



# Route-to-market models

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# Why is it important?

A route-to-market (RTM) model is a framework that outlines how a company will make its products or services available to its target customers.



The RTM model is aimed at optimizing company's market penetration, customer acquisition, and revenue generation.

It encompasses various channels, sales strategies, marketing activities, and distribution methods that the company employs in order to reach its intended audience and to achieve its business growth objectives.

There are several classification approaches for RTM models, and one common way to categorize them is based on the distribution channels or sales channels used.



# 5 types of RTM models



Direct



Indirect



Self-service



Partnership



Hybride

# Direct Model

A company sells its products or services directly to customers without any intermediaries. Sales representatives or account managers may be used as the primary sales channel.

**Best suited for:** highly differentiated, complex or customized products that target a specific niche or segment of customers.

**Main benefits:** control over sales process and customer experience, direct feedback, consistent price & quality, higher margins.

**Major drawbacks:** significant investment to build and grow own sales organization, sales team retention, delivery risks.



Salesforce, a leading CRM provider



Oracle, a multinational technology co that sells enterprise SW, cloud services, and HW



Origin Energy, an integrated energy company based in Australia, supplying electricity, natural gas, and solar energy solutions



# Indirect Model

A company sells its products or services through intermediaries like resellers, distributors, wholesalers, retailers, agents or brokers.

**Best suited for:** standardized, simple, or commoditized products targetting mass or diverse customer segments, and renown brands.

**Main benefits:** significant scalability potential, lower storage costs, broader reach, cost-efficiency and focus on core business.

**Major drawbacks:** higher price to consumers, investment in channel marketing and relations, longer delivery times, limited control.



Target serves as an intermediary between manufacturers and customers.



Coca-Cola sells its beverages through a network of distributors and retailers worldwide.



Apple, apart from its own stores, sells its products via a network of authorized resellers, distributors, and retail stores.

# Self-service Model

This model focuses primarily on selling through online channels, such as the company's website, e-commerce platforms, social media, or online marketplaces. No human assistance is needed to sell.

**Best suited for:** products and services that enable transactions, interactions, or collaboration among different types of users.

**Main benefits:** multiple revenue streams, reduced overheads, potential for rapid growth, customer data, network effect.

**Major drawbacks:** high marketing investment to attract & retain users, infrastructure costs, privacy, security & quality control.



Etsy, a two-sided platform marketplace for unique and creative goods.



Warby Parker, an online eyewear retailer that sells prescription glasses and sunglasses on its website.



Slack, a B2B workplace communication and file sharing SW, sells its services via on-line subscription.

# Partnership Model

This model relies on strategic alliances to extend its reach, including co-selling, co-marketing, or integration with other products.

**Best suited for:** complementary products or services that similar customer segments and can mutually enhance the offering.

**Main benefits:** access to the new audience, revenue boost, faster time to market, access to specialized expertise, reduced costs

**Major drawbacks:** partner risks, relations building effort, time and cost of scouting & onboarding partners, inconsistent sales.



MS has a complementary network of various technology companies and service providers.



Cisco Ecosystem Exchange is a platform that connects its partners who are building their solutions via Cisco APIs.



Zendesk, a customer service SW co, has a partner program for resellers, consultants, and technology partners.



# Hybride Model

As you may have guessed, nowadays many companies provide their products or services through different channels, such as direct sales teams, resellers, online orders, platforms, and more.

**Best suited for:** well-established brands that already master one model and want to diversify delivery of their product or service.

**Main benefits:** revenue optimization, increased market coverage, more customer touch-points & data, access to new customer groups.

**Major drawbacks:** channel conflicts, complexity, consistency of branding & quality, resource & incentive allocation across channels.



Sephora operates physical stores, an e-commerce website, and offers in-store beauty consultations.



Starbucks expanded globally through combination of own stores, JVs with local partners and licensing.



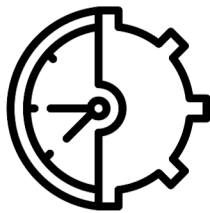
Zara, a fashion retailer, has an integrated retail model, combining own stores, on-line orders, and resellers.

# How to choose the right model?



## Target customers

Understand preferences of your potential customers to reach and engage them efficiently. Consider demographics, buying behavior, location, and the size of your target audience.



## Product complexity

If your product or service requires significant explanation or customization, a direct model may be appropriate. Or if it's simple and understandable, a self-service could work well.



## Cost and resources

Some RTM models may require significant upfront investment or ongoing expenses. Assess your team's skills and expertise to determine which model aligns best with your capabilities.



## Scalability and growth

Consider how well each model can support your company's growth plans and accommodate increasing demand for your product or service.



## Service and support

Some models, like direct sales, may offer more personalized customer care and support, while self-service models would require robust online resources.

# Final thoughts

**Route-to-market model serves as a roadmap for company's market entry and expansion, ensuring that its product or service is available in the right place, at the right time and at the right price.**



**Regular monitoring and adaptation to changing market conditions as well as customer feedback are essential to ensure that your RTM strategy remains robust and effective over time.**