



VERTICAL MARKETS

FINDING GROWTH DESPITE UNCERTAINTY

An industry should be valued based on its ability to adhere to the challenges of the market, regardless of what those challenges might be. But to create the reality in our ability to overcome, we must first believe that we can.

The knowledge of vertical markets has exceeding worth in such a rapidly changing environment. Most in the industry have had to adjust some aspects of their business to better accommodate certain demands while reducing their market share in areas with an excessive downturn. Business among the most resilient are ones who have mastered select vertical markets and have become a resource center for buyers in those categories. The expanse of vertical markets is not about fulfilling every need. It is about taking what is already known and delicately adjusting it to better align

with markets that have an increased probability of buyer recognition.

It is also easy to become lost in the volatile state of our economy. Each day brings new news of hope along with occasional dismay. Many distributors have become familiar with measuring the utility of their products, and therefore their business utility, by understanding client needs. This is basically determining if a product

Areas such as travel, hospitality, and entertainment continue to be among the slowest to recover.

worked how it was intended. Did it increase awareness? Was it well received? Marginal utility, however, is lesser-known. This is how much a business is willing

to purchase based on the utility of previously used products. Marginal utility is an important concept as it allows our industry to see what vertical markets are willing to spend, and what the revenue possibilities of that market might be.

Marginal utility, throughout much of the major vertical markets that our industry serves, continues to rise from an exceedingly low point at the start of the second quarter. This shows that businesses, for the most part, are confident spending more and obtaining more resources. While this is only an economic justification, market recovery appears to be steadily improving for most major segments.

Market Segments

Industry and non-industry research continue to show four categories at the top of the marginal utility list. These include education, though somewhat adjusted, healthcare, construction, and non-profits. Areas such as travel, hospitality, and

entertainment continue to be among the slowest to recover.

Education is an area where the unpredictable state of the segment continues, but the buying market is a constant adjustment. Secondary and post-secondary schools in many areas are back to an adjusted in-person environment but continue to show promise as a buying community as there is a continual need for engagement and support. Though some schools have had to substantially cut back on their overly ambitious opening policies, there appears to be a constant need for safety protocol reminders, safety products, and interactive engagement products for those that are maintaining a hybrid teaching model.

The North American construction market is one that has only seen slight growth over the past decade and the buying results have been somewhat segmented. However, projections indicate that

between next year and 2024, the construction market will grow by more than four percent, the largest short-term domestic growth in history.¹ Part of this growth is thanks to a stalled construction market over the last few years but also appears to be in partial consideration for home and office infrastructure expansion needs.

Healthcare, as a larger industry, is top of mind and central when looking at critical product needs. Everyone from doctor's offices to insurers and hospitals has taken the opportunity to educate their staff, clients, and the general public about the responsibilities in our world. The buying market associated with healthcare continues to show promise based upon the necessary adjustments that have continually been made to provide information about safety procedures. Being that this industry has had to respond to something totally new in a very short period of time, their need continues to shift and will so for the foreseeable future.

Non-profit institutions typically devote resources to marketing less out of necessity and more because they have the funds to allocate. When there is any indication that these funds may deplete, marketing is the first budget item to go. But like most businesses, these organizations don't have the ability to outright pass on marketing while maintaining their fundraising and outreach goals. So, they must find ways of spending less while gaining more attention per dollar.

It is necessary to address an honorable mention

and something that is closely tied to much of the promotional industry and that is the events market. Prior to 2020, virtual events and live events were two different categories. In-person events are basically non-existent right now, though small events are showing some progress. But virtual events, the vast majority of the market, are up by more than 2000 percent over last year.² So, if categorically adjusted, events are up, way up. In addition, people are asking for well-orchestrated virtual events. There

Healthcare, as a larger industry, is top of mind and central when looking at critical product needs.

appears to be an ongoing challenge of who can develop and produce the best-adjusted event.

New Market Strategy

As individual markets shift and future unknowns continue to interfere with traditional sales routines, the necessity of organic growth builds. But this is not about recreation or reinvention, but simple planned adaptation. Growth through the understanding of market adjacency is not a new concept, but one that should be reexamined. This is not only opportunistic for business; it is something that

can be easily applied using an existing skillset.

Market adjacent categories include new geographies, new value chains, new channels, new businesses, new segments of customers, and even new products. The most important understanding is that each of these areas links to a core competency which the business already possesses. When mapping out a plan for this, it is often too easy to deviate from existing core knowledge. In order to create a direction for a market adjacent approach, it is best to map a path of opportunity with core competency as a focus. Perhaps the secondary education field is an existing market but the immediate clients from that area are not purchasing. This a great place to start. Mapping out alternatives will showcase potential adjacent markets, and untapped core competencies will arise and begin to connect.

The state of our industry is strong based on expanded resources, the necessity of promotional merchandise throughout the buying public, and most importantly, thanks to the unity of the industry community itself. During the global financial crisis in 2008 and 2009, the industry showed its resiliency throughout the event and the scope of its value in our economic recovery. Today is no different.

SETH BARNETT

VP of Content Development

[1]<https://www.mordorintelligence.com/industry-reports/north-america-construction-market-growth-trends-and-forecast-2019-2024> [2]<https://investor.eventbrite.com/press-releases/press-releases-details/2020/Eventbrite-Reports-Accelerated-Growth-in-Online-Events/default.aspx>