



RTM – extract from Module Three

Market Focus

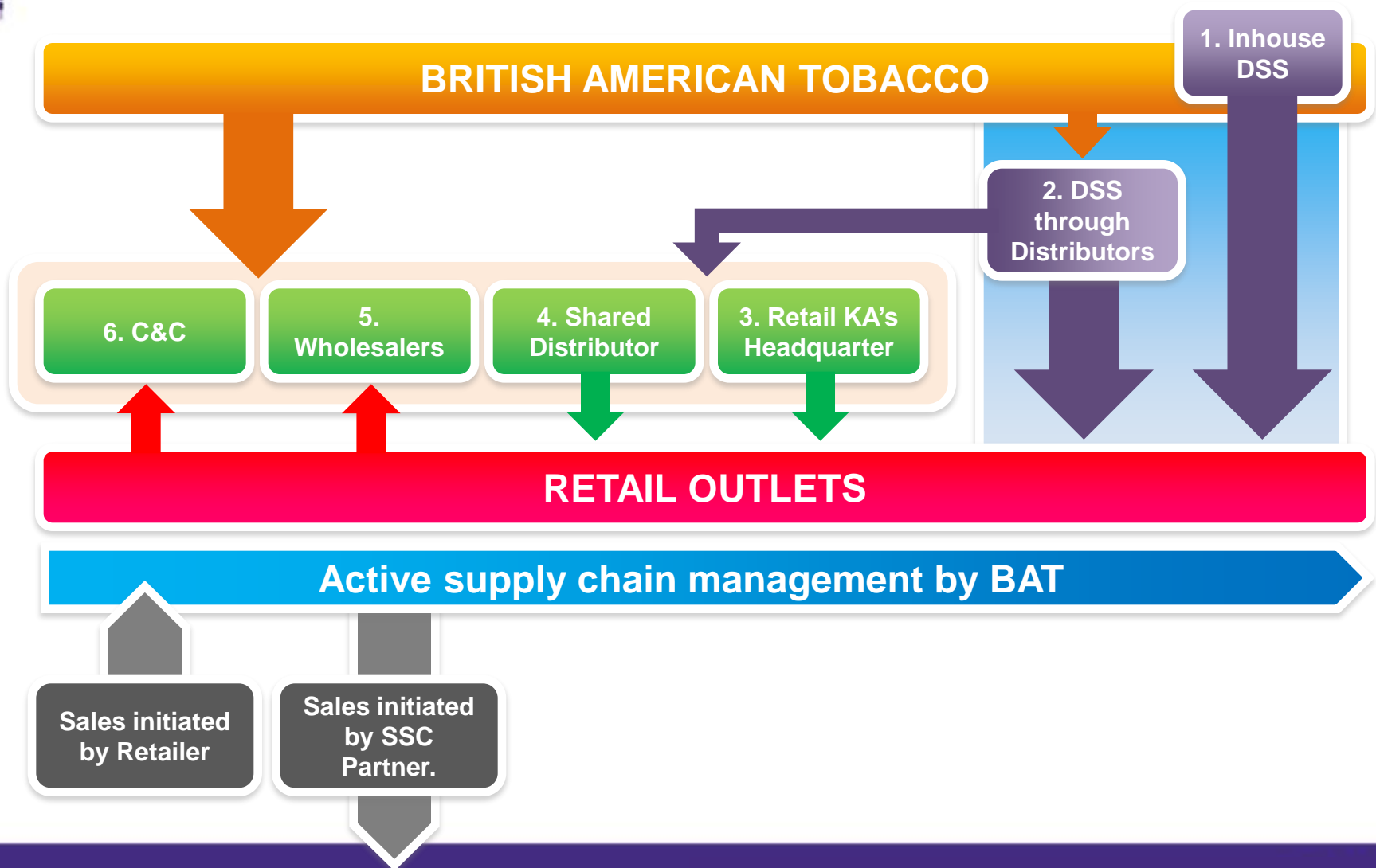
What is Route to Market?

Route to Market (R2M) refers to the strategy and the strategic choices made by a company in order to market its products and have them available to consumers

- Companies have to decide the level of their involvement in the supply chain
- It may go from **Passive** (*reactive, low ability to impact sales following demand*) to **Active** (*pro active, high ability to impact, sales*)



Route to market approaches



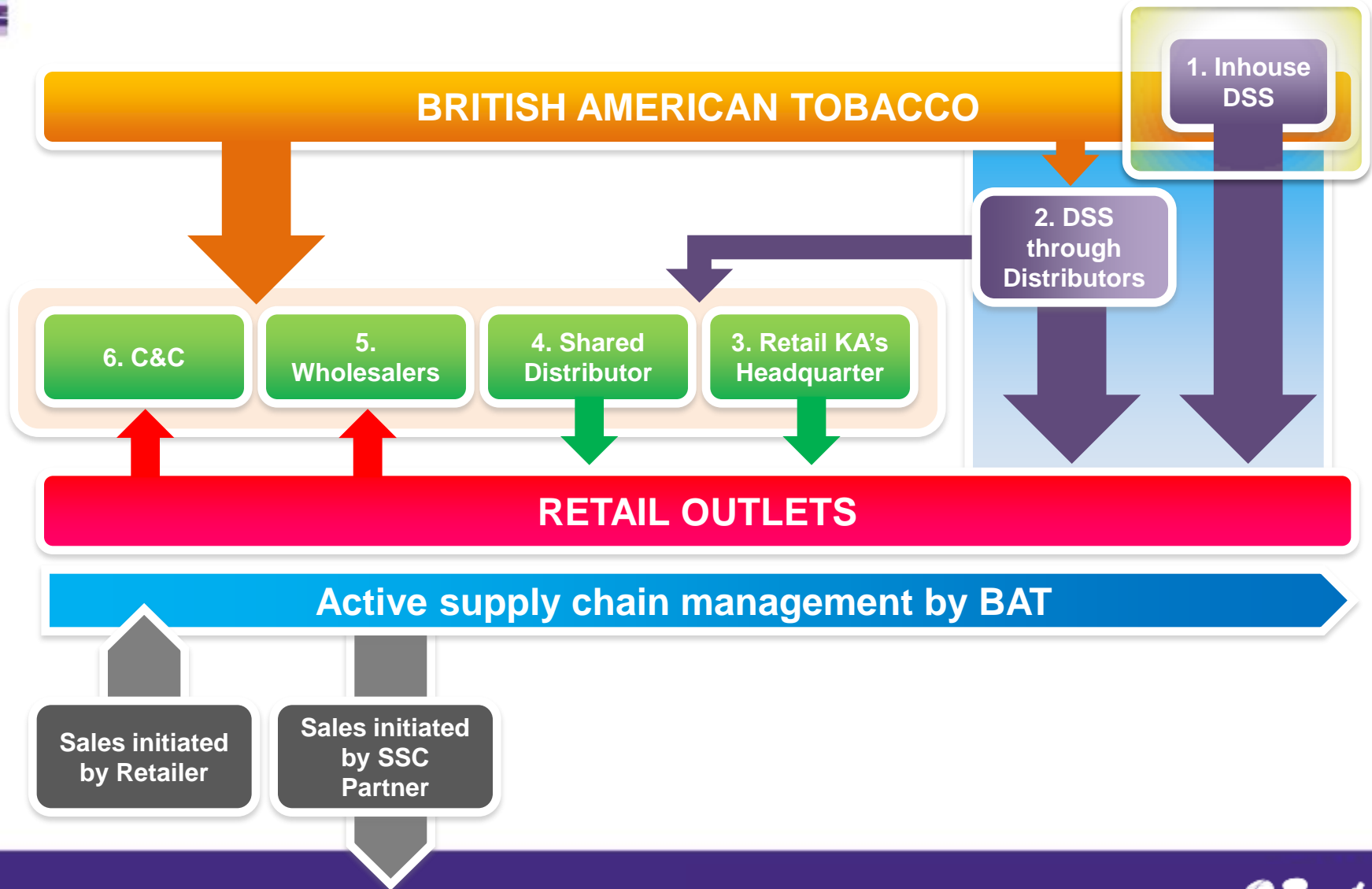
What is DSS - Direct Store Sales?

Direct Store Sales (DSS) is a business model by which BAT **plans**, **organises**, **directs** and **monitors** the execution of the selling process of its products to retail outlets aiming at enhancing the execution of the Marketing Strategy

- BAT owns the relationship
- BAT sets priorities, plans resources and decides on their deployment
- BAT Directs the field force execution by cycle planning.



Route to market approaches



Direct Stores Sales - In House

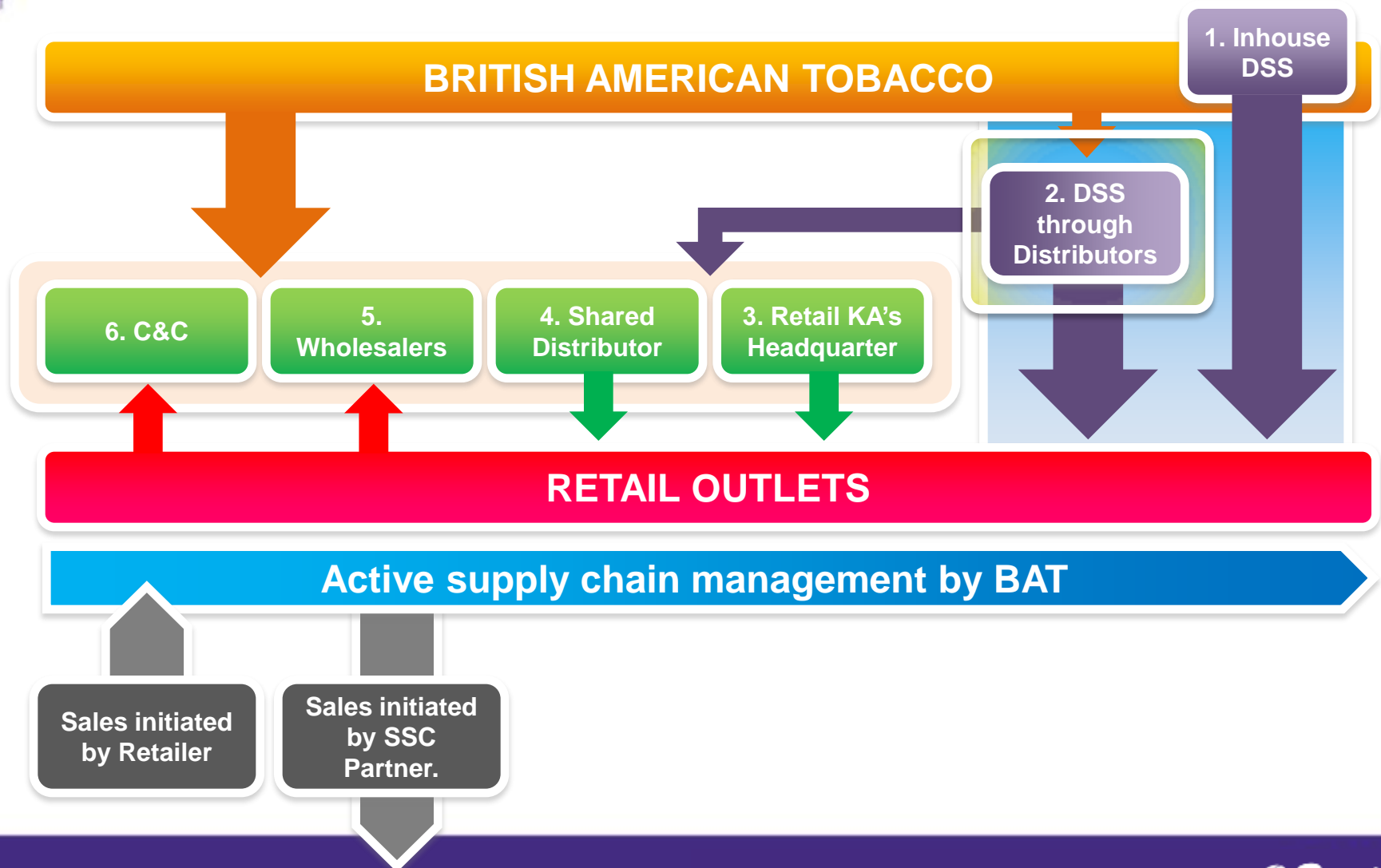
BAT decides to take the full control of its supply chain and start servicing retail outlets directly

Main Characteristics:

- Field Force Management and Reps are employed by BAT
- All strategic decisions, objectives and priority setting owned by BAT
- All costs directly paid by BAT
- BAT may decide to sell other products (ie. phone cards, lighters, etc) to partly recover the distribution operational cost
- BAT decides all aspect of the service offered to retailers (pricing & trading terms, product assortment, outlets to be serviced)
- Other partners, as Logistic Service Providers, may be involved to execute some of the back-end services. These services are covered by contract.



Route to market approaches



DSS - through Distributors

Independent company, the relationship is governed by a contract. The core business of these distributors is only and exclusively selling BAT products

Main Characteristics:

- Control of front-end activities
- Sell-in is perceived by the retailers as a visit from BAT but Field Force are not employed by BAT
- Distributor Field Force trained to our requirements
- Full access to information
- Exclusive selling of our products

Other partners, as Logistic Service Providers, may be involved to execute some of the back-end services. These services are covered by contract. BAT can have more than one Distributor at the same time working on different geographical areas.



Prompt Sales, Pre-Sales, Telesales

Prompt Sales

- Order taking and the delivery occur during the
- The order to delivery cycle is physically

Pre-sales

- The order is captured during a different visit than the delivery
- The field work is split between 2 types of representatives: sales representative and delivery driver

Telesales

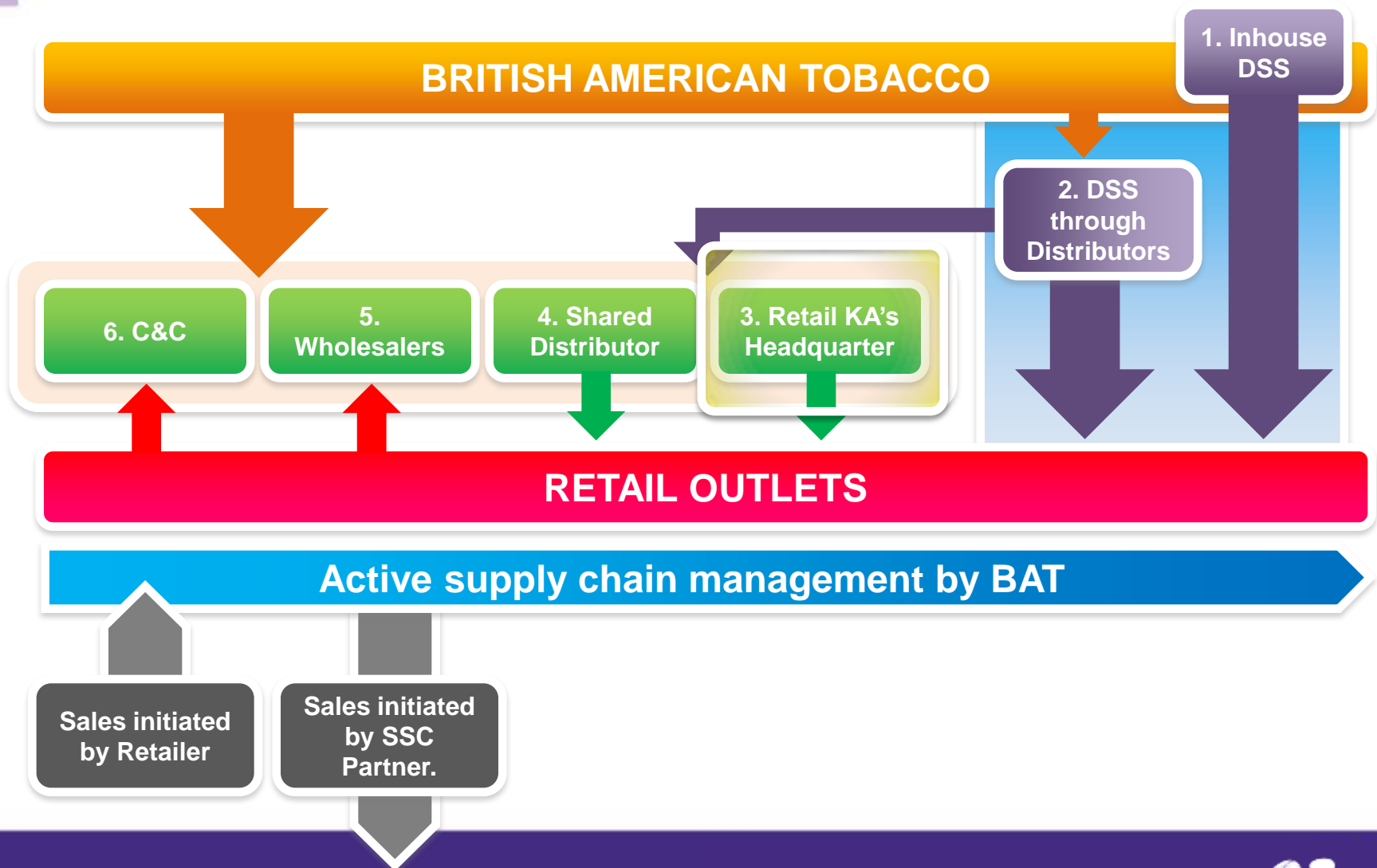
- The order is captured during a different visit than the delivery, but the major difference to pre-sales is that the order is captured through a phone call
- The field work is split between 2 types of representatives: call centre representative and delivery driver.

Web Ordering

- No representative contact
- Automated approach

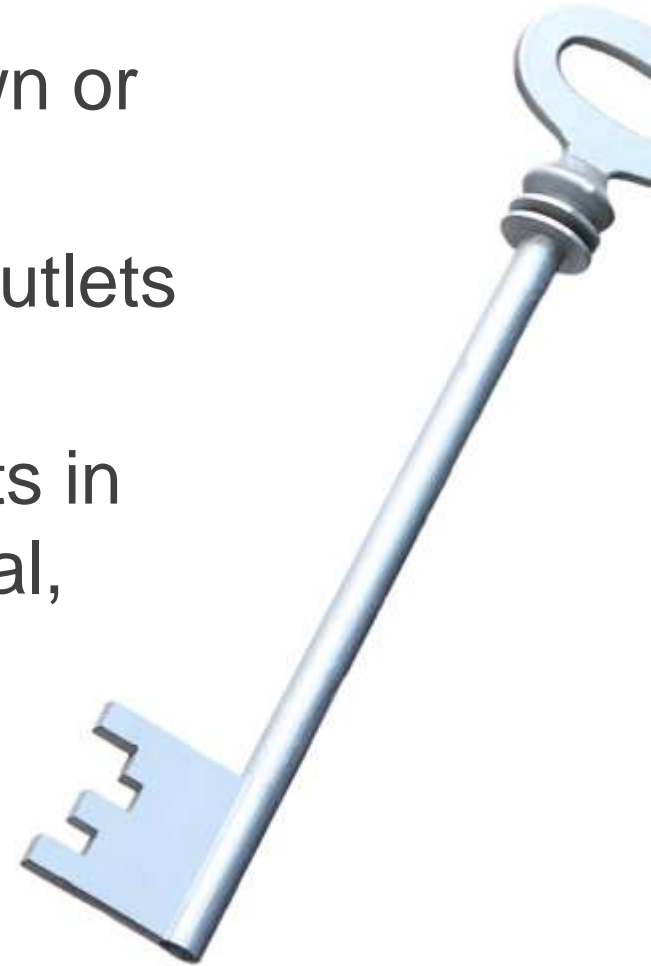


Route to market approaches



Key Accounts

- Accounts are customers who own or control more than one outlet
- Independent outlets are single outlets selling directly to consumers
- Consider the role of key accounts in your market – what are the global, regional, national and local key accounts? And what is their influence on your marketplace?



Retail Key Account's Headquarter



**Selling to Retail KA
HQ and delivery to
central warehouse**

**KA manages distribution
to his outlets**

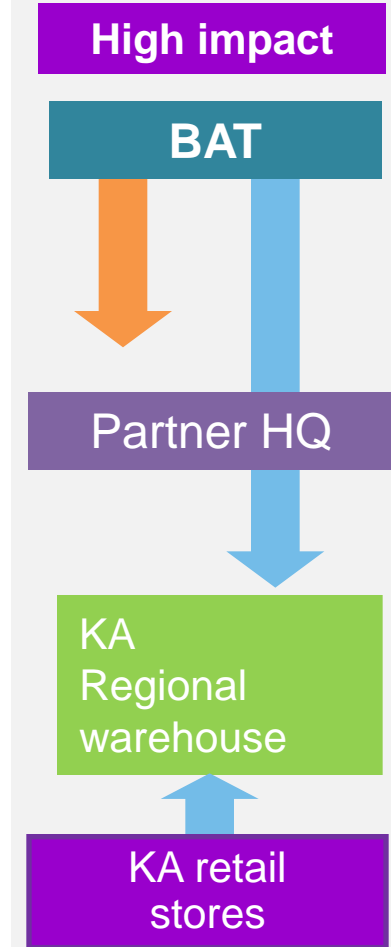
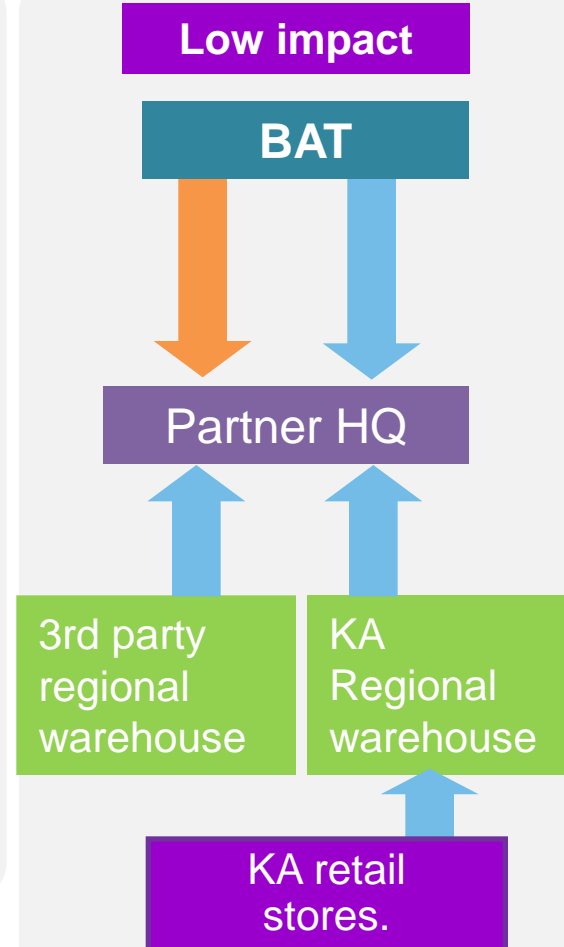
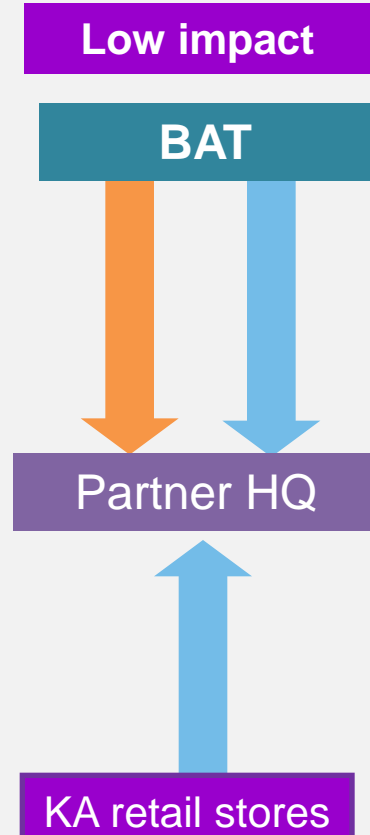
Central payments arranged by KA

We have no influence on
replenishment at retail outlet level

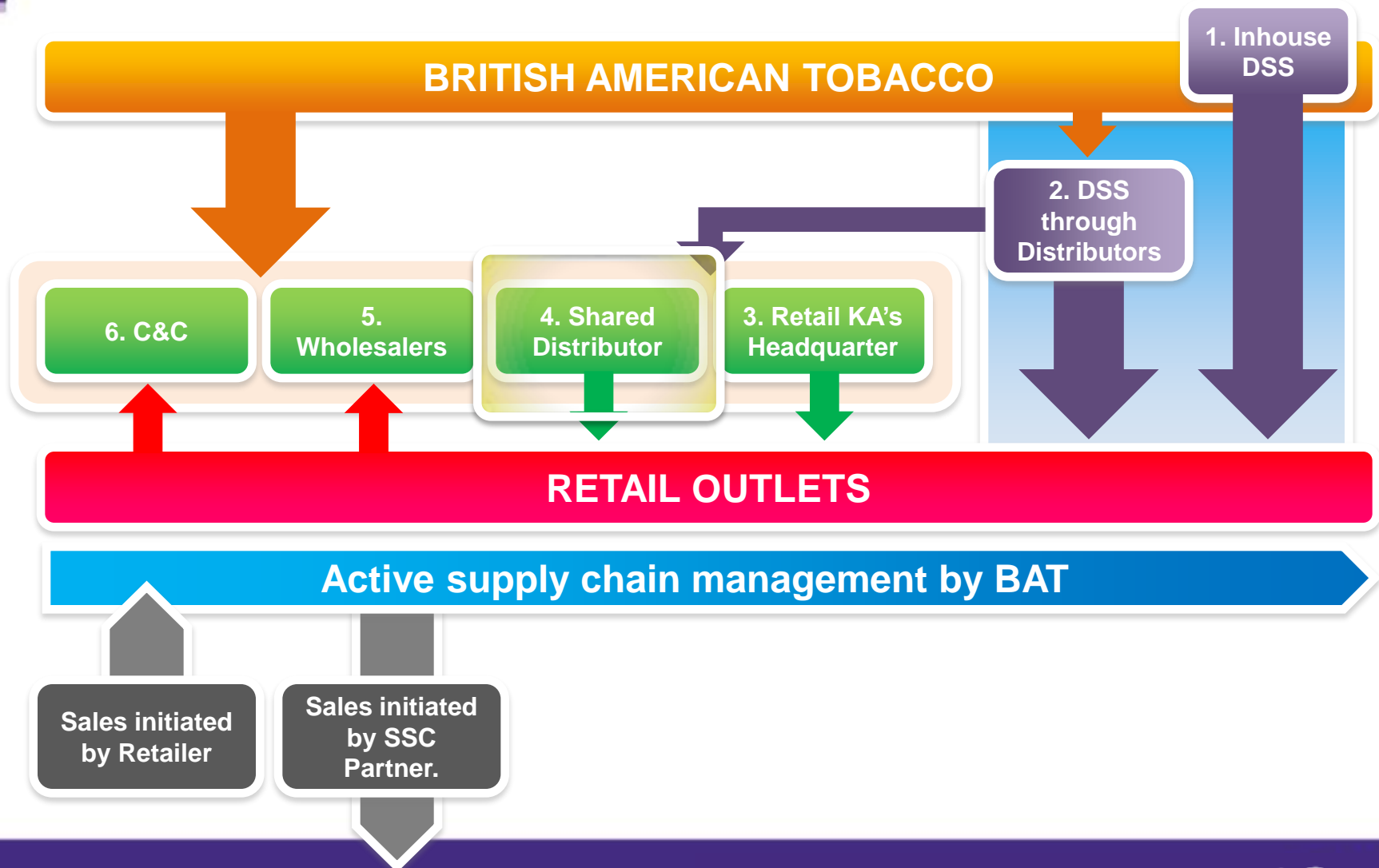
Influence and information on sell-in
and sell-out of products in retail
outlets depends on agreement

Agree how we monitor retail
execution.

Influencing Levels



Route to market approaches



Shared Distributors

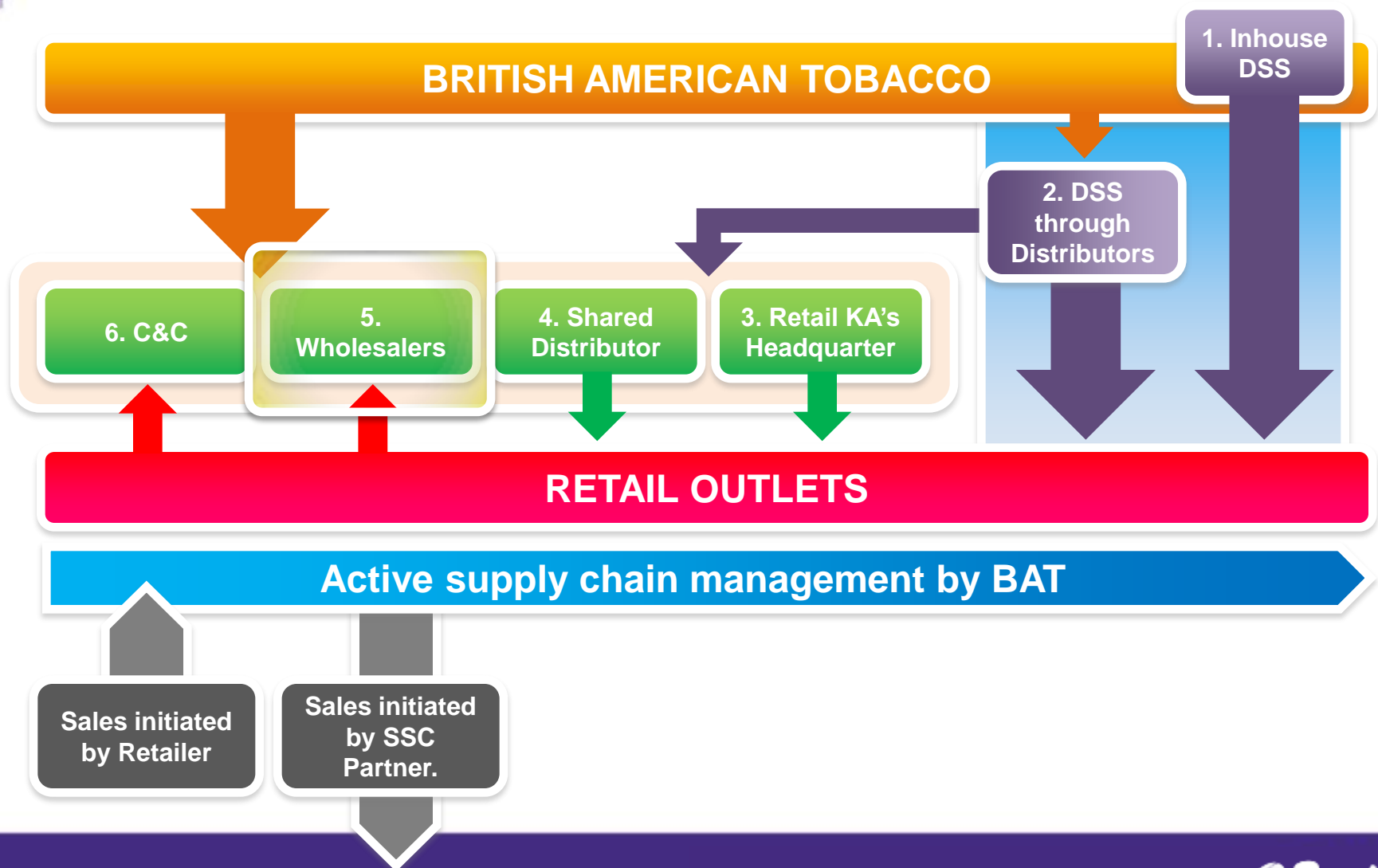
Independent company, the relationship is governed by a contract. Distributing BAT brands with other products (competitive or other FMCG)

Main characteristics:

- BAT defines the service universe either by territory and / or outlet type or class
- BAT has certain level of control on TT&C and has access to sales information
- No middlemen between the Shared Distributor and the trade.



Route to market approaches



Wholesalers

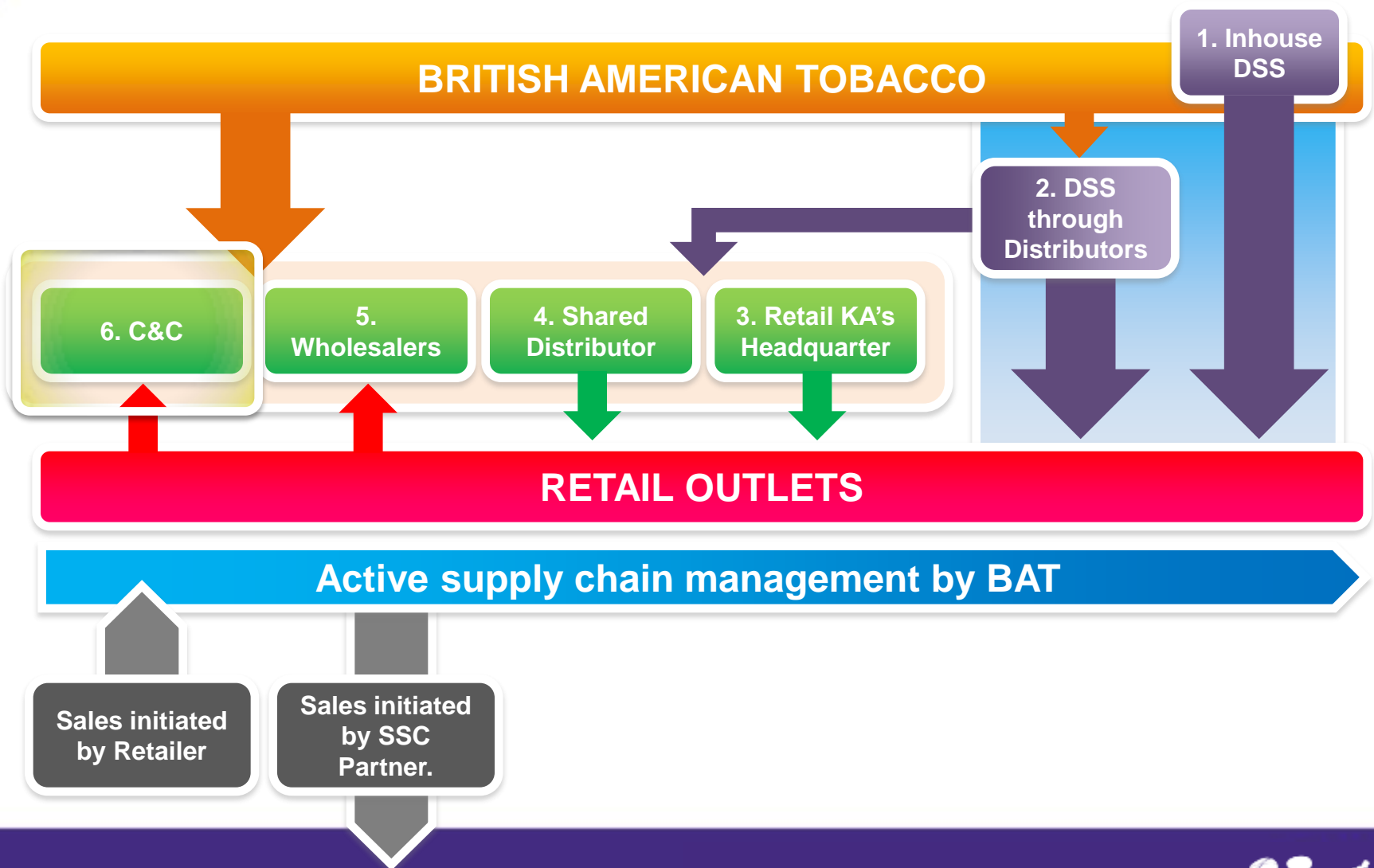
Independent companies, the relationship is governed by a contract. Distributing BAT brands with other products (competitive or other FMCG)

Main characteristics:

- Depending on the legal requirements the relationship can be governed by a contract, however in some countries the agreement on TT&C and the completion of the sales transaction are binding the parties
- BAT doesn't influence the flow in the supply chain and the link wholesaler-outlet is set as a result of the wholesale competition and market forces
- Influence on the supply chain only can be exercised through the TT&C to wholesalers
- There can be multiple layers of middlemen between the Wholesaler and the trade.



Route to market approaches



Cash and carry

Main characteristics:

- Selling happens over the counter
- No delivery to retail outlets, Retailer has to go to the C&C to buy cigarettes
- BAT doesn't influence the flow in the supply chain, has no control and even visibility where the products are being sold
- Role is a gap filler in the supply chain for those outlets which are too small, cannot be reached due to poor infrastructure/security reasons or seasonal
- Influence on the supply chain can only be exercised through the TT&C.



Summary

- Route to Market is the strategy and the strategic choices we make to market our products and make them available to our consumers
- There are six R2M approaches that may be used, ranging from Passive to Active engagement, with different characteristics
- Different R2M approaches are appropriate in different market environments
- Combination of R2M approaches is recommended.

