



# Sky's the Limit: 6 Ways to Become a Vertical Industry Specialist

By Kevin Casey

**Channel Partners™**

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# ABOUT THE AUTHOR



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# Sky's the Limit: 6 Ways to Become a Vertical Industry Specialist

**IF YOU RESOLVED TO TAKE YOUR BUSINESS TO THE NEXT LEVEL THIS YEAR, IT MIGHT BE TIME TO THINK**

vertically.

Don't worry: We're not about to give you a motivational speech urging you to "reach for the stars" or some similarly hackneyed goal. By "vertical," we mean delivering solutions tailored to the business needs and processes of specific industries, such as financial services, health care, retail, education, manufacturing or other segments.

Why consider going vertical? The bottom-line reason is, well, your bottom line.

"The benefits of going vertical include higher revenues, better margins, lower cost of sales, increased velocity of order flow and bigger average order size," says Rebecca Rosen, president of sales strategy consultancy [Sales Enabled](#).

A recent [Techaisle](#) study of the best practices of channel partners selling cloud computing to small and midsize (SMB) businesses found that providers who sold vertical solutions — those tailored to the business needs and processes common to a particular industry — were 21 times more profitable than those that did not. What's more, Techaisle lead analyst Anurag Agrawal says his firm's recent survey data indicates that, in the SMB segment, industry expertise is now a more important differentiator than technical prowess when picking a channel partner.

That's not to say that your general IT chops aren't still a core part of your business; rather, it reflects that the most successful partners now emphasize industry specialization on top of their technical expertise and quality of service.

"Vertical applications still stand out as the solution needed by SMBs the most, but [that] is least offered by channels," Agrawal says, adding that industry-specific productivity, communications and collaboration solutions are in particular demand.

Going vertical can be a daunting departure from the generalist, or "horizontal" mindset, which Agrawal summarizes as: "We sell IT stuff, and you need IT stuff, and we understand it better than you do, so buy it from us." Nor is this to say there's no place for the general practitioner; there will always be technologies, especially on the infrastructure side, that lend themselves to a horizontal approach. But specialization is increasingly in demand in the channel market, especially for the applications and services that run on top of that infrastructure.

Specialization is no easy feat, though, so we asked a variety of channel experts to help show the way. Read on for six ways to take your firm vertical.

## 1. Don't Dabble. Go All In

Signing up a boutique hotel client does not make you a hospitality industry expert. Anyone can declare themselves an expert in, say, technology for financial services firms. But you're not going to last very long if there's little or no substance to the claim, so be fully determined to develop true industry expertise.

"Going vertical takes a commitment. It's not just about slapping your logo on a data sheet or case study and calling yourself a vertical expert," Rosen says. "It requires that you become a subject matter expert in the vertical and expand your offering to include the product stack that your customers seek."

[Telecomquotes.com](#) CEO Michael Bremmer, whose customer base includes the home health care and chain restaurant verticals, says that the commitment is worth it: "It's an investment of time that pays off," he says.

We'll expand on Rosen's, Bremmer's and other channel pros' advice for developing that subject matter expertise, but understand at the outset that this will require time, money and personnel resources to do right.

## 2. Get Started With an Existing Customer (or Three)

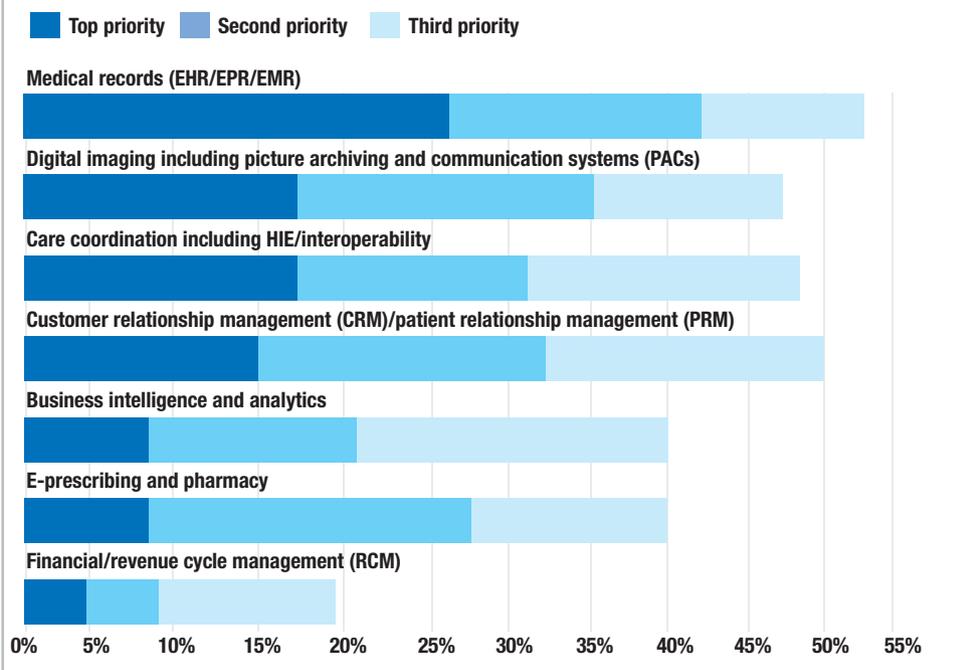
For generalists, the hardest part about specialization often is figuring out where the heck to begin. How does someone with deep IT knowledge also become an expert in the restaurant business?

A common response among the channel pros we spoke with for this report: Look within your existing customer base.

"The easiest way [to develop industry expertise] is through an existing customer," says Tina Gravel, senior vice president of global channels and alliances at [Cryptzone](#). (Hold that thought for moment: In the next section, Gravel recalls her in-the-trenches education in the insurance industry, thanks to a former customer.)

## Top 3 IT Spending Priorities: Health Care

Globally, digitizing medical records is by far the top job for health care providers, but digital imaging projects are also top of mind. That's good news for partners selling storage, whether on-premises or cloud.



Source: Ovum ICT Enterprise Insights 2016/17 - Public Services: Health Care (Survey date: October 2016)

Rosen similarly advises starting with an industry you already know well — but might lack deep expertise in — because of your existing market.

“If a partner has three or more customers in a specific vertical, that’s where they should look first,” she advises. Then, do the types of market research and analysis any savvy business leader should undertake before launching new products or services: What’s the potential size of the market? Is it big enough to justify the investment necessary to specialize? Is that market growing or shrinking? What external forces might impact this industry going forward? And so forth.

Your starting point could as well come from outside your traditional customer base, even if the learning process remains similar. [MicroCorp](#) CEO/COO Karin Fields says one of her partners eventually became a nonprofit sector specialist by virtue of sitting on the board of a local charity.

“He helped them with their own services and started to understand their needs. The director of that group moved to a bigger nonprofit and asked him to look at the new organization. My partner learned more,” Fields says of the serendipitous start of a significant journey toward specialization. “It took him about two years to really become seen in his community as the ‘Nonprofit Telecom Guy.’”

### 3. Listen & Learn

You’ll notice a key word in Fields’ story: *Learn*. Channel pros we spoke with almost universally stress the need to listen carefully to customers and actively seek out learning opportunities on the long-term path to vertical industry expertise.

“Being any type of specialist will require time to gain significant knowledge,” Fields says.

Gravel of Cryptzone recalls her experience learning the day-to-day operations of an insurance customer to better understand its business processes and needs: “To be the very best consultative representative for them, I tried to learn everything they experienced,” she says. “The customer is normally flattered that you want to learn more and wants to help you if you are a valuable partner already, so it was the easiest way for me to gain experiential knowledge.”

For Gravel, that involved speaking with underwriters, salespeople, finance folks, claims personnel — just about every role in and facet of the business. Don’t make the mistake of thinking that, say, the customer service team isn’t relevant to what your firm offers just because there doesn’t appear to be a direct line between the two.

“Even though the solution I sold did not impact each department I spoke to, it was the best education for me and helped me help them with their needs,” Gravel says.

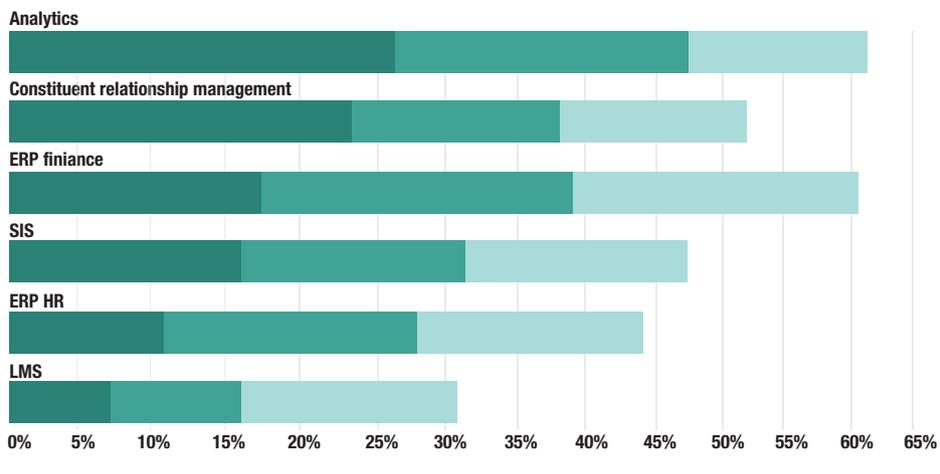
Similarly, Bremmer advises embedding at a customer site to truly learn their operations. If you want to offer channel expertise for consumer retail settings, you’d better spend some time in those stores, from warehouse to checkout.

“You literally need to move into their operations, spend a day answering phones in the call center, go out and talk to the managers, learn their business process[es],” Bremmer says. “Get your hands dirty.” He does recommend charging at least nominally for this service to avoid being taken advantage of as a consultant.

### Top 3 IT Spending Priorities: Education

U.S. educators want to delve into their data — you’ll win business by enabling analytics projects. Relations with students and keeping the budget balanced are also critical.

■ Top priority ■ Second priority ■ Third priority



Source: Ovum ICT Enterprise Insights 2016/17 - Public Services: Health Care (Survey date: October 2016)

When you're just starting out, Gravel says there are plenty of 101-level resources offering beginner-level info. Some tech vendors offer programs on the requirements of certain kinds of companies and vertical industries; industry organizations might offer educational events; and there is plenty of "For Dummies"-type content out there, both in print and online, that might help you get the basics down.

Once you have a foundation, Rosen recommends finding out how, where and from whom your customer learns. Who are the influencers in the industry, for example? What are the big industry events? What are the must-read publications? You should be learning what your customers are learning.

#### **4. No, Seriously: *Specialize***

One pitfall of a vertical approach: You might think you're more of an expert than you really are. Again, serving customers in various industries does not automatically make you an expert in those verticals, no more than successfully cooking yourself dinner means you should open a restaurant. This pitfall widens if you're spread thin across a diverse client portfolio.

"From our global channel profiling studies, we find that a SMB-focused channel partner serves an average of eight verticals," Techaisle's Agrawal says. "And any channel partner that caters to eight verticals cannot have deep expertise in all areas."

You'll want to review the previous three recommendations on how to begin developing that expertise. You also need to recognize that true specialization often means breaking an inherently broad industry, such as health care, into discrete parts that better reflect the specific needs and opportunities within that umbrella vertical.

"An orthopedist needs a lot more storage and bandwidth than an allergist," Fields says. "Even within industries, subcategories have their own unique needs." She adds that partners can get quite granular in their specialization — focusing just on car dealerships, for example — and be successful, provided there's an ample market opportunity.

Rosen advises developing your ideal client profile within the vertical industry you decide to target.

"Targeting health care could mean targeting hospitals, or it could mean targeting doctor's groups with three or more offices," Rosen says. "The solutions for both health care types are unique. Once the partner has profiled the vertical and understands the market potential, [they must] learn about the full set of technology needs the customer has—hardware, software, integration, communications—and determine which products they want to offer and which companies to partner with to offer the solution stack."

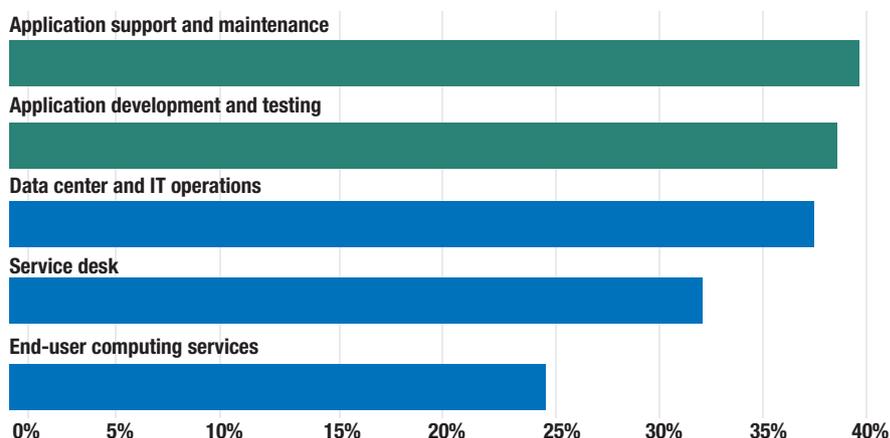
## 5. Shepherd New & Emerging Tech

Deep knowledge of a particular industry pairs well with specific technical skills of the sort you presumably already possess and will continue to develop. This creates another opportunity for advancing your vertical industry strategy: Don't just sell your expertise in cloud storage, for example. Sell your expertise in the optimal use and implementations of cloud storage in architecture and design firms.

### Financial Services Outsourcing: Where's the Money?

Ovum research shows that U.S. financial services firms are looking to partners for application support, on top of typical outsourced functions such as data center and help desk.

■ Applications ■ Infrastructure



Source: Ovum ICT Enterprise Insights 2016/17 - Public Services: Health Care (Survey date: October 2016)

Cryptzone's Gravel points out that security might be thought of as a horizontal technology category, in that just about every business needs it. But it offers tremendous vertical opportunities, too, especially in compliance-heavy industries like banking and health care. She sees categories such as SaaS and analytics as similarly offering great opportunities for partners with industry-specific expertise.

This approach may be especially useful in new or emerging tech categories that often generate a lot of buzz — and plenty of confusion — in the marketplace. Gravel offers this timely example: "I think IoT as a vertical will be a subject clients want to know about and do not readily have the info for."

You could be a channel partner that "knows IoT." You could also be a provider that understands how best to design and implement IoT solutions in hospitals — expertise that is rarer and may be in greater demand (and more lucrative) as a result.

## 6. Be Prepared for Challenges

That commitment we mentioned at the start? It will likely be tested by some headwinds along the way. As the saying goes, if specialization was easy, everybody would be doing it. Here are some of the challenges channel insiders advise being mindful of:

- **Not everyone will want to help.** Fields says that once you've established a foothold in a particular specialty, networking and referrals are the best method for achieving "go-to" status. But customers might get a bit stingy about spreading the word: "I had one partner who was trying to break in to the banking industry and really helped a regional bank. When he asked for a referral to some of the other local banks, the CIO said he didn't want to do it because he didn't want to help the competition in any way," Fields recalls. "That doesn't happen often, but it is one of the challenges."
- **It can be risky, especially for small providers.** Gravel notes that, like any major business decision, you'll need to assess the pros and cons for your specific company relative to its current condition. "If you start off selling horizontal solutions and decide, 'I think I will partition off a section of my sales force to focus on, say, banks,' you take a risk," Gravel says. "It may be a good and calculated risk for you in that your banks are the very best customers you have and you know with focus you can do much more [in that industry]." On other hand, you might be sacrificing a reliable existing revenue stream by shifting resources to your new vertical focus, with potentially dangerous consequences if the vertical strategy doesn't succeed. She advises making an honest assessment of your firm's ability to take on this kind of risk before plowing forward.
- **Your current customers might not neatly fit into your specialty areas.** In a similar vein, it's unlikely that you're going to flip the switch overnight from generalist to specialist. It's a longer-term evolution. As a result, you'll need a viable strategy for how you'll handle customers that don't fit into your specialty areas, especially given that it's unlikely you'll want to say goodbye to their business. "How will the partner handle customers that don't fall into their area of specialization?" Fields asks. "Too many that fall out their scope can be distracting and dilute their branding as a specialist."

Still, the business opportunity can be tremendous. "This process takes a commitment to learning and execution, which may include adding new products, hiring new people, and learning new skills," Sales Enabled's Rosen reminds us. For those that get it right, the sky's the limit.