



# Digital route to market

Realize the urgency to  
transform your RTM digitally

June 2022



# Current challenges

## Complex outlet landscape

Outside the classical modern trade channel, the fragmented traditional trade (including Instant Consumption and HoReCa) landscape can be complex and possess unique characteristics.

## Evolving consumer archetypes

Varied consumption habits, maturity of taste, cross-channel behavior and changing buying decisions emphasize the need for multi-paced approaches.

## Poor talent pool

Effective selection, training and deployment of the sales force's skillset and talent are needed to maximize customer experience and sales.

## Data access and utilization

The historical lack of data visibility makes it important to invest in ways to capture the "right data" and transform them into insights.



# Why now?

**An effective, efficient and agile RTM is more important now than ever before. Such an RTM can enable CPG companies to increase their net sales while managing their cost-to-serve without major changes in R&D, products and manufacturing.**

By combining physical and digital RTM tools, companies can increase numeric and weighted distribution while controlling cost-to-serve. Not only will companies be able to reach outlets better, but this physical and digital RTM combination will also lead to:

- More direct access to the B2B and key decision-makers on the customer side and, hence, an improved and better contact and service strategy
- Improved and more personalized product, service and promotion offering
- Increased loyalty among customers and consumers

To achieve these, certain organizational implications are necessary. CPG companies need to break down functional silos, shift toward digital capabilities and skills and set the right incentive structure for the workforce and partners.



# Treat RTM as a strategic vehicle – A step change to support growth while managing cost-to-serve.



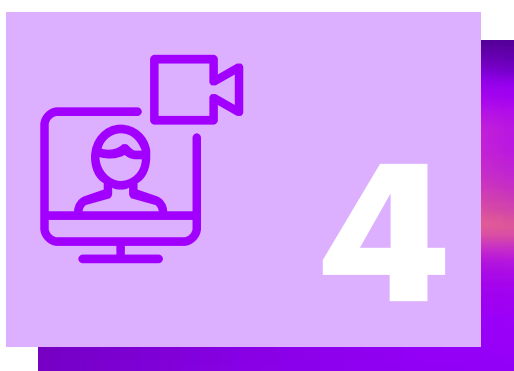
**Think holistically** and focus on E2E customer and consumer experience



**Go deep, go operational** and look at true enhanced customer and consumer segmentation, occasion, ecosystem, drop sizes, routing and channels

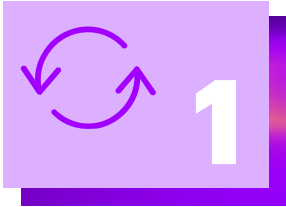


**Break down functional silos** and define a combined cross-functional team



**Rethink performance, metrics and incentives** for your sales and marketing organization as well as your partners





## Think holistically

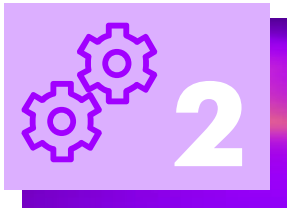
**Now and in the future, CPG companies must move closer to consumers not only by offering an experience and enabling direct selling but also by understanding the customer better and the Point of Sale the consumer frequents.**

**The CPG player needs to understand the true occasion of the consumer in and around the Point of Sale (PoS)/customer. In addition, a few key questions should be addressed before deciding on an improved B2B experience, going B2C or combining both.**

- How do we combine digital and physical channels?
- How do we ensure seamless and exciting omnichannel experience?
- What are the benefits of going directly to the end-consumer?
  - Will there be enough uptake by going to the end-consumer to compensate the loss on the retailer side?
  - How can we compensate the retailer for this?
  - What is the digital maturity of the end-consumers in this specific market?
  - Are we creating more noise than necessary?
- How do we apply technology in the best possible manner to support experience, performance and seamless integration?
- How do we leverage the strength of ecosystem partners, and how do we manage them?
- What internal and ecosystem partner (e.g., merchandisers, distributors) capabilities are necessary, and where do they need to be upgraded?

Moving closer to the end-consumer makes sense if the CPG company can increase its awareness in the eye of the end-consumer. If the CPG company can understand the consumer and their occasion better and offer more personalized products and services as a result, the end effect is that net sales across all channels will increase. However, the CPG company needs to consider the potential cannibalization impact on customers and evaluate the net-net effect.





## Go deep, go operational

**Digital channels are a key enabler to provide access to the consumer and connect better to the PoS while driving penetration and numeric and weighted distribution – leading to higher net sales.**

### Digital tools

A fast-evolving set of digital tools exist nowadays to combine digital with physical visits. The cost of these digital tools is considerably lower than the cost of a physical visit by a sales rep or the sales reps of distributors.

At the same time, all these tools can establish direct connectivity with the PoS and capture data that can be used to improve the profiling of both customers and consumers.



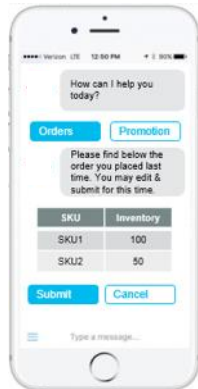
#### 1. Retailer app

Empower outlets to order through their smartphones



#### 2. Chat bot

The new age digital medium, order using popular chat engines



#### 3. IVR

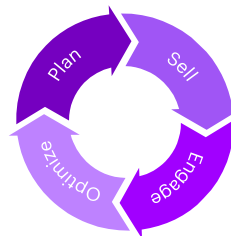
Easy to use IVR to order for non-smartphone users

- Level 1 menu**
- Press 1 for new order
  - Press 2 for status of existing order
  - Press 3 to talk to agent
- Level 2 menu**
- Press 1 for SKU 1
  - Press 2 for SKU 2
  - Press 3 for SKU 3



#### 4. Tele sales

Run tele campaigns to book orders through phone



#### 5. Field sales

Shift focus from order booking, become the sales enabler from sales agent

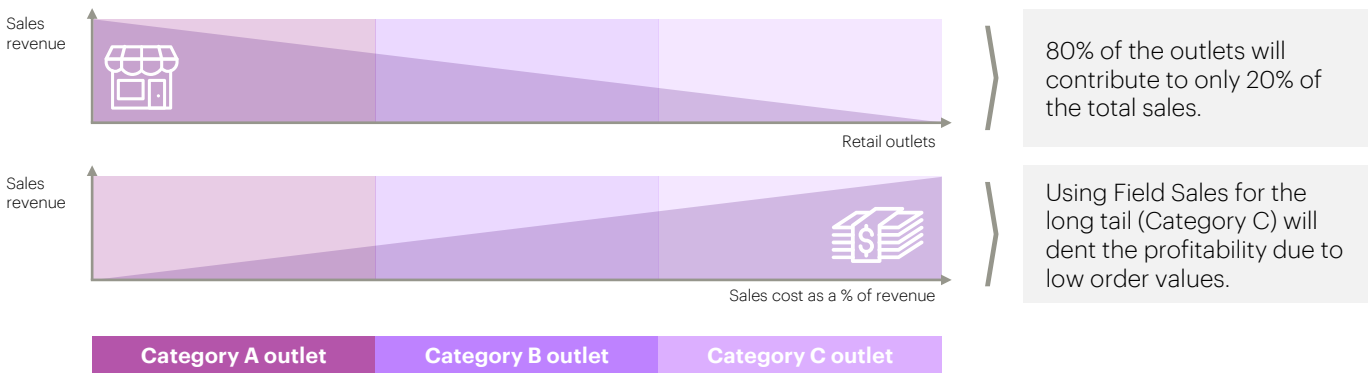


## Long-tail problem

As CPG companies improve their outlet reach, they are faced with the long-tail problem, which impacts profitability. By combining the physical and digital tools, the contact and service strategy can be redefined, improved and tailored across all segments, which leads to increased net sales in the end.

Looking at typical contact service strategy and illustrative segmentation of customers of a CPG company in a specific region, we see that while PoS engagement in segment A brings the biggest value, this is reduced in segments B and C to 2 or 1 per month, respectively, given that drop sizes (sell-in) do not cover more of the cost to sell and serve.

This generates lost revenue potential, given that the company neither services the outlets properly to establish long-lasting relationships nor knows the outlets and consumers sufficiently. In addition, the true potential can therefore not be properly estimated. However, the CPG company should not leave segments B and C completely out of sight and have little knowledge of the PoS and of whoever buys in them. In the end, they still pose a substantial business potential. This will naturally vary depending on market archetype and the split between modern and fragmented/traditional trade.



As-is Engagement	Category A						Category B						Category C					
	4x						2x						1x					
Week 1	Mon	Tue	Wed	Thu	Fri	Sat	Mon	Tue	Wed	Thu	Fri	Sat	Mon	Tue	Wed	Thu	Fri	Sat
Week 2	Mon	Tue	Wed	Thu	Fri	Sat	Mon	Tue	Wed	Thu	Fri	Sat	Mon	Tue	Wed	Thu	Fri	Sat
Week 3	Mon	Tue	Wed	Thu	Fri	Sat	Mon	Tue	Wed	Thu	Fri	Sat	Mon	Tue	Wed	Thu	Fri	Sat
Week 4	Mon	Tue	Wed	Thu	Fri	Sat	Mon	Tue	Wed	Thu	Fri	Sat	Mon	Tue	Wed	Thu	Fri	Sat



Lower engagement = lower sales; stock-outs



Field sales is focused on replenishment vs. sales



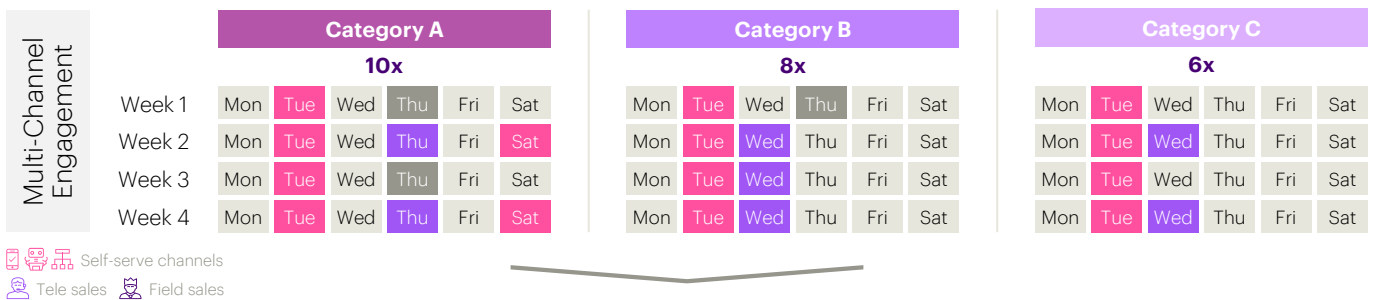
Untapped sales in category C outlets due to low order value

## Increased retailer engagement through omnichannel in RTM

Engagement across all segments can be increased and optimized. Depending on the segment, the increase can be up to 3 to 4 times while controlling cost-to-serve. However, there should be an evaluation on how much of an engagement is needed and in what form and combination is the right one; otherwise, an “over-servicing” could be done. In addition, the connectivity through digital tools enables a much better profiling and segmentation of the customer’s PoS.

Hence, if we summarize, digital RTM tools will have strong benefits across all channels through and leading to:


- Improved contact and service strategy with direct access and communication to customers and consumers, enabling improved profiling, product and service offering and driving net sales
- Better understanding of customers and consumers
- Control of cost-to-serve
- Improved ability to offer targeted trade promotions (higher ROI, higher net uplift and net sales)



  
3-4x increased engagement

  
Increase in revenue

  
Lower cost of order

  
Low-cost channel adoption





## Break down functional silos

**To respond to the new complex market conditions and achieve best effectiveness of the digitalization, CPG leaders should rethink their organization landscape and commercial functions and consider working in multidisciplinary teams as the borders are blurring in the digital world.**

**Without implementing and scaling sales technology solutions (e.g., an enterprise sales platform), the current sales workforce will not be able to satisfy internal and external customers anymore. This challenges the current roles within the organization, such as the role of the Customer Manager (KAM), a role that looks the same today in many sales organizations as it did in the past century.**

Leaders are looking to transform this role using automation and analytics to streamline non-value-adding activities, freeing up time to focus on transforming the category experience and driving new ways to create joint value for their customers.

In terms of remodeling their organizational structure toward digital RTM, CPG companies often progress through a set of phases until they reach the point where RTM responsibility is fully distributed and embedded. Most traditional CPGs started their journey by concentrating all commercial-related responsibilities (e.g., eCommerce, online merchandising, online content) under one business unit. This means shared responsibilities of sales and operations, customer- and consumer-facing business areas distributed across departments and marketing responsibilities divided between digital and non-digital activities.

Furthermore, we see many companies following this principle of driving an E2E ownership across the whole organization within a digital transformation (e.g., CoE for digital marketplaces where business and IT work closely together). They started to take end-to-end responsibility for digital products, focusing on value, speed, agility and customer needs, and create value for business and consumers. Having one dedicated unit that is end-to-end accountable for continuous value delivery along and across the different consumer and customer channels not only increases synergies but also minimizes handovers and dependencies to/from other teams. Some CPG leaders even install a dedicated RTM director next to the sales organization in the specific regions and/or globally to enable a pure customer- and consumer-centric orientation and 360° view on customer and consumer data, both online and offline. Once the specific capabilities are built up and the transformation process is completed, we observe an integration of the responsibilities across all divisions of the organization, especially into the sales organization, while ensuring a continuous collaboration between technology and the business focusing on continuous value delivery.





## Rethink performance, metrics and incentives

**The transformation, however, does not stop with restructuring the organization, its functions and capabilities. Moreover, the organization must have the right mechanism in place to measure success in an effective and balanced way.**


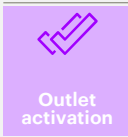

### Performance, metrics and incentives

**This requires a clear definition and alignment within and across functions and markets on operational KPIs and performance (e.g., traffic generation and visit rate, customer lifetime value, conversion rate, retention rate, SKU, cost-to-serve).**

It is important to drive transparency and consistency of the identified measures to enable comparison and, more importantly, incentivize the workforce to work toward common goals. While the Sales organization, for example, is rather short-term oriented and focuses on its own silo based on its compensation structure, it lacks the understanding of a big digital RTM transformation where the effects on the P&L are rather long-term. Hence, there is little incentive for the Sales organization as of now.

To increase acceptance of being collaborative across the organization and drive digital transformation, an appropriate financial incentive structure is recommended in terms of commission, bonus, etc. This will drive a more collaborative organization where sharing insights is encouraged.

Part of this exercise is also to identify key value levers. We saw CPGs generating huge benefits from their digital RTM transformation through detailed knowledge of customer and consumer (360°) – delivering at the best service level; increasing coverage, penetration, numeric and weighted distribution; leveraging the ecosystem; using digital tools and channels; and transforming the field force with clear roles and increased productive time for salespeople.

	KPI	Description
 Sales	Sales target achievement	Actual sales volume/volume target by sales rep.
	Customer volume growth	Customer actual volume/volume period n-1
	SKU sales target achievement	Actual SKU volumes by sales rep.
	SKU sales volume per customer	SKU sales volume per customer by sales reps.
 Outlet activation	# of SKU per customer	# of SKUs purchased in the last month by a customer
	Out of stock at the routes	Numeric and weighted OOS by route
	Cooler pollution	% of pollution of coolers in route/area
	Share of visible inventory (SOVI)	% of visible inventory for the category
 Efficiency	Average stock days at the outlet	Average days of stock per outlet in a route
	Average travelling time	Average time travelling between point of sales in a route
	Strike rate	Total visits/visits with sales
	# POS visited per day	# of visits done in the day

## When bringing tools and platform together the results can be significant

Overall, we see CPGs that were able to realize 10–14% top-line growth and up to 50% cost-to-serve and cost-to-sell reduction (e.g., \$850 million in revenue and \$20 million in OPEX savings in GTM for a global beverage company) when transforming their RTM. This includes increases in numeric and weighted distribution, frequency and number of visits per day (e.g., up to 20–25%), strike rate (e.g., up to 9–32%) and increases in drop sizes in some areas. With an optimized contact strategy, the travel time can be reduced by 32%, and with better technology and focus on important visits, the admin time can be reduced by 44%. This frees up capacity for value-adding capabilities such as developing and hunting.



Levers	Impact areas	Improvement range	
Sell in – revenue uplift	Territory coverage	<ul style="list-style-type: none"> <li>Prioritized new and grey outlet lists</li> <li>Prioritized list across all outlet types (overall outlet value)</li> </ul>	varies
	Outlet coverage	<ul style="list-style-type: none"> <li>Optimised outlet visit schedule including timing of visit within month (increases and decreases in number of visits over the year)</li> </ul>	+8–10%
	Portfolio/ assortment	<ul style="list-style-type: none"> <li>Recommended portfolio/assortment mix by store</li> <li>Recommend stock level according to assortment mix by store</li> </ul>	+5–7%
	Order quantity	<ul style="list-style-type: none"> <li>Recommended order quantities by store</li> <li>Recommended minimum inventory by store</li> <li>Recommended promotion execution plan</li> </ul>	+2–5%
	Instore - equipment	<ul style="list-style-type: none"> <li>Recommended in-store equipment plan (Fridge, racks, storage devices, lighting, etc. with usage)</li> </ul>	varies
	Campaigns/ promotions	<ul style="list-style-type: none"> <li>Prioritised stores for new product introduction/testing</li> <li>Prioritised segment specific promotions (with sensitivity)</li> </ul>	+15–20%
Cost reduction	Salesforce effectiveness	<ul style="list-style-type: none"> <li>Optimised dynamic daily route maps for each salesperson</li> <li>Optimised timing in each store</li> </ul>	-5–10%
	Merchandising elements	<ul style="list-style-type: none"> <li>Optimised store planograms</li> <li>Optimised store merchandising</li> </ul>	-2–5%
	Supply chain	<ul style="list-style-type: none"> <li>Optimised SKU stock levels in supply chain</li> <li>Optimised delivery route</li> <li>Optimised vehicle type for delivery for route</li> </ul>	-10–15%



# So where should CPG companies start? We summarize the key actions that you can take below.

- Develop commercial segmentation strategies estimating their impact
- Improve classification of new customers using a data-driven approach
- Enhance resource allocation to minimize costs (establishing the right number of execution levers for each outlet)
- Maximize value of product/service to customers by optimizing their assortment (bundling, segmentation)
- Tap hidden assets to commercialize
- Quantify market potential and priorities
- Create new revenue growth streams
- Optimize price and profit using analytics to shift visits to the most valuable customers
- Focus sales and negotiating talent on the right markets and opportunities
- Align sales incentives with behaviors and outcomes
- Set intelligent sales targets and quotas
- Put the commercial operating model in place
- Effectively communicate the sales plan
- Prepare the sales force to execute (e.g., account workouts, sales enablement, negotiations training)
- Establish governance and monitoring



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