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Getting Routes to
Market Right
*Designing Profitable
Go-to-Market Models in
Consumer Goods*



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EXECUTIVE SUMMARY

The routes to market that consumer packaged goods (CPG) companies use to sell and service their trade accounts determine their sales volume, their ability to deliver the proper levels of customer service in a cost-effective manner, and their success at securing scarce retail shelf space for their products. Nevertheless, few CPG companies have a comprehensive conceptual platform for optimizing their routes to market.

Such a platform must enable companies to design go-to-market (GTM) models that are characterized by four qualities: They have a strong customer focus. They are aligned with the company's strategic goals and value offerings, and supported by its operational capabilities. They balance customer needs, revenue growth, and cost-to-serve. And finally, they are flexible enough to be adapted in response to changing strategic goals and competitive threats.

This Perspective describes a proven platform for creating such models. It enables managers to identify and analyze the key activities and tasks required to best serve their customer segments. It also provides a means for choosing among and testing a variety of design alternatives in the quest for the most effective and efficient routes to market.

GETTING ROUTES TO MARKET RIGHT

In an intensely competitive consumer goods sector, optimized go-to-market (GTM) models—the designs for the routes to market that companies use to sell and deliver their products and to service their trade accounts—are essential. They enable profitable growth, service excellence, and consumer engagement at the point of sale. But the more diverse a company's customer base and product portfolio, and the more competitive its markets, the more challenging it is to design effective and efficient GTM models.

A leading consumer goods company faced this challenge in a major Latin American market. Over decades of successful growth, the company's trade customer base had expanded to hundreds of thousands of outlets ranging from big-box retailers to street vendors. In the past decade alone, the company's brand portfolio expanded four times, while its number of SKUs more than tripled. Furthermore, competition for retail shelf space continually intensified, driven not only by a growing set of direct competitors and other consumer products companies, but also

by nontraditional players, such as providers of mobile phone service and financial services. Yet the company was still selling and servicing most of its customer base using a pre-sales & direct store distribution (DSD) model, in which sales and delivery personnel visited each account at least once per week.

The company had mastered this model very efficiently, but there were two inherent problems in applying the same model across a diverse customer base. First, to maintain a reasonable cost-to-serve across a large customer base, the field sales and service staff could not devote too much time to any single customer and therefore found it difficult to sell and service the company's growing product portfolio. Second, the model was needlessly expensive and time-consuming for certain customer segments, such as smaller independent retailers and other lower-volume vendors with straightforward needs. It was also often unwelcome because it distracted already time-pressed store owners from running their businesses.

In other words, because virtually all of the company's trade accounts were being managed via the same route to market, no matter what their actual sales and service needs, some accounts were underdeveloped and underserved, while others received more attention than they needed or wanted. As a result, the sales potential of existing accounts was not being fully captured, cost-to-serve was higher than necessary, and resources that could have been deployed to establish, maintain, and develop new accounts were not available.

Many companies in the CPG sector are in a similar position. Geographic expansion, growth in customer base and product lines, and the dictates of competition and cost reduction have created an urgent need for them to reevaluate and redesign their GTM models. Companies that are successful in this endeavor can rightsize their sales and service forces and better allocate their talent. They can bolster product presence and customer experience at the point of sale, and they can devote greater effort to strategic and high-profit

SKUs. They also can reduce their overall cost-to-serve. In short, they can cut costs and grow stronger.

While analyzing and designing GTM models can be very rewarding, it is a quite complex task. Multiple stakeholders are involved, and the experiences of thousands of customers can be affected; a wide range of variables—including the strategic goals of the company and its operational capabilities—must be taken into consideration; and the investment in time and resources can be substantial. What is needed, therefore, is a consistent and comprehensive platform for rethinking GTM models across the customer base in order to more efficiently deploy resources and provide better coverage of increasingly complex product portfolios. Such a platform must be capable of producing a clear vision of desired route-to-market outcomes, a comprehensive understanding of the roles and functions of the employees staffing the routes, and a systematic approach to GTM model analysis, design, implementation, and management. A well-structured

conceptual platform offers CPG companies several key benefits:

- It provides a process for analyzing and constructing routes to market that properly balances effective execution with cost-to-serve.
- It ensures a comprehensive and aligned understanding of the elements contained in GTM models.
- It facilitates the sharing of best practices related to sales, customer service, and GTM model designs across the system.
- It encompasses the tools and methodologies to model the effects of different GTM design alternatives on the revenue potential, cost-to-serve, and customer satisfaction.
- It is a vehicle for the continuous improvement and systematic updating of GTM models and processes.

THE FOUR PILLARS OF A POWERFUL GTM PLATFORM

To gain those benefits, an effective GTM platform must be built on four pillars. The pillars represent the qualities of effective, efficient routes to market, as well as the design principles by which GTM models are constructed. We describe them as market-driven, coherent, balanced, and flexible.

Market-driven: Too many companies design GTM models in an inside-out manner. That is, their design efforts are so focused on internal considerations, such as ease of implemen-

tation, existing sales and delivery processes, and cost-to-serve, that the needs and desires of trade customers and consumers receive short shrift. The most effective and efficient GTM models are designed from the market back, ensuring that they are properly aligned with customer and consumer needs. Toward this end, the structure of a GTM model should have a foundation of quantitative and qualitative characteristics of customer segments, including growth potential, the stated and unstated needs of customers in a segment, geographic footprint and location, sales volume, and profitability. This process has a secondary benefit: It forces GTM model designers to properly identify and define their companies' customer segments.

Coherent: In addition to external alignment with customers, effective GTM models must be properly

aligned and integrated with the company's overall customer service framework. It is often helpful to visualize this framework as a pyramid in which decision and design parameters flow down from the top, and support flows up from the bottom (*see Exhibit 1*). From the peak of the pyramid, strategic goals flow downward, giving shape to customer value offerings. Value offerings, in turn, cascade downward, suggesting specific GTM models, which can then be designed to support delivery of a specific value proposition for each customer segment. And finally, GTM models help define the company's operating models, dictating elements required to enable and support the GTM models. The resulting coherence within the customer service framework ensures that GTM models support the achievement of corporate goals, as well as receive the support they need to operate successfully.

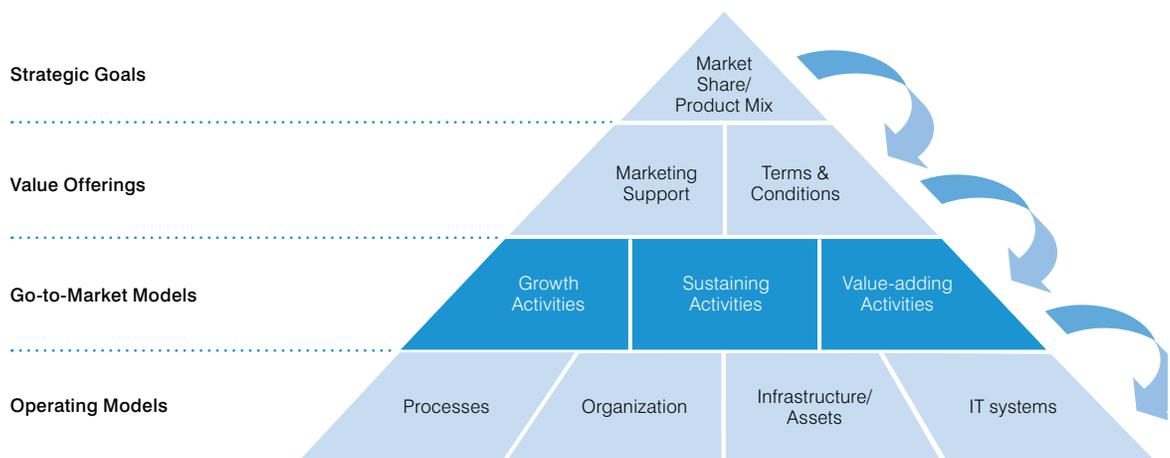
Balanced: An effective platform must enable identification and balancing of competing priorities in the design and operation of GTM models. There are three sets of priorities that must be considered: customer needs and preferences, which determine satisfaction and affect growth potential; revenue growth, which determines market share and volume; and total cost-to-serve, which determines the economic feasibility and profitability of serving both individual customers and customer segments.

In analyzing their GTM alternatives, managers must be able to balance the consequences of design alternatives and decisions on all three priorities, determine the proper trade-offs among the priorities, and build an optimal GTM model accordingly.

Flexible: Finally, because CPG companies must manage an increasingly diverse customer base with differentiated GTM models, a high-quality design platform must include a method for understanding

GTM routes in functional terms, a full palette of design alternatives for constructing them, and a method for determining which alternatives are best suited to individual customers and customer segments. Managers need flexibility in terms of GTM model design, and once a design is chosen and implemented, they also need a means of improving it or adapting existing models as conditions change.

Exhibit 1
A Comprehensive Customer Service Framework



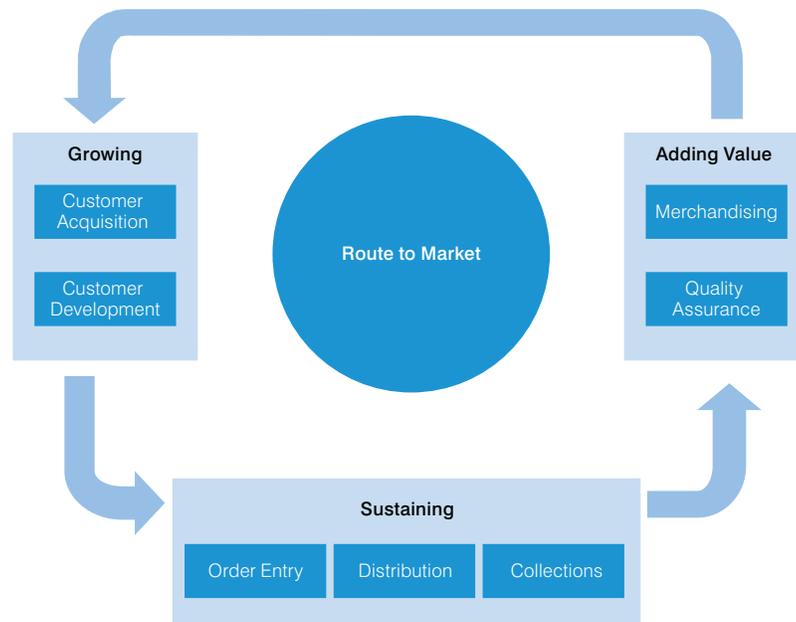
Source: Booz & Company

A FUNCTIONAL PERSPECTIVE ON GO-TO-MARKET MODELS

In order to build market-driven, coherent, balanced, and flexible routes to market, most CPG companies need to adopt a new perspective on GTM model design and management. Too often, model managers approach their work in a piecemeal fashion and without a holistic view of the routes to market they are building. They define design parameters, specify model choices, and manage GTM models from a limited analytical perspective, such as sales or delivery. Invariably, the result is a less-than-optimal route to market.

The design and operation of an effective GTM model depends on a more holistic analytic view (*see Exhibit 2*). This view should be based on the model's main activities and the functional steps—or tasks—required to execute those activities. Using such an approach to analyze GTM routes ensures that managers will consider all of the activities that are necessary in the execution of the sales and service value chain for each of its customer segments, and provides a sound foundation for constructing profitable routes to market.

Exhibit 2
A Holistic View of Routes to Market



Source: Booz & Company

Typically, a CPG company's routes to market encompass three major activity types:

- Growing activities are the work of establishing and expanding customer accounts.
- Sustaining activities are the work of servicing and maintaining customer accounts.
- Value-adding activities are the work of brand building and enhancing the customer experience at the point of sale.

The degree to which each of these activity types is needed will vary widely by customer segment. For example, in customer segments with low levels of penetration, growing activities would be emphasized in order to win new accounts. In

segments where a company has a robust customer base, sustaining activities would be emphasized in order to maintain high levels of customer satisfaction and retention. In segments where consumer market share is low, value-adding activities would be emphasized in order to enhance the point-of-sale experience and build share.

In effective GTM model design, these three major types of activities need to be broken down to an additional level for a clear understanding of the tasks involved in each of them and the ways to best execute these tasks. It is the tasks executed in a route to market that serve as the basic units for GTM model analysis, design, and management processes. A model cannot be considered optimal until the execution of each functional step within it supports the achievement

of the company's objectives and increases the value delivered to each customer segment by better addressing that segment's needs and preferences.

CPG companies can gain valuable insights into the shortcomings of their existing GTM models when they analyze them in terms of activities and tasks. The consumer goods company introduced earlier provides a good example. Originally, the company had assigned almost all of its GTM activities and the tasks required to execute them to a single person who acted as salesperson and delivery driver. Over the years, as the customer base grew, the company split these functions, creating a dedicated sales force that could spend more time prospecting for new customers and developing existing accounts. But as its customer base

The design and operation of an effective go-to-market model depends on a holistic analytic view that incorporates both activities and the functional steps required to execute them.

became even larger and more diverse, its SKUs grew in number, and the demand for reductions in cost-to-serve rose, strains appeared in this model too.

When the company identified the tasks required in the DSD model it was using in its Latin American market, it discovered that the full range of tasks had expanded beyond the capacity of its sales force and delivery drivers. Now, for example, there were many tasks associated with growing merchandising activities that ensured that the company's products were positioned and displayed in accordance with brand guidelines. There were also

new tasks associated with a quality assurance function that ensured that displays and refrigeration equipment were properly maintained and repaired when necessary. Further, some of the tasks identified by the GTM managers applied to some customer segments but not to others. Wholesalers, for instance, did not require merchandising attention since they typically do not display products to consumers.

The company's GTM managers soon realized that there were numerous mismatches between their expectations of the primary route to market and its capabilities. For example, the resources of its sales

force were improperly allocated: Low-volume, independent retailers did not require personal visits from salespeople for orders for a few cases of product, but high-potential customers who were capable of selling more volume and a wider range of SKUs needed more one-on-one sales attention. The designers also discovered that cost-to-serve could be lowered if sustaining activities were customized according to the size, type, and potential of the company's customer segments. For example, accounts receivable costs and bad debt could be reduced and cash flow improved by requiring small customers to pay for their orders when they were delivered.

Typically, a CPG company's routes to market encompass three major activity types: growing activities; sustaining activities; and value-adding activities.

A MODULAR APPROACH TO GTM MODEL DESIGN

The ability to analyze and define routes to market at the task level lays the foundation for an orderly and structured approach to GTM model design. This approach should be modular in order to provide the flexibility needed to respond to complexity in customer bases, product portfolios, and marketplace competition with routes to market that can economically fulfill customer needs, that are better aligned with customers' preferences, and that ensure more efficient and effective delivery of value offerings for each customer segment.

The mix-and-match nature of a modular approach to designing

GTM models acknowledges that there are different alternatives for accomplishing any given task in a specific route to market. Further, it recognizes that each of these alternatives has different implications for corporate goals, customer satisfaction, and cost-to-serve. The larger and more global a company becomes, the less likely it is that any single alternative will be properly suited to serving its entire customer base. Thus, the ability to construct routes to market using discrete alternatives supports the creation of differentiated GTM solutions, as well as enabling consumer products companies to respond quickly and effectively to changes in corporate

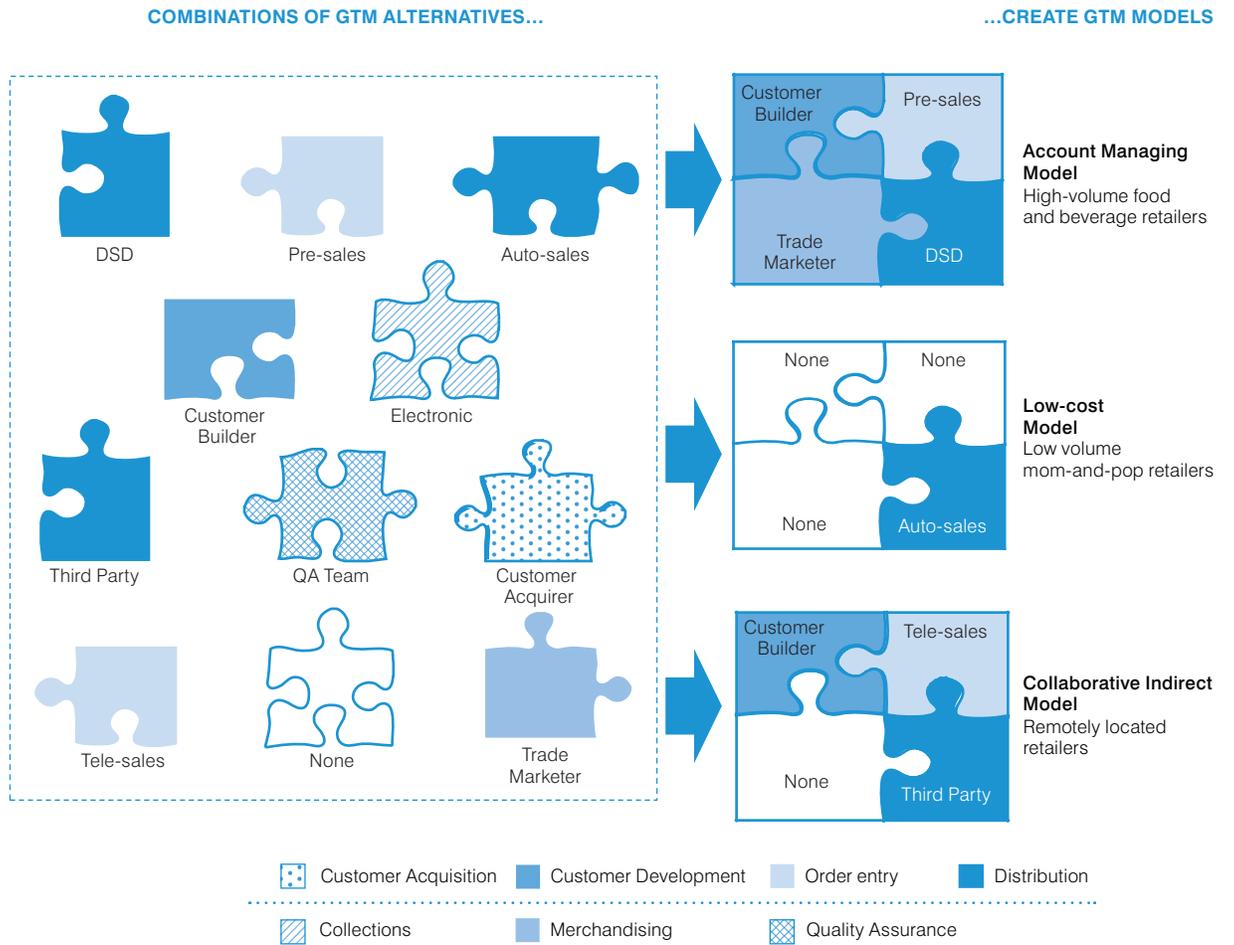
strategy and marketplace conditions. A modular GTM model design process gathers and organizes all of the major activities and their potential solutions in one place. GTM designers can then appraise which solutions are best fitted to each activity in a route to market based on strategic, customer, and cost considerations. This modular approach can be applied to a single customer or a complete segment of customers (*see Exhibit 3*).

When the consumer products company applied this modular approach to its Latin American market, its redesign effort resulted in five

differentiated GTM models, one for each major customer segment. One of these new models was designed specifically for small retailers, a group that had traditionally had a very high cost-to-serve because the existing route to market required a good deal of hands-on attention for many low-volume customers. In redesigning this segment's route to market, the company streamlined the order generation process and eliminated the need for field sales calls by creating standard orders that were assembled for delivery automatically. Payment was collected on the delivery route, reducing billing costs and eliminating carrying costs.

The resources that the company recaptured in using this new model for low-volume customers were reinvested in customer segments with higher growth potential. For example, a newly designed GTM model for larger accounts included two additional staff positions in the sales force: one dedicated to helping these customers grow their businesses and build sales volume, and one focused on making sure the product was displayed and merchandised according to the company's trade marketing guidelines.

Exhibit 3
The Modular Approach to GTM Model Design



Source: Booz & Company

A GTM PLATFORM IS A COMPETITIVE ADVANTAGE

When CPG companies adopt a GTM platform and develop the capacity to use it, they can construct routes to market and redistribute their sales and service resources in ways that serve customers in a differentiated and effective fashion, while controlling costs and complexity. This represents a major competitive advantage in a sector that is characterized by intense competition.

The benefits that the consumer products company we have been describing gained from these actions are significant. They include increased revenues through improved sales

force deployment; a better consumer experience through improved execution and trade merchandising; an increase in trade customer satisfaction resulting from differentiated routes to market that are better aligned to customer preferences; and, no small matter in recessionary economies, increased efficiencies resulting in a lower cost-to-serve as a percentage of total sales. The same rewards are within the reach of any CPG company that embraces a comprehensive platform and structured approach for GTM analysis and design.

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