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Customer Focus Program (CFP) in a Regulation-Constrained Category: A Field-Based Qualitative Study of Distribution and Merchandising Execution in India's Organized Cigarette Trade

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Abstract

Purpose: In categories where mass advertising and open promotion are legally prohibited, the sales and distribution system becomes the main route through which a firm can express customer orientation. This paper examines how a Customer Focus Program (CFC) operates at the point of sale in the cigarette sales and distribution network of a large Indian fast-moving consumer goods (FMCG) organisation.

Design/methodology/approach: The study is a descriptive, qualitative, field-observation-based case study conducted over a two-month period (15 May to 15 July 2026) in the Sambhajinagar (Aurangabad) territory of Maharashtra. Observations were recorded during accompanied market visits across convenience, grocery, wholesale, sub-wholesale, stockist, moped and van direct-selling channels, using a four-field recording format (objective, activity observed, practical observation, relevance to customer focus). Observations were mapped to an Availability–Visibility–Freshness (AVF) framework and to an eight-step CFC field-execution flow.

Findings: Four findings emerge. (1) Availability is produced by layered, complementary coverage formats rather than by any single actor. (2) Effective execution must be segment-aware and margin-aware, because retailers' stocking and promotion choices respond jointly to product segment and trade pricing structure. (3) Merchandising and planogram discipline is the primary visibility lever when above-the-line promotion is unavailable. (4) The salesman–retailer relationship is the mechanism that sustains the program.

Originality/value: The paper offers a field-grounded account of customer orientation as enacted at the last mile in a heavily regulated category, an area where the marketing-channels and customer-orientation literatures rarely meet. It proposes a conceptual framework linking channel layering, segment-and-margin awareness, compliant merchandising and relationship quality to retailer-level and consumer-level outcomes, and sets out testable propositions.

Research limitations: Single territory, short observation window, no survey or proprietary performance data; findings are analytically transferable, not statistically generalisable.

Keywords: customer focus; trade marketing; sales and distribution; retail execution; merchandising; regulated categories; FMCG; India

Paper type: Case study / qualitative field study



1. Introduction

Customer orientation is a long-standing theme in marketing scholarship, usually framed around advertising, branding, pricing and product development (Kotler & Keller, 2016). In many FMCG categories this framing is adequate because the firm can speak to the consumer directly. In others it is not. Cigarettes in India are governed by the Cigarettes and Other Tobacco Products Act, 2003 (COTPA), which prohibits advertising, restricts promotion and prescribes packaging and health-warning norms, in line with India's commitments under the WHO Framework Convention on Tobacco Control (World Health Organization, 2003). In such a category, the usual instruments of consumer-facing marketing are largely unavailable, and the firm's relationship with both the retailer and the end consumer is mediated almost entirely by what happens in the sales and distribution network.

This raises a practical and theoretical question: *how is customer focus enacted when the distribution system, rather than the marketing communication system, is the principal vehicle for expressing it?* Textbook treatments of channel design tend to treat promotional support as one of several adjustable variables (Rosenbloom, 2012; Stern et al., 2006). Observing a category where that variable is legally constrained provides a useful contrast case.

This paper addresses the question through a field study of the Customer Focus Program (CFC) as practised in the cigarette sales and distribution network of ITC Limited, one of India's longest-established and most widely distributed organised tobacco players, in the Sambhajinagar territory. The study does not evaluate commercial performance and uses no proprietary data. It instead documents the structure and logic of field execution and interprets it through established concepts of customer focus, customer relationship management (CRM), trade marketing, outlet classification and the AVF framework.

The paper makes three contributions. First, it describes in some detail how a multi-layered Indian FMCG distribution network operationalises customer focus at the outlet. Second, it identifies four patterns that recur across channels and roles. Third, it proposes a conceptual framework and a set of propositions that can be tested in larger, quantitative studies.

The remainder of the paper is organised as follows. Section 2 reviews the relevant literature. Section 3 describes the sector and organisational context. Section 4 sets out the research design. Section 5 presents the field observations and findings. Section 6 discusses their theoretical significance and presents the framework and propositions. Section 7 draws managerial implications, Section 8 sets out recommendations, and Section 9 covers limitations and directions for future research. Section 10 concludes.

2. Literature Review and Conceptual Background

2.1 Customer focus in a two-level trade setting

Customer focus holds that sustainable performance follows from understanding and meeting customer needs better than competitors, rather than from an inward-looking orientation towards products or sales targets (Kotler & Keller, 2016; Kotler et al., 2018). In FMCG distribution the "customer" exists at two levels at once: the retail outlet, which is the firm's immediate trade customer, and the end consumer, who buys from that outlet. A customer-focused system must therefore make stocking and selling easy and rewarding for the outlet while ensuring that the consumer can find, recognise and buy the product. In this paper, customer focus is operationalised through four observable dimensions: (i) availability of the right product at the right outlet at the right time; (ii) visibility and correct presentation at the point of sale; (iii) the quality of the service relationship between the field force and the outlet; and (iv) responsiveness to trade and consumer feedback.

2.2 Relationship management with trade customers

CRM in a trade context extends beyond software to the disciplined management of relationships with distributors and retailers: predictable visits, consistent service standards, transparent communication of schemes and prices, and responsiveness to problems such as stock-outs and damaged goods. The relationship-marketing literature treats such relationships as durable and mutually valuable rather than transactional (Berry, 1983; Peppers & Rogers, 2016). Where a retailer stocks several competing brands, relationship quality can influence which brand receives preferential display and recommendation.



2.3 Trade marketing and channel management

Trade marketing directs effort at intermediaries rather than consumers, through schemes, merchandising support and channel-specific engagement (Blattberg & Neslin, 1990). Channel scholarship frames distribution as a designed system of intermediaries rather than incidental logistics, with choices about intensity, intermediaries and coverage models (Stern et al., 2006; Rosenbloom, 2012). Outlet classification, that is, segmenting outlets by channel type and potential, is the planning mechanism through which coverage frequency and service level are matched to outlet value (Levy & Weitz, 2012; Kotler & Keller, 2016).

2.4 Availability, visibility and freshness

AVF is a widely used trade framework that describes three outlet-level conditions needed to convert purchase intent into sale: the product must be physically present, presented so that it can be seen and identified, and rotated so that it reaches the consumer in good condition. It operationalises, at the shelf, the retail-execution proposition that availability and presentation shape purchase incidence (Levy & Weitz, 2012; Aaker, 2013).

2.5 Merchandising where advertising is restricted

Brand-management theory treats consistent presentation at the point of sale as central to brand salience (Kapferer, 2012). Where conventional advertising is prohibited, the point of sale carries a disproportionate share of that burden, and the key skill becomes compliant, disciplined execution of whatever display space is legally available.

2.6 Research gap

The customer-orientation literature is dominated by consumer-facing marketing, and the channel literature rarely treats legal restriction of promotion as a defining condition. Little published work documents how customer focus is actually enacted by a field sales force in such a category. This study contributes a field-grounded account from India.

3. Sector and Organisational Context

3.1 The category

The organised cigarette segment in India is served by a small number of large manufacturers and faces a significant illicit and tax-evaded trade. Applying Porter's five forces: the threat of new entrants is low because of regulatory, taxation and distribution-scale barriers; supplier power is low to moderate given backward integration into leaf sourcing; buyer power at the retail and wholesale level is moderate, since outlets stock multiple brands and influence shelf space; substitutes (other tobacco formats and illicit cigarettes) are a moderate threat; and rivalry is high, with distribution reach, trade relationships and service quality as the main differentiators rather than price alone. A PESTEL view highlights taxation through GST and compensation cess, relatively inelastic but income-sensitive demand, changing social attitudes, the spread of digital field tools, sustainability pressures in leaf and packaging, and the statutory controls of COTPA.

3.2 The organisation and its network

ITC Limited, founded in 1910 as the Imperial Tobacco Company of India and operating under its present name since 2001, is a diversified conglomerate in which the cigarette business remains a principal segment. The cigarette sales and distribution system is a multi-tier network: a branch team headed by an Area Executive; Team Leaders (TLs) who supervise defined routes and outlet types; Daily Salesmen (DS) who cover assigned outlets; and Wholesale Distributors (WDs) and stockists who extend reach into sub-wholesale, rural and hard-to-access markets, ending in retail outlets and consumers. Team Leaders use a sales-analysis and target-tracking application (Dhanush), and DS record daily coverage on a handheld application (Breeze). Specialised roles include Premium Club, Grocery and Merchandiser Team Leaders, and Convenience, Rural Mopped Daily (RMD), Nurturing Pilot Sales Representative (NPSR) and Merchandiser DS roles. The standard structure follows the Conventional Delivery Model (CDM); a Non-Conventional Delivery Module (Non-CDM) covers markets and outlet types unsuited to it.



The product portfolio is organised into length-based segments: Deluxe Size Filter Tipped (DSFT, 64 mm), Regular Size Filter Tipped (RSFT, 69 mm), King Size Filter Tipped (KSFT, 84 mm) and Premium King Size Filter Tipped (PKSFT, 97 mm, Slims), alongside a Longs format.

4. Research Design and Methodology

4.1 Approach

The study is a single-site, descriptive, qualitative case study, appropriate for examining a contemporary organisational process in its real-world setting where the boundary between phenomenon and context is not sharp (Yin, 2018; Saunders et al., 2019). No survey was administered, and no inferential statistics are used.

4.2 Setting and period

Fieldwork took place from 15 May to 15 July 2026 within the Sambhajinagar (Aurangabad) territory of ITC's cigarette business, under the supervision of an Area Executive. The first author was attached to the branch as a trainee and accompanied field staff across channels.

4.3 Data collection

Data consist of field notes written during and immediately after accompanied market visits, supplemented by informal conversations with DS representatives, Team Leaders, the Area Executive, distributor personnel and retailers, and by briefings on schemes, pricing structure and delivery models. Exposure covered: district and branch induction; product portfolio and segments; price-to-retailer (PTR), maximum retail price (MRP) and street pricing; outlet and market classification; convenience and grocery DS routes; wholesale and sub-wholesale markets; warehouse and stockist operations; moped and van DS routes; CDM and Non-CDM models; merchandising and planogram execution; AVF checks; trade schemes and loyalty programmes; and competitive presence.

4.4 Recording and analysis

Every activity was recorded under four consistent heads: objective, activity or task observed, practical observation, and relevance to the CFC framework. This permitted qualitatively different exposures, such as a warehouse visit and a scheme briefing, to be compared on a common basis. Analysis proceeded by (a) coding each observation to the AVF dimensions and to the steps of an eight-stage CFC field-execution flow (outlet understanding, need identification, market visit and observation, availability, visibility and merchandising, service and relationship, customer satisfaction, improved market execution), and (b) looking across activity areas for recurring patterns. Credibility was supported by repeated review of notes against the recording format and by validation of descriptions of roles and processes with field supervisors.

4.5 Ethics and confidentiality

No proprietary sales, pricing, distributor, scheme-economics or personally identifiable data were collected or are reported. Individuals and outlets are not named. Product-category research of this kind should be read as a study of distribution and merchandising processes within a lawful, regulated trade, and the authors take no position on tobacco consumption. [Authors to confirm: institutional ethics clearance, written permission from the host organisation for publication, and any competing-interest declaration.]



5. Findings

5.1 Observations by activity area

Table 1 summarises the principal observations and their relevance to the CFC framework.

Table 1. Field observations mapped to the CFC framework

Activity area	Key observation	CFC / AVF relevance
Distribution structure	Multi-tier network of branch, WD, DS and retailer, each with a defined role	Coordination across tiers enables availability, the base of the flow
Field hierarchy and technology	TLs track targets (Dhanush); DS record daily coverage (Breeze)	Supervisory and data backbone for need-based coverage
Product portfolio	Segments differ by length, positioning, pack, price and consumer preference	Segment-appropriate availability and visibility needed
PTR / MRP pricing	Trade margins and price gaps shape channel preference and consumer choice	Economic basis for consistent retailer service
Schemes and loyalty	Support product movement and engagement; structures differ by channel	Supports the service-and-relationship step
Convenience DS	Quality of interaction at each outlet, not volume alone, drives effectiveness	Market visit, service and relationship
RMD (rural)	About 15 outlets per day, 6 routes per week; sells non-tobacco ITC items once weekly	Extends need-based coverage and portfolio reach
NPSR	Dedicated representative for newly launched focus brands	Focused attention for new-product introduction
CDM / Non-CDM	Differ in vehicle planning, loading, assortment and route execution	Matches distribution design to market need
Merchandising and planogram	Posters, backing sheets, shelf strips, PSUs, danglers and wobblers; defined placement	Visibility, especially amid competing brands
Wholesale and stockist markets	Higher-volume channel serving other trade points; extends reach to semi-urban and rural areas	Availability beyond direct routes
Van DS	Vehicle-based coverage; trade-off between over- and under-stocking	Extends availability; planning discipline
Availability and freshness	Regular replenishment and stock monitoring prevent stock-outs	Availability and freshness pillars of AVF
Retailer behaviour	Decisions weigh demand, margin, scheme, availability and relationship	Relationship quality as driver
Merchandising norms	Consistent execution within permitted boundaries	Defines limits of visibility
Market classification	Outlets classified by potential to set coverage norms	Operationalises need identification



Activity area	Key observation	CFC / AVF relevance
Rural vs urban	Urban: density and brand competition; rural: reach and stock consistency	Execution must adapt to market character

5.2 Finding 1: Availability is built through coordinated, layered coverage

Across the convenience DS, van DS, wholesale and stockist observations, availability was not the product of any single actor. Direct routes serve small, high-frequency outlets; wholesale and sub-wholesale points extend reach into the trade; stockists and RMD routes reach rural and semi-urban markets; vehicle-based routes widen coverage where fixed routes are uneconomic. Each format served the outlet types it fits best, and the formats were layered rather than substituted. Planning trade-offs were explicit: over-stocking a van adds burden, while under-stocking forfeits sales along the route.

5.3 Finding 2: Segment- and margin-aware execution is necessary

The length-based segment structure and the PTR/MRP pricing architecture together shaped what retailers stocked and promoted. Retailer and distributor margins influenced which products a channel partner preferred to push, and price gaps between segments influenced consumer choice at the counter. Different channels also required different scheme structures because outlet size, transaction volume and footfall differ. Uniform execution across outlets would therefore be ineffective; execution has to be segment- and margin-aware.

5.4 Finding 3: Merchandising discipline is the primary visibility lever

With above-the-line advertising unavailable, merchandising materials and planogram adherence were the main means of securing visibility. Their effect depended on outlet-by-outlet execution within the boundaries permitted for the category, and was most consequential where multiple competing brands were displayed side by side. The existence of a dedicated Merchandiser TL and Merchandiser DS role indicates that the organisation treats visibility as a specialist task rather than an incidental one.

5.5 Finding 4: The salesman–retailer relationship sustains the program

Retailer stocking and promotion decisions were never determined by a single factor. Demand, product movement, margins, schemes, availability and relationship quality with the sales representative were weighed together. Regular DS–retailer interaction smoothed order-taking, helped identify market gaps and built mutual understanding of local demand. The effectiveness of a DS depended less on the number of outlets covered than on the quality of execution at each outlet.

5.6 Supplementary observations

Outlet and market classification determined coverage norms, visit frequency and priority, which is the mechanism by which coverage effort is matched to potential rather than spread evenly. Urban markets showed higher density and sharper brand competition, whereas rural markets called for attention to reach and stock consistency. Competition expressed itself through pricing, retailer margins, scheme intensity, merchandising and visibility, which suggests that success depends on product strength combined with consistent execution at the point of sale. Field teams treated regulatory limits as a design boundary of their work rather than as an external constraint to be minimised.

6. Discussion

6.1 Interpretation

Taken together, the findings suggest that in a category where consumer-facing promotion is legally constrained, customer focus is *relocated* from communication to execution. It is expressed through whether the product is there (availability), whether it can be seen within lawful limits (visibility), whether it is fresh (freshness), and whether the person servicing the outlet is trusted (relationship). This extends the standard view that customer orientation is mainly a marketing-communication phenomenon (Kotler & Keller, 2016) and supports the proposition that trade marketing can carry the principal burden of customer orientation in restricted categories (Blattberg & Neslin, 1990).



The second implication concerns the two-level customer. The retailer is not only a channel but a customer whose experience of stocking, margin and service determines what the end consumer encounters. Customer satisfaction at the consumer level was thus observed to be *derived* from satisfaction and relationship quality at the trade level, consistent with relationship-marketing arguments about durable trade partnerships (Peppers & Rogers, 2016; Christopher et al., 2002).

Third, the observed specialisation of roles (premium, grocery, merchandising, rural, new-product) is a direct application of outlet-classification logic (Levy & Weitz, 2012) to organisational design. The organisation matches roles to outlet types rather than expecting a single generalist to serve all.

6.2 Conceptual framework

We propose that outlet-level customer focus in regulated categories can be represented as a chain:

Layered coverage and outlet classification → Availability and Freshness; **Segment- and margin-aware assortment and scheme design → Retailer stocking and promotion behaviour**; **Compliant merchandising and planogram discipline → Visibility**; **Salesman–retailer relationship quality → moderates the effect of each of the above and sustains it over time**. Together these produce **retailer satisfaction and consumer purchase convenience**, which feed **market-execution outcomes**, with feedback from retailers flowing back to coverage, scheme and merchandising design.

6.3 Propositions

- **P1.** In regulated categories with restricted promotion, outlet-level AVF adherence is positively associated with retailer-reported satisfaction with the company.
- **P2.** The positive effect of AVF adherence on market-execution outcomes is stronger where the salesman–retailer relationship is stronger (moderation).
- **P3.** Coverage quality (execution per outlet) predicts outlet-level outcomes better than coverage quantity (outlets visited per day).
- **P4.** Retailers' product-promotion decisions are jointly determined by segment position and margin structure, and uniform scheme designs are less effective than channel-specific ones.
- **P5.** Where promotional communication is legally restricted, compliant merchandising has a larger marginal effect on brand visibility than in unrestricted categories.

7. Managerial Implications

For organisations selling in restricted categories, the study suggests that (a) investment in distribution depth and role specialisation is a form of customer-focus investment; (b) AVF should be treated as a measurable outlet-level outcome rather than a general aspiration; (c) field-force evaluation should weigh execution quality alongside coverage counts; and (d) regulatory literacy among field staff is a performance capability, because visibility must be maximised within lawful limits.

8. Recommendations

1. **Formalise AVF as an outlet-level scorecard.** Convert informal AVF checks into a brief standardised checklist recorded by DS at each visit and reviewed periodically by area management, piloted first on a subset of outlets and later captured digitally.
2. **Extend need-based coverage planning to moped and van routes.** Apply the outlet-classification discipline used on core convenience and grocery routes so that visit frequency on extended-reach routes is determined by outlet need and not by geography alone.
3. **Strengthen the retailer feedback loop.** Introduce a simple recurring prompt during visits, routed to branch management on a defined cadence, so that schemes and merchandising norms respond to retailer experience.
4. **Sustain training on compliant merchandising.** Provide periodic refreshers and a standardised onboarding module for new DS on the regulatory boundaries of merchandising, since this is one of the few visibility levers the category retains.



9. Limitations and Future Research

The study rests on one territory and a two-month window and is not representative of national practice. It is qualitative and observational: no retailer or consumer survey was undertaken, and no statistical inference is drawn. Proprietary sales, distributor and scheme-economics data were unavailable, so the impact of CFC practices on business outcomes could not be quantified. Observer presence may have influenced behaviour, and the first author's status as a trainee within the host organisation raises the possibility of observer bias, mitigated but not eliminated by structured recording and supervisor validation. Seasonal and promotional-cycle variation was not captured.

Future research could (i) test P1 to P5 through retailer surveys and structural equation modelling; (ii) compare territories and urban, semi-urban and rural clusters; (iii) use outlet-level audit data to link AVF scores to sales outcomes; (iv) conduct comparative studies across other restricted categories such as alcohol or gaming-adjacent retail; and (v) examine the role of digital field tools in retail execution quality.

10. Conclusion

This study shows that, in India's organised cigarette trade, a Customer Focus Program is best understood not as a marketing campaign but as a system of field disciplines: layered coverage, segment- and margin-aware servicing, compliant merchandising and managed retailer relationships. In a category where consumer-facing promotion is legally unavailable, these disciplines are the principal channel through which customer orientation is expressed and experienced by the trade and, through it, the consumer. The proposed framework and propositions offer a basis for larger-scale quantitative tests and for comparative work on customer orientation in restricted categories.

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Declarations

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