

THE SHIRMAN GROUP

Extend the reach of your business

Vertical Market Specialization by BtoB Vendors

Benchmarking Study – Summary of Findings

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Top reason NOT to specialize:

horizontal products

Motivation of Investment in Industry-Focused Activity

The need to engage senior decision-makers was the most commonly cited motive for aligning activity to target vertical markets. Also important were the presence of industry-specific products, and the desire to increase average deal size. Competitive pressure was an especially significant motivator among larger companies, but played a smaller role for companies with less than \$250 million in annual revenue.

Target Industry Concentration

Smaller companies, and those with less than two years of experience in vertical market specialization focus their efforts on one to three industries. Larger companies with over \$250M in annual revenue averaged five target industries in which they invested industry-specialized activities or resources.

As companies become more experienced with industry specialization, the number of target industries tends to either settle at three, or rise to seven or more.

Plans for Industry Specialization

67% of companies plan to increase industry specialization

The level of industry specialization has been increasing among two thirds of study participants, and even more intend to increase the level of industry specialization further in the next two years. Slightly over one quarter indicated they plan to keep the level of industry focus the same. Among product companies, the intent to increase specialization is even higher, with 75% of respondents indicating they intend to invest more in the next two years. Only five percent of study participants indicated they intend to reduce the level of industry specialization.

83% have industry-targeted marketing and sales content.

Top-rated industry-specific marketing tactics:

Case studies

and quantitative savings or

ROI analysis

Industry-focused

services increase leads more than industry-aligned sales.

About three quarters of companies that have any level of industry specialization indicated that their Marketing, Sales, Alliance, Service and Product organizations were hybrids of horizontal and vertically-aligned activity or mostly or entirely aligned to industries.

Marketing and sales content were the most common items that study participants produce in industry-specialized form. These are produced by 83% of respondents. The next three most common industry-specialized activities were PR and awareness efforts, lead-generation campaigns, and product options or add-ons. Larger companies tend to invest much more heavily in product specialization, while smaller companies focus primarily on specialization in their go-to-market activities.

Marketing: While over 80% of companies indicated they produce industry-specific sales and marketing content, only half said they follow the marketing talk with action such as PR, awareness, and lead-generation campaigns.

Sales: Almost one quarter of participants indicated that their sales function was entirely aligned by industry. On average, however, companies align half of their sales representatives to their customers' markets. Larger companies are twice as likely as smaller ones to have industry specialists or other sales overlays that provide domain expertise in deals. Such overlays assist both industry aligned and non-aligned sales reps.

Products: One quarter of participants have industry-specific products. Many more, especially among the larger companies, offer product-related enhancements targeted at specific markets. These include product add-ons and configurations, integration with other products, and product bundles.

Over three quarters of companies develop these internally. Larger companies also acquire other companies to increase product-related industry specific capabilities. Smaller companies are more likely to productize professional service deliverables for the same purpose.

Services: Half of participating companies have services personnel who specialize in an industry. Industry-specialized support, assessment, deployment and implementation services are each offered by just over one quarter of participants.

Alliances: The most valuable types of alliances for study participants were those with system integrators (SIs) and technology vendors. Over 40% of participants said that their industry-focused relationships with SIs are providing notable or significant impact on their industry efforts. Technology partnerships were also highly valued, especially by product companies, who rated the impact of these alliances equal to that of SIs.

Benefits of Specialization

Companies that report notable or significant impact after two years:

Revenue **70%**

Brand **80%**

Leads **90%**

The investment is paying off. Among companies who have focused on target vertical markets for at least two years, 90% report notable or significant impact on leads within target industries and 80% report improved brand awareness. Seventy percent of reported notable or significant impact on revenue after two years of specialization. Even in the first few years of industry-focused activity, approximately half of companies reported notable or significant impact in all three metrics.

Aligning marketing along industry lines has the greatest impact on revenue and lead generation among all functions. Sales alignment is also effective in improving these metrics within target industries. Services specialization provides a significant boost in industry leads – most likely from enhanced effectiveness of pre-sale assessments and improved post-sale success. Leveraging industry alliances had the greatest impact on brand awareness within an industry, significantly more than marketing specialization alone.

The Shirman Group

The Shirman Group helps B2B technology companies identify and pursue new revenue growth opportunities through increased relevance and value to customers and partners. Companies that are looking to expand into new industries, reach new audiences, and matter more to customers turn to us for innovative strategy, effective execution, and substantive results. We apply a combination of analysis, industry savvy, and hands-on collaboration with our clients to help executive teams outperform their revenue objectives. Shirman Group clients include industry leaders as well as select rapidly-growing new ventures. We're on line on-line at www.shirmangroup.com

The Insight Advantage

Thank you to our research partner, The Insight Advantage, for their support in designing and conducting this research.

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