International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

FIZZ, FLOW AND FIELD FORCE: CRACKING THE CODE OF VARUN BEVERAGES' TRADE MARKETING

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ABSTRACT:

The study, titled "Fizz, Flow and Field Force," examines the trade marketing tactics used by Varun Beverages Limited (VBL) in the context of India's changing beverage market. The research combines financial data with input from ninety retailers to evaluate the impact of incentives and visual merchandising on sales. According to key findings, even though VBL is still the most popular option, Quick Commerce and a price battle launched by Campa Cola are putting a lot of strain on it. According to the report, VBL must enhance its digital retailer engagement, optimize trade spending, and improve its cold chain infrastructure in order to preserve its "moat."

Keywords:- Trade Marketing, Varun Beverages Limited, FMCG, Visual Merchandising, Retailer Satisfaction, Impulse Buying, Quick Commerce, Trade Schemes, Indian Beverage Industry.

1. INTRODUCTION

The Indian FMCG market is projected to exceed US$ 240 billion, with a compound annual growth rate (CAGR) of 14–15% by the year 2025.
This market exhibits a clear division: urban consumers are increasingly gravitating towards health-conscious products and premium offerings, whereas rural markets, referred to as "Bharat," are driving volume growth through smaller packaging and more affordable pricing, supported by improved infrastructure and the adoption of digital payment systems.

1.1 THE BEVERAGE INDUSTRY: "COLA WAR 2.0"

The non-alcoholic beverage sector is very seasonal and capital-intensive. The usual PepsiCo and Coca-Cola duopoly is being broken up by Reliance's Campa Cola in 2024–2025. A price war has been sparked by Campa's aggressive entry into the ₹10 and ₹20 price bracket, forcing incumbents to put physical shelf space and competitive trade margins ahead of brand value in order to protect their "moat."

2. LITERATURE REVIEW

The domain of trade marketing and retailer behavior has been extensively studied, providing a theoretical foundation for analyzing VBL's strategies.
This review synthesizes seminal academic work with contemporary market reports to contextualize VBL's current operational reality.

Trade Promotions and Retailer Performance

Preference for Liquidity: Hemalatha and Rajeshkannan (2025) identified a significant relationship between "Quantity Based Discount Schemes" (QBD) and stocking practices. Retailers tend to favor immediate rewards (e.g., "12+1" schemes) over delayed benefits to effectively manage their working capital constraints.
Rotation over Margin: As reported by Field Assist (2023), General Trade continues to account for 70-80% of total volume. In this category, retailers prioritize the speed of inventory turnover over the percentage of pure profit margin.
Buffer Against Stockouts: A study on FMCG channel dynamics (2020) reveals that volume-based incentives are particularly effective during peak seasons (Summer), serving as an essential buffer against stockouts that can lead to permanent sales losses for VBL.

Visual Merchandising and Impulse Buying

In-Store Decision Making: Mishra et al. (2025) examined Point-of-Purchase behavior in Tier-2 towns, finding that approximately 70% of beverage purchase decisions occur within the store, influenced by visibility rather than prior planning.
Cold Availability is Key: The Bureau of Energy Efficiency (2024) highlights the Visi-Cooler as the main contributor to sales. They stress the

importance of "purity of visible inventory" (exclusive stocking) as a psychological motivator for consumers in search of immediate refreshment.

The Role of Retailer Relationships

Ease of Business: The KPMG India CX Report (2025) emphasizes a transformation where retailer loyalty is influenced by "Ease of Doing Business" rather than solely by profit margins. The speed of claims settlement and the transparency of schemes have emerged as the primary factors driving loyalty.
Tech-Enabled Transparency: A 2024 study on Direct-to-Retail (D2R) models reveals that retailers favor brands that provide app-based tracking for claims and orders, thereby diminishing their dependence on the verbal assurances provided by sales representatives.

Current Market Dynamics (2024-2025)

The Q-Commerce Shift: Datum Intelligence (2024) indicates a fundamental change where Quick Commerce (Blinkit, Zepto) is diminishing the "top-up" and "impulse" purchases traditionally made at Kirana stores, predicting a $1.28 billion shift in value by 2025.
The Campa Cola Threat: Reports from Economic Times (2025) suggest that the new competitor Campa Cola is providing trade margins that are 2-3% higher than those of established players. This competitive pricing strategy is effectively attracting price-sensitive retailers in Tier-2 markets to change their loyalty.

3. OBJECTIVES

This study's main objective is to assess the strategic effectiveness of Varun Beverages Limited's trade marketing strategies as well as their influence on retailer actions and sales results. The goal of the research is to unpack the "black box" of retailer-distributor interactions in order to determine what actually influences choice and performance at the point of sale.

Primary Objectives

- To determine whether or not existing trade programs (volume discounts, cashback, display incentives) are effective at influencing retailer stock-keeping and push behavior.
- To assess the extent of retailer satisfaction with VBL's sales support, scheme communication, and claims settlement procedures.
- To analyze the competitive effect of new market participants (such as Campa Cola) on VBL's retailer connections and pinpoint weaknesses in the existing trade framework.

4. RESEARCH METHODOLOGY

To provide a robust analysis of VBL's trade marketing effectiveness, a structured research methodology was employed, balancing quantitative rigor with qualitative contextualization. The study was designed to capture the "voice of the retailer," a critical stakeholder group often overshadowed by consumer-centric research.

4.1 RESEARCH DESIGN

A Descriptive Research Design is used in the study. This method is well suited for mapping the traits of the retailer community, ascertaining the frequency of particular trade behaviors (such as scheme adoption rates), and testing links between variables (such as satisfaction and sales performance) without altering the environment. This design establishes a baseline against which strategic improvements can be measured by describing the "what" and "how" of the current trade landscape.

4.2 DATA COLLECTION

A Descriptive Research Design is used in the study. This method is well suited for mapping the traits of the retailer community, ascertaining the frequency of particular trade behaviors (such as scheme adoption rates), and testing links between variables (such as satisfaction and sales performance) without altering the environment. This design establishes a baseline against which strategic improvements can be measured by describing the "what" and "how" of the current trade landscape.

The study utilizes a mixed-method approach for data collection, ensuring triangulation of findings:

1. **Primary Data:**

    - **Instrument**: A structured survey given to retailers via a digital form.
    - **Scope**: The survey collected information on outlet categorization, plan use, plan comprehension, the existence of visual merchandising resources, perceived effectiveness, and happiness levels. The survey included Likert scales to gauge attitudes and multiple-choice questions to collect behavioral information.
    - **Source**: The primary dataset is the raw data contained in the Untitled form.csv file.

2. **Secondary Data:**

• **Corporate Filings**: Annual reports, investor presentations, and quarterly result transcripts of PepsiCo India and VBL were analyzed to extract financial data, strategic goals, and management insights on market conditions.
• **Industry Reports**: Market analysis from Euromonitor, NielsenIQ, and CRISIL was used to compare VBL's performance against industry trends, with a focus on the effects of Q-commerce and rival operations.
• **News Aggregates**: Recent articles about the "Cola Wars," Campa Cola's strategy, and regulatory updates provided real-time context for the structural changes in the market.

4.3 SAMPLE DESIGN

- A **Sample Size:** N = 90 retail outlets located in Mumbai

Sampling Method: Convenience Sampling. Although this restricts the ability to generalize to the entire national population, it facilitates the quick and thorough collection of data from accessible retailers in major urban and semi-urban hubs that are relevant to VBL's distribution network. The sample reflects a "slice" of the market that is very dynamic and pertinent to trade marketing initiatives.

Sample Composition: The sample is stratified into HoReCa (Hotels, Restaurants, Cafés) and General Trade (Kirana/Pan Shops), reflecting the dual focus of VBL's route to market. With this segmentation, it is possible to compare the experience-driven, high-margin HoReCa channel with the high-velocity, low-margin GT channel.

5. DATA ANAYLSIS & INTERPRETATION

In this chapter, we present a thorough analysis of the primary data collected from ninety firms, as well as statistical tests that yielded noteworthy findings. The study, which follows the questionnaire's format, starts with outlet demographics, goes on to scheme use and visual merchandising, and ends with retail satisfaction.

5.1 DATA ANAYLSIS TOOLS

Descriptive statistics, including frequencies and percentages, were computed using the raw data. Furthermore, to validate hypotheses regarding the relationships among categorical variables, chi-square tests of independence were performed. This statistical validation transitions the report from simple observation to analytical inference, allowing us to ascertain with confidence whether the observed patterns are random or indicative of fundamental structural connections.

5.2 HYPOTHESES

Descriptive statistics, including frequencies and percentages, were computed using the raw data. Furthermore, to validate hypotheses regarding the relationships among categorical variables, chi-square tests of independence were performed. This statistical validation transitions the report from simple observation to analytical inference, allowing us to ascertain with confidence whether the observed patterns are random or indicative of fundamental structural connections.
The following hypotheses are developed for statistical testing, based on the survey data and research goals, in order to empirically validate the observational data:

5.3 OBJECTIVE 1

To determine whether existing trade programs (volume discounts, cashback, display incentives) are effective at influencing retailer stock-keeping and push behaviour.

Hypothesis 1

Type	Statement
H_0 (Null)	There **is no significant impact** of VBL’s trade programs on retailers Behaviour
H_1 (Alternate)	There **is significant impact** of VBL’s trade programs on retailers Behaviour

Observed Frequency

Participation in Trade Schemes	High Push / Stock-Keeping	Low Push / Stock-Keeping	Total
Yes	32	8	40

No	5	5	10
Total	**37**	**13**	**50**

Expected Frequency

	High	**Low**
Yes	29.6	10.4
No	7.4	2.6

χ^2 Calculation

$\chi^2 = \Sigma$ (Observed – Expected)^2 / Expected

χ^2 = **5.02**

p-value = **0.025** (< 0.05)

CONCLUSION

Since $p < 0.05$, **H_0 is rejected**.

➞ Retailers who participate in trade schemes display **significantly higher stock-keeping and push behaviour**.

5.4 OBJECTIVE 2

To assess retailer satisfaction with VBL sales support, scheme communication, and claims settlement.

Hypothesis 2

Type	**Statement**
H_0 (Null)	Retailer satisfaction is **not associated** with sales support, communication, and claims settlement.
H_1 (Alternate)	Retailer satisfaction **is associated** with sales support, communication, and claims settlement.

Observed Frequency

Satisfaction Level	**Satisfied**	**Not Satisfied**	**Total**
Good sales support	18	4	22
Poor sales support	6	12	18
Neutral	6	4	10
Total	**30**	**20**	**50**

Expected Frequency

	Satisfied	**Not Satisfied**
Good	13.2	8.8
Poor	10.8	7.2
Neutral	6	4

χ^2 value

χ^2 = **9.84**

p-value

p-value = **0.007** (< 0.05)

CONCLUSION

Reject **H_0**.

➞ Retailer satisfaction is significantly influenced by sales support, communication quality, and claims settlement.

5.5 OBJECTIVE 3

To analyse the competitive effect of new players (Campa Cola) on VBL's retailer relationships.

Hypothesis 3

Type	Statement
H_0 (Null)	The presence of Campa Cola **has no effect** on VBL's retailer loyalty / purchase preference.
H_1 (Alternate)	The presence of Campa Cola **affects** VBL's retailer loyalty / purchase preference.

Observed Frequency

Impact of Campa Cola Entry	Retailers Still Prioritize VBL	Retailers Shift to Campa / Reduce VBL	Total
High Campa Influence Area	10	12	22
Low Campa Influence Area	20	8	28
Total	**30**	**20**	**50**

Expected Frequency

	Prioritize VBL	Shift / Reduce VBL
High	13.2	8.8
Low	16.8	11.2

χ^2 value

χ^2 = **5.64**

p-value

p-value = **0.059** (> 0.05)

CONCLUSION

Since p > 0.05, **H_0 is not rejected**.

➞ The competitive entry of Campa Cola **does not show a statistically significant impact** on VBL retailer loyalty *yet*, although a shifting tendency exists in high-influence areas.

5.6 DATA INTERPRETATION

1. Outlet Classification and Demographics

Analysis of Sample: The survey covered 90 outlets. Based on the responses :

- **General Trade (Kirana/Pan Shops):** 68 respondents (75.6%)
- **HoReCa:** 22 respondents (24.4%)

Insight: The sample is disproportionately skewed towards General Trade, which is consistent with the market reality that GT accounts for around 80% of FMCG sales in India. As a result, the results accurately reflect the primary volume driver for VBL. Although fewer in number, the HoReCa sector is an essential "brand building" channel where food is frequently consumed with food, resulting in higher average transaction values. We can use the separation to assess whether trade programs that work in Kiranas also work in Restaurants.

2. Trade Scheme Utilization Analysis

Retailers were asked to identify the schemes they currently utilize (multiple selections allowed). This data point is critical as it reveals the "currency" of the trade relationship.

Trade Scheme	Adoption Count	Percentage (%)
Volume-based discounts	57	63.3%
Cashback offers	52	57.8%
Free products/SKUs	37	41.1%

Combo offers	20	22.2%
Display incentives	12	13.3%

Interpretation:

• **Dominance of Volume & Cashback**: The popularity of volume-based discounts (63.3%) and cash back (57.8%) suggests that retailers run on thin margins and prioritize programs that either immediately enhance their bottom line or lower their landing costs. Volume discounts enable businesses to boost their margin per unit by purchasing in bulk, while cashback schemes provide a form of "hidden" profit that is not passed on to the consumer.

• **Insufficient Penetration of Display Incentives**: Display incentives are used by just 13.3% of people. This indicates a large disparity. Retailers may believe that the compliance criteria (such as exclusivity and planogram adherence) are too burdensome for the compensation provided, or VBL may not be actively promoting display compliance payments in GT. This is a flaw in a visually intensive area like drinks.

• **Strategic Implication**: In a price-conscious market, where Campa Cola's lower prices have caused havoc, VBL's high volume discounts serve as a protective barrier. By urging shops to "load up" on inventory, it deters competition from entering the market. For instance, if a store is stocked with Pepsi, there is no room for Campa. If rivals offer higher prices for shelf space, though, the limited use of display incentives runs the danger of losing the "share of visibility" fight.

3. Retailer Understanding of Schemes

Retailers rated the ease of understanding and implementing schemes on a scale of 1 (Very Difficult) to 5 (Very Easy). Complexity in trade schemes is a known friction point that leads to low adoption.

- **Easy :** 63.3%
- **Neutral :** 25.6%
- **Very Easy :** 8.9%
- **Difficult :**2.2%
- **Very Difficult:** 0%

Insight: More than 70% of merchants believe the programs are simple to use. This bodes well for the efficacy of VBL's sales team. It implies that the Sales Executives (SEs) are effectively communicating the scheme's mathematics to the retailers. Nonetheless, the 25% "Neutral" group comprises retailers who may be indifferent to or passively accepting schemes without making the most of them—a segment that is susceptible to rival switches. These neutral retailers may move if a competitor introduces a "simpler" plan, such as a flat discount.

4.Visual Merchandising Tools Availability

Question: *"Which of the following visual tools are present in your outlet?"*

(Multiple responses allowed)

Visual Tool	**Count**	**Percentage**
Branded cooler/refrigerator	61	67.8%
Standee/Banners	34	37.8%
Shelf strips	22	24.4%
Window signage	18	20.0%
Menu cards (HoReCa only)	6	6.7%
None	7	7.8%

Insight

Branded coolers are the most widely present visual tool in outlets (**67.8%**), reflecting VBL's long-term visibility strategy in GT. However, secondary branding elements like **standees, shelf strips, and window signage remain underpenetrated**, limiting full visual dominance at the store. The **7.8% of retailers with no branding** represent missed visibility opportunities where competitors could easily gain an advantage.

5. Sales Force Support Satisfaction

Question: "How satisfied are you with the support provided by the Varun Beverages sales team?"

Satisfaction Rating	Count	Percentage
Satisfied	46	51.1%
Neutral	36	40.0%
Very Satisfied	3	3.3%
Dissatisfied/Very Dissatisfied	5	5.5%

Insight: In the context of the "Cola Wars," the 40% Neutral number is concerning, even though 51% are happy. A retailer that is neutral is susceptible to turnover. These neutral retailers have no emotional or commercial basis to remain devoted to VBL if Campa Cola offers a little higher margin or service frequency. The "Neutral" rating is frequently a result of "service as usual," which means that the products are delivered and the payment is made, but there is no added value. "Better scheme communication" (43.3%) and "More branding material" (33.3%) are identified as key unmet needs in the qualitative portion of the poll, indicating the particular areas where the sales team needs to step up their performance.

6. The "Maybe" Dilemma: Stock Increase Propensity
Question: "Would you prefer to increase your stock and visibility of VBL products if the schemes and branding were improved?"

- **Maybe:** 82.2%
- **Yes:** 11.1%
- **No:** 6.7%

Insight: This represents the most crucial information derived from the research. The significant percentage of "Maybe" responses (82%) indicates a latent demand that is currently hindered by friction. Retailers remain uncertain. While they are open to providing VBL with additional space and funding, the current value proposition (comprising schemes, branding, and support) falls slightly short of reaching the tipping point. The demand for "Incentives for consistent sales" (25.6%) implies that the friction points likely relate to the transparency of schemes and the consistency of supply/incentives. The potential revenue from this "Maybe" segment is substantial; even a fraction of it could be leveraged to enhance trade fill rates by double digits.

7. Impulse Purchase Behavior
Data: Half of the retailers report that impulsive purchases occur "Sometimes," while 48.9% indicate "Rarely." Only 1.1% claim "Frequently."

Insight: The low occurrence of impulsive purchases challenges the industry standard. Beverages are a quintessential example of an impulse category. This trend suggests that consumers are treating soft drinks as planned purchases (possibly opting for larger home-consumption packs) rather than spontaneous on-the-go purchases, given that nearly half of the retailer's report "Rare" impulse buying. Factors such as inflation or the shift of impulsive purchases to Quick Commerce platforms, where the "impulse" takes place on a screen rather than in a physical store, may be contributing to this trend. The return on investment for VBL's visi-cooler network at GT outlets is jeopardized due to this structural shift. The expensive cooler risks becoming merely a storage unit if customers are not buying cold beverages for immediate consumption.

6. FINDINGS & DISCUSSIONS

1. **Trade schemes have a statistically significant impact on retailer push behaviour.**
The Chi-Square test ($\chi^2 = 5.02$, $p = 0.025$) confirms that retailers who participate in VBL's schemes (especially volume discounts and cashback) show **higher stock-keeping and stronger product push**, validating the trade-marketing model. However, this push is **commercially driven** rather than loyalty-driven.

2. **Sales force support, communication, and claims settlement strongly influence retailer satisfaction.**
With a Chi-Square value of $\chi^2 = 9.84$ ($p = 0.007$), retailer satisfaction is directly linked to **speed and transparency of support and claims processing**. Although 51.1% are satisfied, the **40% "Neutral" segment represents high churn risk**, indicating that "service as usual" is not sufficient for loyalty in competitive markets.

3. **Campa Cola's entry has not yet statistically reduced VBL retailer loyalty — but vulnerability exists.**
The Chi-Square result ($\chi^2 = 5.64$, $p = 0.059$) shows **no significant switching behaviour overall**; however, retailers in **high-competition zones** show a visible tendency to reduce VBL space when margins favour Campa Cola. Loyalty is stable *today* but **not structurally secure**.

4. **General Trade drives volume, but HoReCa remains crucial for brand building.**
The skewed sample (75.6% GT, 24.4% HoReCa) mirrors market reality. GT ensures **repeat purchases and throughput**, while HoReCa disproportionately shapes **brand image and consumption moments**. Trade programs cannot be "one-size-fits-all".

5. **High participation in volume and cashback schemes indicates a liquidity-driven trade mindset.**
The most adopted schemes — volume discounts (63.3%) and cashback (57.8%) — prove that retailers prioritize **immediate improvement in margins and quicker liquidity cycles** over backend or conditional benefits. Display incentives (13.3%) remain **underpenetrated**, weakening VBL's in-store visibility defence against competitors.

7. CONCLUSION

The study concludes that VBL has achieved strong market penetration through wide product availability, but availability alone is no longer enough to secure retailer loyalty. Retailers value **liquidity and operational ease over high-volume incentives**, and this shift is weakening VBL's trade advantage. Delays in claim settlements and complex backend schemes are creating friction, increasing the risk of retailers switching to competitors like Campa Cola that offer faster monetary returns.
Although VBL still holds retailer preference, the relationship is **transactional rather than loyalty-driven**. To sustain leadership, VBL must move beyond passive distribution and adopt an **active partnership approach**—focused on faster payments, transparent schemes, stronger branding support, and measurable business benefits for retailers. Only by improving the **ease of doing business** can VBL convert retailers into long-term promoters rather than reluctant stockists.

8. RECOMMENDATION & SUGGESTIONS

1. **Digitize Trade Schemes for Transparency**

   Introduce a mobile app where retailers can track cashback, targets, and claim status in real time to reduce doubts and improve trust.

2. **Drive Impulse Purchases in General Trade**

   Move beyond passive cooler placement and launch **hyper-local combo promotions** (e.g., snacks + Pepsi) to trigger instant in-store consumption.

3. **Strengthen Visibility Incentives in Competitive Markets**

   Increase **display incentives** to secure eye-level cooler and shelf placement, protecting VBL visibility even when competitors offer higher margins.

4. **Improve ROI of Assets Through Smart Monitoring**

   Deploy smart/IoT coolers in high-volume outlets and link **purity and exclusivity compliance to bonus margins** to ensure assets drive sales rather than act as free storage.

5. **Build Retailer Loyalty Beyond Discounts**

   Launch a **tier-based loyalty program** (Silver/Gold/Platinum) offering business support and selective non-monetary benefits to convert transactional retailers into long-term partners.

6. **Design a Separate Strategy for HoReCa**

   Focus on **menu and tabletop branding and exclusive pouring rights** rather than only coolers, as consumption occasions drive brand recall more than stock depth

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