

MARKETING AUTOMATION

Industry Report

*With Profiles of Leading
Marketing Automation Platforms*





About The Author:

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William is an experienced executive with a proven track record of delivering profitable marketing automation, lead acquisition, demand generation and analytical solutions to a wide range of SMB and enterprise level organizations.

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About Reach Marketing

Reach Marketing is an integrated marketing solutions company that helps businesses reach their target audiences more effectively and quickly grow their sales through relevant marketing channels.

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- Marketing Automation
- List Brokerage
- List Management
- Email Acquisition
- Email Retention
- Database Management
- Data Hygiene
- Lead Generation
- Social Media
- SEO
- Data Append
- Customer Profiling

*Marketing Automation
Vendors Profiled*

- ▶ *Act-On Software*
- ▶ *Hubspot*
- ▶ *Marketo*
- ▶ *Oracle Eloqua*
- ▶ *Salesforce Pardot*

*“At the nexus of data,
content, and technology is
a sector know as
Marketing Automation
and it’s gone from red
to white hot.”*

EXECUTIVE SUMMARY

Over the last decade, the day-to-day tasks of marketers have undergone almost continuous change. The Internet, search marketing, ecommerce, blogging, social media and mobile computing have required marketers to rethink virtually every aspect of their jobs. Marketing automation software is a powerful new technology that enables marketers to manage the complexity of these changes.

During 2014, purchases and usage of marketing automation software continued to surge. Over the course of our research we’ve encountered over 100 software companies with marketing automation solutions. We’ve seen acquisitions of \$750 million and Venture Capital financings of \$181 million, nearly a 70 percent increase from 2013. The sector also saw its third IPO, with Hubspot raising \$125 million in October.

The marketing automation sector has produced rapid innovation and a burgeoning market, leaving users with both an opportunity to transform their marketing processes as well as a daunting challenge of selecting and implementing the right technologies.

This industry report provides fresh insights into where the marketing automation sector is and where it’s heading in the near future.

The report is intended for:

1. Any business considering adoption of marketing automation software or changing software providers.
2. Marketers currently using marketing automation and wanting to gain better perspective of its potential.
3. Marketing professionals who want to stay abreast of how digital marketing is transforming their profession.
4. Venture capitalists and investment advisors seeking a deeper understanding of the marketing automation sector.



THE RISE OF MARKETING

During 2014 we've seen \$181 million in venture financings related to marketing automation, acquisitions of nearly \$750 million, and software revenues soar by over 40 percent.

Why this level of activity?

To fully appreciate the rise of the marketing automation sector, let's go back to July 29, 2013, when both the New York Times and the Wall Street Journal featured front page stories on the merger of two of the world's three largest Advertising firms, Omnicom and Publicis.

Now, a merger of market leaders is always big news, but the extraordinary coverage of this event is about something larger.



CREATIVE DESTRUCTION IN MARKETING

Advertising, and more generally marketing, has been in the throes of transformation for decades, or what the economist Joseph Schumpeter called creative destruction. In a free market economy where innovation thrives, one sector after another rises and dislocates established industries. Steam power in the nineteenth century gave rise to railroads which swept across the United States, enlarging markets, reducing shipping costs, building new industries, and providing millions of new productive jobs. The internal combustion engine paved the way for the automobile early in the twentieth century, spawning new enterprises; at one point in the 1920s, the industry had swelled to more than 260 car makers. Consumers benefited as horses and mules gave way to cars and airplanes, but all this creation did not come without destruction. Each new innovation took a toll on existing industries.

Today's information technology revolution has had profound effects in virtually every sector of the economy, but few more than the advertising business. The Omnicom/Publicis merger announcement came as a direct response to Google's domination of the rapidly growing digital side of the marketing.

To understand the transformation taking place, think of marketing before Social Media, before Google, even before email and the World Wide Web. Content was largely created by a few big ad agencies (think Don Draper) and pushed to consumers. Of course we still have ad agencies doing big TV campaigns but that's far from the full story. The Internet browser—Mosaic was the first—made content available to the masses and also spurred a content revolution. Wired magazine described the breakthrough in October 1994:

"With mosaic, the online world appears to be a vast, interconnected content vastly more accessible, a virtuous cycle of universe of information. You can enter at any point and begin to wander; no internet addresses or keyboard commands are necessary. The complex methods of extracting information from the net are hidden from sight. Almost every person who uses it feels the impulse to add some content of his or her own. Since mosaic first appeared, according to the NCSA, net traffic devoted to hypermedia browsing has increased tentousandfold."

With content vastly more accessible, a virtuous cycle of content creation and sharing was born. And it's the exponential growth in content that is at the heart of the rise of marketing. Google (and its predecessors) have transformed marketing from what was largely a top down, indiscriminate push of content from a few large agencies to a much more efficient, bottom up pull from hundreds of millions of consumers via Internet search. That's how Google has gone from startup in 1998 to a \$400 billion (last I checked) company 16 years later. Of course we still push content, but at a fraction of the cost through Internet advertising and email marketing, and it's aimed at intricate demographic and behavioral segments, and individuals that are far more likely to purchase.

The vast bulk of content today is created bottom-up, through websites, blogs, and social platforms. Today (these figures will be outdated almost as fast as you read this) there are over 920 million websites, 40 million WordPress blogs (just one of many blogging platforms), 150 billion emails sent per day (yes, that's billion with a "b") 500 million daily tweets, and 4.5 billion Facebook likes—the 'like' being the ultimate in abbreviated content. And then, there's mobile content...there are over a billion smart phones and over a million apps in the iPhone catalog.

Add to the proliferation of content, the exponential growth in digital interactions, and now marketing has become more data intensive than Wall Street—hence the acquisition of marketing software firms by tech giants like IBM, Oracle, Microsoft and Adobe.

The transformation of marketing is represented both by the meteoric rise in content and the ability of marketers to interact with that content. The primary challenge of marketing today—and the focus of many of today’s marketing technology firms—is managing the proliferation of content and interactions, and harnessing this data to put relevant content in the hands of customers and prospects so that products can sell themselves, or, in the case of B2B, at least do the bulk of the selling work before a handoff to sales is made.

SOFTWARE-AS-A-SERVICE (SaaS) aka CLOUD COMPUTING

There’s another important factor at play in the rise of marketing; the coming of age of Software-as-a-Service (SaaS) or Cloud computing.

SaaS made it far less costly to start new software ventures, and much cheaper (and less risky) for business users to purchase software. The IT department used to hold enormous sway over software investment dollars. Not so with cloud computing. The combination of vastly increased supply of software products and the release of purchasing power from IT to the marketing department resulted in rapid innovation and a burgeoning demand for marketing technologies. Today users can try new products for a monthly fee or free of charge, creating a vast laboratory for innovation and marketplace experiments. It’s no wonder there are more than 1,000,000 apps available for the iPhone. Scott Brinker of chiefmartec.com has done an excellent job documenting and categorizing the marketing technology landscape. His 2015 edition ‘supergraphic’ lists 1,876 vendors across 43 categories.

THE MARKETING AUTOMATION SECTOR



Selected 2013 Marketing Expenditures (\$Billions)

Internet Advertising	42.8
Broadcast TV	40.1
Cable TV	34.4
Newspaper	18.0
Radio	16.7
Magazines	13.4
Direct Mail	12.0
Email Marketing	2.6
Marketing Automation	0.9

At the nexus of data, content, and technology is the sector known as Marketing Automation, and it’s gone from red to white hot. Marketing Automation deals with functionality such as streamlining content creation, distributing across multiple channels, attracting web surfers, capturing leads, segmenting prospects, quantifying and responding to digital interactions, etc. To the extent that marketing technology firms can help marketers in this gargantuan effort, they will continue to proliferate.

Footnote to the Omnicom/Publicis merger announcement: On May 5, 2014, Omnicom and Publicis called off their intended merger but the transformation of marketing continues unabated.

MARKETING AUTOMATION BY THE NUMBERS

From start-ups to tech giants, activity in the marketing automation sector—venture capital financings, acquisitions, and IPOs—has continued to be strong.

Back in 2010, marketing automation caught the attention of tech leader IBM which purchased marketing automation provider Unica for \$480 million. Later that year, data and analytics firm, Teradata, acquired Aprimo, an early leader in marketing automation, for \$525 million. In total, there have been nearly \$7.5 billion in marketing automation acquisitions over the past five years.

Selected Marketing Automation Acquisitions 2010 - 2014 (\$ Millions)						
Acquisition	2010	2011	2012	2013	2014	Total
Unica acquired by IBM	480					480
Aprimo acquired by Teradata	525					525
Alterian acquired by SDL		108				108
Performance Acquired by Hubspot		20				20
Eloqua acquired by Oracle			871			871
LeadFormix acquired by CallidusCloud			9			9
Pardot acquired by ExactTarget		96				96
Neolane acquired by Adobe				600		600
Responsys acquired by Oracle				1,500		1,500
ExactTarget acquired by Salesforce				2,500		2,500
Vocus Taken Private by GTCR Valor					447	447
Silverpop acquired by IBM					300	300
Totals	1,005	128	976	4,600	747	7,456

TABLE 1 SELECTED ACQUISITIONS IN MARKETING AUTOMATION (\$MILLIONS)

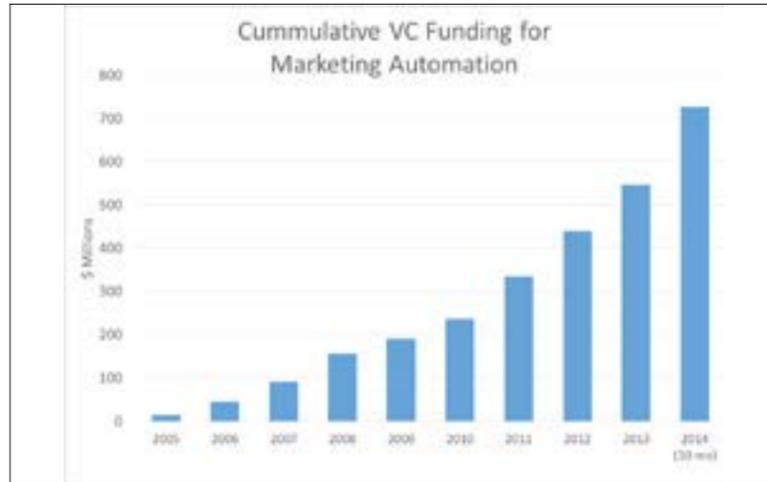
Venture capital continues to flow—over \$700 million since 2005. In October 2014, Infusionsoft—a marketing automation platform geared to very small businesses—raised \$55 million. Infusionsoft’s fourth round of financing caps a record year for VC funding in the marketing automation sector.

**Marketing Automation
Initial Public Offerings**

August 2012: Eloqua
Size: \$92 million

May 2013: Marketo
Size: \$80 million

October 2014: Hubspot
Size: \$125 million



Company	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
Act-On						4	10	16		42	72
Aprimo (Terada)	14.5					Bought					15
Autopilot (formerly Bistr)							5.31		3.5	10	19
Benhouaer (SALESmanago)										1.7	2
Captora									5	22	27
Eloqua (Oracle)		12.8	23						Bought		36
Hatchback								1.3	1.2	3.4	6
Hubspot		0.5	5	12	16		32	35		IPO	101
InfusionSoft			9	7.9		2			54	55	128
Intercom								1.75	6	23	31
Kahuna										11	11
Lattice Engines				1.7				20		5	27
LeadRocket/Genius		5.1	10	19	6.5					Bought	41
LoopFuse					1.4					Bought	1
Marketo		5.4		8	10	35	50			IPO	108
Neolane - Adobe		6.6						27		Bought	34
Performable						3	Bought				3
RightOnInteractive						0.65	0.75				1
Salesfusion									1.8	8.3	10
Signpost						1.25		3.75	10		15
Silverpop (IBM)				15					25	Bought	40
SimplyCast					1						1
Totals	15	30	47	64	85	46	98	105	107	181	727

TABLE 2 SELECTED VENTURE FUNDING DEALS IN MARKETING AUTOMATION (\$MILLIONS)

The sector had its third IPO in October 2014 with Hubspot raising \$125 million in its flotation. Eloqua went public in August 2012, raising \$92 million, before it was promptly purchased by Oracle in December of that year for \$811 million. Then in May of 2013, Marketo went public, raising nearly \$80 million.

Between venture funding, IPOs and acquisitions, no one can argue that marketing automation is not hot.

The next sections will explore the features of marketing automation and what's behind this level of activity.

WHAT IS MARKETING AUTOMATION?

Think of marketing before social media, before smartphones, before Google, before email, and before the Internet. One way or another, information had to be pushed to prospects. A B2B marketer might have started with a target list, based on a profile—maybe a zip code, industry, or job title. Precious sales time was spent “prospecting” or trolling through the list of prospects for leads—interested parties. “Cold calling” was one painstaking way of sifting through prospects for leads. Another method was to send direct mail pieces or place an ad in a trade journal and wait for a response. Once a lead was uncovered, a salesperson would take on the role of information broker, trying to understand the prospect’s needs and educating them about how the product could fill those needs. Since little information was captured other than their profile, the salesperson had to start from scratch, deciphering the needs and gauging the interest level for each new lead. Lead capture was labor-intensive, tedious and time consuming.

Fast forward to today: Think about how the buying process has been transformed. Today, the buyer directs the process. They Google a company or its products, or respond to an email campaign or a social media message, and quickly find information on a website or landing page or perhaps a LinkedIn page, a published article or white paper. They show their interest by interacting digitally. They sign up for a newsletter, register for a webinar, download a document or just browse a website. They may spend just a few seconds, then leave, or they may stay longer—reading a blog or checking out pricing.

What if you had the ability to uncover these hidden digital interactions? What if you could capture and synthesize these interactions in a meaningful way and use this intelligence to direct relevant and customized content to a prospect? What if you had the ability to create vastly more digital interactions, and to shepherd a prospect through the buying process? Finally, what if you could quantitatively score prospects based both on the particular actions they take and their data profile (e.g., title, company, industry, etc.). Scoring could then be adjusted based on feedback from the sales team regarding the quality of the leads delivered. In short, you would have the ability to generate more and better leads with less resources and thus improve your return on marketing investment. The software that enables this is known as marketing automation, and it's one of the fastest-growing sectors in both software and marketing.

To summarize, the digital interactions between companies and their prospects/ customers can now be cost-effectively gathered, synthesized and acted upon in real-time. This ability was first implemented in B2B digital marketing, where the number of customer contacts was relatively small and the value per contact was high. However, the same principles holds for B2C; the difference is that the number of consumer contacts can grow exponentially, and engagement is focused on micro demographic segments in addition to individuals.

“What if you could capture and synthesize these interactions in a meaningful way and use this intelligence to direct relevant and customized content to a prospect?”

Companies that **excel at lead nurturing** generate

50% MORE

SALES READY LEADS
AT

33% LOWER

COST

--Forrester Research



FEATURES OF MARKETING AUTOMATION

The essence of marketing automation is multifold and ever expanding, but here are its essential elements:

1. Create and distribute content across multiple channels.
2. Capture and synthesize a broad range of digital marketing interactions of prospects and customers.
3. Devise automated rules to quantitatively assess and score leads.
4. Automatically distribute the most promising leads to salespeople so that they can spend time selling to receptive prospects versus prospecting.
5. Construct automated workflows to nurture prospects with relevant content until such time as they either disengage or become qualified.



Although functionality varies from platform to platform, the basic features of marketing automation software include the following:

Data Management: Import, export, scrub, de-dupe, remove opt-outs, upload/download to CRM, and segment customer and prospect data records.

Email Marketing: Create, test, schedule, send, and report on outbound email messages.

Landing Pages: Literally, these are pages that we want prospects to “land” on. Marketing Automation software should streamline landing page production and report on interactions.

Lead Capture: Streamline production of web forms to efficiently capture prospect and customer data.

Lead Nurturing: Nurture programs combine behavioral and profile data with automated work flows to engage with selected prospects over time in a way that is manageable and meaningful. Nurturing a prospect involves setting up an automated sequence of marketing steps based on a trigger event.

On average, organizations that use lead scoring experience a

**77% lift
in Lead
Generation ROI**

over organizations that do not use lead scoring.

--Marketing Sherpa



Lead Scoring: Quantify lead quality based on both demographic criteria (e.g. industry, size, job title) and behavior (e.g., clicks, website visits, downloads, etc.). Both demographics and behavior are important. One way to think about the difference is that behavioral data of a prospect describes their interest in you while demographic data highlights your interest in the prospect. Configurable scoring rules include time-based scores for interactions—a page visit today is worth more than a page visit last week.

Lead Tracking & Reporting: Track marketing activities such as website visits, campaign responses, downloads, and page views. Anonymous visitor tracking should be convertible to “known” leads based on certain conversion events such as a form completion or an email open. Even without a conversion event, leads (not individuals, but companies) can be identified using Reverse DNS Lookup (sometimes called Reverse IP Address Lookup). This is the determination of a domain name that is associated with a given IP address using the Domain Name System (DNS) of the Internet.

Lead Routing: Route appropriate leads to nurture campaigns or to the sales organization and integrate with CRM systems based on digital interactions and lead scores.

Return on Marketing Analysis: Tie the leads generated from forms, campaigns or other sources directly into your CRM opportunity management system in order to calculate an ROI from various marketing activities.

EVOLVING FEATURES

Marketing automation providers are continually adding to their mix of features. The following features are found in a growing number of platforms.

Social Media Integration: Post messages to social media sites from within the marketing automation platform and provide streamlined ways to share content to social sites. Respond to and engage with leads and prospects who interact with you via social networks and posts.

Data Integration: Identify contacts at prospect firms who have visited your website and landing pages, and import directly into your marketing platform.

Google AdWords and SEO Integration: View Google AdWords campaigns and search engine optimization efforts from within the marketing automation platform, and tie revenue generation to inbound marketing efforts.

DIFFERING GOALS

For B2B marketers, the top goal of content marketing is

Lead Generation

whereas B2C marketers cite

Brand Awareness

-Content Marketing Institute, 2014

IS MARKETING AUTOMATION FOR B2B OR B2C?

Marketing automation is frequently said to be the domain of B2B. We think this is a fundamentally incorrect assertion. Marketing automation technology is applicable to any market where the value of a new lead exceeds the cost of acquiring a new lead using said technology or when the incremental value of advancing a lead exceeds the cost.

The value of marketing automation tends to rise with more expensive products in which prospects engage in a multi-step buying process. Some marketers use terms like “complex sale” or “considered purchases” to describe these types of transactions. Whether a transaction is B2B or B2C is not particularly relevant. Consumer purchases like a new home, a laptop computer, or a healthcare plan usually require a considerable amount of research. Lead nurturing is as important in these cases as in any B2B transaction.

The value of marketing automation also rises when there is a handoff between marketing and sales. The ability to deliver qualified, information-rich leads to sales is a huge value driver for any organization that employs salespeople.

SIZING THE MARKETING AUTOMATION INDUSTRY

With scarce public data available, sizing of the marketing automation sector remains more of an art than a science, and size estimates and forecasts vary widely. Gartner has estimated the CRM Marketing Automation application and services sector at \$2 billion in 2012 and projects it to grow at 20 percent per year, reaching \$4.2 billion by 2016. Based on our analysis of 30 vendors, Reach Marketing LLC estimates total marketing automation revenues at \$1.2 billion in 2014 and forecasts a growth rate of 40% per year for the next 3 years. Table 4 shows the numbers of US businesses by employee size and our estimate of the penetration of marketing automation software for each size category. Market penetration by firms with less than 20 employees is just one percent, while an estimated 22 percent of large firms use marketing automation software. In comparison, we estimate that nearly 80% of large firms are using email marketing software.

Firm size	No. of Firms (000s)	Marketing Automation Penetration
Very Small (1 to 19 employees)	5,295	Less than 1%
Small (20 to 99 employees)	526	2%
Mid-sized (100 to 499 employees)	90	10%
Large (500 or more employees)	20	22%
Firms with 20 or more employees	631	4%
Total (1 or more employees)	5,932	1%

TABLE 4: US MARKETING AUTOMATION PENETRATION BY FIRM SIZE

For firms with 20 or more employees, Marketing Automation penetration is just 4%; for firms with less than 20, it's less than 1%.

“Reach Marketing estimates total marketing automation software revenues at \$850 million in 2013 and forecasts a growth rate of 45% reaching 1.2 billion for 2014.”

CROSSING THE CHASM

In his book, Crossing the Chasm, Geoffrey A. Moore describes a technology lifecycle in which the adoption or acceptance of a new product or innovation proceeds according to the demographic and psychological characteristics of defined adopter groups (see Figure 1). According to Moore’s model, the first group of people to use a new product is called “innovators,” followed by “early adopters.” The “chasm” is the crucial period during which a product is either adopted broadly, or remains part of a niche market. The “early majority” and “late majority” then adopt the product, followed by the last group, known as “laggards.” If this model is applied to the marketing automation sector, it becomes evident that, although the technology is still early in its lifecycle, the chasm is being crossed—at least among large companies.

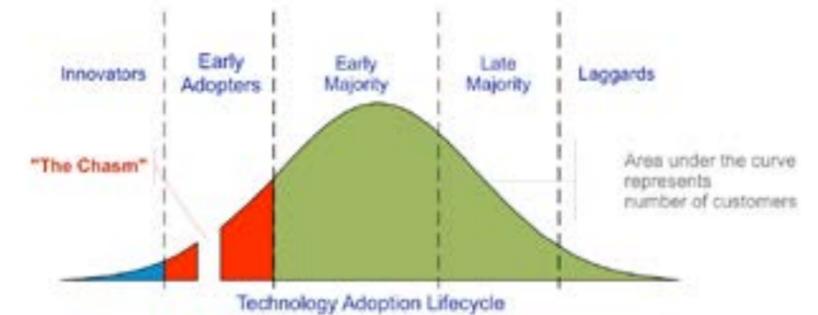


FIGURE 1: TECHNOLOGY ADOPTION LIFECYCLE FROM CROSSING THE CHASM

Figure 2 shows that marketing automation among large firms has crossed-the-chasm and has now reached the early-majority stage. By contrast, mid-sized firms are just now crossing the chasm and small firms are still in the innovators stage. This explains the growing number of marketing automation vendors seeking to gain a foothold into this market, as well as the substantial venture capital the sector has attracted. Reach Marketing expects marketing automation to follow a pattern similar to that observed with the adoption of email marketing, with a lag of about 5 years. We believe that many of the lead management and workflow features that are driven by the needs of large B2B companies will be adopted for by both B2C and small and mid-sized (SMB) firms.

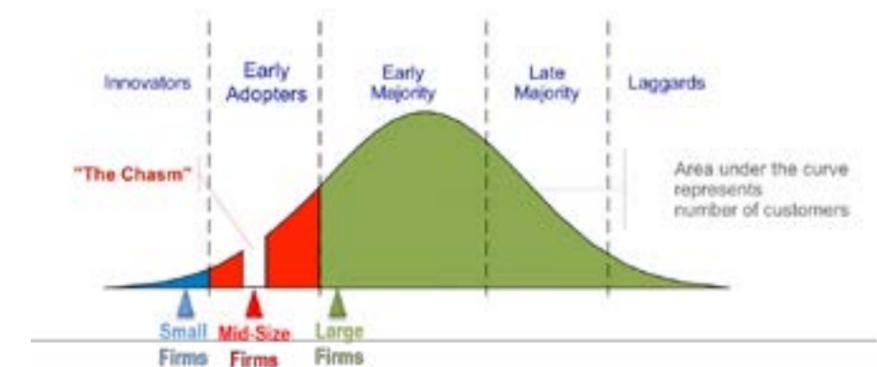


FIGURE 2: CURRENT STATE OF MARKETING AUTOMATION ADOPTION BY FIRM SIZE

The short life of a LEAD

Firms that tried to contact prospects within **1 HOUR** of receiving an inquiry were **7 TIMES** as likely to **QUALIFY THE LEAD** as firms that waited at least 1 hour...and **60 TIMES** as likely to as firms that waited at least 24 hours

-Harvard Business Review



Over the next three years, we believe that growth will continue to be driven primarily by mid-sized and large firms, following the growth pattern observed among email marketing vendors. Rapid growth among small firms will soon follow as price points decline.

MARKETING & SALES ALIGNMENT

Management guru Peter Drucker famously said that the aim of marketing is to make selling superfluous—to know the customer so well that the product sells itself. Well, we still need salespeople, but marketing automation technology allows marketers to come a lot closer to Drucker’s goal. Marketing automation software was developed around the needs of B2B organizations. Traditionally, marketing’s role was to find prospects for sales, whose job it was to build the relationship and eventually close the sale. This arrangement presented two problems: First, since marketing had little or no role in building the customer relationship, it usually did an unsatisfactory job delivering qualified leads. Second, sales people had to spend a good deal of time acting as an information broker for unqualified leads, and had less time for the high-value tasks of understanding and responding to the needs of qualified leads. Sales complained about the poor quality of leads, and marketing did not have much in its arsenal to improve lead quality. As a result, sales and marketing often had an adversarial relationship. Marketing automation has great potential to change this. Automated workflow rules allow marketing to engage with prospects and build relationships before a sales contact. Marketing and sales must work together to define lead scoring rules, so both take responsibility for the quality of “sales-ready” leads. With the proper implementation of a marketing automation system, marketing and sales are part of a single integrated customer acquisition process. Information on prospects is accumulated, synthesized, and shared. Marketing gets the feedback it needs on sales results and has the ability to change workflow and lead-scoring parameters to delivery better qualified leads.

CHANGING THE ROLE OF MARKETING

Over the last decade or so, both the day-to-day tasks of marketers and the strategic role of marketing have undergone almost continuous change. The Internet, search marketing, ecommerce, blogging, social media, and mobile computing have required marketers to rethink virtually every aspect of their jobs. Since marketing departments own these new digital channels, they have become more critical than ever to revenue growth and overall business success. It’s no wonder that technology research firm Gartner recently forecasted that CMOs would outspend CIOs by 2017 (some believe this has already happened). Theoretically, marketing has always been responsible for the profitable growth of a business. But until recently, marketers have not had the tools and resources to take on this challenge.

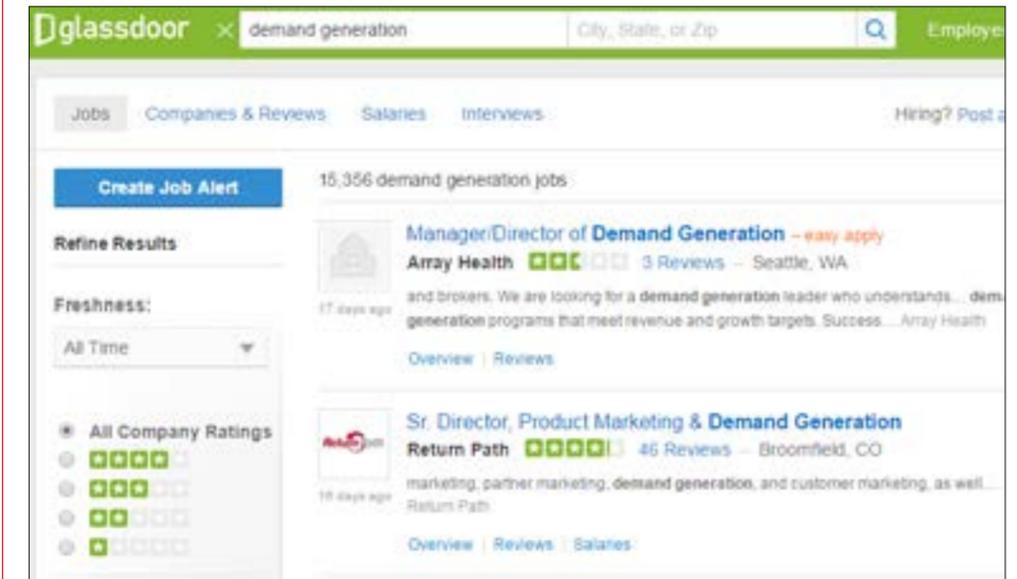
The rise of marketing technologies has produced new roles and dramatically changed existing roles within corporations and small businesses alike. The position of Demand Generation Manager (usually tasked with implementation of marketing automation)

THE BUYER'S JOURNEY is **70% COMPLETE** by the time they contact a sales person.

-SiriusDecisions



scarcely existed five years ago. Today, a [search of the job site glassdoor](#) with the exact phrase “demand generation” in the job title returns over 15,000 positions.



The new Chief Revenue Officer role reveals the newfound corporate goal—to match the newfound marketing capabilities of directly linking marketing activities with revenue growth.

Marketers seeking positions as Marketing VPs and Directors will frequently find that experience in marketing automation, content management and data/analytics is required.

In order to succeed in this world of recurrent change, marketers will need to master new marketing technologies. This means not just knowing the technical capabilities but also being able to use the tools to create and manage all of the processes around customer acquisition, demonstrate the ability to drive new revenue, and achieve a strong return on marketing investment.

MARKETING AUTOMATION FOR SMALL BUSINESSES

Marketing Automation technology holds unique opportunities for small businesses. In his best-selling book, E-Myth, Michael E. Gerber observes that most businesses fail because the founders are specialists who were inspired to start a business without knowing how successful businesses run. The “myth” is that people who are experts regarding technical details of a product or service will also be expert at running that sort of business. All new businesses must eventually learn to build systematic processes. Marketing, however, has been particularly resistant to this type of systemization. Small business marketers have taken a checklist approach to dealing



the complexity of the customer acquisition in the digital age rather than a taking a thorough analysis of business processes.

The advent of marketing automation technology affords an opportunity for small businesses to create improved and measurable processes around all aspects of customer acquisition, from attracting new prospects with streamlined form creation, to nurturing leads with triggered outbound communications, to scoring and routing qualified leads to sales.

CHOOSING A MARKETING AUTOMATION VENDOR

During the course of our research, we identified more than 100 marketing automation vendors, and new players are surfacing on a regular basis—many have come into existence within the past five years. With a large and growing list of vendors, products that are rapidly changing, and no outright market leaders, selecting a marketing automation vendor can be daunting. Marketers who are new to marketing automation have some extra challenges, since they must first familiarize themselves with the capabilities of these platforms. All of the vendors profiled in this guide have marketing automation platforms that handle the basics of lead capture, campaign management, automated workflow, scoring, and lead distribution. When selecting a vendor, markets should keep in mind a number of considerations.

1. Do your preliminary research and view some online product demos to gain a greater understanding of the generic capabilities of marketing automation systems.
2. Carefully assess your marketing needs early on, before spending much time trialing any platforms. Make a list of must have versus nice to have features.
3. Identify your available resources—both the dollars and the people that can be resourced to marketing automation.
4. Don't underestimate the importance of ease of use. Product demos often give users an impression that the product is simpler than it is. Trials are much better than demos for assessing ease of use. Don't be shy about doing several trials.
5. When pricing vendors, make sure to include all implementation costs and know what resources the vendor is committing for implementation.
6. Planning for marketing automation should include not only the technical implementation, but also the time and resources needed to understand/create your marketing processes.
7. Make sure customer support is adequate to meet your needs. Assume that you will require support in implementing some of the features of marketing automation.
8. Assess the vendor's financial and business viability. Ask about the number and growth in both employees and customers. Be concerned if a vendor is laying off workers as the overall market expands.
9. Use crowdsourcing sites like TrustRadius to get user reviews and customer feedback about vendors you are considering.



Companies that
**automate lead
management**

see a

**10% or
GREATER**

INCREASE IN REVENUE IN
6-9 MONTHS

--Gartner Research



DIGGING BENEATH THE SURFACE

Investments in marketing technology go far beyond the monthly software licensing costs. They include substantial sums required to utilize and leverage the software. If implemented properly, marketing automation software requires businesses to rethink almost every aspect of the customer acquisition process. So there's a lot riding on selecting the right software provider.

The fact is, even with a thorough analysis of your requirements and a time consuming examination of software that meets your budget, needs, and support requirements, buyers often feel a high degree of randomness in their selection. The content provided by vendors themselves often offers little distinction. It's easy enough to promise the essential features.

We recommend two methods to gain better insight into which vendors truly meet your needs.

USER REVIEWS

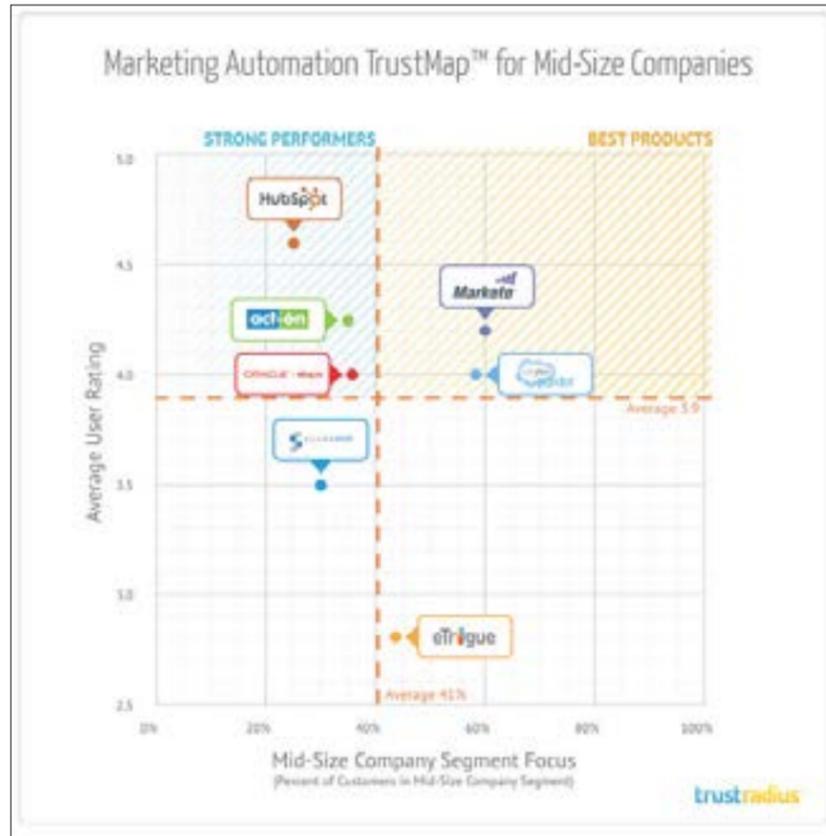
Yelp is a hugely successful consumer rating service that gives consumers unbiased ratings on restaurants, hotels, stores, etc. The reason for its success is that opinions of actual consumers have a certain authenticity that is lacking in typical advertisements and even in PR campaigns. It's a kind of expanded word of mouth. User ratings also represent a viable alternative to traditional reviews by "experts" (e.g. journalists, food critics, etc.). Again, there is an authenticity in a peer review that can be lacking in a professional review. There's also a degree of confidence that can be found in large numbers. Reading one or two professional opinions is good; perusing 50 peer reviews is better.

The same concept has now been successfully applied to the world of business software. [TrustRadius](#) is one of several firms that provides authenticated user reviews for software products, and marketing automation is one of the most widely reviewed sectors. Others include [G2 Crowd](#) and [Spiceworks](#).

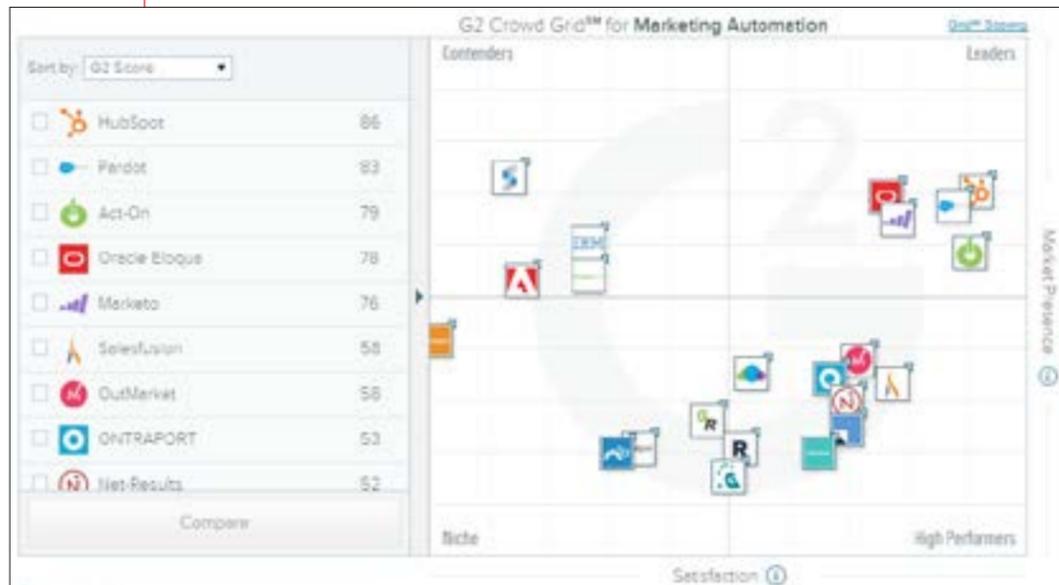
What's Crowdsourcing?

Crowdsourcing is a very real and important business concept. The basic idea is to tap into the collective intelligence of a group to complete business-related tasks that a company would normally either perform itself or outsource to a third-party provider.

The grid below shows TrustRadius ratings for midsized businesses.



Below is G2 Crowd's [Marketing Automation Grid](#)



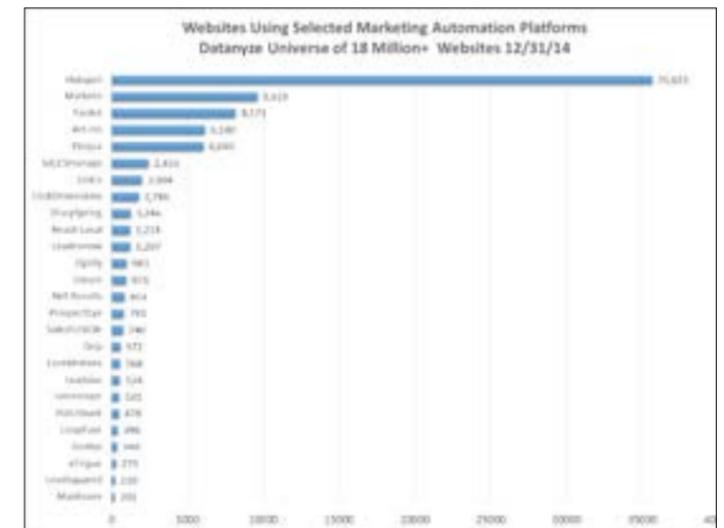
MARKETPLACE INDICATORS

One of the most important metrics in evaluating the ultimate value of any software is its customer retention rate, a number that encapsulates the value obtained versus client expectations, thus taking into account usability, support, expectations set, and impact on marketing and/or revenue goals.

Companies that received value in excess of expectations will generally renew; those that don't will bail. Though enormously valuable, customer retention—or its inverse, churn—is a number that few marketing automation vendors will release. Marketo does publish its **Subscription Dollar Retention Rate** which is a measure of the revenue retention of existing customer base over time, but they are the exception.

Not to worry. Another class of marketing technology companies to the rescue.

Software tracking company Datanyze scans over 18 million of the world's most-trafficked websites, hunting for Javascript embeds and web tags that indicate the presence of hosted software—in this case a marketing automation platform. Website additions/losses over time are an indication of platform success in the marketplace. The chart below shows the total number of websites using selected marketing automation platforms as of 12/31/14. Note that websites do not equate with customers as a single customer may use marketing automation software on multiple websites.

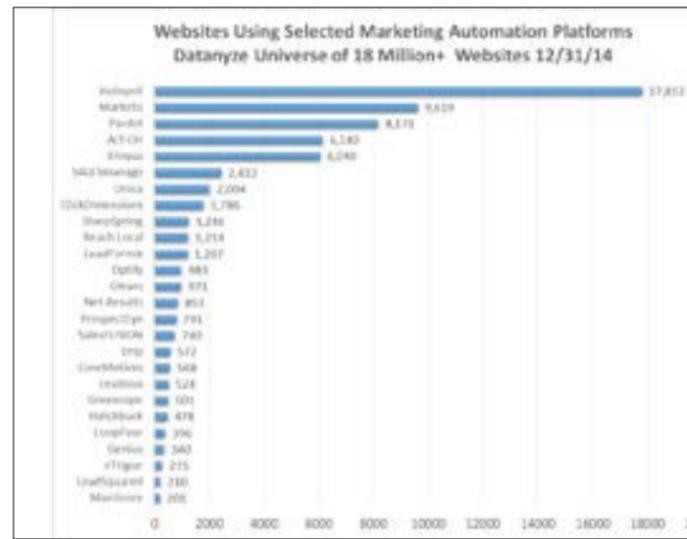


But wait.

“Customer retention rate encapsulates the value obtained versus client expectations, thus taking into account usability, support, expectations set, and impact on marketing and revenue goals”

Further analysis shows that the leader, Hubspot, offers a variety of product packages, including a Basic package that includes many inbound features as well as email marketing, but does not include the most salient marketing automation features such as lead scoring and automated workflows.

If we make an assumption (to be fair, it's just a guess) that 50% of Hubspot's customers are Basic and if we reduce their numbers by 50% the chart looks like this.



The chart below shows the website additions, drops, and net changes during 2014 among five of the top marketing automation vendors.

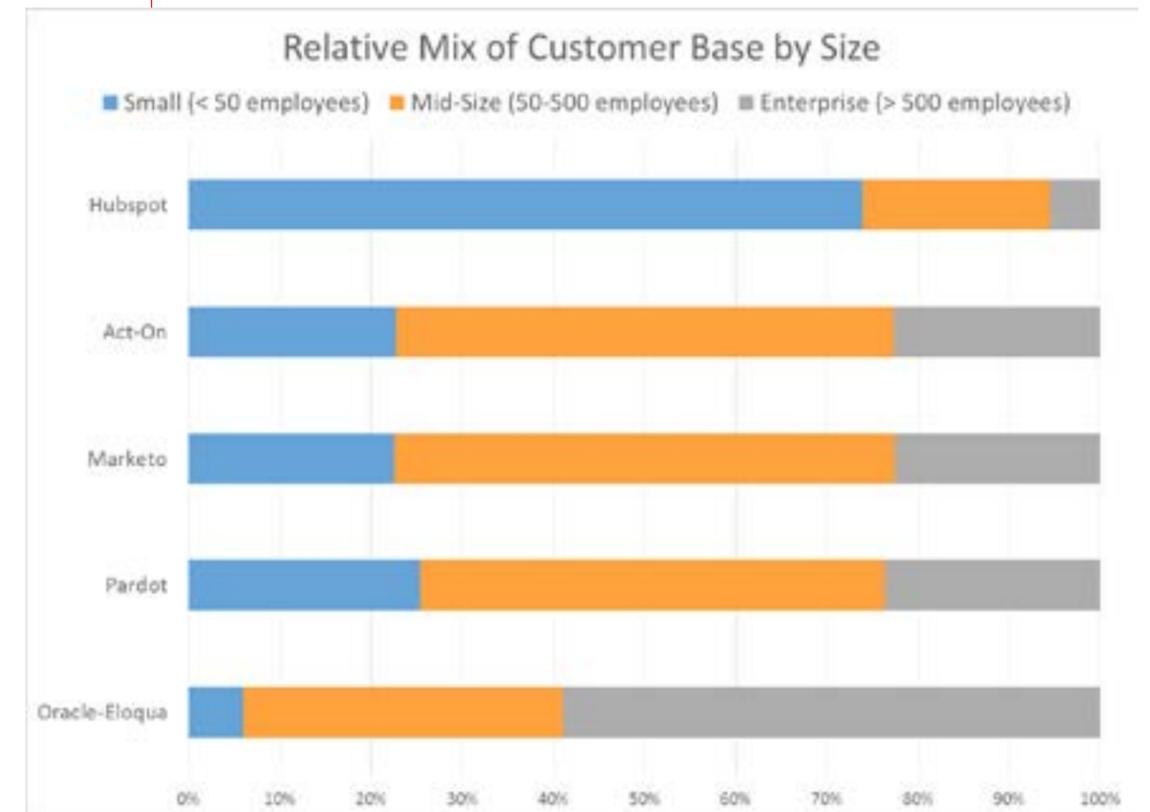


Note that these Datanyze metrics are an indication only and by no means a definitive measure of software presence. A few caveats of this data are in order and can be found [here](#).

Other software tracking companies include HG Data and Salesify.

MARKETING AUTOMATION VENDOR PROFILES

The next sections profiles five of the top marketing automation companies - ActOn, Hubspot, Eloqua, Marketo, and Pardot along a number of dimensions. But before we delve into each company, the chart below shows the relative focus of each vendor. Hubspot's is clearly focused on small businesses, while ActOn, Marketo and Pardot have strength among mid-sized firms, and Eloqua's is dominant in the enterprise segment.





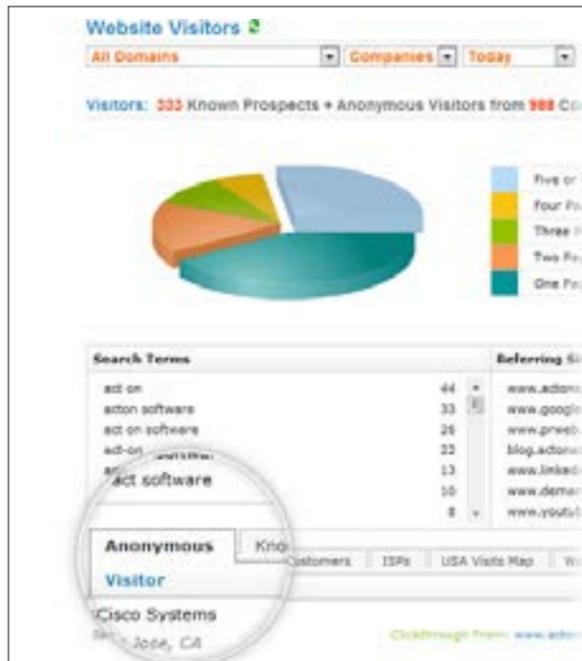
ACT-ON Software

Act-On is a rapidly growing leader in marketing automation focused on B2B and small and mid-sized businesses but also has a significant presence with large businesses.

- ▶ Company Start Date: 2008
- ▶ Headquarters: Beaverton, OR
- ▶ Employees: 250 (as of yearend 2013)
- ▶ Revenues: \$19.4 million for 2013

Funding: Since its inception, Act-On has received \$73 million in venture capital funding—the fourth highest among marketing automation companies. It's most recent financing came in April 2014, when it received \$42 million.

ACT-ON Visitor Tracking



Customer & Market Trends

As of Q2 2014, Act-On had about 2,200 customers, broken down as follows;

- ▶ Small (< 50 employees): 50%
- ▶ Mid-Sized (50-500 employees): 36%
- ▶ Enterprise (> 500 employees): 14%

90 percent of its customers are B2B.

User Ratings

TrustRadius provides validated user reviews on software products. Summary of Act-On's ratings are as follows:



All ratings are on a scale of 1 to 10. The average overall rating for marketing automation vendors is 8.4 Number in parentheses are the number of reviews. View online at <http://www.trustradius.com/products/act-on>

Pricing

Act-On starts at \$600 per month for 1,000 active contacts and rises to \$1,150 per month for 10,000 contacts and \$2,700 per month for 100,000 contacts.

Pricing for Act-On Inbound starts at \$249 per month for 500 Keywords and 1,000 Pages. Contracts are annual.

All active contact tiers include 3 marketing user and 5 sales user licenses. Setup, implementation and training fees range from \$500 to \$2,500.

ACTIVE CONTACTS*	MONTHLY RATE**
1,000	\$600 /month
2,500	\$750 /month
5,000	\$900 /month
10,000	\$1,150 /month
25,000	\$1,700 /month
50,000	\$2,150 /month
100,000	\$2,700 /month
250,000	\$4,200 /month
500,000	\$5,950 /month
1,000,000	\$7,950 /month

Full pricing schedule can be found at <http://www.acton.com/pricing/>



Support

Each customer is given a designated customer success manager that is available to them during business hours for the lifetime of their usage. In addition to telephone support, Act-On offers live training and recordings, self-paced training videos, webinars, and an extensive online knowledge base.

Act-On offers an umbrella of professional services, starting at \$250, to assist in reputation management and enhance deliverability rates. Five percent of customers opt for this.

Marketplace Indicators

Software tracking company Datanyze has detected the presence of Act-On software on 6,374 websites as of 2/1/2015, with 2014 changes as follows:

- ▶ Website Additions: 2,689
- ▶ Website Drops: 1,000
- ▶ Net Increase in Website: 1,689
- ▶ Add/Drop Ratio: 2.7

Note that the Datanyze metrics is are an indication only and not a definitive measure of software presence.



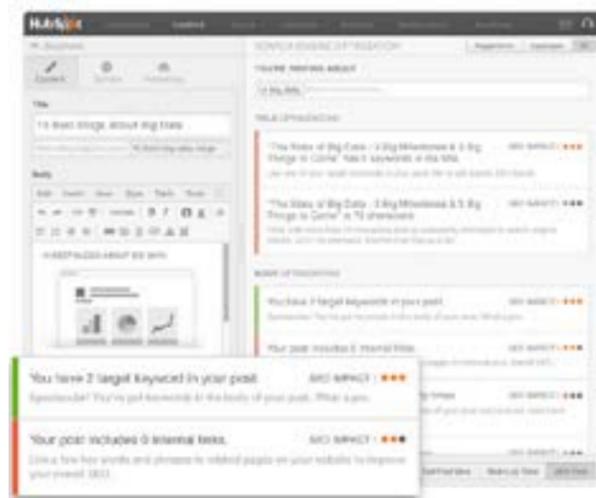
HUBSPOT

HubSpot is an “all-in-one” marketing platform that includes functionality like blogging, SEO, social media, website content management and email marketing. HubSpot was founded in 2006 with a focus on inbound marketing for small businesses but has expanded its offering and market focus over time to include marketing automation and recently, CRM.

Hubspot had revenues of \$77.6 million in 2013, a 48% increase from 2012.

Since its inception, Hubspot has received \$101 million in venture capital funding—among the highest among marketing automation companies. In October of 2014, Hubspot went public, raising \$125 million in its flotation and becoming the 3rd marketing automation IPO.

HUBSPOT Blogging Feature



Customer & Market Trends

As of Q1 2014, Hubspot had 10,599 customers, broken down as follows;

- ▶ Small (< 50 employees): 74%
- ▶ Mid-Sized (50-500 employees): 21%
- ▶ Enterprise (> 500 employees): 5%

Two thirds of its customers are B2B; the remaining one third are B2C.

User Ratings

TrustRadius provides validated user reviews on software products. Summary of Hubspot’s ratings are as follows:

All ratings are on a scale of 1 to 10. The average overall rating for marketing automation vendors is 8.4 Number in parentheses are the number of reviews. View online at <https://www.trustradius.com/products/hubspot/reviews>



Pricing

Hubspot offers basic, professional, and enterprise products and pricing.

- ▶ Basic starts at \$200/month
- ▶ Professional starts at \$800/month
- ▶ Enterprise starts at \$2,400/month

Startup consulting is required for new customers for a one-time fee of \$2,000. Contact tiers based on the size of a company’s database. All the details on pricing and products are available at <http://www.hubspot.com/pricing>

Free Trials are available and contracts are annual.

Support

All customers receive success training as part of the one-time fee (\$2,000) to kick-start their implementation. In addition, all HubSpot customers have access to HubSpot Academy classes, which are free and ongoing, to offer support for one-time issues or questions via our support line or through in-app support from our support team. All HubSpot customers also get access to the Marketing Library, which includes all of HubSpot’s eBooks and content library to help them succeed as well.

Marketplace Indicators

Software tracking company Datanyze has detected the presence of Hubspot software on 36,514 websites as of 2/1/2015, with 2014 changes as follows:

- ▶ Website Additions: 12,200
- ▶ Website Drops: 5,664
- ▶ Net Increase in Website: 6,536
- ▶ Add/Drop Ratio: 2.2

Note that the Datanyze metrics are an indication only and not a definitive measure of software presence.



MARKETO

San Mateo-based Marketo was started in 2007 and has grown rapidly to be one of the most successful marketing automation software companies.

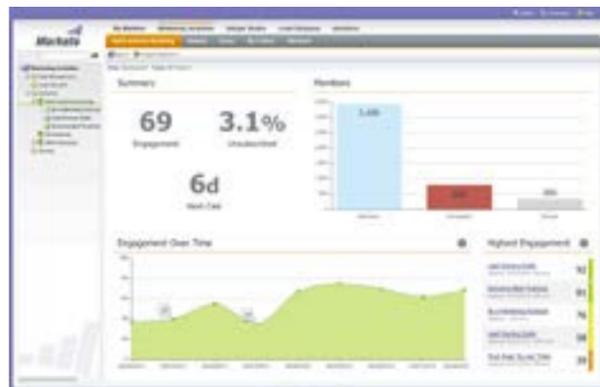
- ▶ Company Start Date: 2007
- ▶ Headquarters: San Mateo, CA
- ▶ Employees: 663
- ▶ Revenues: \$96 million for 2013

Marketo launched the second IPO in the marketing automation sector, raising close to \$80 million with its debut in May 2013. Prior to the IPO, Marketo raised over \$100 million in venture capital.

For the third quarter of 2014, Marketo posted revenue of \$39.3 million, an increase of 54 percent over the prior year period, with strongest growth in the Enterprise sector.

For the full year 2014, Marketo expects to report revenue of about \$148 million, also a 54 percent increase over 2013.

Marketo's Engagement Score Feature



Customer & Market Trends

As of year-end 2013, Marketo had about 3,000 customers, broken down as follows;

- ▶ Small (< 50 employees): 23%
- ▶ Mid-Sized (50-500 employees): 55%
- ▶ Enterprise (> 500 employees): 22%

During the third quarter of 2014, Marketo's installed base of customers rose by 140 to 3,499.

User Ratings

TrustRadius provides validated user reviews on software products. Summary of Marketo's ratings are as follows:



All ratings are on a scale of 1 to 10. The average overall rating for marketing automation vendors is 8.4. Number in parentheses are the number of reviews. View online at <http://www.trustradius.com/products/marketo>



Marketplace Indicators

Software tracking company Datanyze has detected the presence of Marketo software on 10,326 websites as of 2/1/2015, with 2014 changes as follows:

- ▶ Website Additions: 2,976
- ▶ Website Drops: 1,003
- ▶ Net Increase in Website: 1,973
- ▶ Add/Drop Ratio: 3.0

Note that the Datanyze metrics are an indication only and not a definitive measure of software presence.

Pricing

Marketo's starting price points for three editions (for a database 10K records and under) are as follows:

- ▶ Spark: \$895
- ▶ Standard: \$1,795
- ▶ Select: \$3,195

Enterprise customers should contact Marketo directly for pricing. Full pricing schedule is available at <http://www.marketo.com/software/marketing-automation/pricing/>

Free trials are available and contracts are annual.

Support

Basic Support is included with the Spark edition. Standard, Select, and Enterprise editions come with a subscription to Standard Support services and includes an assigned Customer Success Manager. Marketo also offers the Premier and Elite Support services for additional fees.

Over 80 percent of customers opt for the Basic or Standard support options.

ORACLE ELOQUA

Formed in 2000, Oracle Eloqua is one of the pioneer experts in marketing automation. As reported in Oracle’s press release from that date: Eloqua received over \$35 million in venture capital funding, dating back to 2006 and 2007. The company went public in August 2012, raising \$92 million. Just four months later, on December 20, 2012, Oracle announced its acquisition of Eloqua.

At the time of its IPO, Eloqua had approximately 400 employees worldwide, including 80 in its Virginia headquarters. Oracle is headquartered in Redwood Shores and Oracle Eloqua continues to have offices around the world.

Customer & Market Trends

Oracle Eloqua has a mix of small, mid-size and enterprise level customers. Annualized customer growth rates over the past three years have been in the 25-30 percent range. As of mid-year 2013, Oracle Eloqua had about 1,200 customers, 85 percent of which are B2B. Breakdown is as follows:

- ▶ Small (< 50 employees): 6%
- ▶ Mid-sized (50-500 employees): 35%
- ▶ Enterprise (> 500 employees): 59%

Although Oracle does not disclose revenue for its Eloqua business unit, we estimate 2013 revenues at \$123 million.

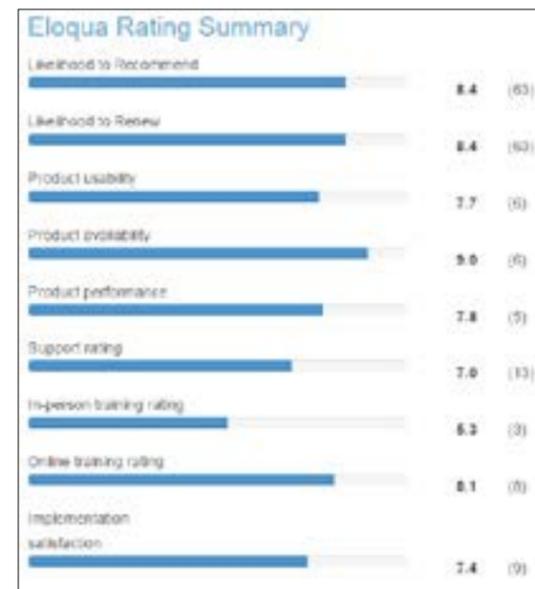


Eloqua 10 Campaign Builder



User Ratings

TrustRadius provides validated user reviews on software products. Summary of Eloqua’s ratings are as follows:



All ratings are on a scale of 1 to 10. The average overall rating for marketing automation vendors is 8.4. Number in parentheses are the number of reviews.

View online at <https://www.trustradius.com/products/eloqua/reviews>



Pricing

Oracle Eloqua offer three pricing plans.

- ▶ **Basic** starts at \$2,000 and includes 10 users.
- ▶ **Standard** is priced at \$4,000 and includes 50 users.
- ▶ For the **Enterprise** plan, users should contact Oracle Eloqua for pricing.

Support

Oracle Eloqua offers multi-channel support including phone, online case submission, and social media.

Support hours for the Basic package are 5 days per week, 12 hours per day. Support for Standard package includes extended support hours—5 days per week, 24 hours per day. Support for the Enterprise package also includes a dedicated support representative.

Oracle Eloqua has an active user support community, found at Topliners.com, and an extensive video library on YouTube and its web site.

Marketplace Indicators

Software tracking company Datanyze has detected the presence of Eloqua software on 6,431 websites as of 2/1/2015, with 2014 changes as follows:

- ▶ *Website Additions: 3,975*
- ▶ *Website Drops: 3,646*
- ▶ *Net Increase in Website: 329*
- ▶ *Add/Drop Ratio: 1.1*

Note that the Datanyze metrics are an indication only and not a definitive measure of software presence.

SALESFORCE PARDOT

Founded in 2007 by David Cummings and Adam Blitzer, Atlanta-based Pardot has grown from a bootstrapped startup to a leading B2B marketing automation provider.

In October of 2012, Pardot was acquired for \$96 million by ExactTarget, a leading email marketing firm. In July of 2013 ExactTarget and Pardot were acquired by Salesforce.com for \$2.5 billion.

Customer & Market Trends

Pardot has over 1,500 customers and is focused on small and mid-sized organizations across all B2B industries. Technology is a key vertical. Breakdown is as follows:

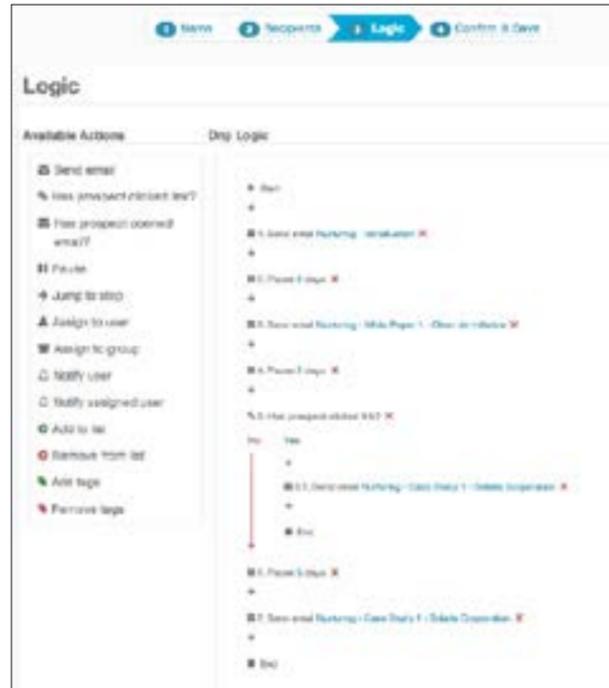
- ▶ Small (< 50 employees): 25%
- ▶ Mid-Sized (50-500 employees): 51%
- ▶ Enterprise (> 500 employees): 24%

Although Pardot does not report revenues, its parent company, ExactTarget, reported 2012 revenue of \$294 million, a 42 percent increase from the prior year.

At the time of its acquisition, ExactTarget noted Pardot had 115 employees and revenue growth of over 50 percent. Over 95 percent of Pardot's customers are B2B.



Pardot Lead Nurturing Workflow



A short but very informative overview of the Pardot platform can be found here at <http://www.pardot.com/demos/>

User Ratings

TrustRadius provides validated user reviews on software products. Summary of Eloqua's ratings are as follows:



All ratings are on a scale of 1 to 10. The average overall rating for marketing automation vendors is 8.4. Number in parentheses are the number of reviews. View online at

<https://www.trustradius.com/products/pardot/reviews>

Pricing

Pardot offers three pricing plans.

- ▶ **Professional** starts at \$1,000 per month with 30,000 contacts.
- ▶ **Enterprise** is priced at \$2,000 per month.
- ▶ **Ultimate** runs \$3,000 per month.

Additional blocks of 30,000 contacts can be purchased for \$300. The minimum contract period is 1 year.

Support

Pardot offers tiered support and implementation packages to fit clients' onboarding needs. Custom solutions and a la carte project assistance is available via Pardot's Professional Services team.

Each client has access to unlimited email support and the option to include chat and phone support based on their needs and subscription level. The Pardot Knowledge Base currently contains more than 300 articles.

Marketplace Indicators

Software tracking company Datanyze has detected the presence of Eloqua software on 8,689 websites as of 2/1/2015, with 2014 changes as follows:

- ▶ *Website Additions: 3,881*
- ▶ *Website Drops: 1,333*
- ▶ *Net Increase in Website: 2,548*
- ▶ *Add/Drop Ratio: 2.9*

Note that the Datanyze metrics are an indication only and not a definitive measure of software presence.