

Going Vertical

Strategies for developing vertical markets in the commercial realm

By Michael Thompson

A vertical market is a particular industry or group of enterprises in which similar products or services are developed and marketed using similar methods, and to which goods and services can be sold. A few examples are restaurants, lodging and convenience stores.

In my experience, many businesses have not taken the appropriate steps to develop vertical markets; rather, they find a few industry buzzwords, insert them into their current marketing materials and call it good, not understanding why their program has little or no success. “I’ll service any commercial business that wants it, why should I focus on one market?” they may think. The answer lies in the question. Who wants your services, and why? Developing your commercial and industrial (C&I) business by vertical markets will allow you to showcase your strengths by providing custom-fit solutions for a particular market’s pain points and business issues. You can create standardized products and solutions specific to their unique issues. Marketing becomes focused, service and training can be standardized, and you become the local expert in that market.

Careful Consideration

Before we look further at vertical markets, there are some factors to consider. Vertical markets focus your attention on the 10%, not the 90%—it is the difference between vertical and horizontal marketing, or push versus pull marketing.

Developing a vertical market does not take away from your current opportunities; it should expand and enhance your offerings. Creating vertical markets is not a “one and done” process, but a continuing one. As you develop one vertical market, you can leverage what you have learned to develop opportunities in additional markets. The process is the same and should be continually repeated.

If you already have performed Applied Management Group Inc’s C&I Critical Assessment, discussed in “Sharpen Your Axe: The Value of Preparation” in the March 2015 issue of WQP, you have an understanding of what you can currently offer in C&I services and processes. Entering the right market with the right services is vital—you may not currently have the ability to provide all services to all markets. For example, to service a market that operates 24/7, you need to have 24/7 emergency services with appropriately trained employees and adequate inventory available.

Defining Markets

When targeting a vertical market, you can use one that has already been designated by a Standard Industrial Classification code (four-digit numerical codes assigned by the U.S. government to business establishments to identify their primary business) or a North American Industry Classification System (NAICS) code. (The NAICS is used by businesses and governments to classify and measure economic activity in the U.S., Canada and Mexico. It is a

six-digit code system that is currently the standard used by federal statistical agencies to classify business establishments. NAICS organizes establishments into industries according to the similarity of the processes used to produce goods or services.) Or, you can create your own vertical market based on the services and processes required.

Once you have created the vertical market, you need to define it, i.e., restaurants: any facility that serves food and/or beverages. This would include, but is not limited to, bars, coffee shops, ice cream shops, pastry shops, fast food restaurants and sit-down restaurants. Include parameters such as: Are they nationally or locally owned? What area (in miles) are you able to service? What types of cuisine are included?

The next phase is to identify the pain points and business issues for each market. This will allow you to provide a solution, not just a product or service. The answer to selling in the business-to-business world was taught to me 30 years ago: "Save me time, save me money or make me money." I find that this still holds true today. Do your research—find out about the issues your vertical market faces daily. Read trade magazines, blogs, and social media posts and comments; find associations within the industry; or find an industry expert or strategic partner. Create a profile of the market's issues. This will allow you to develop a value-based solution that matters to this vertical market.

Solid Strategy

Your strategy is no longer about presenting the unique features of your products and services; it is now about knowing the greatest needs of the end users in each vertical market. What are the users' (not the buyers') pain points, and how can your company meet those needs? Chances are that the users, even more so than the buyers and decision-makers, will play a key role in defining those needs.

At this point, you are able to create a program to showcase your value-added solutions. What is your value statement ("what can you do for me")? How would users benefit from your program? Would they be able to lower operating or maintenance costs, or enhance customer experience?

If you have come this far and have done your homework, your next step is to create a company-wide comprehensive strategy to support the solutions you will be providing to this vertical market. Customer experience is vital—everyone plays a role. From the first phone call to the invoice, each employee needs to understand his or her role.

Below are five best practices for developing your vertical market program:

1. Vertical market sales materials: Start by developing content that aligns with users' needs and issues as they progress through the buyers' journey, including case studies and references that align with their specific industry. This shows the buyer that your

organization has enough experience with his or her unique challenges to deliver the best solution. Do not just add a few industry buzzwords to your current marketing materials.

2. Employee training: Start to develop industry subject matter experts within your organization—not just at a sales level, but also in customer support and technical services. If the whole idea of vertical markets is to align with the buyer where he or she is, it is necessary for the whole organization to align and support the customer throughout the process, not just part of it.
3. Written processes and procedures: Relying on "understood" policies can lead to misunderstandings and frustration. With written policies and procedures, employees will be able to act decisively to the benefit of both the customer and the company.
4. Inventory: Critical to the success of the program is the ability to deliver what has been promised in a timely manner. If you want your hard-earned customers to come back for your products and services, you need to be able to meet their demands quickly, or somebody else will.
5. Preventive maintenance programs and service contracts: Being proactive allows the customer to continue production with minimal downtime. This means resolving problems before they become costly issues. (This topic will be addressed in the September issue of WQP.)

If you do it right, you will devote a lot of time and money to your new vertical market strategy. Having true numbers and a proper costing structure is essential. In past WQP articles we have discussed burdened labor costing ("Service Department Profitability," February 2015), departmentalization ("Making the Most of Your Money," June 2014) and benchmarking ("Blueprint for Success," February 2013). All of these are vital in the success of this endeavor.

Going vertical can be tremendously successful, but it is critical to understand what kind of commitment you are willing to make and what kind of return you expect. Before jumping in the fire, take time to create a strategic vertical marketing framework. If you follow these strategies for development, your chances of success will increase—but only if you are willing to make the investment.

Join us for a complimentary webinar on Wednesday, June 24, from 2 to 3 p.m. EDT as we delve into three vertical markets with discussion on technologies, applications, situational awareness and marketing strategies. To register, visit www.wqpmag.com/entering-commercial-market-vertical-market-penetration. **WQP**

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