

Vertical Markets

Are they the key to long-term survival?

by: Brent Hoskins, Office Technology Magazine

The parity of today's imaging devices and the desire to avoid competing on price are among the compelling reasons for office technology dealerships to distinguish themselves from the competition. For many, the answer lies in targeting several key vertical markets, positioning themselves as trusted advisors.

Following are brief profiles of three manufacturers focused on their pursuit of vertical markets. Perhaps they will inspire you to take another look at the wide range of opportunities.

Canon U.S.A. Inc.

In terms of vertical selling, Canon U.S.A. Inc. has focused on several key markets for at least 20 years, says Madhu Bhawnani-Dutta, marketing advisor at Canon. "While that focus has varied over the years depending on dealer interest, there is a renewed energy around selling Canon into vertical spaces because of our unique approach."

Today, Canon focuses on four key verticals — education, government, legal and health care. "Each one of these verticals is going through a digital transformation right now, so there is certainly a market opportunity for them," Bhawnani-Dutta says. "We have a strong customer base in each of these verticals and a flexible product mix to meet the challenges that these verticals are facing right now."

Focusing on verticals is a "smart business strategy for sales," Bhawnani-Dutta says. "Successful dealerships can use their vertical market knowledge base and expertise — with the help of their suppliers — to differentiate themselves from the competition. Canon's approach appeals to dealerships because we are focused on identifying the specific challenges that these industries are facing today and aligning our products to the issues that matter most to technology decision makers. In turn, dealerships are demonstrating that they are willing to invest time to increase their sales forces' knowledge and take a longer view of the



sales cycle in order to build deep, strong relationships with vertical customers."

Canon has looked closely at the opportunities within its four targeted verticals. "We've done studies on where the opportunities are in the print space and feel these four — particularly health care, education and legal — have the most upside right now," Bhawnani-Dutta says, noting that only a portion of the government vertical is pursued by dealers. "There are two layers — state and local — where our dealers focus; Canon has a direct federal government sales team."

As noted, vertical market sales generally require longer selling cycles. "The vertical-oriented sales cycle doesn't mesh well with the industry's traditional 30-day turnaround time," Bhawnani-Dutta says. "It takes more time to understand customer needs. So, the dealership, in some respects, has to be willing to adjust that quick 30-day sales cycle. However, there is more upside on the back end — a deeper relationship with more opportunities for growth."

That deeper relationship is the result of the transformation of the sales rep's role, says Bhawnani-Dutta. "When you're just selling products, you can be sidelined by a customer looking at another shiny, new widget," she says. "However, when you position yourself as a trusted advisor — as a consultant who understands someone's industry and the unique challenges they're experiencing — then you become sticky, which naturally increases profitability. So, we're helping our dealers move their sales force members from being salespeople to consultants."

As Bhawnani-Dutta notes, Canon is there to help its dealers with their vertical market pursuits. "We offer meaningful training, including our road shows, which now have a vertical component," she says. "We also offer boot camps; sessions that are more in-depth where we guide dealers through identifying what they should be talking about with vertical market prospects. Plus, we've revamped our training material

library so that they have more in-depth information about each of these industries.”

Bhawnani-Dutta acknowledges that vertical sales can be intimidating, but says the key is looking at verticals through a different lens, citing the health-care vertical to explain the strategy. “The fact of the matter is, health care is a business, just like any other vertical,” she says. “So, we work to help dealers and their reps understand the ‘business’ of health care, encouraging them to have conversations that are not necessarily focused on EHRs [electronic health records], but instead on how to help that business grow and transform digitally.”

Lexmark International

For the past 25 years, Lexmark International has had a significant focus on vertical markets. Today, seven markets are the primary targets: banking, government, health care, insurance, education, manufacturing and retail. All share a key characteristic, says Larry Early, director of software and industry marketing: “They represent the industries that have the most complex requirements.”

How so? “I differentiate the verticals from ‘back-office printer environments,’ such as a building with 10 floors and 200 people on every floor, which is a much easier problem to solve,” Early says. “If you think about the seven verticals, they have requirements where a lot of the devices are out in the field. There are often no IT employees near the devices, so it’s a much more complicated problem. By solving those problems, we help generate more value for these verticals.”

Early shares two other common characteristics of the verticals pursued by Lexmark. “They are highly distributed,” he says, citing the retail vertical to illustrate, but acknowledging that the vertical is far less pursued by dealers than such verticals as health care, education, and state and local government. “A large home improvement retailer, for example, may have its headquarters building in a large city but it will have stores across the country. Each store probably has seven to 10 devices without a single IT person in the store. So, the distributed fleets have to be able to get tech support quickly.”

The final characteristic Early shares: A preponderance of transactional print. “When a patient checks out of a hospital, you need to give that person discharge instructions; this is still a process most comfortably done with paper today,” he says. “In all of these industries, you will see that there is a

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— Madhu Bhawnani-Dutta
Canon U.S.A. Inc.



printed transactional document that guarantees and protects our pages.”

As Early noted, the primary opportunity within the verticals lies in generating more value. Likewise citing the health-care vertical as an example, Clark Bugg, director of North America channel sales at Lexmark, illustrates the value add. “It’s about changing the game when you are

in a line-of-business conversation,” he says. “Rather than just talking with IT and procurement, you are talking to the director of nursing, for example, about addressing how a device or process could help with a staffing challenge. Those types of conversations result in a greater financial reward because value usually equals added margin.”

Bugg emphasizes that Lexmark is poised to help its dealers with optimizing their successes in pursuing vertical markets — and that its dealers are very receptive to that support and guidance. “For example, Larry and his team host vertical-marketing webinars for our partner dealers each quarter as part of our Lexmark Industry Advantage Program,” he says. “They are the most widely attended webinars that we offer.”

Beyond the webinars and other means to “transfer knowledge” regarding vertical markets to its dealers, Bugg notes that Lexmark personnel also assist dealers in the field, when needed. “We’re able to teach our partners how to ‘fish on their own,’ but when they ‘get a whale on the line’ — where, for example, there are very specific questions from the customer about, ‘Where have you handled this or that in other places?’ — we’ve got the resources to help. Our enablement and engagement have been really important in those situations.”

Noting that those dealers who are “evolving their business models and continually working to differentiate and add value” are the dealers “doing the best” with vertical markets, Early says more dealers need to target vertical markets. “That’s going to be the key for long-term survival as the big and small fight it out.”

Toshiba America Business Solutions Inc.

Selling into vertical markets is about solution selling, says Jason Jarrett, director of solution sales at Toshiba America Business Solutions Inc. “It’s fundamentally important that dealers diversify — understanding the requirements of different organizations, solving their problems and providing business outcomes,” he says. “When you start to sell into VMs [vertical markets], you organically start to become

Impact of Inflation on Verticals

U.S. consumer inflation was recorded at **9.1%** in June and July 2022.

U.S. inflation is at its highest since 1981.

Verticals Most Dependent on Supply & Price of Energy



Worst Case

U.S. manufacturing will lose 2 billion pages of office page volume in 2022.

10 BILLION

pages will be lost from office print between now and the end of 2022.



At least 50 **FEWER** paper mills operate globally now than at the start of 2019.

Verticals Most Affected by Second Round Effects

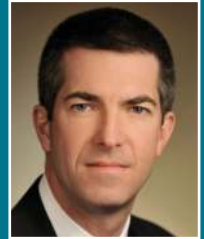


Worst Case

U.S. wholesale and retail combined could lose up to 19% of its predicted print volume in 2022.

Source: Keypoint Intelligence Analysis, Inflation and Its Effects on the Document Industry

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— Larry Early
Lexmark International

solutions focused; and when I say ‘solutions,’ I’m not necessarily meaning software. I’m meaning anything — a solution to a problem.”

Focusing on verticals is an ideal competitive advantage, Jarrett says. “By selling into VMs, you are very much differentiating your dealership from those that are just out to refresh a copier fleet without really understanding the customer’s business,” he says. “The core knowledge and skill sets that you will develop will transcend across all of the VMs. Today, while there is still very much a demand for printed output, customers are looking for partners that understand their specific environments and all the specific business requirements related to every stage of their document life cycles.”

Toshiba is well positioned to help its dealers pursue vertical market opportunities, Jarrett says, particularly in the seven key verticals the company targets — education, finance, government, health care, legal, manufacturing and logistics, and retail. “The reason we focus on these verticals is our experience; we have a strong track record in all of them,” he says. “And while each of them has a unique set of requirements, in one way or another, they are a very good fit with our portfolio of offerings and services.”

Because the pursuit of verticals is not an easy task, it is “essential that dealers are aligned with an OEM partner that has a focus on selling into verticals,” Jarrett says, noting that it has “always been one of the primary areas of focus” at Toshiba. “We have built an online training program that enables our dealers to sell into the specific verticals confidently and successfully. We also provide a large number of deliverables, such as marketing kits and presentations that help dealers speak to customers within the VMs.”

Jarrett further emphasizes the support that Toshiba provides its dealers. “There is a section within our partner portal called Toshiba Exchange that goes deep into the different areas of our business,” he says. “There you will find a landing page for every vertical that we support. We have e-learning, scheduled webinars, tests that can be taken

on the vertically aligned solutions that we sell, battle cards and intro guides to selling into the verticals.”

There is a “tremendous opportunity” with all seven of the verticals that Toshiba targets, “but I would say to dealers, ‘Don’t try to boil the ocean,’” Jarrett says. “That is, don’t limit yourself to just one of these, but do start off small and build on your domain expertise.”

Jarrett says the successful dealership will need the right staff. “When you are recruiting, look for people who have expertise in a specific vertical,” he advises. “This may include a candidate with little to no experience in office equipment, but who has worked in information technology inside of a health-care organization, which obviously included connected printers. That candidate could

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— Jason Jarrett

Toshiba America Business Solutions Inc.

become your specialist in health care, understanding at a very high level all of the challenges, because he or she lived it.”

Beyond the seven key verticals targeted by Toshiba, Jarrett notes there are certainly other verticals that dealers can pursue. He lists hospitality, places of worship and real estate among them. “If you can tap into the requirements

of any of these, identifying the pain points that they experience,” he says, “they’re going to be all ears.” ■

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