

Augmenti Consulting



# KEEP YOUR COMPETITIVE EDGE THROUGH SYNCHRONIZED ROUTE-TO- MARKETS

Adaptability is the defining feature of world-class RTMs.

Companies' management boast in their annual reports about the uniqueness of their corporate strategy and the exceptional results achieved during the previous fiscal year. In contrast, the "how to win" component of the corporate strategy, which includes the "Route-To-Market" (henceforth "RTM") and the "Lead-to-Cash", is a closely guarded internal secret regarding the company's actual profit-making methods.

The RTM strategy entails how businesses market their new products to reach their target customers in a scalable and repeatable manner. It begins with the development of new products and services and the targeting of potential customers to enable the delivery of the value proposition and the creation of a competitive advantage.

To ensure that value is effectively captured at the tactical level, the frontline team executes "Lead-to-Cash" routines on a daily basis. The focus of this paper is solely on RTMs.

### Why is it Necessary to Keep Your RTM Current?

RTMs are not meant to be carved in stone. Instead, they must adapt to market conditions and keep pace with the dynamic evolution of the market and shareholder expectations.

As summarized in the table below, there were four primary reasons for the redesign of RTM strategies in our experience.

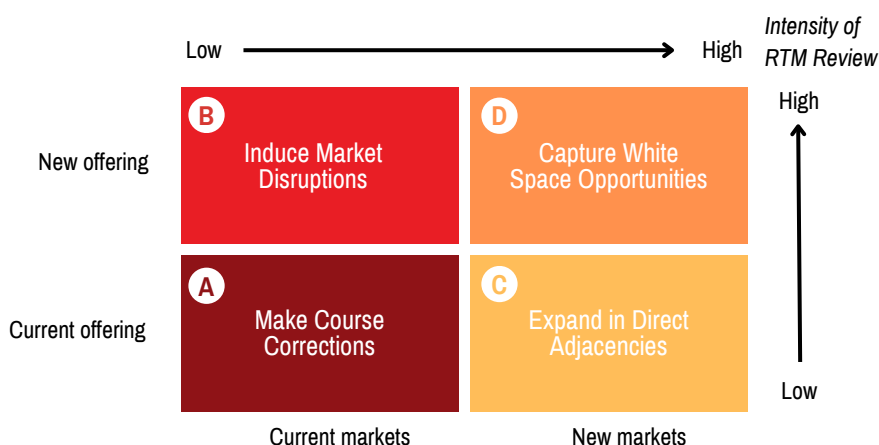


Figure 1: Triggers for RTM remodeling

In case (A), a private equity fund was dissatisfied with the low profitability of a fast-moving consumer goods company in its portfolio. The RTM review began by challenging the investment thesis' underlying assumptions. In this instance, minor but significant structural adjustments were made to the supply chain serving key customers. No further modifications were required further down the line.

In the second example (B), a metal conglomerate received a substantial portion of its revenue from relatively low-margin global commodity traders. The management wished to reach a consensus on whether it would be possible to create a profitable RTM by eliminating these middlemen and selling directly to end users. The questions were whether our client could match the scale and value proposition of global metal traders, and if distinctive, profitable offerings could be tailored to the new customer segments; these customers had not been served previously due to several valid constraints.

In the third instance (C), the shareholders of a logistics conglomerate desired to utilize their infrastructure assets to serve new market segments. Included in the investigation were the validation of the requirement to win with the new set of customers and the required investments. To mitigate the diversification risk, new partnerships were established during the set-up of the new RTM.

In the final case (D), a mineral company desired additional revenue from a byproduct of the processing plant, which was shipped to a landfill. The issue was that the management team was unfamiliar with the market segment to which this product was sold. In this instance, a brand-new RTM was developed and operationalized after receiving approval from the board.

In conclusion, the causes of remodeling were context-specific and dependent on a variety of internal and external factors. In addition, the intensity of RTM review can range from simple course corrections to a comprehensive white-space design.

## Maintaining RTM in Sync With Markets

Due to the wide variety of contexts and goals, there is no ideal method for designing your RTM. In this document, we will outline a generic approach for an effective RTM design. You may adapt yours by selecting and modifying the steps according to your needs.

The figure below depicts a typical RTM design process, which involves the execution of eight steps across three phases.

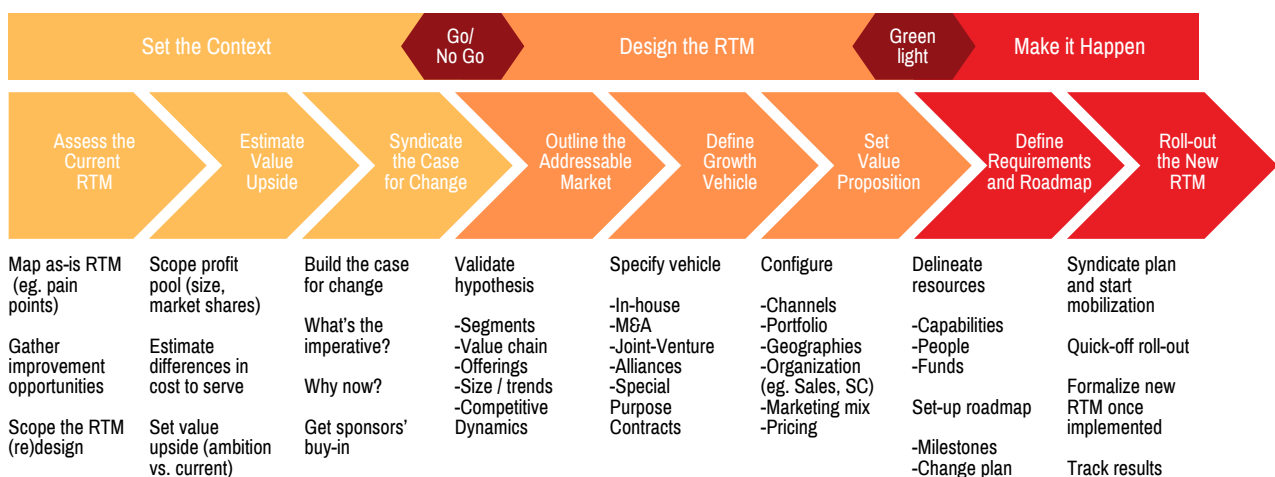


Figure 2: Typical approach for RTM design

## Set the Context

Typical pain points uncovered by assessments include siloed organizations, broken commercial processes, value propositions falling behind the competition, and negative client feedback. The estimated "size of the price" provides insight into the initiative's relative significance. Lastly, the case for change must address the following questions: does the organization's current RTM strategy meet its needs? If not, what modifications are required and why?

Change must be approved and supported at the appropriate organizational level, typically by the executive committee or board. We recommend bringing in an impartial, external perspective to reduce the risk of succumbing to internal political agendas.

## Design the RTM

First, the key assumptions of the addressable market outlined in the business strategy must be evaluated and, if necessary, revised. In addition, the decision of whether to go it alone or with a partner is crucial. The value proposition is then specified in detail in order to best serve the intended audience. Finally, the new RTM is reviewed by the project's key stakeholders prior to approval by the project sponsor.

During this phase, ensure that: consistent feedback is provided to the corporate strategy and lead-to-cash process; all functions are fully integrated and aligned with the proposed RTM; and the RTM strategy matches the official market segmentation perfectly.

## Make it Happen

In the third phase, a detailed implementation plan with allocated resources is developed. After a complete rollout, the organization formalizes the new RTM strategy. The RTM's effectiveness must be monitored, and fine-tuned as needed.

We will now discuss some of the lessons learned from previous RTM design efforts.

## Important Considerations During RTM Design

We recommend keeping the following six critical success factors in mind:

### Be Bold

Significant changes in business outcomes will necessitate adjustments in business practices.

*"Insanity is doing the same thing repeatedly and expecting different results,"* said Albert Einstein.

## Be Sponsored

RTM modifications typically disrupt the routines and agendas of multiple departments, including manufacturing, supply chain, and sales. Obtain board support if the scope of the proposed changes is extensive.

## Be Strategic

Your RTM approach must pave the way for expansion. Not just provide quick fixes for current operational challenges. Define precise strategic guidelines for addressing trade-offs as they arise. Isolate the project team from the pressures of daily routines.

## Be Pragmatic

Always consider implementation. Do not develop theoretical solutions that no one can implement. Design in multidisciplinary groups to ensure that all perspectives are taken into account. Conduct rapid market surveys to test your hypotheses.

## Be Specific

Not all items are identical. Differences between industries and regions are significant. Avoid adopting generic solutions based on the opinions of others. Gain direct experience and an in-depth understanding of how the market is serviced.

## Be Enterprising

Start moving quickly. Capitalize on all quick wins, and adjust as you go. Don't wait until you have the ideal plan. Adopt Agile, MVP-based methodologies whenever possible.

In conclusion, update your RTM whenever market conditions dictate. This is essential to your success and the satisfaction of your shareholders.



### **François Santos**

is the Managing Director of Augmenti Consulting.

Augmenti Consulting is focused on providing advice to boards and C-level executives on the practical steps they need to take to produce tangible bottom-line impacts. Our purpose is to assist you in reaching your full potential and accelerating your growth. More on us at [www.augmenti-consulting.com](http://www.augmenti-consulting.com)