What is a vertical marketing system? The ups and downs of a vertical marketing strategy

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Is vertical marketing the right solution for your business?

When you start building a company, one of the most important initial decisions you'll need to make, is who you're going to be marketing to.

Choosing your target market is a large and complicated process. Often, you'll need to look at everything from demographics to psychology to determine who is most likely to purchase your products and advocate for your brand. However, it all starts with a much simpler decision: are you going to use a vertical marketing system or a horizontal strategy?

Confused?

Huge stores and companies that interact with many different customers from various backgrounds have "horizontal" markets. Look at Walmart – it can sell its wares to a wide selection of people because it produces such a broad range of products. On the other hand, a company that sells parts for Harley Davidson motorcycles can only sell products specifically to people who manufacturer, use and sell a certain kind of bike.

Choosing a vertical marketing system means that you decide to focus on a very narrow and specific market. Some organisations eventually decide to target multiple different "connected" verticals. For instance, that Harley Davidson store might begin to sell parts from a few other select manufacturers too. Other businesses stick strategically to one, small audience, identifying themselves as the go-to specialist in their field.

The highly focused nature of vertical marketing means that a spray-and-pray approach to advertising doesn't work in this space. If you decide to embrace a vertical marketing system, you'll also need a strategy for how to reach, and support your customers.

Fortunately, Fabrik is here to keep you moving in the right direction.



What's the purpose of a vertical marketing system?

Before we cover things like vertical marketing campaigns and strategies, it's worth examining what industry leaders mean when they talk about vertical marketing systems in the production and business development space.

Notably, we'll be focusing on the vertical marketing strategy, as a method of identifying your business as a niche specialist – rather than the standard "VMS." However, this definition

will help you to see how crucial it is for vertical companies to refine their promotional campaigns.

A vertical marketing system, or "VMS," is a cooperative advertising strategy that exists between the various distribution channels that a business uses to connect with their audience. Think about it this way, to present yourself as the ultimate specialist for a specific niche; you need a very refined process of creating, marketing and distributing your products.

The purpose of a vertical marketing system is to dictate how all of the crucial cogs in your company should work together to earn ownership of a specific vertical market. There are three different types of vertical marketing system available, including:

- **The corporate system:** Where a single person in the distribution channel owns the rest. For instance, your business might pay for marketing teams, branding strategists, distributors, and retailers to stock and support your product.
- **The contractual system:** Where everyone you work and collaborate with maintains their independence and operate as individual entities. Though this vertical marketing system means that the campaign strategists that you work with are individuals, they'll still be part of a mutually beneficial relationship that's designed to promote your brand as an industry leader. Contractual vertical marketing systems can take on various forms. For instance, in a retail cooperative, multiple retailers will buy from a single wholesaler, or a producer will create a franchise organisation that licenses people to sell their products.
- **The administered system:** Using this format, the vertical marketing system relies on one company within a chain to be secure or robust enough to dictate the terms of the

sales and marketing strategies used by other members of the channel. For instance, if you run an administered system, you could tell other people selling your products what prices to use, how to package your products, and so on.

The vertical marketing system can be a component of a vertical marketing strategy for businesses who grow to the point that they begin to distribute their highly-focused products and services through other companies and entities. For instance, if your business creates parts for companies that sell radiators and heaters, then you'll need a vertical marketing team of distributors to deliver those parts to other companies in your space.

However, this definition of the vertical marketing system isn't what we're going to be focusing on today. Here, we're going to be looking at the term "vertical marketing system" as it relates to the campaigns and strategies put in place by a brand devoted to connecting and selling to a specific niche.



Vertical marketing systems 101: What is a vertical marketing strategy?

So, what is a vertical marketing system in the context of branding and advertising?

To answer that question, you first need to know what "horizontal" marketing means. In a horizontal marketing system, companies aim to appeal to a broad demographic of potential customers. For instance, a company that sells general office furniture can sell to virtually any office space.

However, a business operating in the vertical marketing system will seek to connect with a particular niche. In some vertical marketing system examples, businesses even sell to other companies within the same industry. For instance, a manufacturer of solar panel tech would sell their goods to other solar contractors and installers – often using the VSM systems that we just outlined above.

Both horizontal and vertical marketing systems have their appeal. For instance, businesses operating in horizontal spaces aren't competing as aggressively against each other for a specific niche, which means that there are more opportunities available for partnerships. What's more, horizontal marketing often leads to much bigger, broader audiences. However, only in a vertical market can a brand identify itself as a thought leader and specialist within a specific field.

Think of it this way, if you're looking for a standard selection of office chairs to kit out your new business space, you'd go to a horizontal company like an office furniture provider. On the other hand, if you were searching for the ultimate ergonomic chair to eliminate your back problems,

you'd seek the help of a specialist – a vertical marketing system brand. Not only are vertical organisations more sought after, but they can also justify charging higher rates for their services and products because they offer something that can't be delivered by a "generalist" in the space.

When deciding on branding essentials like whether to go "Horizontal" or "Vertical," it's worth taking the following benefits into account:

- **Better distribution and business growth:** Companies with vertical marketing strategies can take advantage of the VSM systems outlined above to help distribute their products and grow their presence in their niche. This means that you won't be restricted by a focused audience, because you'll have multiple methods of reaching new, niche customers.
- **More effective sales messaging:** Understanding the ins and outs of your industry at a specialist level means that you can create more nuanced marketing materials. Not only will you demonstrate a clear understanding of your customer's needs – earning their trust, but you'll also differentiate yourself from competitors.
- **Improve brand recognition:** By focusing your marketing efforts on a select number of potential customers and industries, you can improve your chances of gaining traction in your space. You'll also be able to develop your appearance as an expert in serving the unique needs of your customers. People with vertical marketing systems can often target the most profitable customers because they know everything there is to know about their space.
- **Develop new ideas:** With a vertical marketing strategy, your specialised focus can also make it easier to learn more about your space with insights from specific customers, and potentially come up with innovative new products and services. Often, it's the vertically-

focused brands that deliver the most ground-breaking solutions.



Is vertical marketing the right direction for you?

Deciding whether a vertical marketing strategy is the right solution for you can be tough.

After all, as a vertically-focused brand, you will be limiting yourself to a much smaller audience base, to begin with – even if you decide to branch out into new verticals later. The good news is that customers are increasingly looking for trusted experts in their field, and they're even willing to pay extra to buy from brands with the right reputation.

According to a McKinsey study of tech start-ups, 38% of companies with a vertically-oriented USP managed to get annual contract values of more than $100,000 per customer. On the other hand, only around 4% of companies with horizontal USPs

achieved the same outcomes.

In the right circumstances, vertical marketing offers a highly specialised and targeted approach to advertising that gives you an enviable position for long-term success. As a vertically-focused organisation, you'll be able to target and sell to the right demographic, with ads that are tailored specifically to their needs. Additionally, because you're focusing on a very specific space, you may also find that you can access a unique insight into the buying behaviours of your customer too – which will optimise your long-term vertical marketing system. While spotting, and successfully marketing to the right vertical takes time, resources, and dedication, the hard work does pay off when you become a best-in-class solution for your niche.

So, how do you get started?

Step 1: Do the right research

Since vertical marketing systems are all about finding the right audience and refining your messages, tone of voice, and marketing assets to meet their needs, it makes sense that you'd need to do plenty of research. Plenty of in-depth analysis will set the foundations for the success of your campaign and prevent you from spending your money and time on a vertical that isn't worth it for your organisation.

Think about who you want to target – and why. Do you have a specific specialist knowledge that you can take advantage of? Do you work with leaders in a particular niche that will guide you towards success in this space? Once you know who your audience is, create user personas that will guide you towards solving their problems. This means creating in-depth overviews into the crucial characteristics of your target audience.

Step 2: Build your content strategy

During step 1, you will have hopefully developed the buyer personas and research you need to begin building your vertical marketing system. Now, you can start crafting a content plan that's going to connect your business with your target audience. Remember, the aim is to develop the most impactful, tailored messaging possible – usually for a B2B market. Ensure that your USPs are defined in your content, so you can continue to differentiate yourself from your competition and choose a tone of voice that remains consistent throughout each channel you use.

Remember that a vertical marketing strategy requires very focused and specific content. You can't just write vague guides that could relate to anyone in your industry – you need to make sure that your audience knows that you're talking to them. Try and find out what questions your customers are asking in your industry – even if this means sending questionnaires to your initial clients.

Step 3: Make yourself visible

Finally, with your content marketing strategy in place, you can start to work on getting your business noticed. If you're using the VMS solutions that we mentioned above, then you can collaborate with distributors and other groups in your space to determine how you plan on growing your presence on both online and offline channels.

The best strategy for both vertically focused and horizontally-focused marketing strategies alike is to ensure that you're carving a space for yourself in the environments where your audience already spends their time. For instance, a B2B vertical marketing strategy will usually include channels like industry events, LinkedIn, specific forums, and even in-person meetings or conferences.



How to develop your vertical marketing strategy

In the section above, you learned how to put vertical marketing systems into place. Now, we're going to look at how you can take your strategy to the next level.

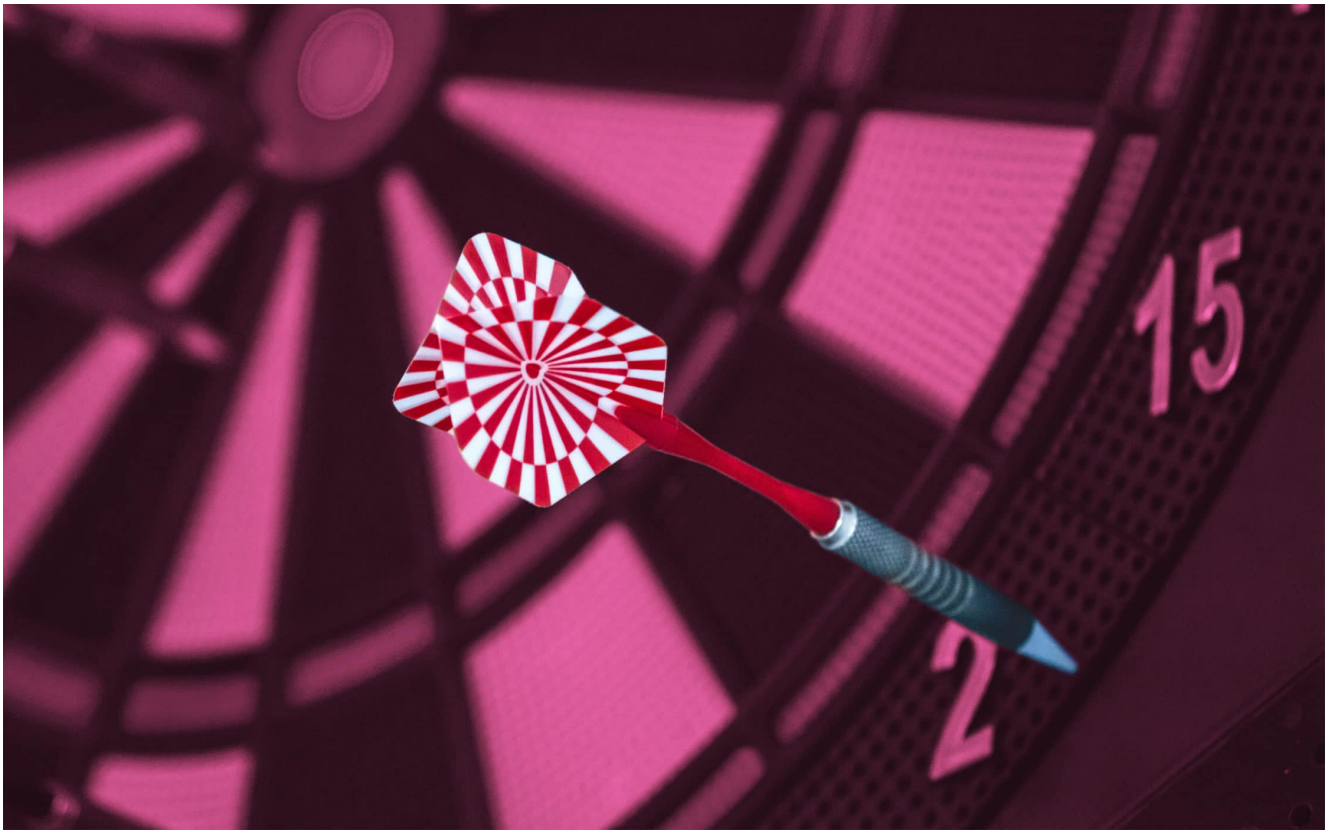
When it comes to building a vertical marketing strategy, some principles will apply to every business. For instance, all companies need to know their audience, conduct in-depth market research, and learn how to get ahead of the competition. However, the best vertical marketing examples also go beyond these fundamental principles to determine immersive ways of interacting with their intended audiences.

Here are a few steps you can take to develop that all-important affinity with your vertical audience.

1. Find ways to reach your vertical

With your marketing message in mind and an overview of your user personas available, it’s time to think about how you can get your business in front of the right people, at the right time. While standard strategies like content marketing, podcasting and videos are all great, you’ll also need to think about very specific marketing channels that are available only to people with niche audiences. For example:

- **Industry specific:** Are there any industry forums or newsletters you can get in touch with? Some major industries like construction, manufacturing, and technology have B2B groups that would be an ideal place for your marketing strategy.
- **Event marketing:** A vertical marketing strategy is particularly well-suited to live events because you’re specifically looking to connect with people who are on the hunt for specialist help. If you can speak at an industry conference, or open a booth, you’ll be sure to attract plenty of B2B leads.
- **VMS:** The vertical marketing systems that we mentioned above, including distributors, franchisees, and other people willing to work with your company can also deliver fantastic opportunities for marketing and growth. Look for ways to collaborate and develop your position in your niche.



2. Find key issues to develop content around

Since you're defining yourself as a specialist in your space, you'll need to work harder than most to produce the right content. Thought leaders rarely produce "vague" blog posts and podcasts. If you want to get ahead of the competition, you'll need to deliver highly specialist content that demonstrates your expertise, including white papers, webinars, and eBooks.

Long-form content can be very valuable for your vertical marketing strategy, but it's important to know what kind of questions your customers are looking to answer first. Start by getting to know the buyer journey that your clients go through, so you can determine what's important to them.

Once you've found a potential topic, make sure that you're speaking the same language as your audience. Use the terms and buzz-phrases that you're used to, without making your content too jargon-filled. This will demonstrate your understanding of the industry.

3. Tell valuable stories

Sometimes, to prove that you're a true specialist in your field, you need to do more than simply share plenty of impressive long-form content – you need social proof. Case studies are an incredibly useful tool for vertical marketing systems because they show first-hand that you know how to serve and support a specific kind of customer.

Use case studies and interactions with your customers to tell the story of your organisation and demonstrate why you're such a valuable business. Here's your chance to convince your audience that you really "get" their problems, desires, and motivations. The more in-depth you can get with these pieces, the more authentic and reliable you appear.

Don't be afraid to share these crucial pieces of content through multiple mediums too. For instance, you can post snippets and quotes on social media, or include them in your email newsletters.

4. Track your performance

Finally, whether you're investing in a horizontal or vertical marketing system, any good promotional manager should know how important it is to test and measure your performance. Ultimately, in a vertical space, there's a harsh learning curve that you'll need to follow to learn what resonates with such a small sub-section of customers.

By tracking the impact of your marketing campaigns, you can make sure that you're covering the right content, sharing your information in the right places, and reaching out through the correct channels to accelerate your path to success.



Vertical marketing systems: The bottom line

Vertical marketing systems focus on connecting your brand with a particular target audience. Sometimes, this means using a highly refined production and distribution chain to ensure that you have the best possible chance of boosting your revenue. Other times, a vertical marketing strategy is simply about getting to know the niche you're serving and finding out how to communicate with them best.

A vertical marketing campaign is often much harder to implement and manage than a horizontal marketing system. After all, when you're targeting a highly specific audience, it takes a lot more time and focus to make sure that you're reaching the right people with your messages. However, if you can persevere, and show your expertise in a specific space, then you benefit from the ability to stand out as a specialist in your area – not just another generalist.

Choose and appeal to your vertical properly, and you could become the go-to brand in your space. Just remember that success with vertical marketing often requires a lot of planning, patience, and a little bit of help. To learn more about building a brand that will thrive in your vertical, reach out to Fabrik today.

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