



Maximum Wood Behind the Arrow: Increasing Sales Through Vertical Marketing

By: Larry Turner

The straighter you shoot your arrow, the deeper penetration you get. That is the same philosophy behind increasing sales through vertical marketing. If you provide the exact product/service that your target market wants and needs, in a way they want it, you will get deeper penetration in that market resulting in increased sales and margins.

Sounds simple enough, but in reality few companies succeed in really serving their customers' needs. Most companies find themselves with a set of products or services that they take to market and focus on a wide range of target markets, which results in a fragmented approach and less than optimum results.

A vertical marketing approach allows you to take your current products and services to a set of similar businesses in a way that allows you to "customize" the solution for that target market. You need to step into the shoes of your prospects in the target market and understand what problems they have and design a solution around solving their issues. It does not need to be an entirely new product design, but rather looking at the problem and understanding it from the client's point of view, and addressing all areas needed to solve the problem.

Examples of Vertical Markets

A vertical market is more than just a group of businesses from the same SIC (Standard Industry Classification), but that is a good place to start. SIC codes will allow you to identify your target market through the leasing of lists to be used in your marketing and sales activities. The general SIC categories are too broad and need to be segmented further, since you are looking for a near homogeneous target market.

In one business that I ran, we focused our growth efforts on the United States Department of Defense (DoD). While that is a fairly narrow market classification in the federal government, it did not provide enough segmentation to be successful. We further segmented the market to the individual branches in the DoD (for example: Air Force, Air National Guard, Army, and Defense Logistics Agency), because they each had a uniqueness in how they operated and how they purchased. Our solution was focused on each branch of the military with minor changes that supported these unique needs.

Taking this approach we grew the business over 100% year over year during the time we were running these programs. Focus your efforts on a narrow vertical market, learn all you can about their needs and deliver the product/service in a way they want to buy.

Learning the Needs

Learning the needs of a target market takes research, time and effort. Secondary research, information already published, will allow you to learn the basics about your target market. This information can provide background on some historical facts of the market, structure of the industry, identification of key industry players, competition, and some overriding issues. It will not provide you with the information you need to thoroughly understand the needs of individual company's and the best go-to-market strategy.



Primary research, unpublished information, is necessary to learn the dynamics for your go-to-market strategy, which includes the definition of the whole product solution. Primary research can include an outside agency that performs interviews, surveys, and focus groups; but it can be much simpler to get started.

Pull together some key personnel in your business and assign tasks to speak with owners/executives at companies in the industry you are researching to learn about their businesses and understand what keeps them awake at night. This gives you and your team firsthand knowledge of the pain in the industry, and will help you understand key issues in the industry. Once you understand the buying dynamics of your target market along with key industry information, you are now ready to start developing the solutions.

The Solution

This whole product solution approach looks at all aspects of your target markets' needs, which could include your standard product set. The key is to understand the need and design a solution around it. Look at all areas of your business when developing the solution... not just the product itself:

- **Training and support** – Are there special needs that this target market has that could position you favorably against your competition? It might be customized training on implementation of your solution into their environment or it could include a dedicated support line to service remote offices.
- **Consulting Services** – You are the expert in your field, and as such you have knowledge that is valuable. Can you pull together a consulting or outsource service that provides extra value to your target market?
- **Interfaces** – Are there special requirements in this market that you could add into your product or service. An example might include user interface modification to customize it to the terminology of your target market. Not a difficult thing to do in most cases, but it would make a huge impact during your sales cycle.
- **Billing cycles** – Can you change your terms or billing processes to better meet the needs of your target market? Customization comes in more forms than just the product or service.

Look at your company to determine if the target market will find you easy to do business with, identify any deficiencies, and then fix them. In most cases, you will find that minor changes in your internal organization will make it much easier for all your customers to work with you.

The solution also includes your go-to-market personnel and materials. In early stages you can use your existing sales personnel to sell to your new market, but they will require training on the new vertical market. As you grow, I found it works best to have sales people that have sold into that vertical market before, or were working in the vertical market. This helps your prospects identify with your firm more closely and in the end provides you with additional knowledge on industry dynamics.

Each vertical market should have sales collateral developed specifically for that market. The material speaks their language and presents your technical product/service in a way that will be easier for them to understand. While the technical product may not be much different from what you sell in other markets, the material and sales approach will most likely be much different.



Getting Started

If you look at this as a huge project, you may never get started. Spending the time to define your current customer base is a great starting point. Segment your customer base by major SIC and start profiling... this will give you a better understanding of the buying triggers of your current customer base and usually results in some changes in approach.

Once you get the feel for the process in your current customer base, move onto a market that is adjacent to one where you are already successful. This provides an easier transition for your sales people and also allows you to use your current accounts as references.

Shoot straight and focus your efforts to maximize penetration in your selected vertical market. This will provide increased sales, higher margins, and better customer service ratings.

Larry Turner is CEO of Roundhouse Advisors, Inc. and has over 25 years experience growing, starting up, repositioning, and revitalizing organizations. Roundhouse Advisors is a business consulting firm focused on helping businesses increase enterprise value by managing pain, growth and owner exits. For additional information visit www.RoundhouseAdvisors.com

For more information contact Larry Turner at 719-481-2812 or LTurner@roundhouseadvisors.com