Vertical, Horizontal Or Lateral... Which Way To Market?

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"A vertical market is a market in which vendors offer goods and services specific to an industry, trade, profession, or other group of customers with specialized needs. It is distinguished from a horizontal market, in which vendors offer a broad range of goods and services to a large group of customers with wide range of needs, such as businesses as a whole, men, women, households, or, in the broadest horizontal market, everyone." -Wikipedia

The single defining characteristic of the participants in a vertical market is competition within a well-defined segment. Coatings, paints, adhesives and sealants would be defined as vertical markets.

Horizontal market participants often attempt to meet enough of the different needs of vertical markets to gain a presence in the vertical market. Their similar products/services tend to be less of a fit but also less expensive than specialized, vertical participant solutions.

The general chemicals supply business would be regarded as a horizontal market due to it's a broad range of industries and government sectors purchase services.

Therefore, a vertical market can be two things, though by definition, one should be sub-grouped as an affinity market. In industry, the vertical markets are those where there is a common interest, often exploited by the advertising media. Trade Magazines fit well into this category with "What's New in Industry" addressing coatings and paints as a sector, "Coatings World" addressing the narrower vertical coatings and paints.

Horizontal Markets or Horizontal Marketing is found where you take little or no notice of what people do for a living. Everyone needs spreadsheets, so you sell them to all types of business. Expensive spreadsheet solutions such as "n" dimensional pivot tables will only appeal to companies which do advanced statistical analysis and visualization, but as they could be in any manufacturing or service sector, this is still a horizontal market. The buyers occupy a niche in it!

Lateral marketing is a work process which, when applied to existing products or services, produces innovative new products and services that cover needs, uses, situations or targets not currently covered. As a result, lateral marketing leads to new categories or markets.

What justifies lateral marketing? Vertical Marketing, by itself, leads to markets that are fragmented and saturated. The goal of Lateral Marketing is to create an entirely new market. Lateral marketing lets marketers develop an entirely new product that finds a much wider audience.

The evolution of markets and the dynamics of competition: The effective use of Lateral Marketing creates customers the real impression that needs are more than satisfied, they are hypersatisfied*. When companies continue to segment the market, markets will be too small to serve profitably. The challenge in marketing today is to fight against fragmentation and saturation. The priority must be to find new methods to create and launch more successful products.

Traditional Marketing Thinking Marketing starts by studying consumer needs and figuring out how to satisfy them, then determining who is the market. Markets are born with a first brand that creates the category. The first two entrants in the category usually captures 75 percent of the market. Companies continue to segment the market so it becomes more fragmented and saturated.

Innovations Originated from Inside a Given Market: These innovations consist of continued variations on what the product or service is but do not intend to modify its essence. The innovations occur within the category in which they compete (they assume a fixed market). The end result is still fragmentation and a small share of the total market.

Lateral Marketing as Complement to Vertical Marketing: Lateral Marketing transforming products for satisfying new needs and situations not considered before. It creates a new market. Lateral marketing: works best for mature markets, creates markets from scratch, is riskier, requires greater resources, anticipates high volume, and may redefine mission and business focus.

Lateral marketing creates new categories in one of four ways: A lateral product can restructure markets by creating new categories or subcategories. It can reduce the volume of other products within the given market. It can sometimes generate volume without hurting other volume. It may take volume from other categories.

How to Apply The Lateral Marketing Process? Be prepared to generate a displacement. Choose a product or service you market and make sure it is one you have difficulty competing. Break the product into pieces using the scheme of vertical marketing, then look for the gap with lateral thinking: substituting, inverting, combining, exaggerating, eliminating, or reordering the product or service.

Lateral Marketing at the Market Level: A market level contains several dimensions where a product or service competes: need, target, and occasion (combination of place, time, situation, and experience). What we are doing is substituting one of the dimensions of the market for another that was discarded.

Lateral Marketing at the Product Level: There are 6 techniques: Substitution (removing one or several elements of the product and changing it). Combination (adding one or several elements to the product and maintaining the rest). Inversion (saying the contrary or adding 'no' to an element of the product). Elimination (removing an element of the product). Exaggeration (exaggerating upward or downward one or more elements). Reordering (changing the order or sequence of one or more product or service elements).

Lateral marketing can be used to diversify marketing mix by applying existing pricing, distribution, or communications formulas that correspond to other existing products or services and that are not naturally associated with the category you compete in. Example: coffee vending machines have applied the credit card concept to selling coffee.

Principles for successful lateral marketing: Companies need to continuously innovate, not just "tweak" an existing product, to grow and prosper. A high percentage of new products fail in spite of careful market research and planning. The reason for the innovation crisis lie in the traditional innovation process. Most new products offer just a specialized version of something already on the market.

Repeated application of vertical thinking results in a hyperfragmented market. Marketers need a complementary way of thinking about new products or services that will lead to new categories or markets. Lateral thinking uses a distinct framework and processes that can be taught and become a part of company's culture.

An innovative company is characterized by several systems: An idea market, a capital market, or a talent market. Companies have an idea market if they have a system for actively soliciting, collecting, and evaluating new ideas. Funding must be set aside to support idea evaluation as well as to train employees in thinking laterally.

Within the paints and coatings industry, both lateral and vertical marketing are important. In understanding which is most appropriate in a given circumstance, remember that innovations that come from vertical marketing are easier for customers to assimilate and understand while lateral marketing innovations need more time for assimilation.

Vertical marketing:
- works best in new markets
- works best to convert potential customers and for developing the market
- is less risky
- requires fewer resources
- doesn't depend on high volume
- fragments markets
- maintains business focus.

Lateral marketing:
- works best for mature markets with no growth
- creates markets from scratch
- is riskier
- requires greater resources
- anticipates high volume
- may redefine mission and business focus. **CW**

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