

When Packaging is Not Enough: Lessons from Natural Dairy's Brand Transition

Mr. Akshay Dwivedi, Mr. Yashwardhan S. Jain, Prof (Dr) Navita Nathani and Dr. Ajit Kumar Singh

Amity Business School, Amity University, Madhya Pradesh

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EXECUTIVE SUMMARY

Natural Dairy The twenty-year-old local dairy, Natural Dairy, situated in Katni, Madhya Pradesh, aimed at switching its operations, the sale of loose milk and curd, to the introduction of packaged products, thus branding or positioning their definition on the same level as the already recognized national brands, Amul, and Sanchi. The strategic change could not overcome the consumer choices, still being centered on the purchasing of loose goods that were presumed to be more cost-effective and could be purchased in bulk. The result of the following price increment of the loose dairy products, which was put in place in the effort to shift the demand shift towards the new packaged products, led to a decrease in both types of products sales.

The case sheds light on one of the underlying marketing problems price changes and packaging innovation are not enough to achieve brand acceptance. Consumers need value propositions of unquestioned quality in form of hygiene quality, convenience measures, and trust conditions to explain the move out of habitual buying patterns. The review shows that Natural Dairy should focus on strong brand positioning, extensive consumer education, and competitive pricing strategies to become able to entrench its packaged products into the market environment.

Index Terms: The case study falls under the marketing field that is lean towards brand positioning, price determination and consumer behaviour in the dairy industry. It sheds some light on the challenges of competing with the established national brands whilst switching to a loose to packaged product. The most important themes are product differentiation, perceptual interplay amongst customers, market competitive forces and the balance between local consumer confidence and the seduction of packaged goods with a brand name.

INTRODUCTION

Natural Dairy is a long term local dairy plant located in Katni Madhya Pradesh and the plant has been supplying the daily needs of the people in fresh milk and curd over the past 20 years. Established as a small-time retail store selling dairy in large quantities, the business gained the respect of the consumers due to the stable quality, freshness and low prices.

To the increasing threat of competition posed by the well-established packaged brands like Amul, Sanchi, Mother Dairy and Neelam, the owners of Natural Dairy realized the need to switch its traditional loose milk distributor status to the branded organization. In line with this, they have come up with proprietary packed milk and curd blends, which aim to keep pace with the changing needs of consumers to have convenient, hygienic, as well as brand assured milk and curd. This strategic project marked a critical turning point to the marketing direction because instead of the company being a relationship based, more or less local operation, it is forced to make a differentiation in its product offering and match pricing and brand image in a dairy market that is growing increasingly crowded.

However, the expected results of the implementation of this packaging strategy were not achieved. Nonetheless, the entrenched behavioural preferences and perceptual barriers were observed even in the face of new product offering, which suggests low levels of consumer adoption. The continuity of the loyalty to loose milk and curd informed strong obstacles in the changing of the accepted purchasing habits.

The current case study studies the outcome of how brand equity by Natural Dairy was built based on the packaging generated critical questions with regard to pricing strategy, consumer confidence, and positioning as compared to established national and regional rivals.

Problem Statement

All the factors satisfy the requirements of a reliable business enterprise, which Natural Dairy, owned and operated by Mr. Rajesh Sharma, has achieved over the last 20 years in the town of Katni, Madhya Pradesh. Started as a small retail store selling fresh loose milk and curd, Mr. Sharma systematically created a loyal customer base by adhering to the recurrence of quality of the products, by offering a competitive price and befriending the buyers at a personal level. As a result, after some years of time, the Natural Dairy has become something of a ubiquitous household name in the locality, and its consumers have integrated the dairy products into their everyday consumption behaviours.

However, with a significant transformation that occurred in the Indian dairy industry, the preference of consumers shifted toward packaged, branded products which were interpreted as safer, more sanitary and convenient. The national brand names, including Amul, Sanchi, Mother dairy and Neelam, expanded their distribution channels so far to small municipalities and usurped the market distribution, traditionally occupied by local purveyors, in an incremental manner. Following this new terrain, Mr. Sharma decided that the only way to survive and compete was to abandon the traditional commitment to the popularity of his loose milk and curd and so, he reasoned that there was a need to rebrand Natural Dairy as a recognizable packaged products supplier.

Mr. Sharma applied this vision to launch the first packaged products, which included 400 ml limited packages of curd at 60 highlighting price, and 400 ml limited packages of milk at 25 highlighting price. He expected the consumers to be lured by the fact that the goods hygienically sealed and marked as Natural Dairy would have the Natural Dairy label, which would be similar to the reliability attached to reputable brands. At the same time, he did not give up the sale of loose goods at the same location, which included 500ml of curd at 55 INR and 500ml of milk at 20 INR. The choice was not difficult to long-term patrons who were used to the loose dairy products offered at Natural Dairy because the loose format offered more and at a lower unit price, making the packaged variant looked unattractive.

At this point, it should be noted that, due to the consumers maintaining their thoughts tied to loose dairy, Mr. Sharma utilized a pricing change strategy: the retail price of loose items increased by 10, thus the new prices were 65 and 35 per 500 mL of curd and milk, respectively. The mechanism behind this was that lowering price difference was going to make the packaged variants relatively more noticeable such that it would trigger an autonomous change in consumer behaviour towards the packaged alternatives.

Unfortunately, the pricing gimmick had a backfire effect. It did not have the desired effect of creating consumer demand in the packaged goods but instead created a mass discontent amongst the consumer groups. Many old clients felt that the sudden increases in prices were unwarranted since there was no value addition in parallel. As a result, a section of consumers reduced their consumption as others shifted to competing brands like Amul or Sanchi which offered homogenized packaging at comparable prices supplemented with an effective brand pedigree. There was the subsequent fall in the loose and packaged sales with the net outcome being a worsening of the total commercial performance.

This situation clarified a strategic marketing dilemma as the consumers were not objectively resistant to the idea of packaged dairy, instead, they were unable to differentiate the benefit proposition of paying a premium on the packaged dairy of Natural Dairy when the loose variants continued to meet their expectations. Moreover, the package did not emphasize unique propositions the seller made; including higher hygienic standards, high levels of freshness, and longer shelf life as compared to competitors. Without any strong differentiation and effective communicative activity, the strategy based only on price increment and introduction of packaging was not sufficient.

FINDINGS OF THE STUDY

The Natural Dairy marketing strategy analysis shows that the problematic area is the wrongful positioning of the products. Although the decision to introduce packaged milk and curd was to develop a strong brand and compete with the already established players, the implementation created a state of confusion and disappointment among the customers. Pricing of the packaged products was also expensive in comparison with their loose counterparts but they did not provide any explicit premium in terms of hygiene, freshness, or convenience. Instead of presenting the packed goods as a high-end/differentiated product, they were viewed as a relatively unnecessary more expensive version of what the consumers were already obtaining in the same retail store.

More so, the move to raise the price of the loose milk and the curd boomeranged. This situation made natural dairy lose its loyal buyers who have weakly relied on affordability of the Natural Dairy packaged products over the years. As a result, the loose and packaged segments had their demand drained simultaneously.

It was aggravated by the lack of proper branding strategy, inadequate awareness programmes and inappropriate pricing strategy. To this end, the main study finding is that the failure of the Natural Dairy was not due to the lack of the demand in packaged dairy, but to the wrong positioning of the products and a poor marketing policy that was not in congruence to the customer perception, expectations, or value-for-money considerations.

RECOMMENDATION

In this case, a paradox facing Mr. Sharma is evident because, despite his right call to recognize the need to build the brand and modernize the product, the execution of the process demonstrated the gaps in the pricing strategy, consumer psychology, and marketing communication. It can be proved by the story about Natural Dairy that in the context of the highly competitive dairy receiver markets, customers are demanding rational value (price, quantity, quality), as well as emotional confidence (trust, hygiene, convenience, brand reputation) before making changes to their desirability. This means that Mr. Sharma is now facing a decision of how to position the packaged products of Natural Dairy in a manner that will give customers clear added value but not lose their loyal customers and lose market share to the national brands. According to the results, Natural Dairy will have to re-set its marketing and product positioning strategy to regain customer trust and dominate its brand name. It is recommended that the following steps be used:

Dual Strategy for Loose and Packaged Products

Natural Dairy must also not raise its rates any further because they will proceed with selling loose milk and curd out of its own dairy shop. This will retain the loyalty of the long-term customers who follow the traditional purchasing patterns. At the same time, the packed products must be stocked apart in retailing outlets, supermarkets, and other contemporary business outlets where people are already used to buying branded packaged products. This separation will reduce the competition existing internally between loose and packaged products.

Correct Product Positioning

Not as an expensive alternative to loose products, the packaged milk and curd is to be offered as a value-added product that promotes the hygiene, quality assurance, long shelf life, and convenience. The stress on such differentiators will be used to justify higher prices and that will be a better case to purchase.

Brand Awareness and Visibility Campaign

Natural Dairy needs to undertake brand awareness campaigns to make their packaged products more recognizable. Recall value can be increased with in-store promotions, appealing packaging and the best location on the shelf.

“Natural and Trust” Campaign

The 20 years of history of trust and purity should be used by the brand to create campaigns engaging its image as an honest and natural dairy brand. By promoting health-conscious and family-focused consumers with the message about freshness, authenticity, and products that are produced locally, it will boost the competitive advantage of the brand over other countries operating on the national market on a larger scale.

Customer Education

Customers can be informed about the hygienic and quality differences by free sampling of packaged curd, promotion, or demonstrations at the supermarkets. This will progressively gain confidence in the packaged goods. With such a two-pronged strategy of catering to the needs of the current suspected loyal customers by keeping their milk and curd loose and positioning packaged products in the new trade outlets strategically, Natural Dairy can ensure sales stabilization, win the trust of the customers once again, and get to create a sustainable brand image in the competitive dairy industry.

Teaching Notes

This case has been crafted to demonstrate the strategic challenges, which are faced by established local businesses in moving out of the traditional unbranded business to formal packaged products lines. The experience of Natural Dairy proves that the conversion of packaging is not only the production choice, but the many-dimensional marketing issue that involves the psychology of consumers, perception of value, trust, and competitive positioning. Dairy purchasing in most semi-urban Indian marketplaces is not a functional activity, but rather an activity embedded into habituality, relationship-based trust and price sensitiveness.

The case therefore provides an avenue to the instructors to involve the students in an analysis of why otherwise rational managerial decisions like improving hygiene, bringing out package, and amending price structure cannot work without a deeper insight into consumer motives. It also enables the instructors to compare brand strength of the national players with the tacit trust benefit of the local vendors. This makes the case appropriate to the brand strategy, pricing, consumer behavior, and retail competition sessions. The help teachers can render students aware of the fact that the success of any product does not merely rely on changes being made to the product but on how the changes are suggested, experienced and valued within the competitive and emotionally based market period.

In examining the Natural Dairy case, students get exposure on the key marketing skills that are not limited to the textbook descriptions. The case provides learners with the opportunity to assess the dynamics of low-involvement categories, in which consumers tend to focus on routine, familiarity, and price comparison instead of a brand story. The skill to relate customer perception to the decisions of the operation- for example, how a loose dairy to packaged one requires a sharp distinction on hygiene, quality assurance, and convenience to re-price it higher is an essential learning outcome. Students will also get to know what the dangers of miscommunicated price adjustments are and how such adjustments may undermine trust, loyalty and cause a flight to rival brands.

The other competency acquired in this case is diagnosis of positioning mistakes, especially when the newly introduced product seems to be competing with the established product of the business itself. The case therefore reinforces the analysis skills within the brand positioning, competitive analysis, pricing intelligence and consumer education plan. It also promotes the ability to make decisions in situations whereby managers need to weigh between innovativeness and legacy customer requirements.

The issue presented in the case involves the strategic move made by Natural Dairy to modernize itself by launching packaged milk and curd and maintaining its old long established loose dairy business. Although the rationale of packaging was attractively high hygiene, convenience, and the capacity to outmatch Amul and Sanchi, the shift was eroded with the wrong pricing strategy and a shortage of consumer education. The packaged forms did not have any element of additional value to customers who were used to lose milk at a low unit price.

The move by Natural Dairy pushing the prices of loose milk and curd to stimulate the customers towards the new packaged segment backfired disastrously.

Rather than switching consumption, the steady customers have been made to feel punished and responded by decreasing the buying frequency or switching to other competing packaged brands that had already built reputations and reliable quality messages. This error indicates the strategic risk of developing explicit in-house competition between two product lines without distinction. Also, Natural Dairy also underestimated the power of buying behavior, based on habits, and achieved this by not persuading promotional messages, like hygiene and shelf life, in the language that semi-urban consumers could relate to. The outcome was reduction in loose sales as well as packaged sales hence diluting the general market of Natural Dairy.

Teachers can organize the classroom discussion on some of the analytical themes that arise out of the case. First, the lesson can examine the differences between consumer behavior with commodities that are essential and for which one makes discretionary purchases, and where trust, anchoring of prices, and buying habits control the decision-making process. Second, the teachers can guide the students to assess the way, in which Natural Dairy placed the offered new packaged products, and why the lack of a clear value proposition undermined acceptance. The argument can also be based on the psychology of pricing, especially reference pricing, perception of fairness and sensitivity of sudden rise in basic goods.

The other theme that should be brought to the table is the competitive situation: how to retain the customer base that is loyal, and at the same time start penetrating the standardized packaged market, controlled by the national brands? Lastly, the students may be asked to propose other distribution approaches that Natural Dairy could have exercised like selective distribution, tiered pricing, sampling, or hygiene-centered campaigns. Through these discussions, the students will be able to combine the theoretical viewpoints, the 4Ps, STP model, the consumer learning theory and the formation of the brand equity with the realities of the semi-urban Indian markets.

Even as an instructor, this case is most applicable in a 75-90-minute interaction that combines a mix of concepts clarification and analysis. An effective set of teaching instructions can commence with learners giving a summary of the circumstance which is succeeded by group assessment on the weaknesses of the strategic intent of the Natural Dairy as compared to the shortcomings in implementation. The instructor can then lead the students through the diagnosis of the main issue at the root of the discrepancy in the perceived and actual value, and invite them to suggest corrective measures, which can be based on positioning, pricing, and communication concepts. One of the in-class exercises might be redesigning the brand message of Natural Dairy or suggesting a dual-channel approach of loose and packaged products.

The case can give assignments or assessment based on the case i.e. analysis of consumer behavior barriers will be written or a new pricing strategy will be developed. or a promotional campaign can be built to restore the trust and to encourage the adoption of the packaged. Finally, the output of students must be reflective of not merely having acquired knowledge of the concepts of marketing but also working with them in real-life situations where the forces of culture, norms, and expectations on the competitiveness of strategic decisions have a dominant role.

Authors

First Author – Mr. Akshay Dwivedi, B. Com (H), M. Com & MBA, Amity Business School, Amity University Madhya Pradesh

Second Author – Mr. Yashwardhan S. Jain, B. Tech, M.B.A. Amity Business School, Amity University Madhya Pradesh, India

Guided By:

Prof (Dr) Navita Nathani (Head of Institution)

Amity Business School, Amity University Madhya Pradesh



Dr Ajit Kumar Singh. (Associate Professor)

Amity Business School, Amity University Madhya Pradesh

Note:

This case study is based on a real business situation observed in a small town of Madhya Pradesh. The facts and events described reflect actual practices and experiences. However the name of the owner the business and the location have been changed to protect privacy. The case is presented only for academic discussion and learning purposes.