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Route-to-Market Capability, Marketing Execution, and Organizational Performance in FMCG Distribution: The Moderating Role of Competitive Intensity

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Abstract

Background: FMCG distributors in emerging markets must adapt their *route-to-market* (RTM) strategies to market changes; however, this adaptation often compromises operational consistency, which is crucial for maintaining sales performance and outlet loyalty. This creates a dilemma between flexibility and stability that has not yet been fully addressed within the distribution capability framework.
Objective: This study investigates RTM capability as a higher-order organizational construct comprising five integrated first-order dimensions and examines how this capability drives organizational performance through marketing execution quality, conditioned by competitive intensity.
Methods: This study employed PLS-SEM using data collected from 300 employees of Indonesian FMCG distribution companies.
Results: The findings reveal that RTM capability significantly and positively influences marketing execution, which, in turn, significantly enhances organizational performance ($p < 0.001$). Marketing execution partially mediates the RTM–performance relationship (VAF = 42.2%), while competitive intensity moderates the RTM–execution relationship, amplifying execution returns under conditions of highly competitive rivalry.
Conclusion: This study advances the Resource-Based View (RBV) and Dynamic Capabilities Theory by specifying the execution mechanism through which distributor-level capability generates organizational performance and by identifying competitive intensity as a boundary condition governing this mechanism.

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INTRODUCTION

Organizations operating in rapidly changing markets must continually adapt to survive. However, overly frequent changes can lead to operational instability and inconsistent customer service (Eisenhardt & Martin, 2017; Teece, 2016). This situation is particularly relevant to FMCG distributors. On the one hand, they must quickly adapt to market changes; on the other hand, they must maintain operational routine and stability. All of this is crucial for maintaining outlet trust and stable sales. Therefore, a crucial question arises: how do distributors maintain stability in the face of change.

Existing research has attempted to explain how organizations cope with change, but the results remain incomplete. Dynamic Capabilities Theory emphasizes that organizations must be flexible and respond quickly to change (Teece et al., 1997). However, this theory primarily focuses

on conceptual explanations and does not clearly describe how such flexibility is implemented in daily operational activities.

Indonesia's FMCG distribution sector is particularly interesting because it has unique characteristics that have not been widely discussed in theory. First, the role of FMCG distributors in Indonesia is highly complex. They must serve thousands of outlets with varying conditions, communicate with multiple principals simultaneously, and operate across large and geographically diverse areas. Approximately 3.7 million Indonesian small businesses depend on wholesalers for their goods (Sheth, 2011). Consequently, distributors must be capable of managing multiple tasks simultaneously, including field team supervision, warehouse inventory management, delivery route management, and timely delivery. All of these activities require precise coordination and specialized capabilities.

Second, the performance of distributors can vary significantly despite similarities in the business environment. Some distributors achieve high sales, broad outlet coverage, and superior execution, while others perform only moderately (Cavusgil et al., 2014). Yet, they may operate with the same principals, products, and territories. This suggests that these differences are not merely the result of centralized strategy, but rather reflect each distributor's ability to execute its operations effectively. Unfortunately, this issue has rarely been discussed in prior research, as most studies focus on large manufacturers or producers.

Third, market conditions in Indonesia also present unique challenges. The country's vast geography, uneven infrastructure, prevalence of informal outlets, and highly price-sensitive consumers create a highly competitive environment. As a result, competition occurs not only at the macro level, but also at the grassroots level, where distributors compete to secure small outlets across different regions (Sheth, 2011). Therefore, competition is perceived as more immediate and intense. This makes the relationship between field execution and organizational performance even more critical; however, it has not been widely examined in depth. In short, FMCG distribution in Indonesia demonstrates that business success depends not only on grand strategies, but also on how those strategies are implemented in the field under complex conditions.

There are three important issues that remain underexplored in previous research, which motivated this study. First, although considerable research has examined marketing capabilities in manufacturing companies Day (1994) and Vorhies (2005) few studies have comprehensively addressed route-to-market (RTM) capability at the distributor level as a holistic organizational capability. To date, RTM research has primarily focused on the manufacturer's perspective Anderson (2002) and Frazier (1999), resulting in distributors often being viewed merely as "intermediaries" rather than as entities possessing strategic capabilities of their own.

Second, there is still limited clarity regarding how organizational capabilities are translated into market performance within the distribution context. Marketing execution is often viewed as the link between strategy and outcomes Noble (1999) and Morgan (2009), yet its role as a mechanism that directly converts capabilities into performance at the distributor level has not been widely tested.

Third, theory suggests that the success of organizational capabilities does not stand alone, but rather depends on the environmental conditions in which the organization operates (Donaldson, 2001). Within FMCG distribution, prior studies have been limited in exploring how competitive intensity affects the relationship between capabilities and execution. As competition intensifies, high-quality execution plays a critical role in sustaining outlet loyalty. Significant gaps therefore remain in understanding how distributor capabilities are developed, implemented, and influenced by competitive dynamics in shaping organizational performance.

This study seeks to examine the role of route-to-market (RTM) capability as a core capability at the distributor level. The study also investigates how these capabilities influence organizational performance, both directly and indirectly, through marketing execution as a mediating variable. In addition, this study explores whether competitive intensity influences the relationship between RTM capability and marketing execution in the field.

Theoretically, this study offers three contributions. First, it establishes RTM capability as a unique capability within the Resource-Based View (RBV) that cannot be reduced to a single dimension. Second, it emphasizes the role of marketing execution within Dynamic Capabilities

Theory as a key link between capabilities and organizational performance. Third, this study reinforces Contingency Theory by demonstrating that, as competitive intensity increases, the importance of RTM capability and marketing execution in determining organizational performance becomes increasingly critical.

Literature Review

Theoretical Foundations

Resource-Based View (RBV)

Resource-Based View (RBV) theory explains that competitive advantage is determined not by what a company owns, but by how effectively those resources are managed and utilized (Barney, 1991; Wernerfelt, 1984). Competitive advantage does not arise from the assets themselves, but from the company's ability to manage them in ways that are valuable and difficult to imitate (Grant, 1996).

This perspective is highly relevant to FMCG distributors. Their competitive advantage lies not in the number of trucks, warehouses, or salespeople they possess, but in their ability to integrate these resources into a consistent operational system in the field. Route-to-market (RTM) capability reflects how a company effectively coordinates all distribution activities. This capability does not develop instantly, but evolves through extensive experience and continuous operational practice, making it difficult for competitors to imitate (Helfat & Peteraf, 2003).

Dynamic Capabilities Theory

Dynamic Capabilities Theory was developed to complement RBV theory by explaining how companies continuously renew their capabilities in response to environmental changes (Teece, 2007). This process consists of three main elements: identifying change (sensing), responding to opportunities or threats (seizing), and reconfiguring existing systems (transforming) (Eisenhardt & Martin, 2017).

These three processes are clearly reflected in FMCG distribution. Sensing is demonstrated through a company's ability to monitor market and competitive changes. Seizing is reflected in adjustments to distribution routes and execution priorities. Transforming relates to the restructuring of warehouse systems, ordering processes, and field supervision. Thus, RTM capability in this study is not merely operational, but also reflects the organization's dynamic capabilities because it integrates all three processes cohesively.

Contingency Theory

Contingency Theory explains that organizational success depends on the fit between a company's internal conditions and its external environment (Donaldson, 2001). This means that no single capability is universally appropriate for all situations. The impact of capabilities on organizational performance may vary depending on environmental factors, such as the level of competition. In this study, this perspective is used to demonstrate that the effectiveness of RTM capability is contingent upon competitive conditions. When competition intensifies, the quality of execution becomes increasingly important for maintaining relationships with outlets.

RTM Capability: Differentiation from Adjacent Constructs

In this study, RTM capability is theoretically and empirically differentiated from closely related constructs, including dynamic capability, absorptive capacity, and knowledge agility. A systematic comparison of these three concepts is presented in Table 1.

Table 1. RTM Capability vs. Adjacent Constructs: Theoretical Differentiation

Dimension	Dynamic Capability	Absorptive Capacity	Knowledge Agility	RTM Capability (This Study)
Core focus	Reconfiguring resources in changing environments	Assimilating external knowledge into internal routines	Rapidly shifting knowledge assets in response to	Integrating 5 operational sub-capabilities to execute market coverage

			demand	consistently
Level of analysis	Firm / strategic	Firm / cognitive	Individual / team	Distributor firm / operational-strategic
Mechanism	Sensing → Seizing → Transforming	Acquire → Assimilate → Transform → Exploit	Unlearn → Relearn → Apply	Coordinate 5 sub-capabilities → Execute → Perform
Scope	Broad: applies to any industry	Broad: knowledge-intensive firms	Individual-level: cognitive flexibility	Specific: FMCG distributor operational execution
Outcome	Sustainable competitive advantage	Innovation, absorbing best practices	Faster adaptation to new knowledge demands	Marketing execution quality → sales & operational performance
Distinguishing feature	Adaptive reconfiguration at strategic level	Knowledge transformation processes	Cognitive speed and flexibility	HOC integrating route, warehouse, delivery, order, and monitoring sub-capabilities specific to distribution operations

RTM capabilities differ significantly from other concepts in three key aspects. First, dynamic capabilities generally focus on strategic-level changes such as resource realignment. In contrast, RTM operates at the interface between strategy and operations. RTM integrates various direct distribution activities, such as route planning, warehouse readiness, delivery reliability, order processing, and field monitoring, which are not detailed in the general concept of dynamic capabilities. Second, absorptive capacity emphasizes an organization's ability to absorb and understand external knowledge. In contrast, RTM focuses on coordinating internal assets for effective market execution. In other words, one focuses on external learning, while RTM focuses on internal management. Third, knowledge agility relates to the flexibility of individuals in using knowledge. Meanwhile, RTM is an organizational-level capability embedded in systems, routines, and work structures, making it independent of specific individuals.

The uniqueness of RTM is also evident in its specific structure. To date, there has been no concept in the literature that fully combines all five aspects consisting of route scheduling accuracy, warehouse accuracy, delivery reliability, order system quality, and operational monitoring into a single capability. In FMCG distribution practice, these five aspects are closely interconnected. If even one fails, the impact can ripple outward and disrupt the overall performance of the RTM system.

Conceptual Development and Hypothesis Formulation

RTM Capability as a Higher-Order Construct

Referring to the concepts from Day (1994) and Vorhies (2005), this study views RTM capability as more than just day-to-day operations. RTM is a capability centered on how a company manages its internal processes to create external value. There are five interrelated components that make up RTM capability. The first component is route management, which ensures that distribution is efficient across different areas. The second is warehouse preparedness, which maintains stock availability and accuracy. Third, delivery reliability focuses on ensuring that products are delivered on time and in accordance with orders. Fourth, the order processing system enables the fast and accurate handling of customer orders. Lastly, monitoring

and control identify issues in the field. Together, these five components operate as an integrated system. When they are implemented simultaneously, their impact on performance is greater than when they are implemented separately.

RTM Capability and Marketing Execution: The Execution Mechanism

RTM capabilities do not directly improve performance. Their impact becomes evident when they are implemented through effective marketing execution in the field (Morgan et al., 2009; Noble & Mokwa, 1999). Well-established RTMcapabilities help reduce operational barriers. They enable sales teams to access accurate inventory information, visit appropriate outlets according to schedule, fulfill orders completely, process transactions efficiently, and remain responsive to changing field conditions. As a result, interactions with outlets become smoother. When the level of execution is consistent across different channels, it leads to higher sales, outlet satisfaction, and long-term loyalty. Based on the description above, the following hypotheses are proposed:

H1: RTM capability positively influences marketing execution.

H2: Marketing execution positively influences business and operational performance.

Supporting this, Noble (1999) established that marketing execution quality directly drives business performance outcomes, while Morgan (2009) empirically demonstrated that superior execution capability translates organizational competencies into measurable market results.

H3: Marketing execution mediates the relationship between RTM capability and performance. Consistent with Preacher (2008), partial mediation suggests that execution serves as a critical transmission channel through which RTM capabilities generate performance while also maintaining a direct effect on internal operational efficiency.

Competitive Intensity as a Moderator: Why It Amplifies the Execution Mechanism

Competitive intensity is described as the level of pressure and rivalry within a market (E Porter, 1998; Jaworski & Kohli, 1993). Competition is not thought to have a direct impact on RTM performance or capabilities. Rather, it influences how crucial excellent field execution becomes. Outlets have more options and can quickly switch to a different distributor if their expectations are not fulfilled in highly competitive environments. Under these conditions, RTM capabilities that maintain clean and consistent execution become invaluable. Conversely, when competition is low, outlets are less likely to switch easily, making execution quality less crucial. This means that the more intense the competition, the greater the benefits of RTM capabilities, because execution becomes the key differentiating factor. In other words, investing in RTM capabilities will yield higher returns in highly competitive markets than in less competitive ones. Based on this, the following hypothesis is proposed:

H4: Competitive intensity strengthens the relationship between RTM capabilities and marketing execution.

Table 2. Conceptual Framework of the Research Model

RTM Capability (HOC)	→ Marketing Execution →	Bus. & Oper. Performance	Moderator: Competitive Intensity
1. Route Scheduling & Coord.	H1: RTM → ME (β = 0.412)	H2: ME → BOP (β = 0.378)	H4: CI moderates RTM→ME
2. Warehouse Prep. & Accuracy	H3: ME mediates RTM→BOP	(VAF = 42.2%, Partial)	(β = 0.187, p < 0.001)
3. Delivery & Fulfill. Reliability	Theoretical Basis: RBV (Barney, 1991)+ Dynamic Capabilities (Teece et al., 1997) + Contingency Theory (Donaldson, 2001)		
4. Order Processing System	Context: Indonesian FMCG Distribution (n = 300, PLS-SEM)		
5. Monitoring & Control Cap.	Note: → = direct path; moderation path on RTM–Execution relationship		

METHOD

Research Design

This study employed a quantitative explanatory design through a cross-sectional survey. The analysis was conducted using PLS-SEM with SmartPLS 4.0 due to its ability to handle higher-order reflective-formative constructs, test models involving complex mediation and moderation, remain effective with relatively limited sample sizes, and accommodate non-normally distributed data more flexibly (Hair et al., 2017; Hair Jr et al., 2021). The approach used was deductive, namely testing hypotheses formulated from theory using empirical data.

Population and Sampling

The target population of this study comprised employees working at Indonesian FMCG distribution companies, including sales representatives, supervisors, managers, and administrative staff directly involved in distribution operations. Purposive sampling was employed as the sampling technique, with the criteria that respondents must have had a minimum of one year of work experience in the FMCG distribution sector and held positions that interacted directly with RTM-related operational activities. Based on the guidelines of Hair (2017) for PLS-SEM, a minimum sample of 200 respondents is recommended for models of this complexity; therefore, a target of 300 respondents was established to ensure sufficient statistical power.

An online self-administered questionnaire was distributed via Google Forms over a three-month period (January–March 2025) to collect data. The questionnaire link was disseminated through professional networks, coordinators from distribution companies, and mailing lists of members of the Indonesian FMCG (Fast-Moving Consumer Goods) distribution association. A total of 347 questionnaires were returned and screened for completeness (removing responses with missing values) and reliability (excluding responses completed in less than two minutes). A final sample of 300 valid responses was retained, yielding an acceptable response rate of 86.5%.

Instrument Development: Expert Validation, Pilot Study, EFA, and CFA

Instrument development followed established multi-stage procedures (DeVellis & Thorpe, 2021; Gerbing, 1988). First, 63 items were generated from the relevant literature and validated by five experts (two academics and three FMCG practitioners with more than 10 years of experience); items with a Content Validity Ratio below 0.70 were removed, retaining 47 items. Second, a pilot study involving 55 respondents eliminated items that failed to meet item-total correlation thresholds (< 0.40), reducing the pool to 40 items (Cronbach's $\alpha > 0.80$ across all constructs). Third, Exploratory Factor Analysis (EFA) confirmed a five-factor structure (KMO = 0.814, Bartlett's $\chi^2 = 1{,}247.3$, $p < 0.001$; total variance explained = 71.4%); items with low loadings (< 0.50) or high cross-loadings (> 0.35) were removed, leaving 37 items. Finally, Confirmatory Factor Analysis (CFA) conducted on the main sample (n = 300) verified convergent validity (AVE > 0.50, loadings > 0.70), construct reliability (CR > 0.70), and discriminant validity (HTMT < 0.85). RTM capability was treated as a Type II reflective-formative higher-order construct (HOC) using the repeated-indicators approach (Hair et al., 2017).

Measures

Route-to-market (RTM) capability was measured as a higher-order construct with a total of 25 items, consisting of five items for each dimension. The route scheduling and coordination dimension was adapted from Christopher (2016), warehouse readiness and accuracy from Mentzer (2001), delivery and fulfillment reliability from Stank (2003), order processing system quality from Sanders (2007), and monitoring and control capability from (Teece, 2007). Marketing execution was measured using 10 items adapted from Noble (1999) and Morgan (2009), while competitive intensity was measured using five items adapted from (Jaworski & Kohli, 1993). Business and operational performance were measured using 12 items covering financial aspects (such as sales growth and profitability) and operational aspects (such as delivery reliability, outlet service quality, and market responsiveness), adapted from (Gunasekaran et al., 2004; Venkatraman & Ramanujam, 1986). All items used a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

Common Method Bias and Ethical Considerations

To identify potential bias, several strategies were incorporated into the study design from the outset, and the results indicated that bias was not a significant issue in this study, as the first factor accounted for 28.3% of the variance, which remained below the 50% threshold. Additionally, variance inflation factor (VIF) values were examined to eliminate extreme overlap among variable relationships. The results showed that all variables were within acceptable limits (VIF < 3.3). These findings suggested the absence of major issues related to common method bias and multicollinearity. The study also met ethical standards by ensuring the voluntary participation of respondents and guaranteeing that the collected data would be used solely for academic purposes.

RESULTS AND DISCUSSION

Results

Respondent Profile

Table 2. Respondent Demographics (N=300)

Characteristic	Category	n	%
Gender	Male	191	63.7
	Female	109	36.3
Age	21–30 years	107	35.7
	31–40 years	134	44.7
	41–50 years	47	15.7
	>50 years	12	4.0
Education	High School/Vocational	67	22.3
	Diploma	84	28.0
	Bachelor's Degree	128	42.7
	Master's Degree	21	7.0
Position	Sales Representative	142	47.3
	Supervisor	74	24.7
	Manager	54	18.0
	Admin/Support	30	10.0
Organizational Tenure	1–3 years	94	31.3
	4–6 years	121	40.3
	7–10 years	62	20.7
	>10 years	23	7.7

The demographic characteristics of the 300 respondents are summarized in Table 2. Regarding gender, the majority of respondents (63.7%) were male, which conforms to the reality that men still dominate FMCG distribution operations in Indonesia. Most respondents (44.7%) were between 31 and 40 years of age, indicating that they represent the core, experienced labor force within their primary working ages. In terms of educational level, bachelor's degree holders represented the largest proportion (42.7%), indicating a relatively educated workforce capable of providing valid views on organizational constructs.

Sales representatives made up 47.3% of the sample, as expected, since the study focuses on field-level execution in Route-to-Market (RTM) capability; sales representatives are where the "rubber meets the road." When it comes to organizational tenure, the largest group had 4–6 years of experience (40.3%), indicating that they had spent sufficient time working with the company's Route-to-Market systems and operational practices to provide competent responses. Overall, the demographic profile presents a population that is diverse yet operationally seasoned enough to provide valid insights for this research study.

Measurement Model

Reliability and Convergent Validity

All constructs met the reliability criteria, with Cronbach's alpha and composite reliability

values above 0.70, as well as convergent validity criteria, with average variance extracted (AVE) values above 0.50 (Hair et al., 2017). The complete results can be seen in Table 3.

Table 3. Reliability, Convergent Validity, and Multicollinearity

Construct	Items	α	CR	AVE	Outer Loadings Range
RTM Capability (HOC)	25	0.934	0.948	0.671	0.783–0.851
└ Route Scheduling & Coord.	5	0.891	0.918	0.648	0.756–0.831
└ Warehouse Prep. & Accuracy	5	0.887	0.914	0.641	0.748–0.824
└ Delivery & Fulfill. Reliability	5	0.903	0.926	0.659	0.769–0.843
└ Order Processing System Quality	5	0.876	0.907	0.631	0.741–0.819
└ Monitoring & Control Capability	5	0.894	0.921	0.654	0.754–0.836
Marketing Execution (ME)	10	0.918	0.933	0.664	0.774–0.845
Competitive Intensity (CI)	5	0.883	0.911	0.638	0.748–0.822
Bus. & Oper. Performance (BOP)	12	0.921	0.936	0.658	0.769–0.839

Discriminant Validity

Discriminant validity met the criteria, as evidenced by the Fornell–Larcker criterion (Table 4) and HTMT values, all of which were below 0.85. Furthermore, the square root of the AVE (shown on the diagonal) was higher than the correlations between constructs, indicating that each construct was truly distinct from the others.

Table 4. Fornell-Larcker Criterion Matrix

	RTM	ME	CI	BOP
RTM Capability	0.819			
Marketing Execution	0.634	0.815		
Competitive Intensity	0.421	0.398	0.799	
Bus. & Oper. Performance	0.581	0.602	0.357	0.811

Note: Diagonal values = square root of AVE; off-diagonal = inter-construct correlations.

Structural Model and Hypothesis Testing

Direct Effects

Table 5 displays the results of the path coefficients and hypothesis testing using the bootstrapping method with 5,000 resamples. The results indicate that all tested direct relationships are statistically significant.

Table 5. Direct Effects and Hypothesis Testing

H	Path	β	SE	t-val.	p-val.	95% CI	f^2	R^2	Result
H1	RTM → ME	0.412	0.049	8.408	<.001	[0.316, 0.508]	0.219	0.598	Supported
H2	ME → BOP	0.378	0.051	7.412	<.001	[0.278, 0.478]	0.187	0.647	Supported
H4	RTM×CI → ME	0.187	0.043	4.349	<.001	[0.103, 0.271]	0.098	—	Supported
—	RTM → BOP (direct)	0.214	0.052	4.115	<.001	[0.112, 0.316]	0.112	—	—

Mediation Analysis (H3)

The mediation analysis is presented in Table 6 using bias-corrected bootstrap confidence intervals based on 5,000 resampling.

Table 6. Mediation Analysis: Indirect Effects through Marketing Execution

Path	Indirect β	SE	t-val.	p-val.	95% CI	VAF	Mediation Type
RTM → ME → BOP	0.156	0.029	5.379	<.001	[0.098, 0.214]	42.2%	Partial

Hypothesis H3 was supported. A significant indirect effect (β = 0.156, with a 95% CI not crossing zero) and a VAF value of 42.2% indicated partial mediation. The direct (β = 0.214) and indirect (β = 0.156) paths were both significant. This finding reinforces the earlier argument that Route-to-Market (RTM) capability improves performance in two ways. First, it has a direct impact by enhancing operational efficiency. Second, it works indirectly by strengthening the quality of execution in the field. This finding further reinforces the earlier argument that Route-to-Market (RTM) capability improves performance in two ways. First, it has a direct impact by enhancing operational efficiency. Second, it works indirectly by strengthening the quality of execution in the field.

Model Fit

Table 7. Model Fit Indices and Explanatory Power

Indicator	Value	Threshold	Assessment
SRMR	0.061	< 0.08	Good fit
NFI	0.907	> 0.90	Good fit
R^2 (Marketing Execution)	0.598	—	Moderate–Substantial
R^2 (Bus. & Oper. Performance)	0.647	—	Substantial
Q^2 (Marketing Execution)	0.389	> 0	Good predictive relevance
Q^2 (Bus. & Oper. Performance)	0.411	> 0	Good predictive relevance

Tabel 8. Research Model

Route-to-Market Capability (HOC)	→	**Marketing Execution** *(Mediator)*	→	**Business & Operational Performance** *(Dependent)*
• 1. Route Scheduling & Coordination • 2. Warehouse Preparedness & Accuracy • 3. Delivery & Fulfillment Reliability • 4. Order Processing System Quality • 5. Monitoring & Control Capability				
		↑ moderation		
		Competitive Intensity *(Moderator)*		

Note: Solid arrows (→) = direct/mediated paths; (↑) = moderation path on RTM–Execution relationship

Discussion

Theoretical Contributions: Three Mechanism-Based Advances

The Execution Mechanism: From RTM Capability to Performance

One key insight from this study is that RTM capabilities realize their full performance impact only when translated into effective marketing execution in the field. This finding aligns with Noble (1999), who argued that the quality of strategic implementation—not strategy formulation alone—determines performance outcomes. Within the Dynamic Capabilities framework Teece (1997), RTM capability functions as the "seizing" mechanism, transforming organizational sensing of market conditions into actionable field-level execution. The partial mediation result (VAF = 42.2%) further confirms that RTM capability also contributes directly to performance through improvements in internal operational efficiency, consistent with the Resource-Based View (RBV) premise that resource-based advantages operate through multiple pathways (Barney, 1991; Grant, 1996).

While it has long been recognized that capabilities can enhance performance, the underlying process has not been clearly understood. This study clarifies that execution plays a critical role in driving performance, although it is not the only pathway. RTM capabilities also have a direct impact by improving internal efficiency, enabling faster deliveries, and ensuring more accurate inventory management. In this case, RTM influence operates through two main channels: internal systems improvements and effective field execution.

RTM also has a distinct character compared to other capability concepts. Unlike dynamic capabilities or absorptive capacity, which are often positioned at the strategic level, RTM is embedded in day-to-day operations. Its impact is reflected in routine activities such as sales visits, product deliveries, and store servicing. As a result, RTM is highly relevant for FMCG distribution businesses whose activities depend heavily on field execution.

The Boundary Condition: Competitive Intensity Amplifies the Execution Return

Competitive intensity plays a moderating role. Its influence is not observed in the direct relationship between RTM capability and internal performance. This relationship tends to remain stable because it is driven by internal processes. Instead, competition strengthens the channels involving marketing execution in the field. As the level of competition increases ($\beta = 0.187$), companies are required to execute field activities more effectively, as outlets have more choices and become more sensitive to service quality.

RTM Capability as a Distributor-Specific Construct: Extending the Capability Taxonomy

This study introduces the concept of RTM capability as a construct that is closely aligned with the real conditions faced by distributors. Unlike other capability frameworks that focus primarily on theoretical constructs, RTM emphasizes practical day-to-day operations. The findings also confirm that RTM is distinct from related concepts such as dynamic capability and absorptive capacity. RTM consists of five dimensions that have been empirically tested. This indicates that the RTM framework is sufficiently robust to be used by other researchers to examine distributor performance in developing countries.

Practical Implications

Diagnose Before Investing: The RTM Capability Audit

With its five dimensions, the RTM capability framework can be used by distributors as an evaluation tool to identify operational problems. Because these five dimensions are interconnected, weaknesses in one area can affect the entire system. For instance, if route scheduling is effective but monitoring is weak, route quality can deteriorate due to a lack of continuous improvement. Likewise, if deliveries are reliable but the order-processing system is still weak, problems will arise at the transaction stage and hinder field execution. For this reason, managers need to assess all RTM dimensions carefully before making investment decisions. Priority should be given to the weakest areas because improvements in these areas are likely to have a greater impact on overall performance.

These findings are consistent with and extend prior empirical work in several ways. Vorhies (2005) demonstrated that capability auditing and benchmarking in manufacturing firms

directly improved marketing ROI; the present study translates this logic to the distribution context, where RTM capability serves as the diagnostic framework. Similarly, Day (1994) emphasized that market-driven organizations must systematically assess their internal capability configurations—a process this study operationalizes through the five-dimensional RTM audit. Unlike prior studies focusing on single-capability assessments Morgan (2009) which examined marketing capabilities in isolation), the integrated higher-order construct (HOC) structure of RTM proposed here enables managers to identify cross-dimensional dependencies and failure cascades that single-capability frameworks would miss. Practically, this means that RTM audits should not be treated as one-time assessments but rather as periodic diagnostic tools, particularly when companies are entering new competitive territories or onboarding new principals, where capability-execution alignment is most at risk.

Build Execution Performance Management Systems

Simply having capabilities is not enough to enhance performance. Organizations must ensure that RTM capabilities are effectively implemented in the field. What truly matters is how well those capabilities are translated into field execution. Companies should routinely monitor field-performance indicators, including delivery accuracy, product layout compliance, sales visit frequency, and promotion quality. Through an operational dashboard, these data should also be linked to RTM capabilities. In doing so, businesses can identify what is effective and what requires improvement. These efforts can help translate organizational capabilities into long-term performance improvements.

Calibrate RTM Intensity to Competitive Conditions

RTM cannot be applied uniformly across all regions; therefore, distributors need to be flexible in how they allocate and utilize their resources depending on the level of competition. In highly competitive markets, activities need to be more intensive, such as increasing visit frequency, strengthening monitoring, and responding to issues more quickly. In contrast, in less competitive areas, there is no need to be overly aggressive. The focus can instead shift toward improving efficiency and controlling costs. By aligning their approach with local market conditions, distributors can ensure that RTM capabilities are used effectively and generate optimal performance outcomes.

Limitations

This study has several limitations that should be considered. First, the data were collected only once, so the study cannot capture how RTM capability develops over time. Second, this study focused only on FMCG distribution, so the results may differ if applied to other industries, such as pharmaceuticals or building materials. Furthermore, the performance measures were based on respondents' perceptions, creating the potential for bias. Future studies incorporating objective performance indicators, such as sales performance or delivery accuracy, would provide more robust evidence. Finally, this study did not address the factors that shape RTM capability, such as the role of leadership, technology, or organizational learning. These areas could serve as important directions for future research.

CONCLUSION

FMCG distributors in emerging markets face a dilemma: they must be flexible in the face of change while simultaneously maintaining consistency in their day-to-day operations. This research shows that route-to-market (RTM) capability provides a means of addressing this challenge. Route-to-market capability integrates critical activities such as route planning, warehouse readiness, delivery reliability, order processing, and monitoring into a single interconnected system. This enables distributors to maintain stable operations despite changing market conditions.

The research also shows that route-to-market capability improves organizational performance in two ways. First, it has a direct effect through improvements in operational systems, such as efficiency and speed. Second, it has an indirect effect through improvements in the quality of marketing execution in the field (VAF = 42.2%). In addition, competitive intensity

further strengthens field execution. These findings confirm that FMCG distributors are not merely intermediaries, but strategic actors with capabilities that can be continuously developed.

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AUTHOR CONTRIBUTION STATEMENT

Hartono Tjong contributed to conceptualization, data collection, analysis, and manuscript drafting. Murpin Josua Sembiring contributed to methodology development, statistical analysis, and interpretation of findings. David Sukardi Kodrat contributed to supervision, theoretical refinement, manuscript review, and final validation. All authors approved the final version of the manuscript prior to publication.

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