

Select Demographic Market Statistics for The Information Technology Market

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Introduction

The following pages include a handful of market statistics helpful to those responsible for market identification, sizing, and segmentation. A more detailed tutorial on market segmentation, *Understanding Information Technology Demographics*, is also available at www.itmarketintelligence.com.

An understanding of the key demographics in the IT industry, and how they can be correlated to general business demographics, is key to achieving comprehensive market coverage. The two most compelling issues to understand are:

Size doesn't matter: The key to marketing IT related products is not generally organization size, but rather the size of the IT organization or the end-user population. Each industry sector has a relatively consistent rate of automation based on the needs of that industry. A \$1 billion manufacturing company will spend, on average, about \$20 million on IT. A \$1 billion financial service's organization will spend, on average, about \$90 million on IT. The mere fact that an organization has a certain amount of revenue does not have a direct correlation to the overall amount of IT adoption or deployment. So business size doesn't matter, what matters is being able to identify IT size related demographics, or using business size demographics in an IT specific meaningful way.

Rate of data fill: No matter where you buy your marketing data, not every field has data in it. If your primary target prospect is a company with 250 or more deployed PCs, and your data vendor only has the number of PCs in 85% of their records, you'll be skipping 15% of the market just because that number is not available. The method for protecting yourself is to use substitute (proxy) demographics to assure complete market coverage. An understanding of how different demographic characteristics statistically correlate to each other will help identify to most effective demographic profile for a project.

Disclaimer: Please remember that the following statistics are simply averages from general sources of data, and market statistics are impacted by numerous factors and variables. If you are in the process of creating a comprehensive demographic model to be presented in testimony before Congress (or a project of similar importance), please call us for references to statistical modeling experts.

Gross Revenue Per Employee And Number of Employees Per \$1 Million of Gross Revenue

Adapted from the Fortune 500, *Fortune Magazine*, April 18, 2005. www.fortune.com.

Industry Classification	Income per Employee	Employees Per \$1 Million of Income	Number of Companies in Sample	Sample of Companies in Sample
Advertising/Marketing	\$155418	6.43	3	Omnicom Grp, Veritas, Interpublic Grp
Aerospace & Defense	241387	4.14	15	Northrop Grumman, Honeywell, Boeing
Airlines	231983	4.31	11	Delta, Southwest, Continental
Apparel	223993	4.46	11	Nike, Levi Strauss, Reebok, Polo
Auto Retailing Svcs	665143	1.5	7	Autonation, Carmax, Lithia Motors
Beverages	308274	3.24	8	Coca-Cola, Anheuser-Busch, Pepsi
Bldg Materials/Glass	304745	3.28	6	Owens Corning, Vulcan, Armstrong Holdings
Chemicals	425628	2.35	37	Dow Chemical, Dupont, Ashland, Praxair
Commercial Banks	319336	3.13	34	CitiGroup, Wells Fargo, U.S. Bancorp
Computer & Data Svcs	194558	5.13	20	EDS, Unisys, Ebay, Fiserv, Earthlink
Computer Peripherals	305681	3.27	6	EMC, Lexmark, Western Digital
Computer Software	415226	2.41	10	Microsoft, Oracle, Intuit, BMC Software
Computers/Office Equipment	390855	2.56	9	Hewlett-Packard, Dell, Xerox, Sun, Apple
			11	American Express, Countrywide Financial, AON
Diversified Finance	404221	2.47		
Diversified Outsourcing Svcs	65497	15.26	9	Aramark, Cintas, Convergys, Iron Mountain
Education	108663	9.2	2	Apollo Group, Career Education
Electronics/Electrical Equipment	174179	5.74	14	Emerson, Whirlpool, Diebold, Amphenol
Energy	1056002	0.95	20	Duke, Calpine, Dynegy, Amerigas, Mirant
Engineering & Construction	189819	5.27	12	Fluor, EMCOR, Granite Construction,
Entertainment	383719	2.61	10	Time Warner, Disney, Viacom, Clear Channel
Food Consumer Products	233160	4.29	20	Sara Lee, Conagra, Dole, Hershey, Kellogg
Food Production	334214	2.99	7	Tyson, Pilgrim's Pride, Seaboard
Food Services	47201	21.19	11	McDonald's, Starbucks, Domino's Pizza
Food & Drug Stores	205357	4.87	19	Kroger, Albertson's, Rite Aid, GNC
Forest & Paper Products	363226	2.75	9	International Paper, Weyerhaeuser, Bowater
Furniture	157465	6.35	6	La-Z-Boy, Leggett & Platt, Herman Miller
General Merchandisers	168231	5.94	17	Wal-Mart, Target, Sears, Saks
Health Care: Ins & Managed Care	821034	1.22	13	United Health Grp, Aetna, Wellchoice
Health Care: Medical Facilities	115830	8.63	16	HCA, Tenet Healthcare, Manor Care
Health Care: Pharmacy/Other Svcs	735796	1.34	9	Medco Health Solutions, Caremark RX, Omnicare
Home Equipment, Furnishings	213484	4.68	5	Masco, Griffon, Newell Rubbermaid
			15	Pulte Homes, Lennar, Standard Pacific, KB Home
Home Builders	988533	1.01		
Hotels, Casinos, Resorts	70915	14.1	9	Marriott Intl, Harrah's, Hilton, Wyndham Intl
Household & Personal Products	315710	3.17	14	Procter & Gamble, Gillette, Kimberly-Clark
Industrial & Farm Equipment	229683	4.35	35	Caterpillar, Deere, Eaton, Black & Decker
			11	New York Life, Mutual of Omaha, Northwestern
Insurance: Life & Health (Mutual)	2173490	0.46		
Insurance: Life & Health (Stock)	793564	1.26	19	MetLife, AFLAC, Pacific Life, Prudential Financial

Insurance: Property & Casualty (Mutual)	827612	1.21	7	State Farm, Sentry Insurance Grp, Amica
Insurance: Property & Casualty (Stock)	623436	1.6	34	Berkshire Hathaway, Allstate, Markel, Nationwide
Mail, Package & Freight Delivery	106867	9.36	3	United Parcel Service, FedEx, Brink's
Medical Products & Equipment	250164	4	17	Baxter Intl, Medtronic, Boston Scientific, BioMet
Metals	342229	2.92	14	ALCOA, United State Steel, Nucor, Olin
Mining & Crude-Oil Production	961496	1.04	20	Occidental Petroleum, Unocal, Kerr-McGee, Arch
Motor Vehicles & Parts	351553	2.84	29	General Motors, Ford, Delphi, Monaco Coach
Network & Other Communications	413340	2.42	11	Motorola, Cisco Systems, Lucent Technologies
Oil & Gas Equipment	227632	4.39	10	Halliburton, Baker Hughes, BJ Services
Packaging & Containers	252527	3.96	14	Smurfit-Stone, Crown Holdings, BEMIS, GREIF
Petroleum Refining	2759053	0.36	13	Exxon Mobil, Chevron/Texaco, Sunoco
Pharmaceuticals	399213	2.5	20	Pfizer, Johnson & Johnson, Merck, Amgen
Pipelines	3510707	0.28	8	Transmontaigne, Plains All Amer, Crosstex
Publishing, Printing	203158	4.92	18	Tribune, McGraw-Hill, Scholastic, Primedia
Railroads	256858	3.89	4	Union Pacific, CSX, Norfolk Southern
Real Estate	656927	1.52	8	Host Marriott, Simon Property, Aimco
Savings Institutions	333655	3	4	Washington Mutual, Golden West, Westcorp
Scientific, Photographic & Control Equip	230085	4.35	7	Eastman Kodak, Danaher, Thermo Electron
Securities	718029	1.39	11	Morgan Stanley, Merrill Lynch, Bear Stearns
Semiconductors & Electronic Components	290707	3.44	24	Intel, Solectron, Analog Devices, Nvidia
Specialty Retailers	205761	4.86	66	Home Depot, Costco, Radioshack, Pep Boys
Telecommunication	376915	2.65	25	Verizon, AT&T, Cox Communications, Nextel
Temporary Help	501797	2	6	Manpower, Kelly Svcs, Spherion, MPS Grp
Textiles	156373	6.39	2	Mohawk Industries, Westpoint Stevens
Tabacco	377540	2.65	4	Altria Group, Reynolds American, Universal
Toys, Sporting Goods	261321	3.83	2	Mattel, Hasbro
Transportation Equipment	274921	3.64	4	Harley-Davidson, Brunswick, Trinity Industries
Transportation & Logistics	218348	4.58	10	Laidlaw Intl, Sirva, Pacer Intl, Alexander & Baldwin
Trucking, Truck Leasing	153817	6.5	9	Yellow Roadway, Ryder, Swift, Amerco
Utilities: Gas & Electric	698023	1.43	52	Exelon, FirstEnergy, Nicor, Southern
Waste Management	229132	4.36	3	Waste Management, Allied Waste, Republic Svcs
Wholesalers: Diversified	429898	2.33	13	Genuine Parts, Hughes Supply, True Value
Wholesalers: Electronics & Office Equip	942699	1.06	14	Ingram Micro, Tech Data, Avnet, CDW
Wholesalers: Food & Grocery	531800	1.88	9	Sysco, Supervalu, Nash Finch
Wholesalers: Health Care	1745388	0.57	9	McKesson, Henry Schein, Patterson
Miscellaneous	240514	4.16	6	3m, Cendant, H&R Block, United Rentals

Percent of Gross Revenue Devoted to IT Budget by Industry

Manufacturing/Service	2%
Banking	9%
Diversified Finance	9%
Insurance	3%
Retail	1.7%
Transportation	3%
Utilities	2%
Health	3%
Education/Non-profits	Not Available
Government	Not Available

Data adapted from the InformationWeek 500, published in the September 20, 2004 issue of *InformationWeek*, published by CMP Media, Inc. www.informationweek.com

In terms of IT dollars, what this means is that a manufacturing organization that grosses \$1 billion per year will, on average, invest \$20 million into their IT function. A financial services firm with a comparable \$1 billion annual gross revenue will, on average, invest \$90 million into their IT function. Financial services firms invest over four times more into IT than do manufacturing organizations. This illustrates that general business size demographics do not have a direct correlation to an organization's investment in IT. Obviously, \$1 billion in gross revenue doesn't differentiate between the two extremes of this example.

Ratio of Total Organization Employees to PCs

Manufacturing/Service	3.0:1
Banking	1.5:1
Diversified Finance	1.6:1
Insurance	1.6:1
Retail	9.2:1
Transportation	3.6:1
Utilities	2.0:1
Education	1.3:1
Health	2.0:1
Federal Government	1.6:1
State Government	1.3:1
Local Government	1.7:1
Other/Non-profits	2.0:1

Data adapted from the *Directory of Top Computer Executives* database for organizations indicating 500 or more employees. May, 2005. www.itmarketintelligence.com.

This table shows the ratio of total company employees to PCs. This ratio can be applied to the total number of company employees to estimate the number of PC users. As with the previous example, this also illustrates that vast difference in IT needs between vertical markets.

Ratio of Total Deployed PCs to IT Employees

Manufacturing/Service	25:1
Banking	14:1
Diversified Finance	11:1
Insurance	10:1
Retail	17:1
Transportation	15:1
Utilities	15:1
Education	48:1
Health	32:1
Federal Government	20:1
State Government	21:1
Local Government	40:1
Other/Non-profits	28:1

Data adapted from the *Directory of Top Computer Executives* database for organizations indicating 500 or more employees. May, 2005. www.itmarketintelligence.com.

This ratio can be applied to either total PCs or to the number of IT employees to calculate the other characteristic. The overall average is 23 deployed PCs for each IT employee. This, of course, takes into account all verticals, and as you can see, there are some that have a particularly higher number of supported PCs than others. Once again, averages are just averages.

If you have questions about this data or how it can be used for market segmentation, please contact Alan Howard at 800-234-2227 or alan@acrhq.com.