

The Vertical Strategy

Providing a customized approach to target markets

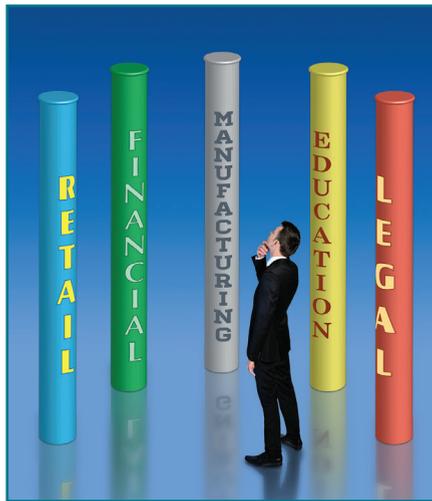
by: Brent Hoskins, Office Technology Magazine

Today, with declining print volumes and the mature state of the office technology industry, MFP manufacturers are compelled to find new ways to set themselves apart from competitors. While many have diversified their product offerings, it seems that all are pursuing a customized approach. Today, selling to and providing solutions for a wide range of vertical markets is solidly in vogue.

The MFP manufacturers' websites reveal an ever-growing list of vertical markets receiving special attention. A look at some of the targets, direct from the vendors' websites, provides an indication of the scope: financial, corporate, health care, education, manufacturing, retail, legal, banking, government and insurance.

Citing sample offerings from just two manufacturers gives a sense of the emphasis on customization. Lexmark International Inc.'s Education Station MFP with optional grading software, for example, allows educators to easily print and grade tests, scan to classroom and access forms on demand (permission slips, detention slips, etc.). This month, Toshiba America Business Solutions (TABS) will release Elevate, a customizable user interface. The company also currently offers the v360 vertical market program for dealers. Both initiatives, says Joe Contreras, vice president of product and solutions marketing at TABS, are intended to "help us drive deeper into what we call 'hyperverticalization.'"

You get the idea. Focusing on the vertical selling strategy is of great importance to MFP manufacturers. Is it important to you? If not, perhaps it is time to take another look at the strategy. "We believe it helps establish not only the credibility for dealers, but provides them differentiation," Contreras says. "So, as competition increases in their marketplaces, this is going to help set dealerships apart from others."



Sales reps are faced with the challenge of "quickly establishing credibility with clients, making that great first impression," Contreras explains. "So, if that rep is knowledgeable about trends, insights and workflow within a given industry, and can articulate the value of the solutions that he or she delivers, the client is obviously going to think, 'OK, this person has done the necessary homework. I can trust this person with my business,' as opposed to someone else who's coming in talking about lease payments and the features and functionality of the device itself."

Phil Boatman, strategic business alliances executive at Lexmark, offers a similar perspective.

"Dealers are running out of options on how to differentiate themselves from the competition, whether it be manufacturer direct sales offices or just other independent dealers in their markets," he says. "What we have been able to validate with the dealerships that sell in a vertical fashion is that it allows them to address real customer pain points. It provides a consultative approach that lets them lock out the competition and lock in that relationship selling."

The strategy elevates the commitment that the dealer and customer have to one another, adds Matt Dollus, vice president of vertical industry solutions at Lexmark. "Relationship selling is back," he says. "Only this time, the relationship is not based necessarily on entertainment, but on shared objectives — trying to solve the problems that our customers are facing. When that happens, both the dealer and customer win; that develops the relationship."

Jim Coriddi, vice president of the Dealer Division for Ricoh USA Inc., likewise emphasizes the need for dealers to embrace the vertical strategy. "It helps you, the dealer, secure the two most important parts of your business," he says. "Number one is profit. It allows you to expand your offerings, get beyond the commodity and establish yourself

a broader base in order to expand your share of wallet from that customer.

“Number two, it helps to secure the customer,” Coriddi continues. “You become much stickier when you are providing a solution that is very specific to their business needs. The cost and pain they would go through to move to another vendor becomes much higher.”

Focusing on the needs of specific verticals is a “complete 180 from where we were 10 years ago,” Coriddi says. “There was a time when Ricoh would come out with a new technology and its bells and whistles, looking to differentiate ourselves by playing off of that technology. Today, we’re in a completely different place. We are designing and developing technology and associated solutions and software to be able to address what customers are telling us are their needs.

“Our industry has changed dramatically,” Coriddi continues. “One may look at it and say: ‘Oh my gosh, print volume is down, we’re in trouble.’ Another way to look at it is: ‘We are in an extremely mature industry, but we can still expand the impact we have on our clients’ businesses. Imaging is only a part of that.’”

Given that manufacturers are squarely behind an emphasis on vertical selling, are dealers following suit? “Let me answer it this way: I think dealers do a great job at playing off of their strengths,” Coriddi says. “Dealers have very strong, long-term relationships with their customers. That allows them to bring in new ways of providing for their customers. Some dealers have taken a very aggressive approach, really exercising that in a big way by expanding some of the resources and services they bring. Other dealers have been playing around the periphery, not really getting at the core of the major change in how they do business, but have just started to tweak things a little bit.”

Boatman says “there is room for growth,” in terms of dealers adapting a vertical selling approach. “More and more, dealers are realizing that there is true value in vertical selling, but the opportunity is still pretty broad for most of the dealer landscape,” he says. “The tried-and-true box-selling approach is still prevailing. It still seems to be the primary vehicle for sales for many dealers, but this leaves the door wide open for a solutions focus. Lexmark has always provided dealers with vertical market expertise to set themselves apart, and we are going to continue to provide the focus needed for our dealers to win in that vertical selling fashion, but there is still some adoption needed.”

“Let’s say that you identify health care and legal as two verticals that are well suited for your dealership’s sales territory. Start there, establish a stronghold or a level of expertise in those two sectors, and then ... expand from there.”



— Jim Coriddi
Ricoh USA Inc.

For dealers only now pursuing vertical selling in earnest, manufacturers recommend a gradual approach. “Depending on the size of the dealership and the size of its sales force, it’s best to begin with a few verticals, starting off small and getting reps up to a level where they are able to carry that conversation,” Contreras says,

noting that the choice of verticals will depend on the dealership’s strengths and current client base. “I would also advise that dealers look at where they are trying to grow as well. So, it may be that the dealership is not strong in health care and that’s a market they are looking to penetrate. So, that would be an obvious vertical to target, initially.”

Coriddi also recommends that dealers start with a limited number of verticals. “They should start with a focused approach,” he says. “Let’s say that you identify health care and legal as two verticals that are well suited for your dealership’s sales territory. Start there, establish a stronghold or a level of expertise in those two sectors, and then, as things evolve, expand from there. I think that’s the best approach.”

As dealers are ramping up with a vertical selling approach, it appears they can count on their manufacturer partners for assistance. Ricoh, for example, offers documents “that guide the dealer in a specific vertical through what to look for, what questions to ask and how to then escalate the sale and any potential proven solutions and technology,” Coriddi says. “In addition, we have established a training group and a marketing group that are dedicated to the dealer business, and much of their focus has been training and tools related to the characteristics of the different verticals.”

Boatman notes that Lexmark is poised to allay the hesitation that some dealers have when it comes to pursuing vertical selling because of their lack of resources or concerns about the “unknowns of selling in a different way,” by providing them the requisite subject-matter expertise. “We have done that for years and enjoy transferring knowledge to dealers via sales training,” he says. “We customize that training at the dealership level, in addition to general training that we provide. We have modified our training curriculum over the years, but our advice to dealers who may be resisting vertical selling is to lean on Lexmark. Put it on us; we’ll light the path.”

Toshiba, as noted, offers its v360 program. A component

of the program is an educational process to help sales reps understand a specific industry, its terminology, the nature of its buyers, etc., Contreras says. “The v360 program helps provide a very methodical approach to, ‘OK, I am interested. I want to go down this path. How do I do it?’” he says. “v360 is the perfect way to get reps up to speed; whether newer reps or tenured, the program caters to both. So, even if they’ve been in the industry for 20-plus years, they can still get value and benefit out of the v360 program, gain a lot of knowledge and establish credibility with clients.”

Dealers only now moving forward with a vertical selling strategy, leaning on their manufacturers for support, can take comfort in knowing that one win will lead to others,

“ ... If you’ve won with a specific solution or capability in one school district, there’s a good chance that if you approach all the school districts in your area with the same message, you will have a higher close rate ... ”



— Matt Dollus
Lexmark International Inc.

Dollus says. “Once you’ve had success with a customer in a given vertical, realize that the likelihood of that problem existing with a similar prospect is very high,” he says. “So, for example, if you’ve won with a specific solution or capability in one school district, there’s a good chance that if you approach all the school districts in your area with the same message, you will

have a higher close rate than you would have without a concentrated focus on the education vertical.” ■

Brent Hoskins, executive director of the Business Technology Association, is editor of Office Technology magazine. He can be reached at brent@bta.org or (816) 303-4040.

