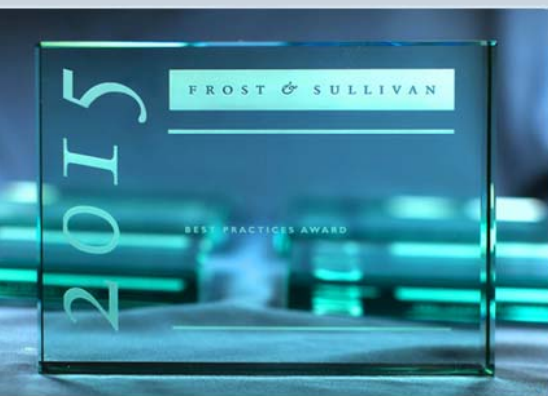




2015 Global Marketing Automation Software
Customer Value Leadership Award



FROST & SULLIVAN



50 Years of Growth, Innovation & Leadership

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Background and Company Performance

Industry Challenges

Marketing Automation Software (MAS) has evolved into a powerful marketing technology that enhances marketing and sales by improving lead quality, nurturing and managing leads, measuring marketing activities and allocating the proper resources to the ideal marketing channel, all based on the insights delivered by the tool. Using MAS, marketers are able to generate new leads, retain existing leads, determine marketing budgets for multi-channel marketing campaigns, and generate growth in sales. The main contenders in this market are Act-On, CallidusCloud, HubSpot, IBM Silverpop, Infusionsoft, Marketo, Oracle Eloqua, and Pardot.

Rapidly changing buyer behavior has compelled organizations across industries to revisit their marketing strategies. Digital marketing is shifting towards a more cross-channel, engagement driven style of marketing where the customer dictates the terms of the engagement. MAS is one such technology that enables marketing and sales organizations to identify customer engagement preferences and determine the channels that are the most effective. In 2014, MAS grew 64.7% year-over-year, a growth rate higher than most other technology markets in the digital media industry. This growth is a cumulative result of higher spending on digital marketing, a need for measuring marketing activities across channels and an increasing awareness across geographies.

Although the MAS market has shown phenomenal growth over the last few years and its growth trajectory remains upwards for the next 3-4 years at least, there are some key challenges that need to be overcome for greater market penetration and adoption. One of the biggest barriers to growth in this market is that the technology is still new to most marketing organizations and the ability to justify return on investment (ROI) from this tool becomes challenging if the end users do not have well-defined goals. Any tool is as good as the person using it, and marketing automation is still relatively new to a majority of marketers; it demands much more advanced analytics skills than traditional marketing. It also requires the marketer to be on the go and use the technology all the time, which may steepen the learning curve further.

Most MAS vendors find it much more challenging to position their product for large enterprises. Large enterprises deal with voluminous data and the data siloes make it difficult to integrate customer data from all available channels. This restricts the marketer's abilities in larger organizations in regard to having 'full visibility' into the entire customer engagement lifecycle, thus making MAS less effective. Overall, large enterprises contribute to only 20% of the overall MAS revenues. Fewer deployments in this end user segment reduce overall MAS revenue potential.

Despite the above challenges, a need to hold marketing accountable for improving lead quality and lead volume has led to heavy spending on digital marketing, in turn resulting

in high demand for MAS. In order to leverage this high demand, a MAS vendor needs to position itself with a value proposition that does not overwhelm the marketer, but at the same time empowers users with features that will allow them to maximize their marketing efforts.

HubSpot is a MAS provider that has achieved tremendous growth while at the same time delivering a product of superior value that enables marketers to accomplish their multi-channel marketing goals with ease.

Customer Impact and Business Impact

Price Performance Value

HubSpot came about as an inbound marketing solution that has always maintained focus on one of marketer's biggest pain points – effective content marketing for greater customer engagement. HubSpot offers all standard marketing automation features like campaign management, lead nurturing, lead scoring, analytics and marketing measurement.

What differentiates it from other platforms is that in addition to the above standard MAS features, it has a very well integrated suite of in-house features such as a comprehensive Blogging Tool, Content Management System (CMS) and Search Engine Optimization (SEO). HubSpot's marketing automation solution is ideal for sophisticated inbound marketing so as to effectively convert opportunities into customers using organic marketing tactics. It also offers its own Customer Relationship Management (CRM) product that integrates seamlessly with its marketing software and is available at no additional cost, thus reducing another overhead for smaller firms that don't want to invest in a separate CRM tool.

That said, for any solution provider, a pricing strategy is as critical as its product strategy as it plays a critical role in driving adoption of its solution. HubSpot's pricing metric is primarily based on the number of contacts in the database, which is a standard practice in the market. It has a highly competitive pricing model wherein it offers three standard plans: basic, professional and enterprise.

However, as compared to its competitors, HubSpot offers all the above additional tools such as CMS, CRM and SEO in its feature set. All the three editions offer blogging tools, social media monitoring, landing pages, SEO, calls-to-action, lead management, analytics and training modules. Features such as A/B testing and event-based segmentation are not included in the basic packages considering that customers with smaller databases might not need these advanced features.

What makes it even more appealing is that HubSpot recognizes the growing need to channelize marketing efforts for mobile, and so it includes mobile reporting, responsive design for content, social media publishing and monitoring on mobile in all its packages.

Frost & Sullivan feels that these attributes make HubSpot the most attractive MAS solutions in the market. Its pricing is aggressive while at the same time it does not shy away from its fundamental value proposition of inbound marketing by offering additional modules apart from standard marketing automation tools.

Customer Ownership Experience

HubSpot clearly distinguishes itself by delivering inbound marketing tools that enable marketers to target their audience through personalized, highly targeted and optimized techniques. HubSpot helps users shape their marketing strategy to replace traditional marketing with integrated marketing using the marketing intelligence provided by the tool. Since HubSpot's marketing philosophy revolves around inbound marketing, the focus is on creating content that pays long-term dividends rather than yielding the short-term results that massive paid ad spends do. HubSpot is well aware of the challenge that creation content presents and offers excellent customer support and consulting to make the transition easier for its customers. HubSpot also offers its customers access to over 2,200 agency partners so that customers are able to evaluate best practices through a local partner and find out what is missing so as to optimize their marketing activities.

The platform is easy to use and makes it easy for marketers to align their efforts with that of the sales team. HubSpot offers comprehensive training and onboarding for customers of their basic, professional and enterprise offerings. In addition, the online training modules help its customers understand best practices and develop data-driven campaigns for their specific marketing use cases.

During a demand side analysis for the marketing automation market, Frost & Sullivan interacted with a HubSpot customer, Andrew Levy, a marketing strategist that works for a technology company based out of Australia. Using HubSpot's analytics and lead generation tools, this customer acquired over 3,000 customers and increased regional sales by 42%. Andrew is a loyal customer for HubSpot for over 1.5 years and continues to be a strong evangelist of HubSpot's inbound marketing solution.

Financial Performance

The year 2014 was an incredibly successful year for HubSpot. The company went public and raised \$125 million for its IPO, one of the biggest in the history of marketing technologies. HubSpot's revenue grew 49% in 2014 as compared with 2013, with revenue from subscription up 50% as well. This phenomenal financial performance is a testament to the fact that HubSpot strikes the right chords with marketers globally and it continues to deliver on its unique value proposition.

In terms of international expansion, HubSpot has established a presence in Dublin, Ireland from where it can access high demand markets including the Scandinavian countries, the United Kingdom, France and Germany. In addition, the company is focusing on Australia and New Zealand (ANZ) to generate awareness and adoption in the region. Following

several successful reseller partnerships in the area, HubSpot recently opened a new office in Sydney, Australia where the market has shown significant momentum. HubSpot still remains one of the early movers in the region and its APAC presence is expected to generate notable revenues in the years to come.

Customer Acquisition

HubSpot continues to consistently experience growth in its customer base. It grew from 5,963 customers in 2011, to 8,256 in 2012, 10,194 in 2013 and 13,607 in 2014. With an average growth of over 30% year-over-year for the past 4 years, HubSpot remains one of the fastest growing marketing automation companies in the world.

It has over 2,200 partners, many of which are also HubSpot customers and it continues to grow this number aggressively by partnering with digital marketing agencies globally. This makes HubSpot one of the largest partner networks among all its competitors thus giving it a significant edge in the market.

Moreover, HubSpot realizes the need for inbound marketing within small firms that face resource limitations. Thus, HubSpot also offers discounted pricing to start-ups that are keen on increasing their traffic and leads from digital marketing so as to rapidly scale up. This helps the company to penetrate not just the mid-market but also the small sized firms with smaller marketing teams.

Conclusion

The marketing automation space is expected to see an incredible 60-70% growth in the next 3-4 years. MAS has experienced immense success among its early adopters in the high tech/software and business services verticals. Frost & Sullivan's research confirms that there is tremendous potential for vendors to grow in several other industry verticals including manufacturing, financial services and retail that are only now beginning to transition towards digital marketing. Revenues in these markets are also growing at the same rate as that of the overall MAS market (60-70%). In Frost & Sullivan's opinion, HubSpot, one of the world's fastest growing marketing automation vendors, has delivered an impressive growth story by creating unrivaled customer value with its unique offering that helps marketers devise a solid inbound marketing approach. HubSpot has diligently aligned its growth strategy with its fundamental inbound marketing philosophy and that has helped HubSpot scale significantly across several regions globally. Because of its strong overall performance, HubSpot is recognized with Frost & Sullivan's 2015 Customer Value Leadership Award.

Significance of Customer Value Leadership

Ultimately, growth in any organization depends upon customers purchasing from your company, and then making the decision to return time and again. Delighting customers is therefore the cornerstone of any successful growth strategy. To achieve these dual goals (growth and customer delight), an organization must be best-in-class in three key areas: understanding demand, nurturing the brand, and differentiating from the competition.



Understanding Customer Value Leadership

Customer Value Leadership is defined and measured by two macro-level categories: customer impact and business impact. These two sides work together to make customers feel valued, and confident in their products' quality and long shelf life. This dual satisfaction translates into repeat purchases and a high lifetime customer value.

Key Benchmarking Criteria

For the Customer Value Leadership Award, Frost & Sullivan analysts independently evaluated two key factors—Customer Impact and Business Impact—according to the criteria identified below.

Customer Impact

- Criterion 1: Price/Performance Value
- Criterion 2: Customer Purchase Experience
- Criterion 3: Customer Ownership Experience
- Criterion 4: Customer Service Experience
- Criterion 5: Brand Equity

Business Impact

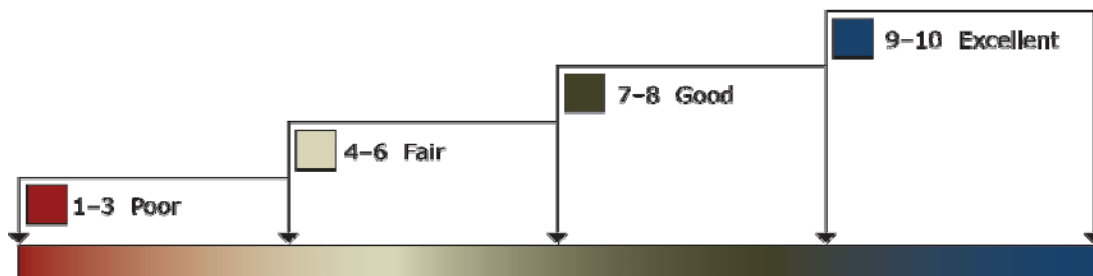
- Criterion 1: Financial Performance
- Criterion 2: Customer Acquisition
- Criterion 3: Operational Efficiency
- Criterion 4: Growth Potential
- Criterion 5: Human Capital

Best Practice Award Analysis for HubSpot

Decision Support Scorecard

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Scorecard. This tool allows our research and consulting teams to objectively analyze performance, according to the key benchmarking criteria listed in the previous section, and to assign ratings on that basis. The tool follows a 10-point scale that allows for nuances in performance evaluation; ratings guidelines are illustrated below.

RATINGS GUIDELINES



The Decision Support Scorecard is organized by Customer Impact and Business Impact (i.e., the overarching categories for all 10 benchmarking criteria; the definitions for each criteria are provided beneath the scorecard). The research team confirms the veracity of this weighted scorecard through sensitivity analysis, which confirms that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.

The results of this analysis are shown below. To remain unbiased and to protect the interests of all organizations reviewed, we have chosen to refer to the other key players as Competitor 2 and Competitor 3.

<i>Measurement of 1–10 (1 = poor; 10 = excellent)</i>			
Customer Value Leadership	Customer Impact	Business Impact	Average Rating
HubSpot	9.5	9.0	9.2
Competitor 2	8.0	8.5	8.2
Competitor 3	8.0	8.0	8.0

Customer Impact

Criterion 1: Price/Performance Value

Requirement: Products or services offer the best value for the price, compared to similar offerings in the market

Criterion 2: Customer Purchase Experience

Requirement: Customers feel like they are buying the most optimal solution that addresses both their unique needs and their unique constraints

Criterion 3: Customer Ownership Experience

Requirement: Customers are proud to own the company's product or service, and have a positive experience throughout the life of the product or service

Criterion 4: Customer Service Experience

Requirement: Customer service is accessible, fast, stress-free, and of high quality

Criterion 5: Brand Equity

Requirement: Customers have a positive view of the brand and exhibit high brand loyalty

Business Impact

Criterion 1: Financial Performance

Requirement: Strong overall financial performance in terms of revenues, revenue growth, operating margin and other key financial metrics

Criterion 2: Customer Acquisition

Requirement: Customer facing processes support the efficient and consistent acquisition of new customers, even as it enhances retention of current customers

Criterion 3: Operational Efficiency

Requirement: Staff is able to perform assigned tasks productively, quickly, and to a high quality standard

Criterion 4: Growth Potential

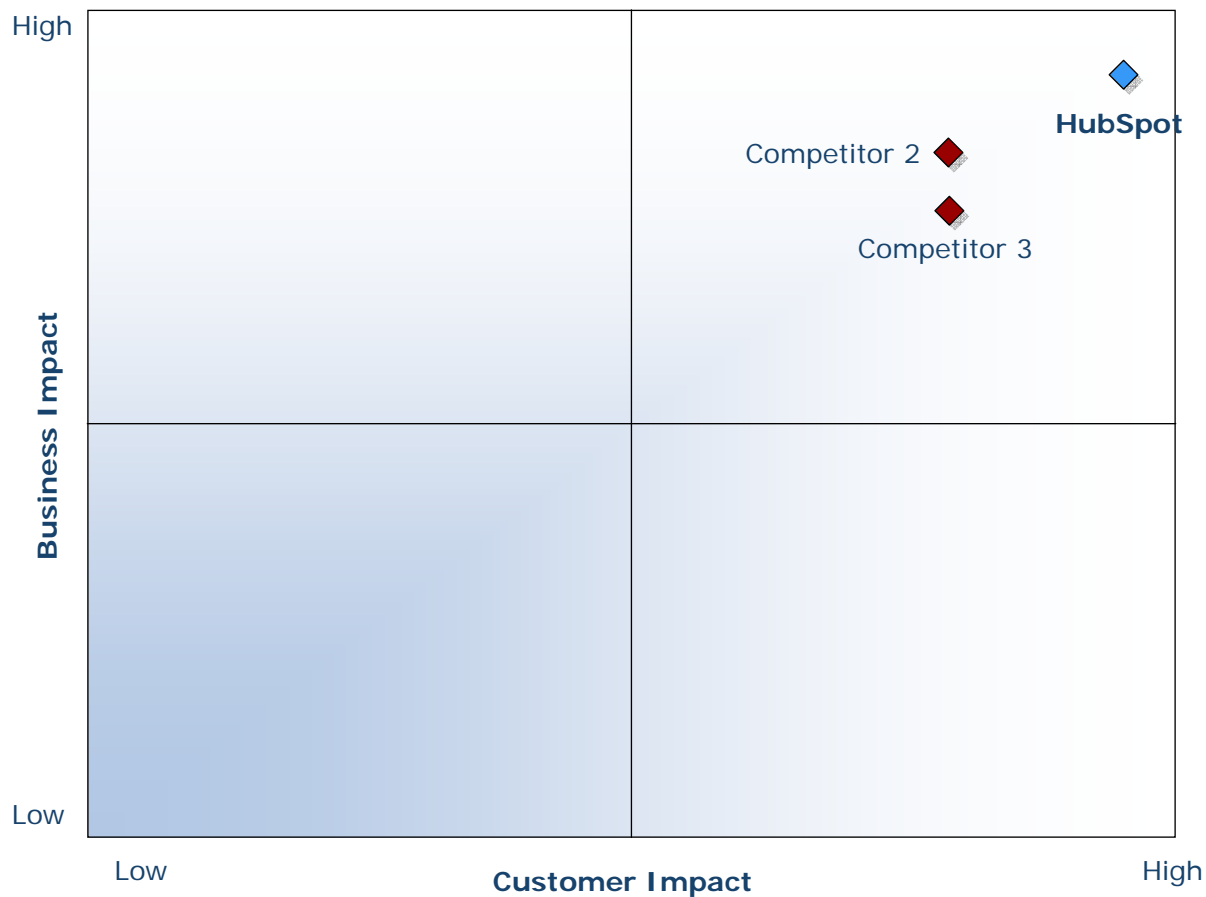
Requirements: Customer focus strengthens brand, reinforces customer loyalty and enhances growth potential

Criterion 5: Human Capital

Requirement: Company culture is characterized by a strong commitment to quality and customers, which in turn enhances employee morale and retention

Decision Support Matrix

Once all companies have been evaluated according to the Decision Support Scorecard, analysts can then position the candidates on the matrix shown below, enabling them to visualize which companies are truly breakthrough and which ones are not yet operating at best-in-class levels.



The Intersection between 360-Degree Research and Best Practices Awards

Research Methodology

Frost & Sullivan’s 360-degree research methodology represents the analytical rigor of our research process. It offers a 360-degree-view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan’s research methodologies. Too often, companies make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry players and for identifying those performing at best-in-class levels.

360-DEGREE RESEARCH: SEEING ORDER IN THE CHAOS



Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan Awards follow a 10-step process to evaluate award candidates and assess their fit with select best practice criteria. The reputation and integrity of the Awards are based on close adherence to this process.

STEP	OBJECTIVE	KEY ACTIVITIES	OUTPUT
1 Monitor, target, and screen	Identify award recipient candidates from around the globe	<ul style="list-style-type: none"> • Conduct in-depth industry research • Identify emerging sectors • Scan multiple geographies 	Pipeline of candidates who potentially meet all best-practice criteria
2 Perform 360-degree research	Perform comprehensive, 360-degree research on all candidates in the pipeline	<ul style="list-style-type: none"> • Interview thought leaders and industry practitioners • Assess candidates' fit with best-practice criteria • Rank all candidates 	Matrix positioning all candidates' performance relative to one another
3 Invite thought leadership in best practices	Perform in-depth examination of all candidates	<ul style="list-style-type: none"> • Confirm best-practice criteria • Examine eligibility of all candidates • Identify any information gaps 	Detailed profiles of all ranked candidates
4 Initiate research director review	Conduct an unbiased evaluation of all candidate profiles	<ul style="list-style-type: none"> • Brainstorm ranking options • Invite multiple perspectives on candidates' performance • Update candidate profiles 	Final prioritization of all eligible candidates and companion best-practice positioning paper
5 Assemble panel of industry experts	Present findings to an expert panel of industry thought leaders	<ul style="list-style-type: none"> • Share findings • Strengthen cases for candidate eligibility • Prioritize candidates 	Refined list of prioritized award candidates
6 Conduct global industry review	Build consensus on award candidates' eligibility	<ul style="list-style-type: none"> • Hold global team meeting to review all candidates • Pressure-test fit with criteria • Confirm inclusion of all eligible candidates 	Final list of eligible award candidates, representing success stories worldwide
7 Perform quality check	Develop official award consideration materials	<ul style="list-style-type: none"> • Perform final performance benchmarking activities • Write nominations • Perform quality review 	High-quality, accurate, and creative presentation of nominees' successes
8 Reconnect with panel of industry experts	Finalize the selection of the best-practice award recipient	<ul style="list-style-type: none"> • Review analysis with panel • Build consensus • Select winner 	Decision on which company performs best against all best-practice criteria
9 Communicate recognition	Inform award recipient of award recognition	<ul style="list-style-type: none"> • Present award to the CEO • Inspire the organization for continued success • Celebrate the recipient's performance 	Announcement of award and plan for how recipient can use the award to enhance the brand
10 Take strategic action	Upon licensing, company may share award news with stakeholders and customers	<ul style="list-style-type: none"> • Coordinate media outreach • Design a marketing plan • Assess award's role in future strategic planning 	Widespread awareness of recipient's award status among investors, media personnel, and employees

About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best in class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages almost 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from 31 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.