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HubSpot: Inbound Marketing and Web 2. 0 None of [the old rules of marketing] are true anymore. The Web has transformed the rules, and you must transform your marketing to make the most of the Web-enabled marketplace of ideas. — David Meerman Scott, author of The New Rules of Marketing and PR Business was good at HubSpot. Founders Brian Halligan and Dharmesh Shah were thrilled with the progress their young company had made in the two years since they began their journey to convince corporate America that the rules of marketing had changed. To be successful in the marketplace, HubSpot needed to be much more than just a software company.

Its founders had to become evangelists, preaching a new way of doing business that would fundamentally change the way marketers reached their customers. To their great pleasure, Halligan and Shah were finding a willing audience for their ideas. HubSpot was now considered a thought leader in the Web 2. 0 space, coining the term “ inbound marketing” to describe marketing strategies and practices that pulled prospective customers towards a business and its products, through the use of Web 2. tools and applications like blogging, search engine optimization (SEO), andsocial media. Halligan and Shah realized that their business was at a crucial juncture. They had just reached the noteworthy milestone of 1, 000 customers, attaining this level of critical mass by practicing what they preached.

HubSpot had built its business by turning its back on traditional marketing methods and was solely using innovative inbound techniques to acquire customers. Looking ahead, the founders wanted to accelerate their growth rate and increase profitability. Ironically, they were grappling with many of the same issues that their customers faced when implementing inbound marketing practices. Halligan and Shah realized that they would need to work through these issues in order to achieve theirgoalsfor the company. First, they would need to decide which customers to serve, pulling the best opportunities from the diverse pool of customers who were contacting them. Second, they would need to make some decisions about their current pricing model to entice new customers to the company and to maximize the profitability of existing customers. Third, they would need to assess whether they could achieve enough scale through inbound marketing efforts, or whether they needed to supplement their inbound programs with traditional, interruptive outbound programs.

This was more than a test of HubSpot as a company; it was a test of the inbound marketing businessphilosophy. If HubSpot couldn’t scale its own business using inbound marketing, then how could it convince its customers that inbound marketing would work for them? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Professor Thomas Steenburgh and Professor Jill Avery (Simmons School of Management) and Naseem Dahod (MBA 2009) prepared this case. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management. Copyright © 2009 President and Fellows ofHarvardCollege. To order copies or request permission to reproduce materials, call 1-800-545-7685, write Harvard Business School Publishing, Boston, MA 02163, or go to www. hbsp.

arvard. edu/educators. This publication may not be digitized, photocopied, or otherwise reproduced, posted, or transmitted, without the permission of Harvard Business School. 509-049 HubSpot: Inbound Marketing and Web 2. 0 Founding HubSpot The two HubSpot founders met at MIT. As early and eager students of Web 2. 0, Halligan and Shah recognized the transformative power the Internet possessed for changing the way small businesses operated.

Aftergraduation, Halligan joined Longworth Ventures, a venture capital firm with an expertise intechnology. As he worked with start-up companies, he recognized an issue with which they all struggled—how to harness the Internet to build a business. Halligan, like many of his clients, came from a traditional sales and marketing background, working for high tech companies Groove Networks and Parametric Technology Corporation. However, at Longworth, he began to realize that the traditional marketing and sales methods he had previously employed were losing their effectiveness in the new Web 2. 0 world. Shah also grew up in the technology sector, holding a number of management and development positions in technology companies. Prior to HubSpot, Shah was founder and chief executive officer of Pyramid Digital Solutions, an enterprise software company and the winner of three Inc.

500 awards, which was acquired by SunGard Data Systems. Shah also authored OnStartups. com, a top ranking blog and online community for entrepreneurs. Halligan and Shah founded HubSpot in 2006. Combining Halligan’s marketing, sales, and venture capital expertise with Shah’s technological knowledge and experience as a successful entrepreneur, the two were a winning combination. Halligan became the chief executive officer and served as HubSpot’s evangelizing front man. Shah became the chief software architect and focused on product development.

On the strength of their business plan, Halligan and Shah attracted premier financial partners. After initially self-funding the business, Halligan and Shah raised $5 million from General Catalyst, a Cambridge-based venture capital firm in 2007. Less than a year later, the team raised an additional $12 million from Matrix Partners, a venture capital firm with offices in Boston and Silicon Valley. For a young start-up, HubSpot had a solid financial foundation. Halligan and Shah strove to create a distinctcultureat HubSpot. They headquartered the company near MIT in Cambridge, Massachusetts, a hotbed of activity for high tech start-ups, and they staffed up with young, eager MIT graduates who were immersed in Web 2. 0 culture.

The HubSpot office buzzed with energy. The sleek, minimalist architecture contrasted with the animated and passionate young team, who craved a fast-pace. The team battled over business with the same gusto that they battled over the last slice of pizza. Inbound Marketing HubSpot built software products that helped companies execute inbound marketing programs to supplement or replace their traditional outbound programs. In the currentenvironment, outbound marketing’s effectiveness was diminishing as consumers, feeling bombarded by the daily deluge of commercial messages, began tuning out. Increasingly, direct mail, trade shows, and telemarketing were yielding less new business. In contrast, companies were finding that search engines, blogs, and social media were generating new business at higher rates.

Thesecommunicationprograms were more consistent with the inbound marketing approach. As HubSpot explains on their corporate blog: Outbound marketing is about pulling people away from their dinner, orfamily, or TV and interrupting their lives. Do you really think you are important or interesting enough for them to want to talk to you instead of doing whatever they were doing when you interrupted them? They have not invited you into their home, and they certainly do not happen to enjoy being interrupted. Instead of spending your whole day interrupting people and hoping they pay attention, try setting up a blog and writing interesting content, so that people want to hear what you have to say and come find you when they’re interested in your products. 2 HubSpot: Inbound Marketing and Web 2. 509-049 Inbound marketing is a collection of marketing strategies and techniques focused on pulling relevant prospects and customers towards a business and its products. Inbound marketers offered useful information, tools and/or resources designed to attract prospective customers to the company during the time when prospects are actively engaged in a search for a particular product or service.

The informative content that the inbound marketer produced was used to entice prospects to interact with the company and begin a relationship with it. As HubSpot vice president of marketing Mike Volpe explains, “ Instead of interrupting people that don’t care, why not help those who want what you’re offering to find you? We have found that building interesting tools is a more effective marketing tool than doing advertising. Things like this get people curious and draw them in. ” This new approach to marketing complemented the way consumers were actually making purchasing decisions today, by using Internet search, online blogs, andsocial networkingsites like Facebook and Twitter to learn about products and services before they bought them. HubSpot preached this new way of marketing: Instead of interrupting people with television ads, inbound marketers create videos that potential customers want to see. Instead of buying display ads in print publications, they create their own blog that people subscribe to and look forward to reading. Instead of cold calling, they create useful content and tools so that people call them looking for more information.

Instead of driving their message into a crowd over and over again like a sledgehammer, they attract highly qualified customers to their business like a magnet. To be maximized, inbound marketing required three distinct skills. The first was the ability to write compelling content that would attract customers to the business. Importantly, this content had to be useful to customers and not just a promotional message, according to HubSpot: Whole Foods publishes recipes, profiles of their vendors, forums and a lot more. Across all of these mediums they use the right tone. Their content is useful first, and promotional second, not the other way around. This means that their customers find them when they want to know how to make oatmeal cookies, when they want to learn more about where their apples come from or when they want to watch a cooking show.

The second was the ability to distribute that content so that it was easily found by prospective customers using search engines, which required a sophisticated understanding of search engine optimization. The third was the ability to attract and engage a community of followers who interacted with the content, added their thoughts to it in an ongoing dialogue, and disseminated it to others. Firms who nurtured an active audience gained credibility in the marketplace, as it was the support of an audience that conferred expertise in a particular area. One of the benefits of inbound marketing was, in contrast to traditional outbound marketing where a business’ message was pushed to a mass audience which contained many who were not in the market for the product, that it was designed to create content that pulled in only those customers who were interested in the product. This created marketing efficiencies. According to Mark Roberge, vice president of sales for HubSpot, inbound marketing blended marketing and sales together: “ One of our salespeople calls it “ smarketing”—we really blend it together so much more. ” Volpe explained this concept further in aninterviewwith RainToday.

com: “ Our sales people hear things like ‘ Oh, HubSpot. I’ve been meaning to talk to you guys,’ or ‘ Oh, I just watched your webinar yesterday. I had a couple of questions. ’ So it’s the opposite of a cold call. It’s like getting a call from one of your friends because we’ve already built a relationship. We really don’t do any cold calling. Volpe estimated that the cost of a lead generated using inbound marketing was 5–7 times less than a lead generated by outbound marketing.

Businesses had increased the portion of their marketing budgets dedicated to inbound marketing, particularly in business-to-business (B2B) industries, 3 509-049 HubSpot: Inbound Marketing and Web 2. 0 where, 37% was spent on inbound marketing and 30% was spent on outbound marketing. Given its lower costs and increased efficiencies, inbound marketing allowed small businesses to compete with larger firms in a way that had never been possible in the pre-Internet world dominated by mass media. Small business had realized that inbound marketing helped level the playing field and were more aggressively allocating their budgets to inbound marketing techniques. The HubSpot Product Embodying the philosophy of Web 2. 0, the HubSpot web-based software product was a complete inbound marketing system, designed to help businesses attract prospects, qualify their potential, and convert them into paying customers. The goal was to enable a firm to generate more qualified leads, to generate these leads more efficiently, and to convert them into sales.

HubSpot’s user-friendly product allowed even those who were not familiar with Web 2. 0 to build and manage a thriving inbound marketing program. The software included templates to design content for websites, blogs, and social networking sites, tools to help customers optimize their exposure on the Internet, tools to help customers solicit and engage the right customers, and tools to analyze their results. Content Design HubSpot offered its customers a content management system (CMS), software that made creating and editing online content easy. Further, HubSpot’s CMS allowed small businesses to add interactivity, the hallmark of Web 2. 0, to their old, “ brochureware” websites. Pre-designed templates helped customers create their corporate websites, providing guidelines for creating web pages, blogs, online forms, and landing pages.

The templates were designed to be turn-key so that customers without HTML programming knowledge could easily publish content online and have that content be search engine friendly. HubSpot’s “ Keyword Grader” scanned the Internet and returned an analysis of the key words relevant to the company’s business that were driving online search results. Including these key words in their content, companies could improve their organic search results, making it more likely that their content would be found by potential customers. Steve Douglas, president and creative director for The Logo Factory, explained how it worked for customers: I had been doing SEO all wrong when I came to HubSpot, trying to optimize my site for the wrong keywords. With HubSpot, I’m now able to see the words people are actually using to find my products and services. I’m able to see which words have the greatest search volume in search engines, helping me choose the right words to optimize my site. HubSpot has helped me be a lot smarter about how I optimize my site and track my progress.

(HubSpot, Customer Quotes, 2009) Exposure Optimization The HubSpot product contained a series of tools designed to help customers make their published content more visible on the Internet. These included search optimization tools that graded the firm’s content based on its likelihood to be included early in the search results that are returned when a potential customer searches throughGoogle, Yahoo, or other search engines. The optimization tools graded the company’s website, its key landing pages, and its blogs, and made suggestions for improving them to increase exposure. HubSpot’s “ Link Grader” analyzed the links a firm had on its website to see which ones were generating the most inbound traffic. The Link Grader also analyzed links to competitors’ websites to see which ones were driving customers to them instead of to the firm. Customer, Noel Huelsenbeck, president of Vocio expense management software, gushed: 4 HubSpot: Inbound Marketing and Web 2. 0 509-049 I love the HubSpot software.

With just a little page optimization I’ve already gotten great results and my traffic and keyword rankings continue to improve steadily. I’m about to sign a deal from a company that typed in one of our top keywords for which we are now the #1 organic result, thanks to HubSpot! That one deal will pay for all themoneyspent with HubSpot three times over. On top of that, the support is incredible. The HubSpot team had dedicated their time, even at off hours, to get my site up and optimized. The application is great, but it’s the people that make this company stellar. (HubSpot, Customer Quotes, 2009)Lead Tracking and Intelligence The HubSpot software had marketing intelligence analytics for tracking the interactions customers have with the firm’s content. This enabled firms to analyze which of their inbound marketing programs were working to generate qualified leads, by telling them where potential customers were coming from and how they were engaging with the company.

Firms could generate an interaction profile for each customer by tracking the pages they viewed and the types of forms they completed. Firms could use this information to qualify prospective customers according to their potential. For example, HubSpot itself used the lead tracking software to construct its sales funnel (see Exhibit 1). Information about each customer allowed HubSpot to qualify some of its “ visitors” as “ prospects,” and then “ leads”, and then “ opportunities” based on the behaviors they exhibited while on the site. Team Jodi, a real estate firm, had seen a significant increase in business, claimed owner Jodi Bakst: The traffic to my site increased by 97% in November, by an additional 62% in December, by an additional 31% in January and we’re on track for another big increase in February. In real estate, the bsolute number of leads is way down. But what I’m looking at is the percentage of good leads.

The percentage of good leads is actually going up right now and I attribute it to all of thehard workI am doing, 90% of which I learned from HubSpot. (HubSpot, MarketingCase Study, 2009) HubSpot used a software-as-a-service (SaaS) pricing strategy for its product. Rather than paying a large upfront fee, customers paid a smaller monthly fee (between $250-500 per month), much like a gym membership. HubSpot’s low cost and ease of use for Web 2. 0 novices were its competitive advantages. Volpe explained the difference between HubSpot and one of its competitors, Eloqua: Eloqua is really expensive and complicated. It is awesome for larger enterprises.

Everyone we talk to that uses Eloqua says, “ if you can get it to work, it’s super powerful, but you have to give up your first born child to pay for it and you need to hire a full-time employee to run it because they have all these scripting languages and all this really, really difficult stuff. ” HubSpot’s customers were required to purchase a $500 onboarding package, which bought them four hours of HubSpot consulting. During this time, a consultant helped them through a process designed to kickstart their inbound marketing program: 1. ) setting up the software, 2. ) using the SEO features to get found, 3. ) converting prospects to leads to customers, 4. ) analyzing their results, and, 5.

) institutionalizing the process so that it could be repeated. Once the original consulting hours were depleted, customers were on their own, unless they purchased additional consulting time at a cost of $500 for four hours. Customers were also given access to “ Success. HubSpot” which provided Internet marketing training and resources. Halligan described the HubSpot product as much more than a piece of software; it was a system of tools and training (see Exhibit 2 for product release timeline): HubSpot is a complete inbound marketing system that will help you get found by more prospects and convert more of them into paying customers. We use the word “ system” intentionally. HubSpot is more than software.

We have a complete inbound marketing 5 509-049 HubSpot: Inbound Marketing and Web 2. 0 methodology comprised of best practice guides, training materials, software tools, a community and support. Plus, HubSpot is hosted on demand software, meaning that you don’t need any IT staff to get started. We don’t just give you a new marketing tool. We teach you to be an expert in how to use it. HubSpot’s products had garnered acclaim which drove buzz for the company. In 2008, HubSpot received the W3 Silver Winner Award in branding and marketing and the MITX Impact Award for innovative business strategy.

HubSpot’s “ Website Grader” was an official honoree for the best websites in the IT hardware/software category in the 12th Annual Webby Awards. In February 2009, HubSpot was named in the top ten of PromotionWorld’s “ Best SEO Companies” ranking. HubSpot’s Marketplace Halligan and Shah envisioned that HubSpot would become the market leader of the industry space carved out by software companies and consulting firms focused on helping businesses fill and manage their customer funnel. The customer funnel metaphorically described the critical processes firms undertook to attract prospective customers to their business, qualify these prospects to determine which ones have the highest probability of converting to paying customers, and, finally, close the sale. The customer funnel is divided into three main activity areas. Most of HubSpot’s competitors chose to play in only one of these areas, although some offered integrated services that pned across. Exhibits 3 and 4 summarize the increasingly crowded competitive field.

Creating Traffic The goal in the top part of the funnel was to attract large numbers of prospective customers. Firms used marketing programs to capture attention and interest to feed prospects into the funnel. Firms offered information, contests/sweepstakes, or free consulting on their websites to entice prospective customers. To receive the information or to participate, prospects filled out an online form which asked them their contact information and other information that was valuable to the firm, such as budget available for the purchase and estimated purchase timing. HubSpot’s competitors in this area included consultants who built online advertising, websites, blogs, and social media presence, for companies, as well as software companies with SEO products which helped companies maximize their likelihood of getting found by consumers using search engines. Analyzing and Qualifying LeadsThe goal in the middle of the funnel was to assess the potential of different prospective customers brought in by the lead generation programs. Selling a customer required an investment of human and financial resources and firms wanted to ensure that they were targeting these resources to prospects who were most likely to convert to customers.

Many prospects brought in through lead generation had a low probability of becoming a customer, and firms could save substantial money if they could identify those customers early and weed them out. The lead qualification process focused on finding customers with potential to pass along to the sales force. HubSpot’s competitors in this area included consultants and software companies with proprietary methods for rating and ranking prospects based on historical analysis of the company’s current customers and conversion rates. Closing the Sale The goal in the bottom of the customer funnel was to convert prospects into customers. One player, Salesforce. com, dominated this segment, providing easy to use, customizable software which 6 HubSpot: Inbound Marketing and Web 2. 509-049 helped firms create a database of their prospects and track their conversion progress in real time.

Salesforce. com’s software had become the industry standard for managing and tracking sales efforts. Halligan and Shah hoped that HubSpot could dominate the lead generation and analysis/ qualification stages of the customer funnel, just as Salesforce. com dominated the stage devoted to closing the sale, claiming “ HubSpot could be to marketing what Salesforce. com is to sales. ” Filling HubSpot’s Customer Funnel By 2009, HubSpot had 1, 000 very diverse customers. HubSpot attracted these customers through inbound marketing, practicing what they preached by using their own software.

HubSpot used several different tactics to drive prospects into the funnel. First, the company had a robust website which attracted over 300, 000 unique visitors in 2008. The website featured whitepapers, webinars, podcasts, and a blog which provided information about Web 2. 0 and inbound marketing strategies. HubSpot created and managed an 8, 000 member LinkedIn group called Pro-Marketers, dedicated to marketing professionals who were interested in learning about Web 2. and inbound marketing. Employees came together every Friday to host their own television show, “ HubSpot TV,” a live streaming podcast also available on iTunes which featured interactive commentary on topical events.

HubSpot also produced YouTube video spoofs which changed the lyrics of popular songs like “ You Oughta Know” by Alanis Morissette to sell the inbound marketing concept, the most popular of which was viewed over 50, 000 times. Another video, entitled “ Cold Calling is for Losers” was viewed over 35, 000 times and humorously showed the futility of outbound marketing techniques. The HubSpot team was encouraged to build their own Web 2. 0 presence to supplement corporate activities. Many employees blogged, tweeted, and participated on social media sites to promote HubSpot. Inbound marketing was a passion for the HubSpot team and they used every avenue they could to evangelize it to whoever would listen. As the website claimed, “ At HubSpot, we live and breathe inbound marketing.

We know a lot about it. We love to teach. We’ll make you an expert. ” HubSpot’s most successful inbound marketing program was its freeware, small software programs that were available for free and accessible on the Internet. Three commonly used programs were the Website Grader, Twitter Grader, and Facebook Grader. All were designed to provide useful information to prospective customers and introduce them to HubSpot. The graders allowed users to evaluate how well their websites, Twitter accounts, and Facebook presence were performing.

For example, Website Grader analyzed a company’s website, rated it versus other sites on the Internet, and offered suggestions for improvements. Users who accessed the free web tools often completed a lead form expressing interest in other offerings, which fed them into HubSpot’s customer funnel. By 2009, over 650, 000 websites, 22, 000 Facebook profiles, and 2 million Twitter accounts had been graded by the free tools. The freeware had also generated a lot of positive press and online buzz. Volpe explained how all these activities fed HubSpot’s funnel: “ We think about the size of the community we’ve built. It includes people on our email list, people that subscribe to our feed in iTunes, people that subscribe to our blog, people that follow one of our accounts on Twitter, people that are fans of our page on Facebook. It’s sort of how many fans we have cultivated in the world.

When HubSpot was just getting started, the sales force called on all leads coming into the funnel. HubSpot sold to any customer who was interested in buying its products. This helped achieve the critical mass the fledgling venture needed to survive. However, as the number of prospective customers grew, HubSpot began carefully qualifying leads before turning them over to the sales force. HubSpot constantly updated its lead rating algorithm based on their success with converting different types of prospects, and the varying customer retention rates experienced post-sale. 7 509-049 HubSpot: Inbound Marketing and Web 2. By 2009, the company was weeding out almost 50% of the leads in its funnel.

Low quality leads were given no further attention. The remaining 50% were rated on a scale of 1 (low probability of conversion) to 10 (high probability of conversion). 63% of the rated leads were graded with scores ranging from 7 to 10, making them a high priority for the sales force’s attention. The selling process was fairly involved and focused on a sales person guiding a prospect through an online product demonstration; closing a sale took between 30-45 days from the point of initial contact to final sale. Since HubSpot’s inbound marketing did not target a specific type of customer, HubSpot found itself attracting a diverse set. HubSpot’s customers came from many different industries, including professional services, healthcare, software, real estate, and construction materials. They included businesses selling to other businesses (B2B), as well as businesses selling directly to consumers (B2C).

Exhibits 5 and 6 show the composition of HubSpot’s customer portfolio. Two different types of customers were visible: small business owners and marketing professionals working in larger firms. HubSpot affectionately dubbed these two personas “ Owner Ollie” and “ Marketer Mary. ” “ Owner Ollie” The Small Business Owner Customer Owner Ollies made up 68% of HubSpot’s customer portfolio. Owner Ollies owned small businesses with 1–25 employees. Owner Ollies were busy, as they were simultaneously managing the human resources, marketing, sales, operations, andfinanceareas of their companies. Given their small size, they did not have a dedicated marketing professional on their staff and, thus, they did most of the marketing themselves.

Owner Ollies were curious about Web 2. and inbound marketing, but had not made investments in consulting, software, or programs in this area. Their primary objective was to generate more leads for their businesses; Owner Ollies were focused on feeding the tops of their customer funnels. Time and resources were scarce and Owner Ollies wanted quick, simple solutions to help them generate leads, because leads were the lifeblood of their small businesses. Owner Ollies were fairly easy to sell; the cost to acquire this type of customer was around $1, 000. As Volpe explained, “ Ollie doesn’t even think about marketing most of the time. He’s thinking about finance and HR and there is a leak in the pipes in the office.

He’s got all kinds of stuff to worry about. He typically doesn’t shop around and try to find any other software competitive to HubSpot. He gets on the phone, he decides if he likes it, he gives you his credit card number and he’s like, ‘ Great, let’s do it. ’” “ Marketer Mary” The Marketing Professional Customer Marketer Marys made up 31% of HubSpot’s customer portfolio. Marketer Marys were marketing professionals working in companies which ranged from 26 to 100 people. Unlike Owner Ollies who tended to work on marketing alone, Marketer Marys were supported by a marketing team. As marketing professionals, Marketer Marys were more educated than Owner Ollies about Web 2.

0 and were looking for assistance with running their programs, evaluating their results, and justifying their return on investment to senior management. Marketer Marys often had web consultants who designed online websites and programs. Hence, Marketer Marys were more interested in the analytics and reports that HubSpot provided. Marketer Marys ran many more inbound marketing programs than Owner Ollies, and needed more robust and sophisticated tools to design them and measure their results. Marketer Marys had more money to spend on products like HubSpot, but were harder to reach and had a longer selling cycle as they often had to get approval from managers higher up in their organizations. The cost to acquire this type of customer was $5, 000. As these two customer segments emerged in the customer base, HubSpot tweaked its product, developing two different versions, each with features designed to better serve the needs of either Owner Ollies or Marketer Marys.

The differences between the two are summarized in Exhibit 7. ) 8 HubSpot: Inbound Marketing and Web 2. 0 509-049 HubSpot took good care of its customers. Jonah Lopin headed up the HubSpot services group, known as the “ customerhappinessdepartment. ” Lopin and his team quickly realized that the customers HubSpot was serving were very diverse, making it difficult to standardize processes across customers. Different customers had different familiarity and comfort with Web 2. 0 tools.

B2C companies were much more sophisticated Web 2. users than B2B companies and many found that HubSpot’s content templates were too rudimentary for their needs. Most B2C companies already had highly performing websites and social media presence and had engaged Web 2. 0 consultants and agencies to work with them prior to coming to HubSpot. In contrast, most B2B customers had little to no experience with Web 2. 0 and no other agencies or consultants supporting their efforts. They required more attention from Lopin and his team during start-up and during their lives as customers.

The second difference was that B2B customers seem to derive reater value from inbound marketing than B2C customers. Many of the B2B customers sold products or services that were complex, which required buyers to undergo in-depth learning prior to purchase. Blogs, podcasts, webinars, and other Web 2. 0 programs that explained the product served as valuable inputs into a customer’s decision making process and were effective feeders of B2B customer funnels. The buying processes associated with the B2B businesses were much more complex than those associated with B2C businesses, due to a longer decision making cycle involving multiple stakeholders at the buying firm. Because of this, B2B customers were more selective about whom they focused their sales forces’ attentions on and derived great value from the lead qualification analysis that HubSpot provided. The third difference was that Owner Ollies were less knowledgeable and sophisticated than Marketer Marys.

Owner Ollies also derived greater initial value than Marketer Marys, as Volpe explained, “ The great part about Ollie is that we can actually have a much larger impact on his overall business than we can with Mary. It saves him a ton of money and he is getting a much better customer flow. It has fundamentally changed his business. ” Lopin also saw differences in the customer retention data, as the churn rates (the rate at which customers cancelled their HubSpot subscriptions) varied across segments. The results of his analysis are listed in Table A and in Exhibit 8. Although Marketer Marys were a harder sell up front, they stayed longer than Owner Ollies. Lopin speculated that usage of the monthly analytics and reporting was driving her longer customer life.

Owner Ollies were focused on using SEO to increase visitors to their websites. They derived much of their value in the first few months as a customer. Once Owner Ollies thought they were “ done” optimizing, they would cancel their HubSpot subscription. Table A Churn Rates by Segment Average Churn Rate (cancellations per month) Owner Ollies Marketer Marys Total B2B Total B2C CMS Non-CMS Total 4. 3% 3. 2% 3. 3% 6.

0% 2. 1% 5. 5% 4. 1% Source: Company reports. 9 509-049 HubSpot: Inbound Marketing and Web 2. 0 Investigating further, Lopin realized that customers who hosted their websites on HubSpot’s content management system had lower churn rates than customers who hosted with other companies. Lopin urged the sales force to push the content management system hosting service to new customers.

As a result, an increasing number of Owner Ollies were migrating their websites to HubSpot. In 2009, 13% of Owner Ollies selected HubSpot to host their site, paying an initial fee of $500 which covered twelve hours of HubSpot consulting designed to make the migration process painless. In contrast, only 2% of Marketer Marys hosted their websites with HubSpot. Lastly, Lopin saw differences in the amount of time different types of customers were willing to put into using the HubSpot software. To derive meaningful results from the software, customers needed to consistently invest ten hours per week to it. This was a significant time investment, particularly for Owner Ollies. Customer Geoff Alexander, president of Geoff Alexander & Company, a telesales training company, explained: “ It took a couple of hours to mash through all the training, but the key to HubSpot is putting the time into it.

Without HubSpot, I just would have winged it. The investment required for HubSpot is actually a lot like paying for web intelligence school. I was ignorant of the nuts & bolts of SEO and online lead generation for years. Now I’m making up for it. (HubSpot, Marketing Case Study, 2009) Some of HubSpot’s current customers were not putting in the time, as shown in Table B. Fifteen percent of current customers had not logged in to the HubSpot software over the past 12 weeks. Table B Customer Usage Percent of Customers Logged into HubSpot system > 50% of weeks Logged into HubSpot system 25 B2B25 B2C25 B2B25 B2C25 Total 25 CMS Total 10 unique visitors M/M Growth in Average Weekly Leads Customers included in analysis: (78 for Oct, 92 for Nov, 95 for Dec) • Accounts must be over 3 weeks old entering the lift period • All weeks in lift period must have > 1 lead Source: Company reports.

0 509-049 -21- Exhibit 10 HubSpot’s Growth Rate HubSpot 2008 Customer Forecasted Pipeline Details 3, 500 3, 000 3, 000 2, 714 2, 429 2, 143 2, 000 1, 571 1, 500 1, 286 1, 000 1, 000 1, 370 1, 857 1, 857 2, 143 2, 714 2, 500 500 74 35 Jan 1, 370 74 35 45 55 65 100 129 157 1, 000 1, 286 1, 571 Feb Mar Apr May 1, 857 186 65 100 45 129 55 157 65 186 65 186 75 Jun 1, 857 186 75 214 75 Jul 2, 143 214 75 214 85 Aug 2, 143 214 85 271 243 95 Sep 2, 429 243 95 95 Oct 2, 714 271 95 271 105 Nov 2, 714 271 105 300 115 Dec 3, 000 300 115 Leads Opportunities New Customers Source: Company reports.