HOW NOT TO HANDLE AN INSTANT DISASTER: A COMMUNICATION AND STRATEGY APPROACH TO THE CASE OF NESTLE’S MAGGI IN INDIA

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Abstract— This paper discusses the crisis communication approach of Nestle during the Maggi fiasco. Initially, an outline of the case and the organization’s response is presented. It is followed by a look at the limitations of theoretical strategies to handle different crises that can happen in an organization. The paper approaches the case from an interdisciplinary standpoint at the intersection of strategy and communication.

Keywords—Nestle, communication, strategy, crisis.

I. INTRODUCTION
Third week of May 2015 is something Nestle India would never forget [1]. The news of ban on sale of its instant noodle brand Maggi found its way on social media. The next few weeks saw one of the most loved brands in India falling from grace. This article chronicles Nestlé’s response to the crisis and suggests how it could have been handled differently.

II. MAGGI’S SUCCESS IN INDIA
Maggi has been a household name in India for 30 years. In 2014 it had a market share of 70% in instant noodle category, and contributed for 20% of Nestlé’s $1.5 billion annual sales. It ranked among top five most trusted brands in India in a survey by Economic Times, a leading business newspaper in India.

This is phenomenal success given that instant food and noodles are traditionally not part of India’s culinary culture. Maggi’s aggressive advertising campaign with the catchphrase of “two-minute noodles” proved highly effective. Millions of school going children, time starved young couples, and singles who can’t cook savored it daily before it was banned. It was available in the most inaccessible locations in India, and was sold by most street food vendors and college canteens virtually all over the country.

III. THE CRISIS
On April 30, 2015, state food safety regulator of Uttar Pradesh, one of the twenty-nine states in India and the largest by population, ordered Nestle to recall a batch of its noodles (approximately 200,000 packs) after it found that the noodles contained lead several times the permissible level. The news took some time to find its way onto social media (May 19-21, 2015), but once it got there it spread like wild fire. Other state governments ordered tests in their respective states. Subsequently, governments of most other states banned its sale. Big retailers like Big Bazaar, Walmart, and Hyper City removed it from their selves.
On June 5, 2015, Nestle CEO addressed the first press conference after the crisis broke out saying that noodles are safe, but it is recalling them nationwide till
the issue is resolved. Nestle expects a loss of 50 million USD in sales. Government of India filed a lawsuit claiming 100 million USD in damages. Nestle stock saw a fall of 15% in the week after news broke out on social media. [2]

IV. NESTLÉ’S RESPONSE

The salient points of Nestlé’s response are:

- Nestle’s first response to the crisis was to ignore it. The ban order from state food safety and drug administration came on April 30, 2015. Social media picked it up only almost a month later on May 21. For a period of three weeks, Nestle did little more than wishing it away. This was perhaps because of the fact that there had been complaints about Maggi intermittently in the past, and it had never become much of an issue.

- When social media was agog with discussion about the contamination and the ban order and it became abundantly clear that it is not a minor issue this time around, Nestle put up a highly technical explanation in stealth mode on its website. Not many people understood the report, which was apparent from social media responses. No press conferences were called. People wondered whether it was an admission of guilt.

- At a time when consumers were using Twitter to seek clarity and to express their frustration beginning May 21, Nestle’s social media sites took a break. From May 21 to June 1 there was no activity on Nestle’s social media sites – ten days after social media picked it up and one month after the ban order.

- Much of Nestle’s response was faceless. Press releases and canned tweets from company accounts were the media that Nestle used to respond. The first person to speak to media was a staggering thirty five days after the ban order which came on June 5.

- Nestle’s response to authorities was to dispute the test results. Rather than buying time and sharing their version of test results with authorities, nestle disputed the results and ignored the recall order saying that the batches in question were not in market any more. Only when other governments found evidence of presence of higher than permitted amount of lead did Nestle take a step back.

V. THEORETICAL PARADIGMS

Nestle’s response was strikingly similar to another landmark case in crisis communication – Domino’s YouTube fiasco. In April, 2009, Domino’s was embroiled in a crisis when two employees posted videos of adulterated food on YouTube. The videos became viral, getting more than 1 million views in 24 hours. Almost immediately, Twitter was abuzz with customers expressing their horror and disgust at the videos. However, Domino’s failed to address the flabbergasted customers immediately. Like Nestle, Domino’s did not respond to the crisis immediately on social media. While they did address the crisis, they initially did so behind closed doors. Fuelled by their lack of response in social media, the situation escalated.

Domino’s initial silence was followed by an explanation put up on their website, which hardly got any views. This happened because Domino’s ignored the medium in which the crisis had erupted. However, the brand derived a quick lesson from this incident. They set up a Twitter account and reached out to their fans to help share the crisis response video. Soon, they also uploaded the video on YouTube, which got significantly more views and managed to salvage the situation to a certain extent.

The similarity in the initial responses of both Nestle and Domino’s holds true for many other companies which face a crisis. It is interesting to note that their response is in accordance with the basic tenets of image restoration theory [3] and situational crisis
communication theory [4]. Image restoration theory suggests the following strategic responses to a crisis: denial, evading responsibility, reducing offensiveness, corrective action and mortification. These strategic responses are usually followed by organizations across the world. However, the primary absence in these approaches is the lack of a social media parameter. While these strategies have served both individuals and organizations well, in recent times they fall short of being able to address the needs of an organization due to the presence of social media where consumers can interact with each other and express their opinion instantly across different media.

Another crucial aspect of image restoration theory is the time taken before corrective action and mortification. The suggested initial response is always denial or evading responsibility. While this approach was effective before the advent of social media, it backfires in the current media ecology. Millions of consumers have access to information and the means to verify information as well [5]. Within this context, silence/denial/evading responsibility is not an approach which yields favorable results, as illustrated by the responses of both Domino’s and Nestle.

Coombs’s Situational Crisis Communication Theory (SCCT) provides a model for crisis managers. It suggests that crisis managers assess the reputational threat and crisis responsibility before delving into a crisis response. After the assessment, the response in SCCT is grouped into three parts – deny, diminish and rebuild. According to Coombs, crisis managers should analyze how media is framing a particular crisis since it will determine how the consumers view the situation. The narrative that is built by the media is the primary narrative that the consumers believe [6]. However, the limitation of Coombs’ approach is that it does not address the narrativity of social media. In social media, the consumer is not merely viewing the way a crisis is framed (the way television or newspaper frames a narrative) but is an active participant in the creation of the crisis narrative. From a spectator to an evolving narrative framed by the media, the consumer is now the framer and the storyteller.

Both SCCT and image restoration theory become limited in their approaches to crisis communication within the social media ecology. Thus, there is a need to revisit these strategies and incorporate critical changes within these models or to create new models which efficiently address the changing environment of business where media ecologies determine an organization’s reputation.

VI. CRISIS AND SOCIAL MEDIA

One thing Maggi completely overlooked is the overwhelming nature of the social media. What corporations think of social media is not what it looks like. The whole idea of network society is purely based on interactivity. Whether it is about registering an opinion or raising a concern, these days social media serves the nervous system of the current society. The very nature of web 2.0 systematically trends the opinion culture. What we are witnessing today is the growth of mass society to an active network society that has the ability to disrupt the social inequality in terms of power, politics and activism.

As stated before, one of the potential threats to corporate image is the impending crisis situation and the inability to take timely action. At the outset, crisis should not be surprising when considered an everyday reality. A crisis, which appears small in scope, can cause massive disaster to the corporate image, since there is no guarantee when and under what context a crisis might pop up. The cause might be known,
however the inability to execute a real time strategy may mar the brand image.

Before jumping into image management, corporations must understand the fundamental difference between corporate identity and corporate image, while the former expresses organization’s ability to communicate using various cues, the latter speaks about the perception the public holds about the organization [7]. It’s a process of constructing a visuality [8] which is persuasive and connecting. If an ‘Idea’ can change your life, then it must be empowering. If the brand ‘Modi’ means speculative development, then the experience must be enriching. Now the question is whether corporations actually look into the aspect of imagery, communication and brand behavior? Since, together these three form a narrative, which explicitly represents the brand, it is important to understand that the core belief upon which the corporations find strength, perhaps a paradigm to reckon, is nothing but the game changing image makeover strategy.

One of the major challenges organizations face today is coping with the social media conversation. It’s not only hard to compete with user generated contents (UGC’s), but also a challenge to keep up with technological advancements in terms of native apps and various social media tools, both popular and emerging. It’s nigh uncatchable to imagine the ways in which corporations’ social media presence can be compromised. No wonder, Maggi had to survive a social media disaster after it’s infamous ‘auto response’ became a massive ‘MSG Joke’ on twitter. When the Maggi crisis hit the social media, there was hardly any response from the PR team. Its deliberate choice to ignore concerns raised in social media calls for understanding social media mannerism for the corporations.

Maggi tried to test the patience of consumers by completely going off the grid. Corporations like Nestle must understand the fact that the nature of web is fast, enormous, and inclusive of divergent opinions. Attempting to ignore or nullify views will be a potential hazard to the brand image. Perhaps Maggi needed a lesson from the crisis of Krytonite. The story about the bike lock that could easily be opened by any ordinary ball point pen was reposted by 1.8 million blogs [9].

Participation is the key thing in the society. It is at the heart of every interface that allows business to interact with the society. Once crisis gets online visibility, it assumes new types of risk. Corporations become vulnerable to electronic word of mouth. While crisis situation is more of like conversation, Maggi decided to hold back to deliver a simple statement. While on the web, people desire the information to be more open and transparent, Maggi remained non-responsive. Neither there was an attitude for engagement nor sensibility towards public health.

A good digital mannerism should be to acknowledge the fault without any reservations. We have learnt a great deal about humbleness from Johnson & Johnson during the crisis of Tylenol. Therefore, in the age of new media and convergence, one must have an interface that is more humane in nature than provide mechanical responses. A crisis is handle by participation from every stakeholder. Since a crisis amplifies on social media, the attitude should be to take a timely action and offer engagement, not force an authoritarian pronouncement. Corporations cannot just keep on posting same static content to each and every follower on social media without understanding the context on which conversations are taking place. Direct message on Twitter which is used to mass
target users is like a polished PR prose. Corporations need dynamic and worthwhile content on display. Digital mannerism can have course correction provided corporations have a strong listening capacity. Either they must employ tools to extract conversations or engage at a personal level. Corporations must understand the fact that a great deal of crisis management happens when views are considered without any bias. “On the internet, stakeholders look for information, ideas and a meaningful exchange”.

VI. SUGGESTED RESPONSES

• No matter what happens, just don’t point fingers at your customers, at least not on the social media. Don’t consider intimidating them offline in their private space. A strict no to direct messages. Again, don’t fly around with pamphlets and leaflets, spreading only your side of the story. Further, don’t threaten the media. Instead, be gentle and try to work along with them. Nowadays, media consumption pattern among the target audience is radically changing. They wake up in the morning and go through the Facebook, Twitter and Instagram updates. They don’t watch television anymore, rather they are glued to YouTube, Vimeo etc. A lot of positive footprints can be achieved by feeding proper and timely information to the media.

• When you are hit by a crisis, release a holding statement. Let it be short - a one liner or a two. However, don’t just go on defending yourself in every medium, especially social media. If you have fan pages, be the first to give them information, rather they getting it from other media outlets. Carefully create a hashtag. Because anything goes wrong, liabilities are on you. Moreover, craft a message which is consistent across different media. It helps avoiding ambiguity.

• It’s always important to have a specialized crisis management team ready by your side. It would be more meaningful, if you have a small group of people within the crisis team exclusively dealing with the social media crisis.

• Put up a face as soon as possible; appoint a senior official of the company as crisis manager to engage with consumers. A faceless response lacks credibility as it amounts to hiding from the situation at hand. Better still get the CEO to talk as soon as possible. Air Asia chief Tony Fernandes led from the front as soon as news of the disaster in Malaysia hit news. He was the person talking to press, and supervising the rescue work. Nestle could have taken a cue from him and have had the CEO talking to the consumers assuring them of a speedy and through investigation.

• Explain your side of story in simple terms. Putting up a highly technical explanation on website is of no use. Things could have been entirely different if, for example, Nestle explained to consumers that monosodium glucomate (MSG) is commonly used in cooking in India, and that the result of a test would come out positive if done on a fresh tomato as it naturally contains the aforesaid chemical.

• Some states tested negative for any contaminants as did tests in Singapore and Canada on noodles manufactured in India. The failure to engage with consumers more directly and aggressive meant that Nestle failed to capitalize in these positive news.

VII. REFERENCES


