

7 Reasons B2B Marketers Can't Afford to Ignore the Institutional Market

From MCH—America's Leading Compiler of Institutional Data

If you're a B2B marketer, these statements are probably true:

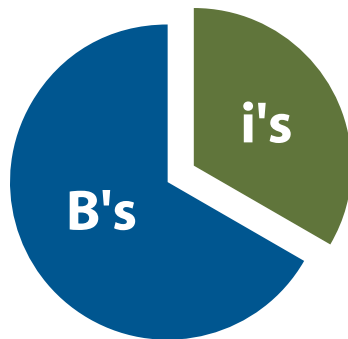
- You already have institutional customers
- You're involved in B2i without realizing it
- You're missing opportunities

Institutions mirror your best B2B customers. They are such an important opportunity that they demand your time and attention.

Institutions aren't businesses! They don't buy like businesses, don't act like businesses, and can't be segmented like businesses. Many B2B marketers know that certain SIC segments—such as 8211 (Schools) and 8062 (Hospitals)—pull well for them. What they don't realize is the rich opportunity they're missing by treating these and other institutional segments like businesses.

1 Institutions are a big, Big, BIG market

Institutions represent only a small fraction of SIC classifications yet account for \$4.1 trillion in spending annually. In 2005, that figure was equal to one-third of the total spending in the U.S. (GDP).



Institutions are represented by only 50 SIC codes, but account for 1/3 of Gross Domestic Product (GDP).

2 Institutions are bigger than businesses

The typical institution has 15.9 employees. The average business has just 7.4 employees (and that's not including the 7 million plus sole proprietorships that don't have any employees at all).

3 Institutions are more stable than businesses

Businesses close at nearly twice the rate of institutions. Marketing to businesses is like trying to hit a moving target, constantly struggling to prospect for new customers to replace closed businesses. Think about the number of Fortune 500 businesses over the past 50 years that are no longer in existence today. And, how many restaurants have started up and failed in that one building down the street?

Institutions:

- Harvard University was established in 1636.
- New York Hospital was founded in 1771 and now has a multibillion-dollar budget.

Businesses:

- Bethlehem Steel was ranked #12 on the Fortune 500 list in 1955 and is no longer in existence today.
- Enron first appeared on the Fortune 500 list in 1995 with revenues of \$8.9 billion and filed for bankruptcy just 6 years later.

4 Institutions are growing faster

Over the past 50 years, institutions have grown twice as fast as businesses. The growth of employment in the institutional market has also outpaced the business sector, and is projected by the Bureau of Labor Statistics to continue on an upward path through 2014.

5 Institutional buyers purchase differently

Most institutions are governed by different accounting standards than businesses, which function under private accounting rules familiar to most of us. Unlike businesses, most institutions have "use it or lose it" budgets. In other words, the managers are incentivized to spend every dollar of their budgets. Marketing efforts timed to coincide with "clean up spending" at the end of the fiscal year can be very rewarding.

The Institutional Market

How are institutions different than businesses?

Under the institutional umbrella, there are several vertical markets. Institutions such as hospitals, schools, and government offices are purpose-driven, non-commercial organizations developed to act in the public interest. Institutions share many common traits.



Businesses	Institutions
Profit driven	Purpose driven
Compete	Collaborate
Sell	Serve
Come in under budget	Spend entire budget
Recession prone	Recession resistant
Pay taxes	Spend taxes
Credit risk	Creditworthy
Have many competitors	Often monopolies
Financially influenced	Politically influenced

6 Institutions have concentrated buying power

You can develop a highly effective campaign for less money by targeting the institutional market segment because you don't need to market to as many places to reach purchase influencers and decision makers. This means higher sales with less marketing expense. Crain's Chicago Business ranked the largest employers in the city for 2009. In the chart below, seven of the top ten employers fit the "institutional" definition and those seven institutions employ 82% of the total employees in the top-ten list.

Rank	Top Employers	Employees
1	U.S. Government	79,000
2	Chicago Public Schools	43,910
3	City of Chicago	35,570
4	Wal-Mart	23,453
5	Cook County	22,142
6	State of Illinois	18,124
7	Advocate Health Care	15,660
8	University of Chicago	14,287
9	Walgreen Co	14,254
10	AT&T	14,000

7 Institutions generate higher lifetime value for you

When you roll reasons 2, 3, and 4 together it adds up to significantly higher average lifetime value for institutional buyers. Every marketer knows: bigger, growing, stable customers are the best kind!

The time for institutions is now. Call MCH today to leverage the knowledge we've gained from being in the institutional space for 80 years. We understand the nuances of the institutional market and can help you develop a targeted strategy to reach the decision makers responsible for spending millions of dollars.

Call us today to learn more about the benefits of working with MCH. We offer phone-verified data, free campaign consultations, the GetThere™ Guarantee, and the flexibility to customize our data to suit your needs.