

# Beyond B2B



A New View of the  
Institutional Market

# **B2i is an important part of B2B**

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- What are institutions?
- Why is “purpose” important?
- Where does their money come from?
- How does public policy relate to institutional spending?
- Who are the key decision makers?
- What do marketers need to do to profit from the institutional market?

# Why is B2i hard to see?

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- 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 are missing by treating these and other institutional segments like businesses.

# Institutions are 1/3 of the U.S. economy

## Examples of Institutions

- Hospitals, nursing homes, medical practices
- Churches
- Public schools, private schools, colleges
- Local, state, and federal government services
- Other not-for-profit organizations



# 1/3 of the U.S. economy means:

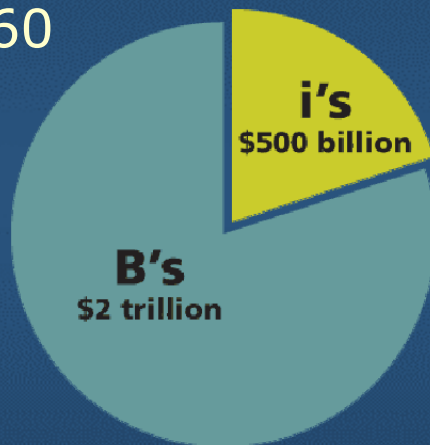
2.2 million locations  
28% of all employees

**\$4.1 trillion spent  
by institutions!**

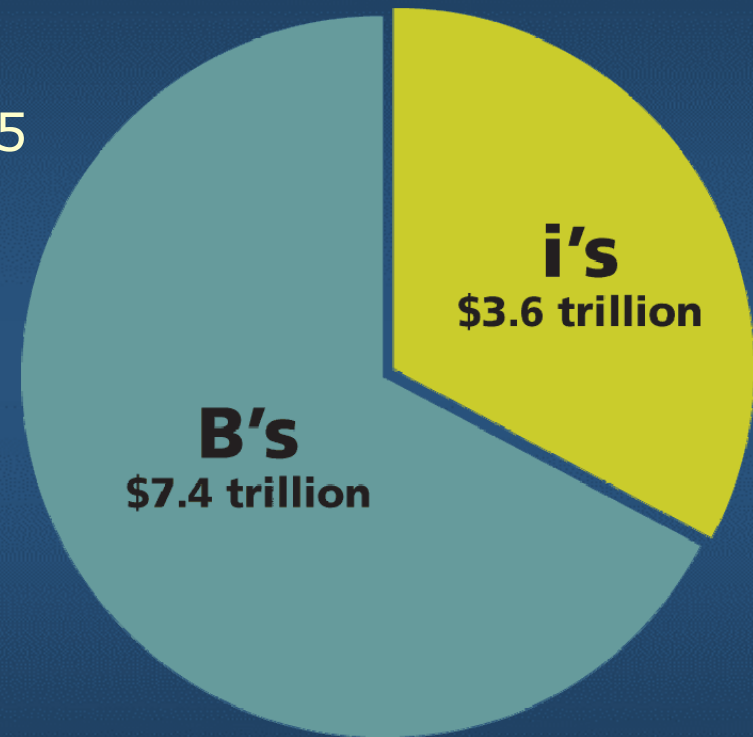
# Institutions are growing faster than businesses

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1960



2005



B's grew from \$2 trillion to \$7.4 trillion, about 3.5x  
i's grew from \$500 billion to \$3.6 trillion, over 7x

In constant \$'s; growth rate: businesses 2.4%, institutions 4.5%

# Institutions are bigger than businesses

According to D&B—based on number of employees, the average institution is almost twice as large as the average business.

	Locations	Employees	Employees per location
Businesses	11,162,911	94,900,483	8.5
Institutions	2,244,609	37,384,696	16.7

Source: D&B

# Institutions are more stable than businesses

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- Businesses are “born” and “die” at the rate of over 10% per year.
- Institutions are “born” slowly and hardly ever die.

# Institutions mirror your best and most ideal B2B customers

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- Larger than average
- Continually growing
- Unlikely to go out of business
- Resistant to recession
- Pay their bills

Institutions represent such an important opportunity that they demand your attention

# Institutions have concentrated buying power

- Crain's Chicago Business ranked the largest employers in the city.
- Six of the top ten employers fit the "institutional" definition and those six institutions employ 73% of the total employees in the top-ten list

## Top 10 Chicago Employers

Rank	Employer	Employees	Type
1	U.S. Government	78,000	i
2	Chicago Public Schools	43,783	i
3	City of Chicago	39,675	i
4	Jewel-Osco	34,037	B
5	Cook County	25,482	i
6	Advocate Health Care	25,279	i
7	United Parcel Service	19,346	B
8	State of Illinois	14,056	i
9	SBC Communications	16,500	B
10	Wal-Mart	16,350	B

# Fundamental differences between businesses and institutions

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## Institutions:

- Don't act like businesses,
- Don't buy like businesses,
- Can't be segmented like businesses

# Fundamental differences between businesses and institutions

BUSINESSES	INSTITUTIONS
Profit driven	Purpose driven
Compete	Collaborate
Sell	Serve
Budget controlled by managers	Budget controlled by governing body
Come in under budget	Spend every dollar of budget
Recession prone	Recession resistant
Pay taxes	Spend taxes
Credit risk	Creditworthy
Have many competitors	Often monopolies
Financially influenced	Politically influenced

# The language used in businesses is different than in institutions

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BUSINESS TERMS	INSTITUTION TERMS
<ul style="list-style-type: none"><li>● Revenue</li><li>● Profit</li><li>● Process improvement</li><li>● Return on investment</li><li>● Productivity</li><li>● Non-compete agreement</li><li>● Top/Bottom line</li></ul>	<ul style="list-style-type: none"><li>● Purpose</li><li>● Sharing</li><li>● Oath of office</li><li>● Endowment</li><li>● Policy</li><li>● Stewardship</li><li>● Encumber</li><li>● Service</li></ul>

# Businesses and institutions get their money from different sources

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BUSINESSES	INSTITUTIONS
<ul style="list-style-type: none"><li>• Sales of products and services</li></ul>	<ul style="list-style-type: none"><li>• Taxes &amp; Fees</li><li>• Tuition</li><li>• Intergovernmental Transfers</li><li>• Grants</li><li>• Donations</li><li>• Endowments</li><li>• Bequests</li></ul>

# There are multiple decision makers in many institutions

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## BUSINESSES

- Revenue is commonly pooled into one or a few accounts

### **IMPLICATION:**

- One decision maker

## INSTITUTIONS

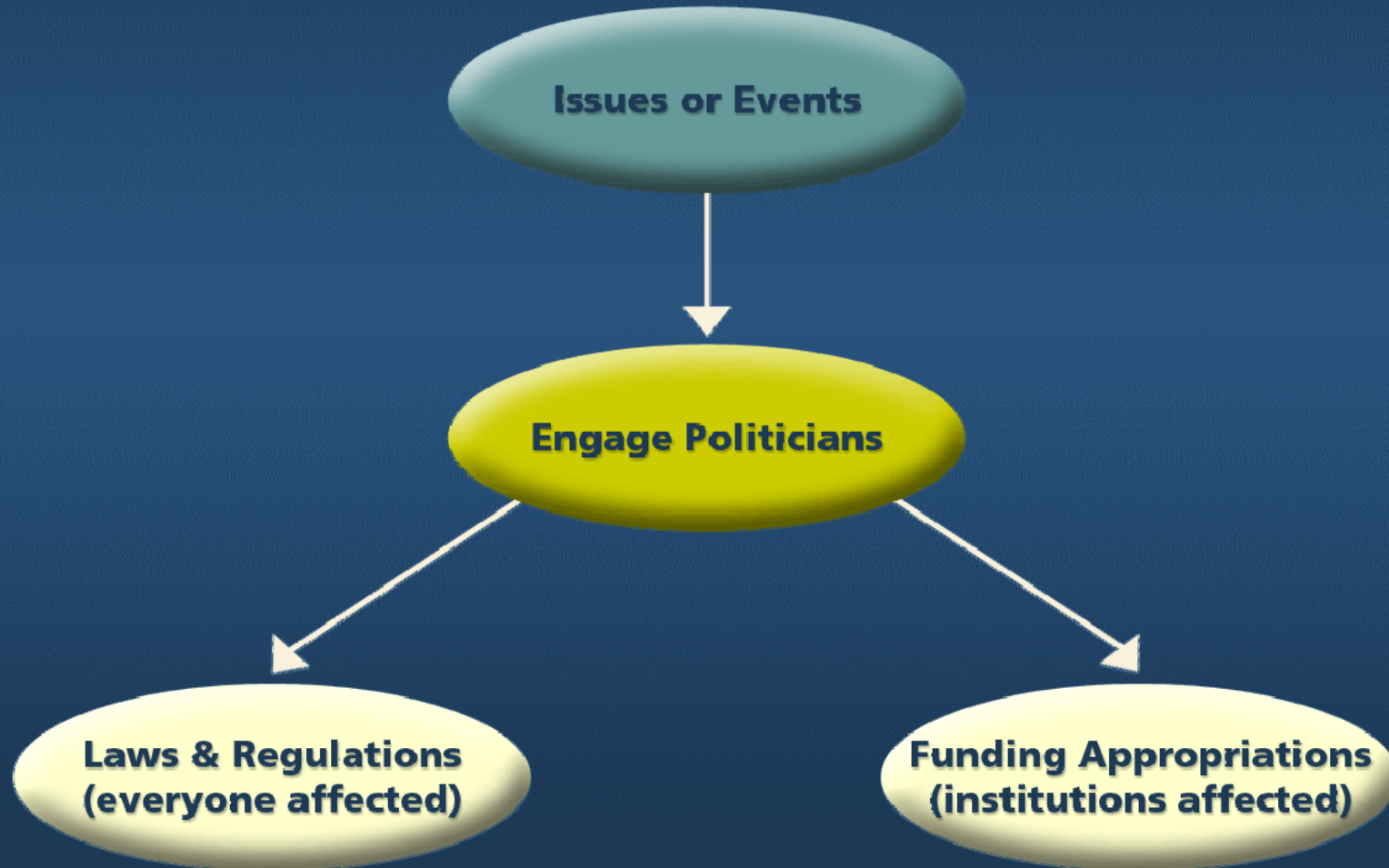
- Funds are tracked by source so the strings can be managed

### **IMPLICATION:**

- Multiple decision makers for multiple funds

# Current events & public policy impact spending in two ways

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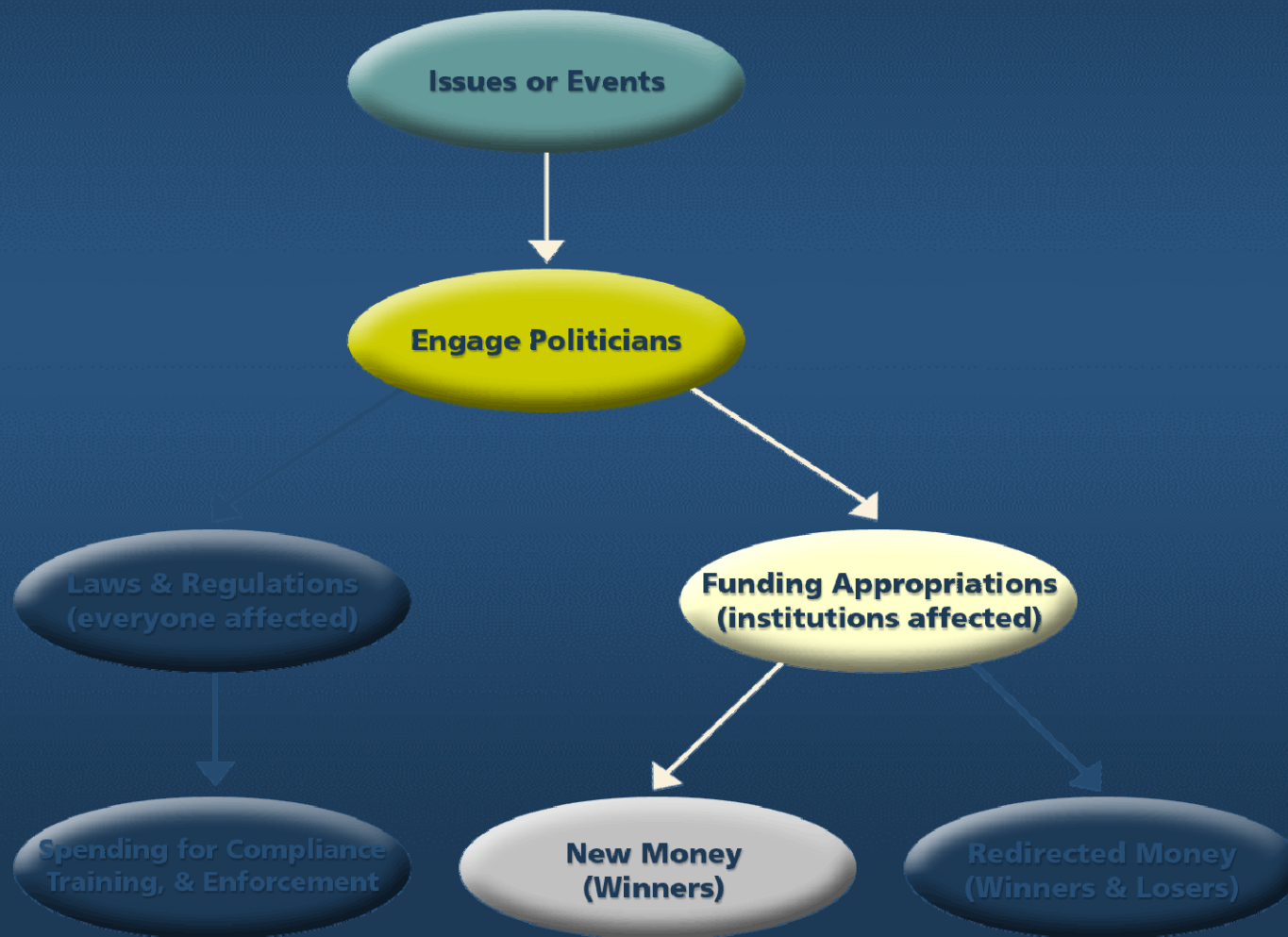
# Laws and regulations impact everyone

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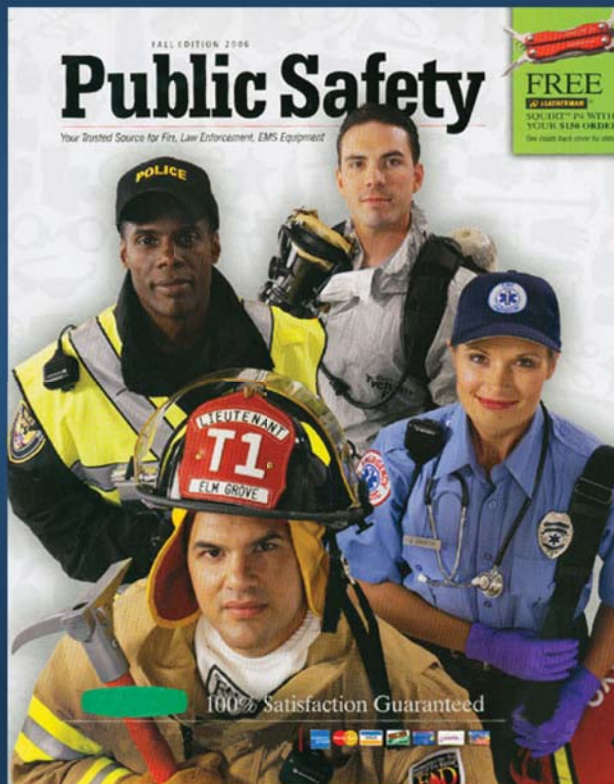
- HIPAA caused \$42.9 billion to be spent on software, training, and other compliance issues.
- Marketers had more than 4 years to get positioned to capitalize on new revenue opportunities.

# Money funded for new purposes creates huge opportunities

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# 9/11 resulted in funding increases



# Marketers whose products were aligned with the need were winners

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- Safety Equipment
- Emergency Medical Testing Services
- Location Data/Mapping Services
- Security Systems
- Chemical Labs
- Identification Equipment
- Communications Systems

# **Institutions whose purposes were aligned received funding and were buyers**

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- Fire Department
- EMS/First Responders
- Police Departments
- County Sheriffs' Departments
- Emergency Services Directors at City and County Governments

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# Questions?

# B2i Marketing Tips

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- We'll provide marketing tips for institutions including:
  - Schools
  - Healthcare
  - Churches
  - Government
- Spending categories and discretionary spending: *How much can be spent without prior approval?*

# B2i Marketing Tips

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- Finding the decision makers: *Who is spending the money?*
- Timing: *When are they spending the money?*
- Marketing: *Does your message match their purpose?*

# Spending Categories

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## MICRO PURCHASE:

- The most attractive and effective category for direct marketers.
- Threshold: Under \$2,500
- Purchasing procedure: Sole source, may be paid with a government credit card.
- Sales cycle: Same day

# Spending Categories (cont'd)

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## SMALL PURCHASE:

- Threshold: \$2,500-\$25,000
- Purchasing procedure: Three informal quotes (bids) by phone, fax, email or regular mail; purchase order may be required.
- Sales cycle: Same day to several days

# Spending Categories (cont'd)

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## LARGE PURCHASE:

- Threshold: Over \$25,000
- Purchasing procedure: Public advertising and formal bid process; typically require a purchase order.
- Sales cycle: Several weeks to a year or more

# Education: Purchasing Channels

Institution	Who
Elementary & Secondary Schools	Principals, Dept Heads (i.e. Librarians), Teachers
School District Offices	Administrative Dept Heads
Colleges & Universities	Dept Heads, Deans
Child Care Centers	Directors
Public & Special Libraries	Library Directors, Specialty Collections Directors

# Education: Attributes that matter

Institution	What	When
Elementary & Secondary Schools	Enrollment, Wealth, Type, Fed. Funding	Jan-April July-Aug
School District Offices	Enrollment, Fed. Funding	Jan-April July-Aug
Colleges & Universities	Enrollment, Type	Jan-April July-Aug
Child Care Centers	Capacity, Wealth, Type	March-May August
Public & Special Libraries	Budget, City Population	March-May Sept-Nov

# Government: Purchasing channels

Institution	Who
Police Departments	Chief of Police
Fire Departments	Fire Chief
Jails	Warden
Health Departments	Director Nursing Services Director
City Offices	Mayors Public Works Judges Attorneys Planning & Zoning Plus More...

# Government: Attributes that matter

Institution	What	When
Police	Population	Year-round or during budgeting periods
Fire	Population, Type	
Jails	Type	
Health Departments	Population	
City Offices	Population, Departments	

# Healthcare: Purchasing channels

Institution	Who
Hospitals	Department Heads
Nursing Homes	Department Heads Activities Director
Retirement Homes	Activities Director
Medical Practices	Office Managers
Dental Practices	Office Managers
Veterinary Practices	Office Managers Veterinarians

# Healthcare: Attributes that matter

Institution	What	When
Hospitals	Bed Size Ownership	Year-Round
Nursing Homes	Bed Size Ownership	
Retirement Homes	Bed Size	
Medical Practices	Practice Size	
Dental Practices	Practice Size	
Veterinary Practices	Practice Size	

# Religion: Purchasing channels

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Institution	Who
Churches	
Synagogues	
Mosques	
Buddhist Temples	
Scientology	
Russian Orthodox	
Nondenominational	
Missionary	
Salvation Army	
	Pastor or other head/leader of congregation

# Religion: Attributes that matter

Institution	What	When
Churches	Congregation size, Wealth, Denomination	Timeline follows
Synagogues		
Mosques		
Buddhist Temples		
Scientology		
Russian Orthodox		
Nondenominational		
Missionary		
Salvation Army		

# Data issues that impact marketing efforts

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- What are the sales of a school?
- How many employees in a church?
- What are the SIC's for Diagnostic Imaging, or Assisted Living, or Ambulance Services?

# Timing is very important

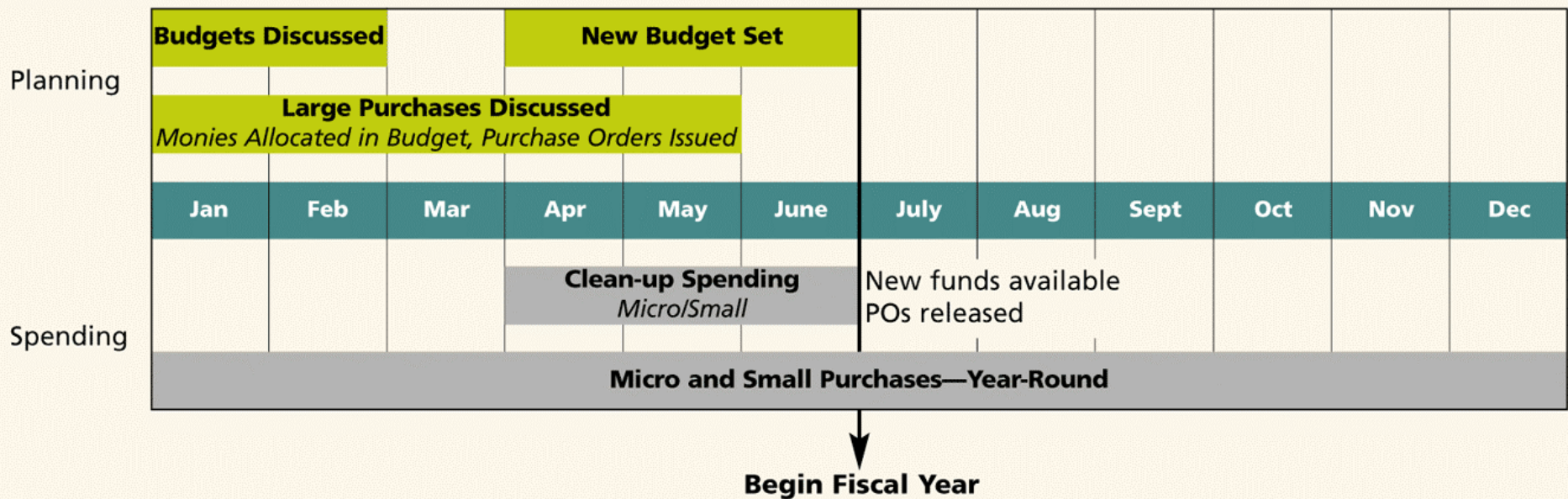
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The purchase process is different for institutions

- Budget planning
- Fiscal year end dates / Use it or lose it
- Calendar year (holidays)
- Money is always there to pay the bills

# Fiscal year end: Purchasing timelines

## July-June Fiscal Year Budget Cycle Timeline



# **Fiscal year end = Use it or lose it**

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“We have authority to carry these funds forward into the next fiscal year. However. . . that makes any carry forward very visible and very tempting for the Legislature or Governor to sweep up. . . For this reason we have not used our carry forward authority. . . and do not wish to do so and risk losing funds.”

University of Kansas website

# Institutional missions are oriented around helping individuals

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**Protecting Society.  
Reducing Crime.**

Federal Bureau of Corrections

**Educating  
all students  
for success in life**

Anchorage School District

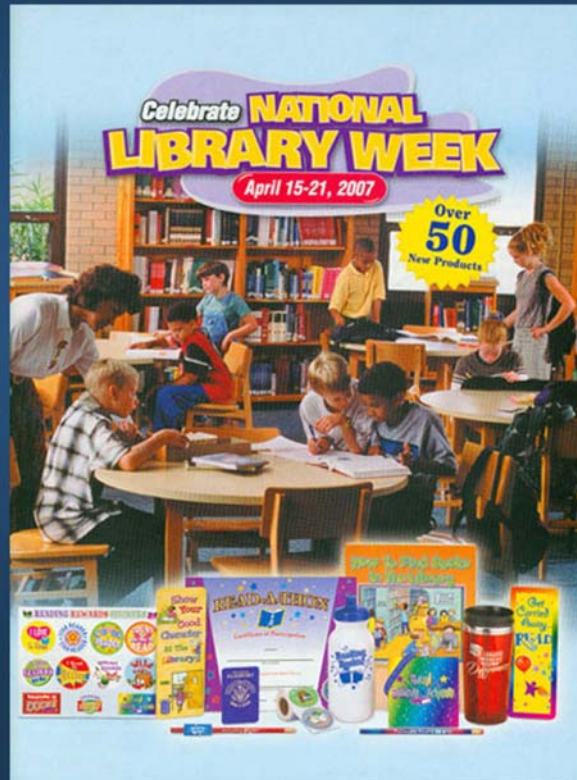
**Exceptional care,  
close to home.**

Bothwell Regional Hospital

**One in Faith.  
Strong in Love.  
Bold in Mission.**

Trinity Episcopal Church

# Marketing to the mission: Precise



Mailed to a library

# Marketing to the mission: Less precise

Employee

**Don't Let Employee Absences Affect Productivity and Profits**

Handle Leave Requests Legally  
Employee Leave Laws Made Easy  
See page 11.

Schedule Vacations with Ease  
2007 Vacation Request and Approval  
See page 8.

Curb Employee Absenteeism  
2007 Attendance Controller®  
See page 6.

See inside for your new addition of  
**Bonus News & Values**  
March/April 2007

Productivity  
and Profits

Mailed to a church

# Marketing to the mission: Missed opportunity

Commercial

**COMMERCIAL MATTING**



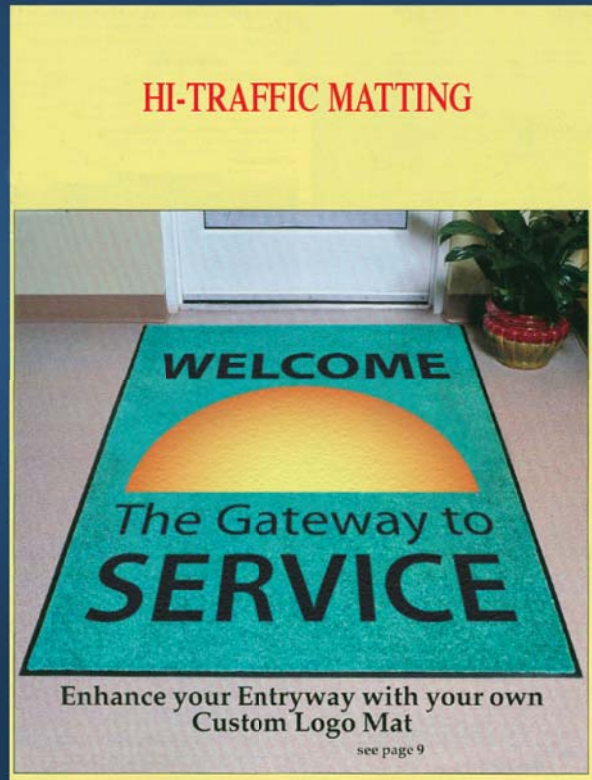
Enhance your Entryway with your own  
Custom Logo Mat  
see page 9



Mailed to a church

# Marketing to the mission: Appropriate messaging

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Could be mailed  
to any institution

# Proactive Marketing

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**Things you can do  
to improve your bottom line**

# Pay attention to current events

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- Aging & Retiring Baby Boomers
- Global Warming
- Healthcare Reform
- Immigration
- Iraq
- Social Security
- Plus many other federal, state, and local political issues

# Tips to help you achieve greater success in the B2i market

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4. Time your promotions to take advantage of their funding and budget cycles.

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5. **Follow the money: track issues to appropriations to likely recipient institutions.**

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6. **Align your marketing message with their purposes.**

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4. Time your promotions to take advantage of their funding and budget cycles.
5. Follow the money: track issues to appropriations to likely recipient institutions.
6. Align your marketing message with their purposes.
7. **Target multiple contacts within institutions when needed**

# B2i is worth the effort!

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- We've demonstrated that compared to businesses, institutions are bigger, growing, stable, and good credit risks—"ideal" customers
- Institutions will continue to grow faster than businesses
- B2i is different than B2B, but the investment in time and effort can be very rewarding



# The end



**Thank You!**

Joan Whitney, Director

MCH, Inc.

800-776-6373

[www.mailings.com](http://www.mailings.com)

PPAI Booth #5863