



Vertical Partnering: Street Smarts for a Tough Marketplace

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Disintermediation, outsourcing and globalization have changed the buying patterns of companies in many ways. The end user is playing an increasingly important role in the selection process and a clear trend is emerging toward acquiring solutions instead of products or equipment. Because IT departments are becoming less involved in companies' daily computing operations, which are outsourced to service providers, availability, integration, security and compatibility issues are no longer obstacles to the implementation of a solution. Instead, these factors have become a natural part of the solution planning process and will end up as requirements for the outside service provider. As a result, buying decisions have been transferred to the company's appropriate line of business, with the IT department playing the role of a trusted advisor.

To sell to end users, firms competing in today's marketplace need to overhaul their approach to strategic marketing. Marketing strategies always start from positioning both the firm and its offerings (products, services and solutions) so that they are properly perceived by the prospect. And when the prospect is an end user, the attractiveness of the offering no longer has changed from function and features to an assessment of how the offering solves the user's business problems in the most effective way.

End users are less interested in buying products (some assembly required), and are primarily concerned with implementing solutions that require minimal set up and integration, which allows them to solve their business problems in a shorter period of time. Best-of-breed approaches combining multiple products from different providers are attractive to technical minds, but are often challenged by the budget owners who are looking for the path of least resistance in achieving a fast return on investment (ROI).

This reality provides interesting challenges to technology vendors, who are geared to deliver products, and now need to package them as solutions to be competitive. To offer solutions, vendors must become experts in understanding the business problems they are solving. They need industry and domain knowledge that goes beyond knowing their products. For example, if CRM vendors want sell a customer support solution to a bank, they need to understand banking industry customer processes and speak the banking lingo to capture the attention of the bank's customer service executives. They may have to adapt their horizontal one size fits all approach to product development to meet specific industry requirements such as complying with the Patriot Act and providing efficient straight-through processing. In other words, they need "vertical" or "industry focused" positioning.

Another way to view this is to look at how vertical positioning affects the four "P"s of marketing. It affects the product's features, its pricing, its promotion and its "place" or go-to-market. The first three "P"s can be managed reasonably well with an in-house approach, but the fourth requires interaction outside the company with partners. Partnering is always strategic, but partnering in a vertical context provides the street smarts required to compete and win in today's tough marketplace.



Vertical partnering provides a vendor with the complementary needs of the go-to-market strategy that have been identified during gap-analysis. Development vertical partners and value added resellers (VARs) can add an industry application layer on top of the firm's horizontal offering. Vertical consultants and systems integrators (SIs) can speak the industry lingo better than the firm's sales teams and help the firm approach industry decision-makers without hiring specialized skills.

Vertical partnering, however, adds a degree of complexity in account control. That is why it should become an integral part of the strategic marketing planning process. "Enterprises that depend on partners to provide value-added services — such as distribution, vertical marketing and sales reach — or to provide localized operations and customer service and support will find value in adopting a partner relationship management (PRM) strategy to properly orchestrate their indirect partner relationships to compete effectively," noted Gartner, Inc. analyst Robert P. DeSisto. (Research Note M-21-9250, 2004).

Vertical partnering provides the framework to create and offer vertical solutions. Remember, the focus of a solution is not a customer function, but rather a customer's business process. These processes include not only actions, but also the information associated with the action and integrating with other business processes. Some processes are more dynamic than others; therefore, both the process and the changes need to be understood through interactions with the customer. Because vertical solutions marketing opens the door to maintaining profitable ongoing relationships with customers, the partnerships developed along the way to create the solution need to be nurtured and properly managed. To that end, we recommend the following steps to ensure success:

- Establish and document your strategy and relationship approach with your prospect partner
- Understand how the relationship will leverage the core competencies of the individual organizations
- Articulate clearly the value propositions and benefits that will be gained from the relationship
- Define the way risk will be shared among partners
- Commit to total openness, honesty and transparency in the partnership

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