



LEAN ROUTE-TO-MARKET



BACKGROUND

In general terms, a route-to-market (RTM) is the way a company brings the right products, to the right point of sales, at the right time. The RTM is the pipeline through which the company flows goods in one direction (supplier to customer), and the payments generated by them in the opposite direction (customer to supplier). In simple terms, a company could have the best product or service in the world, but it will fail if the company does not put the product or service in front of the right customers.

Historically, the RTM core responsibility was to distribute a product from a depot to as many points of sale with a regional or national focus. However, the scope of RTM has expanded to a digitally globalised market with several distribution channels where the market strategy is aligned with the distribution strategy, in order to meet the desired product penetration quota and service the defined market niche. Therefore, nowadays excellence in product or service distribution (RTM) depends on the distribution focus and market strategy.

NUMERIC DISTRIBUTION

Suited for a mass market strategy, with significant volume from several channels with a focus to be in every outlet possible to make the product available to the widest possible consumer base.

ONLINE DISTRIBUTION

Suited for mass market strategy, with significant volume from several points of collection, from producers to distributors with the aim to reach the final consumer through a densely capillary distribution base

WEIGHTED DISTRIBUTION

Suited for more specific niche market strategy, with a focus to be in a smaller number of outlets that are frequented by specific and recurrent customers that fit the targeted customer segments, i.e., “luxury” products.

BEST PRACTICE RTM HARMONISES THE NEEDS AND COMPETENCIES OF SALES, MARKETING AND DISTRIBUTION AREAS IN A COMPANY, BOTH INTERNAL AND OUTSOURCED, WHERE THE RELATION IS BASED ON PARTNERSHIP AND SELL-OUT, WHERE THE DISTRIBUTOR ROLE AND RESPONSIBILITY IS CLEARLY DEFINED AND COMMUNICATED, THE GOALS ARE KNOWN AND PURSUED, AND THE REQUIREMENTS FOR AN EFFECTIVE RTM PLATFORM ARE MET:

MARKET DRIVEN

The RTM processes are designed market-back, to address the customer and consumer needs.

COHERENT

The RTM platform is aligned and integrated with the company's overall customer service framework (from order processing, to delivery and invoicing).

BALANCED

The RTM framework balances the commitment to meet the main business priorities: customer needs and preferences, revenue growth and cost-to-serve.

FLEXIBLE AND AGILE

The RTM design is flexible and agile enough to be improved or adjusted based on changing market conditions, the results obtained and the customer's feedback.

Because of the development of an increasingly integrated digital global economy market with very different distribution channels (traditional trade, modern trade, wholesales, online trade, etc.), RTM operations have become the key factor to deliver the right goods, to the right point of sales in the right form, quantity and time, making RTM an excellent candidate for Lean solutions that increase quality and lead time, while at the same time enabling sustainable cost reductions.

CHALLENGES

The biggest challenge for today's CPG (consumer packaged goods), FMCG (fast moving consumer goods) and trade integrators (online distributors) RTM managers, is to enable the market penetration growth through better sales rates at the lowest possible cost, and hence, profitable growth achievement.

Applying Lean to the RTM operations ensures that companies gain a competitive edge by improving S&OP processes by setting standardised processes, improving forecasting and demand planning accuracy, managing product mix complexity, managing market seasonality, reducing production variability, managing route optimization on a digital base, integrating different departments into the strategy and tactical plan definition, and defining the proper leading and success KPIs.

Increasing revenue without sacrificing profit, by defining the correct processes to reduce supply chain costs: improving productivity and customer service without increasing operational costs and reducing operating capital.

DEFINING THE CORRECT SOLUTION FOR THE DISTRIBUTION:

SELF-OWNED

The company owns distribution centres and vehicle fleet.

OUTSOURCED

The company outsources distribution centre management and vehicle fleet management.

PARTIALLY OUTSOURCED

The company outsources only parts of the operations, either by distribution channel or type of operations.

- Managing human resource issues by defining the proper organisation size, roles, responsibilities and making staff effectiveness transparent and quantifiable
- Enhancing and digitalizing the stock-keeping and stock monitoring capability, by implementing the FIFO (first-in-first-out) & FEFO (first-expiry-first-out) principles, defining robust processes and standardising them across the distribution network
- Optimisation of resources usage, by defining better digital routing solutions to gain access to remote places, without compromising the operating cost and the product viability
- Managing the constantly increasing complexity of the market by improving flexibility and showing high change-adaptability to know and meet evolving customer demands

FOCUS AREAS

Waste in RTM processes can be identified, classified and minimised in the same way as waste in manufacturing, as well as creating tremendous savings potential. Lean principles, Kaizen methods and re-engineering approaches can be applied in every phase of the supply chain. The right Lean solutions can improve product delivery quality, reduce lead-time and reduce working capital.

WITH ALL REGIONAL, SOCIAL AND CONSUMER TRENDS CHANGING, THE RTM IS FACING A CONSTANT INCREASE OF MARKET COMPLEXITY, PRODUCT COMMODITISATION, TECHNOLOGY INTERFACING AND PRESSURE TO DELIVER A SERVICE DIFFERENTIATION THAT ENGAGES THE COMPANY TO THE MARKET, THEREFORE IDENTIFYING AND CORRECTING THE SEVEN TYPES OF WASTE IS NECESSARY:

TRANSPORTATION

Unnecessary transports that result in added cost and lower productivity such as out-of-route stops or excessive returns management.

INVENTORY

Any activity that results in excess inventory – or lack thereof – being positioned in a location where needed. An example of this is pushing the product into the distributor or the channel, without taking into account the sell-out of the goods.

MOTION

This includes any unnecessary movement of people, such as walking, reaching or stretching, due to un-optimised loading layouts or lack of material handling resources, like pallet-jacks, lift trucks or picking lists including out of stock items.

WAITING / DELAY

People, systems and material delays due to badly integrated processes, such as delays of loading and unloading at the distribution depot or at the customer site, e.g., sales van queuing in front of sales depot for being loaded / off-loaded due to poorly assigned time windows for sales vans sub-groups.

OVER-PROCESSING / OVER-PRODUCTION

Any duplicated efforts that may be caused by poorly defined processes or responsibilities between the distributor and the principal, e.g., sales van driver is loading the trade shelves himself, without following the shelf planogram and later the merchandisers have to adjust the product according to the planogram.

DEFECTS

Activities that cause re-work, returns or adjustments, such as: mislabelled orders delivered at wrong facilities, incorrect documentation or even wrongly balanced loads that result in expired materials in the delivery vans.

USE OF SPACE

Any use of space that is less than optimal, accordingly to the measure and route, e.g., inefficient van loading planograms or inadequate retail displays design.

FOCUS AREAS - CONTINUED

Lean Solutions designing and implementing Lean RTM processes can have a great impact on sales and profit growth.

BY APPROACHING THE WASTE FOCUS AREAS MENTIONED ABOVE WITH LEAN TOOLS, SOME OF THE OPPORTUNITIES THAT COME BY REDUCING LEAD TIMES, INCREASING QUALITY AND REDUCING COSTS IN RTM INCLUDE:

- Reduction in order handling, loading and unloading time in at the distribution depot and/or at the customer site
- Increased value adding activities and customer “face-time”
- Reliability of the information to coordinate demand and supply of goods
- Reduction in stock variability, stock-outs and excess stock carry-out at the depots, the distribution centres and the customer sites
- Increased flexibility to approach and subdue ever-changing market conditions and clients’ specifications without needing to spend money to achieve it

LEAN SOLUTIONS

We implement Lean Solutions in RTM functions, in a similar way to other supply chain solutions, addressing the challenges whilst sacrificing neither quality nor speed to market, at the same time as reducing the costs.

PULL

- Enable FIFO at the batch level
- Reduce inventory levels throughout processes
- Avoid over-production
- Increase visibility of bottlenecks in the process

ONE PIECE FLOW

- Enable FIFO to a single product / service level
- Create transparency of the real process lead time
- Reduce lead time
- Reduce inventory levels throughout the process
- Increase quality
- Reorganise the processes in the right sequence

TAKT

- Process transparency
- Balanced distribution of the workload across resources
- Process flexibility
- Ability to plan resource capacity and / or improve forecasting
- Optimal efficiency in resource utilisation

ZERO DEFECTS

- Enables problem root cause analysis and solving
- Prevents problems snowballing through the process
- Increases quality
- Enables an open culture of problem solving vs. finger pointing
- Supports digitally enabled reporting



TANGIBLE IMPROVEMENTS

LEAD TIME

- Implementing process changes, van loading and unloading times can drop to 50% of the actual processing time, enabling a 20% to 30% increase of customer visits / drops
- Optimising the van layout may increase the van filling rate up to 25% and customer order picking times by up to 60%

QUALITY

- A correct classification of the outlets regarding their characteristics reduces up to 30% of the stock carryover and up to 80% of the stock returns
- Implementing stock controlling processes and RFID increases the inventory control up to 99% accuracy

COST

- Implementing standardised processes to control stock at all the stages of the supply chain increases the stock turnover by up to 80%, reducing the total stock carryover and operating capital needs by up to 50%
- Specialising the service per channel, optimising the van filling rate, and the routing, decreases the transportation costs by 15% to 20%, whilst reducing also the ecological impact
- Optimising the back-office processes enables a 20% to 40% rationalisation of the FTE usage



Should you be interested to know more about our Lean services regarding this topic, then please contact us:

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