrepreneur Julius Maggi. He wanted to make food good tasting, nutritious, convenient and accessible to busy, working families. Initially, he invented powdered pea and bean soup to provide nutritious for busy women who worked in factories and didn't have time to prepare healthy meals.

Nestle which is also a Swiss Company, founded in 1860, acquired Maggi brand in 1947 and today, more than 120 years later, we rely on Julius Maggi's ambition of making delicious, quality and nutritious food accessible to all.

Today, including India, Maggi has become a worldwide established brand. The consumers have come to know and trust the Maggi brand for its high quality, convenience and nutrition.

2.2) Maggi in India :

2.2.1) Introduction :

In India, Maggi is synonymy to instant noodles. It has become one of the most iconic and popular brands of instant noodles, favored by the millions all across the world. It is known as '2-Minutes instant noodles'.

Nestle India, originally a Swiss company founded in 1866, entered Indian markets in 1960. In the year 1982, the company launched the first noodle product in India, with the brand name 'Maggi', with the slogan - 'two minutes' which became an instant. When the noodles were introduced, the concept of 'instant noodles' was new in the market. Hence with the catchy tagline, it captured the market. In 1997, the sales of the company took a downturn because of competition. Hence Maggi had to adopt new advertisement and marketing policy. So, in 1999, it came with the punch line "Fast to Cook, Good to Eat". And so, in 2001, Maggi noodles grabbed a large noodles market share in India.

After this success attained almost 90% market share with introduction of new products like 'Maggi Atta Noodles', 'Maggi Pasta', etc. The company also hired Mr.Amitabh Bachchan as the brand ambassador. Hence, Maggie became one of the most successful, most sought- after brands and found in every kitchen cupboard.

2.2.2) Crisis :

By 2015, Maggi had become one of the most popular and successful instant noodles brand with almost 90% market shares. But 2015 was the year when troubles started for the Maggi brand.

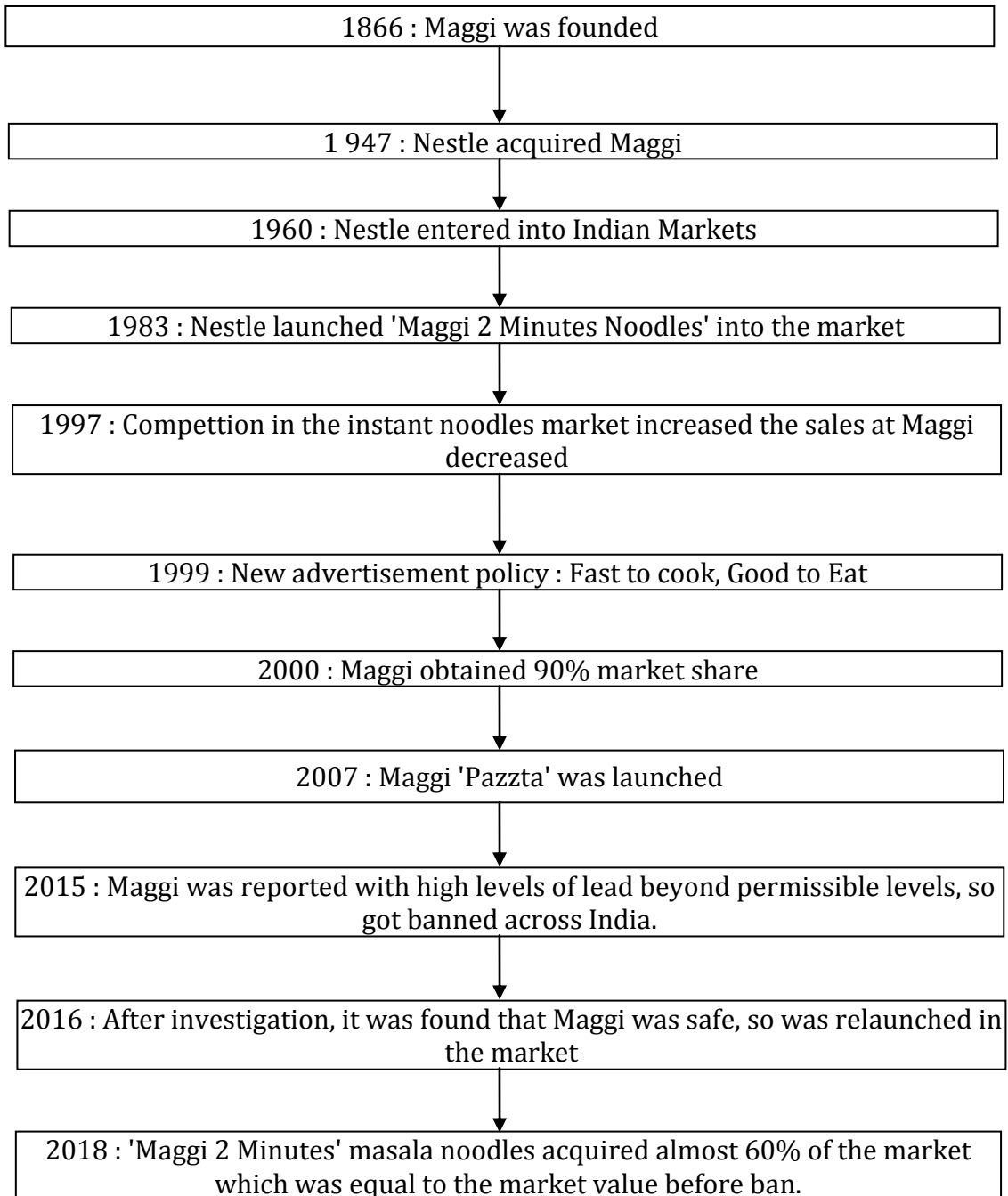
In May 2015, food safety regulations from Barabandi district of Uttar Pradesh, reported that samples of Maggi 2 Minutes Noodles had unexpectedly high levels of monosodium glutamate, as well as up to 17 times the permissible limit of lead. This finding led to multiple market withdrawals and in June 2015. Food Safety and Standards Authority of India (FSSAI) instant noodles, suggesting that they were unsafe and hazardous for human consumption. Also, the Central Government of India banned nationwide sales of Maggi noodles for an indefinite period.

In August, 2015, tests performed by the US health regulator FDA showed no dangerous levels of lead in the products. So the nationwide ban was struck down by the Bombay High Court.

In the year 2016, Maggi was relunched in Indian Market But this ban cost Maggi a lot. Before ban, Maggi enjoyed a remarkable market share of 90%. But during the crisis period, the market share collapsed down to zero. That was the time when substitutes of Maggi started capturing the market.

The Market Analysis of Maggi Masala Noodles

FLOW CHART



2.2.3) Current Situation of Maggi :

Till 2015, Maggi enjoyed a remarkable market share of around 90%. After the ban imposed in June 2015, the market share of Maggi dropped down to 0%. In 2016, it relaunched the products and introduced some new products.

By then, new substitute products entered the market like sunfeast's Yippee ! noodle, Patanjali's noodles, Top Ramen noodles, Ching's noodles, Knor's noodles, Smith n Jones noodles, Wai Wai noodles, etc. that created a tough competition in the market.

Despite of the tough competition in the market, from 2016 (post-ban-period). 'Maggi 2 Minute Noodles has managed to attain bak the 60% market share and has almost made its way back to the precrisis level in terms of value. Currently, Nestle India has crossed 10,000 crore sales mark.

Maggi in Market



The Market Analysis of Maggi Masala Noodles

2.3) Market of Maggi :

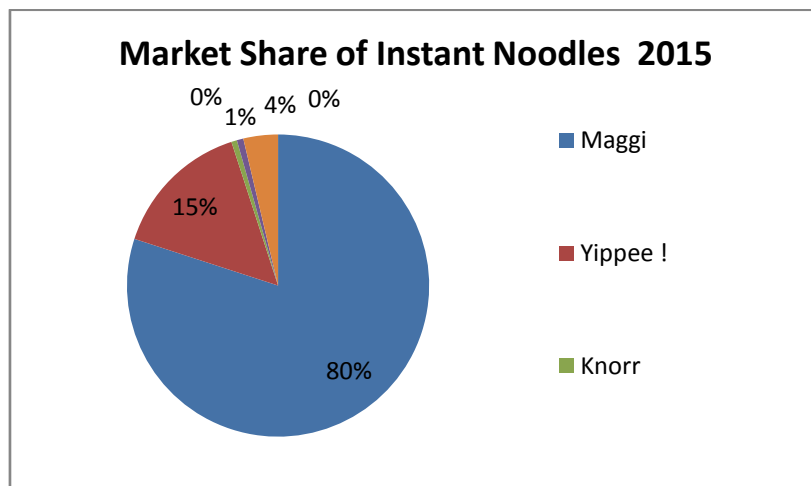
Before the ban, Maggi enjoyed a market share of almost 80%. There was no strong competitors. But after ban, it was a golden opportunity for the competitors to expand their business. Following competitors are observed in the market that determine the market structure of 'Maggi 2 Minutes Masala Noodles'.

Table No. 1

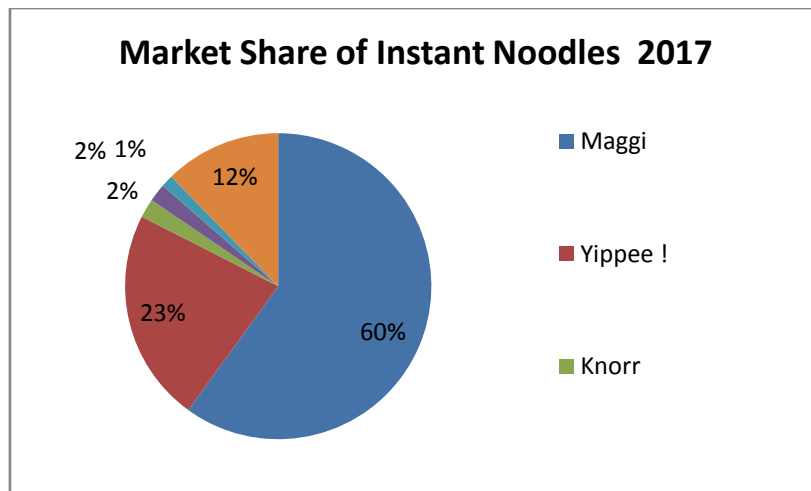
Market Share of Instant Noodles with Special Reference to the ban year of Maggi 2 Minutes Masala Noodles

Name	2015 (Ban year) (%)	2017 (%)
Maggi	80	60
Yippee !	15	22.5
Knorr	0.6	2
Chings	0.7	1.9
Patanjali	0	1.3
Others (Smith 'n'Jones, Top Romen, Wai Wai)	3.7	12.3

Hence, it can be said that the market of Maggi 2 Minutes Masala Noodles is a market of imperfect competition.



The Market Analysis of Maggi Masala Noodles



2.3.1) Features of Market of Maggi 2 Minutes Masala Noodles as Monopolistic Competition :

1) Large Number of Buyers :

The number of buyers of Maggi 2 Minutes Masala Noodles is very high. Along with India, Nestle Maggi has its customers around the world in countries like China, Indonesia, Malasia, Europe and African Countries.

2) Number of Sellers :

The number of sellers is not as large as under perfect competition but there are number of sellers that create a tough competition in the market. There are other brands of instant noodles like Yippee !, Knorr, Ching's etc. Each brand has a certain degree of hold over the market price of the product. Such number of firms leads to competition in the market.

3) Product Differentiation :

This is one of the most important feature. Different brands including Maggi, Knorr, Ching's, Wai Wai, Top Ramen, Yippee !, Smith 'n' Jones, Patanjali etc. try to differentiate their product from the others. With following methods the firms in the industry of instant noodles differentiate their products.

i) Form :

The firms are seen to be changing its size or shape. For instance, Yippee ! noodles have a round shaped noodles cake while the others have a rectangular one.

ii) Features :

The firms change the features of product to differentiate the product. For instance, Knorr Soupy Noodles adds the feature of 'Soupy Noodles', Yippee ! noodles add the feature of 'Mood Masala Mix' etc.

iii) Performance and Quality :

The firms like Patanjali assure the customers that their product is healthy for consumption. Maggi assures that its product contains the goodness of iron. Hence, in terms of performance and quality, they try to differentiate the product.

iv) Style, Design and Packing :

Every brand in 'instant noodles market' has a different design and packaging. For instance, the cover of Maggi is yellow while that of Yippee ! noodles is orange. The design of their packaging, trade mark is different for every product. Hence, with this, their is product differentiation.

4) Non-price Competition :

In monopolistic competition, the competition between different firms is a non-price competition. They can not increase their sales by lowering the prices, because, if they do, the prices of other substitute goods also lower down. This turns into loss of all the firms. As earlier said, they have to make advertisements, provide special services, etc. to increase their sales. From the table given below, it is clear that the competition is non price competition.

The Market Analysis of Maggi Masala Noodles

Table No. 2

No.	Name	Net weight (g)	Price (Rs.)
1	Maggi	70	12
2	Yippee !	60	10
3	Knorr	66	12
4	Chings	60	10
5	Patanjali	60	10
6	Smith 'n' Jones	60	10
7	Top Romen	70	10
8	Wai Wai	70	12

From above table, we can understand that the prices of instant noodles of different brands are between Rs. 10 to 12 for a pack of 60 gr. to 70 gr. Hence, the price is almost homogenous. The firms are not price maker but the price taker. And the competition is non-price competition.

5) Free Entry and Exit of Firms :

This is an important features of monopolistic competition. The firms can enter and exit freely. There is no restriction. When the firms in the existing market enjoy supernormal profit, new firms will enter into the market. So supply will increase and the price will decrease. Thus, the firms will enjoy only normal profit. Soon, the firms will face the losses. So, the firms in loss will exit the market.

When, in 2015, Maggi was banned, many new firms entered in the instant noodles market like Patanjali, Knorr, etc. and expanded their business. When Maggi was relaunched into the market, the supernormal profit decreased and many firm reduced production like Top Ramen and Smith 'n' Jones.

6) Selling Cost and Advertisement Cost :

Selling cost and Advertisement cost is a very important feature of monopolistic competition. In order to increase the sales, every firm has to make expenses on selling and advertisement.

In instant noodles market, there is more emphasis on advertisement. Maggi has been remarkably successful in targeting its consumer through ads. We can notice in Maggi's ads that they are more women and children centric. They hired Madhuri Dixit and Amitabh Bachchan to promote their product. But the reason behind the success of Maggi's advertisements is they are common faces in their ads that appeal the consumer. The other instant noodles too, apply this policy in their advertisement. After the 'ban' the instant noodle brands emphasize on 'health' in their advertisements. Because, advertisement is the key to increase the sales.

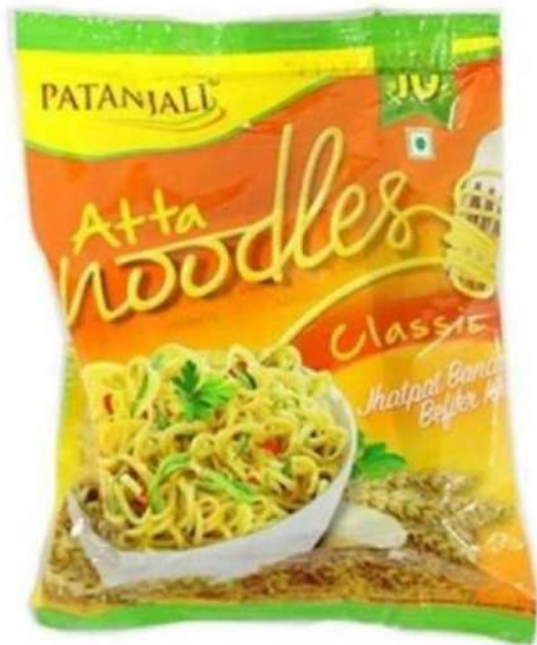
7) Elasticity of Demand :

In monopolistic competition, the elasticity of demand is relatively more. For instance, when Maggi was banned its customers shifted to other brands like Yeppi !, Knorr, Ching's, etc. So the elasticity of demand is relatively more.

Substitutes Goods of Maggi



Substitutes Goods of Maggi



2.3.2) Features of Market of Maggi 2 Minutes Masala

Noodles as Oligopoly :

Oligopoly market is a type of market structure that lies between pure monopoly and monopolistic competition. Here it is neither one nor many, but a few sellers dominate the market and have control over the price of the product.

- i) A pure oligopoly is that where the firms produce a homogenous product.
- ii) A differentiated oligopoly is that where the firms produce heterogeneous product.

1) Few Firms :

In oligopoly market only few, i.e. countable firms are there. For instance, in the market of instant noodles, 7 to 8 firms, like Maggi, Yippee !, Knorr, Ching's, Top Ramen, Wai Wai, Patanjali and Smith 'n' Jones. The number of sellers is limited to the above mentioned only.

2) Independence among Firms :

In oligopoly market each firm treats the other firm as its rival. If any firm makes the changes in the price or launches promotional scheme, all other firms in the industry have to compete with it to remain in the competition. For instance, Maggi launched their product 'Atta Noodles'. When Patanjali was launched in the instant noodles market in 2015, the brand period, it also launched a product by the same name. Hence, there is complete interdependence among the sellers with respect to their price-output policies.

3) Price Leadership :

There are number of oligopolistic organizations in the market. But one of the organization is dominant organization, which is called price leader. This leader sets the price and the others have to follow it. In the instant noodles market, for a pack of 70 gr. 'Maggi 2 Minute Masala' noodles has determined the price of Rs.12. So, the other firms, have to offer the weight of 70 gr. at Rs. 12. To increase their sales and profit, the firms like Yeppee !, Knorr, Ching's etc. offer a pack of instant noodles of net weight ranging from 60 gr. to 70 gr. for Rs. 10 to 12. In such way, Maggi 2 Minutes Noodles is the price leader in the market of instant noodles and the others are price takers.

4) Advertisement :

As explained in the features of Maggi as under monopolistic competition, advertising is an important part of oligopoly also. Advertisement done by one firm leads to immediate effect on the respective firms as well as the other firms. We can see that even after the ban and a complete withdrawal from the markets, Maggi has managed to increase its market share to 60% and has become the leading firm in the instant noodles market, just because of advertisement.

5) Lack of Knowledge :

Neither sellers nor consumers have full knowledge of the market, prices, availability of substitute goods, etc. For instance, in the instant noodles market. Maggi offers net weight of 70 gr. for Rs. 12 and Top Ramen offers net weight of 70 gr. for Rs. 10. For a consumers, marginal utility of money is high and hence, the

The Market Analysis of Maggi Masala Noodles

consumer surplus is high, if he buys Top Ramen noodles. But sometimes, the customer is unaware of the substitute goods available in the market. Hence, he buys Maggi only, because of the advertisement effect.

6) Price Rigidity :

There is price rigidity in the oligopolistic market. For instance, Maggi offers 70 gr. net weight for Rs.12 And Maggi is the price leader. So, other firms also have to set their price around Rs.12 for 70 gr. To increase their profit and sales, the other firms like Yeppi !, Knorr, Ching's etc. maintain their price from Rs.10 to Rs.12 for a pack of 60 gr. to 70 gr. If they reduce the price, and make it below Rs. 10, their super normal profit is reduced. At the same time, if they increase the price above Rs.10, their sales will decrease causing decrease in the supernormal profit. Hence, the demand curve in oligopoly is kinked.

Hence, it can be said that the market structure of 'Maggi 2 Minutes Masala' noodles comes under oligopoly market.

2.4) Analysis of Success of Maggi :

As already said, Maggi has become synonymous to 'instant noodles' in India. In 1983, it came with the campaign of "two minute noodles". The idea that anything can be cooked in two minutes had an immediate impact on the people. The concept of 'fast food' got really famous, because they got 'fast food that can be cooked at home'.

The reason of success of Maggi is hidden in its advertisement campaigning. The "two-minutes noodles" advertising campaign on television launched by Maggi turned out to be instant attraction because of its liberating message for women. The 'Maggi Mom' was not only shown as loving and caring of her children, but she was also able to juggle her workplace and domestic responsibilities because of the snack. In such way, Maggi's advertisements were women and children centric that captured the hearts of millions of Indians.

In addition to it, Maggi was among the first to recognize the changing profile of middle class women in metropolitan India. Children were the largest consumers of Maggi noodles and the mothers trusted Maggi, for it was cooked easily, fast and it was hygienic.

The first tagline of Maggi was 'Fast to Cook ! Good to Eat !', Further, to add a healthy factor in promotion it came up with the tagline 'Taste Bhi, Health Bhi'. In such way, Maggi captured around 90% market in 1998. By 2001, it became the most successful brand in instant noodles market.

In its silver jubilee year 2008, Maggi launched 'Me and Meri Maggi Campaign' inviting people to send the personal magi stories. To a surprise, Maggi's advertising agency received more than 30,000 entries. It was a testimony to the deep inroads Maggi had made into the everyday lives of its loyal customers.

In 2012, Maggi approached Amitabh Bachchan and Madhuri Dixit to promote Maggi. But even after that, it emphasized on the 'mother-children' advertisement policy.

In 2015, Maggi was banned, nothing more than a disaster for Maggi. But in 2016, it was relaunched in the market. And after that it again emphasized on the 'women and children' oriented advertisement strategy. And we can see that in 2019, it has managed to capture more than 60% of market, equal to its market value in the pre-ban period.

3) Conclusion and Summary

It can be concluded that Maggi is a product that has made its place in every customer's heart. It initially seems that the market of Maggi comes under monopolistic competition. But if we observe closely, and understand the characteristics of oligopoly and also the market of Maggi, we can see that Maggi actually makes its position in the oligopoly market.

In the market, Maggi faces strong competition by Yippee ! with 22% market share. At the same time, Knorr and Ching's are the firms with almost same market share of 2% after 2016. So it can be said that the actual competition is in between Maggi and Yippee ! and side by side, Knorr and Ching's are competing within themselves. They compete with the first two products but the competition is among themselves.

Hence, it can be said that though there is oligopoly in instant noodles market, it is a special case of oligopoly. The market of Maggi Masala Noodles comes under duopoly under oligopoly. This is a special case of oligopoly.

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