

Hubspot case study: tathagat bagchi



A – 1) Rules are meant to be broken, else changed. In this fast moving, ever transforming world the only thing permanent is ‘ change’. With the onset of technology the rules of marketing have obviously changed, purpose of marketing remaining the same though. The masses are growing smarter and it takes a lot more to trigger an interest from their end. With the onslaught of increased number of communication mediums, people’s lives have been infiltrated more than ever before. Apart from the mass media, there are several ways of interacting with potential customers. And here is where the problem arises. People feel that their privacy is being regularly compromised when they see that they are interrupted and bothered with advertisements which they are not even interested in.

Traditional marketing rules proactively tries to engage a person without his/her consent. Not that this is a bad thing, because this system has been working for decades now and shall continue to do so in the near future. Difference being that since the number of communication mediums have increased, the frequency of engagement of people has increased drastically. That could work negatively.

Specific to the Hubspot case; the crux of the Hubspot company was to capitalize on the positives of inbound marketing strategies and prove that the traditional outbound marketing approach was in for a change, completely. The difference in plan of approach was that Hubspot as a company did not advertise their offerings directly to all target audience. They created tools and content that explained Hubspot’s offering, which was left for the interested customers to seek themselves. To make this pull

approach to work, the online content of the information should be useful and interesting, easily accessible and interactive by nature.

Thus it has been noticed that some rules of marketing have changed. But in essence the concept of push or pull strategy still remains. The 'change' here is the means and approach that this specific push or pull strategy is implemented. The rules of engaging the target customer have changed. Also, on reading the Hubspot case one realizes that the outbound marketing strategies are not dead and are not going to be so for some time to come. There shall be a mix of inbound and outbound marketing approaches in the future. Success will be defined by the appropriate mix of the two distinct marketing approaches.

Q – 2) Is Hubspot finding and serving the right set of customers?

A – 2) Hubspot's inbound marketing approach saw them attract only interested and high potential customers. Although Hubspot catered to a niche market, the conversion rate of the prospective customer to an actual one was much higher than regular marketing approaches. For a start-up company, the milestone of a 1000 customers was praise worthy but Hubspot founders Halligan and Shah wanted to grow bigger. This called for a fresh definition of the target audience. With a newly defined target audience, the marketing strategies would vary accordingly. Whether to define a new target audience which would require a more focused offering of services or the existing wide propositions that have little customized offerings? Basically between Owner Ollies (OOs) and Marketing Marys (MMs).

As a start-up, Hubspot had been finding and serving the right set of customers. But for the future the recommendation of a right set of customers would be: Marketing Marys (MMs). Specifically, B2B > 25 Marketing Marys.

Reasons are as follows:

Since Hubspot is looking to grow to a well established market leader, they need to focus on long term profitability and to retain customers. MMs (3. 2%) have lower cancellations per month, known as Churn rate, than OOs (4. 3%). B2B (3. 3%) have a lower churn rate than B2C (6. 0%).

B2B accounts for 68% customer share for Hubspot as of December '08. B2B customers found more value from Hubspot's inbound marketing strategy than B2C customers who found the templates too undeveloped.

Currently companies with size of > 25 employees has a customer share of around 47% for Hubspot. But this has seen a growth of 193% over the four month period (Sep '08 to Dec'08). In comparison, companies with size of <25 has seen a growth of around 24% over the same duration. Also, during the same period, B2B > 25 MMs saw a 233% growth.

There are 526, 355 medium size companies (20-99 employees) and around 632, 682 small size companies (10 - 19 employees). Although the very small size companies (5-9 employees) are around 1, 043, 448 in number, Hubspot should target only medium size companies. Reason being that many very small size companies are just plain bad business models and require too much customization. It is difficult to standardize a template. Also, in time, it is forecasted that the small size company shall grow into a medium size

company. In addition, small and medium size companies are more likely to be economically stable than the very small scale companies.

Statistics show that MMs on average spend more time on the Hubspot software than do OOs. The more the time spent on the software, better the productivity and usability. This leads to a better feedback for product improvement and rightful diagnosis of the software. Also, MMs are more profitable over long term.

By targeting MMs, the software could become a little less price sensitive. When OOs are involved, the price becomes almost the sole detrimental factor.

Q – 3) Is Hubspot being too stubborn by not doing any outbound marketing? What do you advise to Halligan and Shah?

A – 3) Hubspot was established on the principle of inbound marketing. Not only did it reap benefits of the inbound marketing strategies but also saw to it that their customers capitalized on similar approaches. By creating Hubspot software, Dharmesh Shah and Brian Halligan brought to the world the benefits of Web 2. 0. They showed the previously tech shy business man/woman, how to make the most of the phenomena called the internet. Now, the strategy of inbound marketing served them greatly when Hubspot was in its nascent stages but times have changed and the company has grown bigger. Not only that, Shah and Halligan wants to grow quickly and expand.

Currently the company's marketers and sales force sell faster than product development. Product needs to catch up with the sales rate. At this stage, sticking to the inbound marketing strategy will prove sufficient for business growth. But when expanding further, it is unlikely that only inbound marketing approaches shall be sufficient to garner the required clients. Hence the suggestion would be to stick to inbound marketing approach till the product catches up with sales and marketing. Once that equation changes, it would be time to implement outbound marketing strategies. Since the market that Hubspot wants to capture is very large, there will be a need for outbound marketing approach later on. Else, there might be a threat that the huge market be unaware of Hubspot's offerings.

Essentially, Hubspot should have inbound marketing strategies as their core marketing driver, their USP, but at the same time they should be flexible to change once the need arises. The right mix of inbound and outbound marketing strategy shall hold the key at the growth stage of Hubspot, as it will define the kind of marketing approach the company implements.