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Vertical vs. Horizontal Markets

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In this clip, the difference between vertical markets - niche players serving a specific need or customer set; and horizontal markets - goods or services that enable a platitude of businesses - are defined for the student of entrepreneurship. The needs of start-ups differ dramatically by vertical, says serial entrepreneur Steve Blank. And taking advice from new enterprises in a different market niche can end in disaster. Take heed when receiving advice from friends in a neighboring business vertical.

Transcript

There are no average startups. Specifically, startups differ sometimes dramatically by vertical market. And taking advice or lessons from one could lead to disaster in another. How many of you were doing a startup or thinking about doing a startup? How many? All right. Anybody asked their friends for advice? Ignore it. Not that they're wrong, but it might not be relevant advice for your particular situation. By the way, I'm talking about vertical markets so let me give you a Steve definition of a vertical market. It's the customers who identify themselves in a narrow industry or group of companies. They sell similar products or services. They typically compete with each other.

And good for you, they typically buy or use similar products or services. And this is the contrast of vertical market with horizontal markets that cut across a series of vertical markets. So, for example, selling word processing software or database software goes across a set of industries and markets. Selling tools to make semiconductor chips is a very specific sale into a very specific vertical market. Does that make sense? OK. Vertical markets. Horizontal markets.