MARKETING AUTOMATION

The Marketing Automation Industry

By Samuel Schmitt

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Preface

In 2017, I decided to challenge myself with a full year of studies, remote and onsite lessons about sales and marketing. My main motivation was to learn and also extend the scope of my competencies. Indeed, I have an IT background and believe that in this digital world having an expertise spanning a significant number of different subject areas is key.

This year 2017 was really hard. During the day, I worked for my regular job at a software company, and by night I had to study to get this master in Sales and Marketing. Besides preparing the exams, I had to write and present a dissertation about a topic of my choice.

Marketing Automation was my topic. Why? I spent 7 years working as a solution architect and then as a sales manager for a software company selling Content Management System. I could have taken the easiest way and speak about the CMS industry. But I wanted to discover another industry and understand better the marketing automation software and especially their customers, the marketing people.

Marketing automation is fundamental in the digitalisation of marketing activities. It enables various marketing strategy such as the inbound marketing approach. Properly executed it improves the performance of the marketing team, and overall of the company.

For this study, I read a lot of analyst reports or marketing blogs. Gather information from various sources. Analyzed all these pieces to finally produce this document. In November 2018, I finally decided to publish it and share it with the world. No cut or edit has been made to this dissertation. It is the same exact copy (with its academic style) that was presented in front of the jury of the university in December 2017. Few things happened in the marketing automation in one year. And I consider that most of the study is still accurate.

Hopefully, you will enjoy reading this document. It might even help you with your daily marketing activities or for another academic research.

-- Samuel
Introduction

Digital Marketing is living an (r)evolution. In the last decade, new practices appeared and transformed the way marketers do their job. This transformation is in working order and is supported by the improvement of information and communication technologies. Web 2.0, Cloud computing, Social Networks and Big Data delivered the foundation of a new paradigm for marketing in the digital era.

Multiple systems were developed in order to answer the constantly changing requirements of digital marketing. Content Management System’s emerged for the creation and publication of content online, supporting a consistent customer experience. Marketing Automation tools were created to automate daily marketing tasks such as connecting with people via email. Customer Relationship Management tools were built to store information about prospects and customers and were primarily used by marketing and sales to gain a better overview of the sales funnel. Analytics tools provide accurate statistics about the interaction of the visitors with multiple touch points. We could also enumerate E-commerce Systems, Enterprise Content Managers and many other systems supporting marketing strategies in this digital era.

In the following dissertation, the focus will be on a particular segment of the marketing software industry: Marketing Automation Software.

We will see that this industry is generating a lot of revenue. Billions are spent every year by companies to acquire new marketing platforms. Platforms that help them to reach potential customers, generate sales leads, and at the end generate more revenue for those companies. These platforms can help companies to get more profit and stay ahead of the competition.

The industry has a high potential for growth so it is more competitive. Established software vendors are ruling the market since 2000. The leaders of the market see newcomers every year, trying to get a piece of cake. The strategy to get market share and to be recognized in this crowded market is to be innovative. The trend is surfing on the artificial intelligence wave. New companies claim to help marketers with intelligent systems.
1. What is marketing automation software

1.1. History

Marketing Automation started in 1992 with the release of Unica. At this time, most businesses were still offline and the internet was still not really developed, therefore neither were online marketing practices. The US company was originally built to serve organisations with basic marketing tools. In 2010 it was bought by IBM and is currently part of IBM’s extensive marketing solutions.

The rise of the World Wide Web in the 2000’s had a huge impact on how companies could do business. Their customers were online and accessible worldwide. The web moved from static pages (Web 1.0) to a more dynamic media enabling interaction between users and pages.

In order to answer the new challenges faced by businesses and to capture those interactions, a new generation of tools appeared to support this rapidly growing online audience. Between 2000 and 2005 companies such as Eloqua, Silverpop, Pardot, Neolane, Infusionsoft entered the online marketing sphere.

At the same time, consumers began to access digital information not only from their desktop but also on their mobile and through social networks. These new channels have opened new perspectives for marketers.

In parallel, cloud computing became more accessible thanks to companies such as Amazon and its Amazon Web Service (AWS) that enabled software companies to deploy their application on a global scale. Tools such as Ontraport (2006), Hubspot (2006), Act-On (2008) and Marketo (2006) started to offer Software as a Service (SaaS) to marketing professionals.
The success of these marketing software companies was remarkable and the early companies from the 2000’s were almost all acquired in the 2010’s by the big players such as Salesforce (Pardot), Oracle (Eloqua), IBM (Silverpop and Unica), and Adobe (Neolane).

These big players built up a marketing suite made of several softwares (Analytics, Marketing Automation, CRM, CMS) in order to provide all-in-one solutions also known as Marketing Cloud.

Another side of history shows us that with each technological revolution, new tools appeared on the market and developed the capabilities of online marketing.

1.2. Challenges faced by marketing professionals in the digital age

Data. Big data. This could be one of the main challenges marketing teams are facing. They are overwhelmed with a lot of information to manage, analyse and comprehend. Many input channels (website, mobile, social networks) drive visitors to their online content. Marketers have to understand their visitors, their behaviour and how to use the data collected in an efficient way.

It is great to have traffic through a website or any other online channels, but the challenge that marketing professionals are faced today is to convert that traffic into leads, resulting in new customers. An understanding of what content is performant, what content converts, what type of users convert and on what type of content is critical. As any successful digital marketing case study will claim, marketing professionals must make use of comprehensive analytics, segmentation, targeting and lead-scoring systems, in order to succeed and ultimately gain new customers.

Time and budget are limited resources. Being performant is a tough challenge. Automation of activities such as emailing and marketing campaign on multiple channels is a strong requirement. Also to be performant the marketing team needs simple tools, with a smooth onboarding process. They don't have to do intensive training or hire an expert to do simple tasks.

In most cases, time and budget are limited resources for marketing teams today, so being performant is of the utmost importance. It is also a tough challenge to design, implement and monitor marketing campaigns on multiple channels, especially in big teams which is why it is appealing to use tools that are easy to set up and that can automate such processes.
Closing the gap between marketing and sales. Historically marketing and sales teams always have a gap in communication but digitalisation has made this gap bigger, especially in medium to large organisations. In an ideal journey, Marketing departments collect information about potential customers, nurture them with content, make them Marketing Qualified Leads, then hand those leads over to the sales departments whose job it is to move the leads through the funnel and collect further information about the potential client. The data collected should then be synchronized between the two departments so that marketing can evaluate what has worked and what needs to be improved in the marketing strategy. More often than not, this step is missing and the loop is not closed.

To summarise, these are the requirements of marketing professionals in today’s digital age:

- Lead Generation.
- Data management.
- Automation (Email and Campaign).
- Analytics / Scoring.
- Marketing and Sales funnel synchronization.
- Easy to use.
- Saving Time.

### 1.3. Characteristics of marketing automation software

Marketing automation is the activity that defines the execution, management and automatisation of marketing tasks. Marketing automation platforms are softwares supporting these marketing activities. Marketing automation doesn’t exist without technology.

Marketing automation software is promising increased revenue and improved return on investment by facilitating lead nurture campaigns that provide specific content aligned to the buyer’s needs and lead scoring models that deliver warmed leads to the sales team.
Here the common functionalities of a marketing automation system:

- Tracking: Capturing user information across multiple online channels (website, email, social channel). Every single interaction with any touchpoint is tracked into the system.
- Contact Management: Management of all the user information collected in a central database.
- Lead Scoring: Scoring of the potential of a person to become a future customer. Each time a visitor does an action such as visiting a page, downloading a document or reading an email, he gets a certain score. This score is an indication of his potential of becoming a future customer.
- Automation of marketing campaigns: Creation of workflows that will send the appropriate information (personalised information) on the appropriate channel (email/web/social/SMS) based on the behaviour of the user.
- Email Design: Create WYSIWYG emails with a simple editor tool.
- Analytics and reporting: Giving an overview of the marketing funnel and performance of marketing campaigns. Export data and generate reports.

The features above are the core features. Any marketing automation system must provide at least these features in order to be considered from this category.

Others functionalities are sometimes as well offered by Marketing Automation vendors:

- Content Management: Creation of landing pages or blog pages that can as well be personalised.
- AB Testing: AB Testing of Email campaigns and content if provided.
- CRM Integration: Bi-directional synchronisation of the information between the marketing system and a CRM. The marketing platform must push data to the CRM (e.g Contact information) and also pull content from the CRM.
- Built-in CRM: CRM to organize, track, and grow the sales pipeline within the same interface.
- Social Media: Capability to monitor social networks activities, provides mechanisms to automate publication and reporting.
- Native Mobile Application: A mobile application to access all the data directly from a smartphone. Some action might as well be executed from a smartphone.
1.4. Difference between email marketing and marketing automation

It is important to understand the difference between email marketing and marketing automation. Even though the differences can be sometimes thin.

To make it simple, Email marketing is only about sending mass email and tracks open rates and clicks. When marketing automation goes beyond and adds on top of it the features described before. Marketing Automation allows you to automate email workflow, track user behaviour on different channels and score them.

When the goal of Email Marketing is to facilitate the email communication between a company and a mass of users, Marketing Automation goal is to nurture the user with relevant information and drive qualified leads to sales.

Later in the document, email marketing vendors will be as well study as they start providing automation features for small businesses.

1.5. Trend: What are the innovations

2017 was the year of Machine Learning and Artificial Intelligence being applied to marketing practices. These machine learning systems should use all the data collected about the customers over many years. It will tell the marketer how likely a simple visitor might turn into a customer and what should be done to improve the lead conversion. This could also be referred to as predictive analytics.

Past interactions are not only described in various reports or graph charts but are also used to predict what could happen and suggest potential action to initiate such as the next campaign for a specific customer.

The nature of machine learning for marketing is to give a deeper understanding of the potential customer and about its journey across online channels. Therefore, this “intelligence” can serve personalisation in order to give an even more accurate personalised experience.

The perspective for the next 3-5 years shows that companies will invest a lot in marketing analytics. The CMO Survey study indicates an investment of 375% in this area¹.

A parallel with the rise of AI in marketing practice could be done here as AI will improve analytics capabilities with features such as predictive analytics and machine learning.

2. Market overview: a rapidly emerging market

2.1. Facts and Figures

With an industry revenue of about 200 Million EUR in 2010, the market has grown by 20% the last 6-7 years and was estimated at around 4 Billion EUR in 2016. Some forecasts expect to see the Marketing Automation Software market to grow up to 5.5 Billion EUR in 2019, at a CAGR of 8.55%. On the longer term, the market revenues might reach between 7.5 Billion EUR and 8.5 Billion EUR in 2025. If the predictions are accurate, the industry could double its size within the next decade.

Marketing Automation Software is one of the leading industries in the marketing software business. Based on the information from the well known “Marketing Technology Landscape Supergraphic”\(^2\) (see picture below), the number of companies providing marketing automation product around 203 in 2017, this represents about 4% of the marketing tools.

The number of companies from this same category was around 260 in 2016\(^3\). This represents a growth of 25%. If we include companies providing as well email marketing, the number of companies goes up to 350 in 2017.


Marketing automation has grown at such a speed that as of 2016, a reported 49% of companies are using the technology in their marketing strategies. And for B2B companies, this figure rises to 55%. To put this into perspective, almost 11 times more companies are using automation that was in 2011. And this growth is only set to continue as 50% of companies are still not familiar with marketing automation.

For example, The mid-sized businesses about two million companies (in the US) and about 6 Billion EUR to 8 Billion EUR in market opportunity only the US. Almost none of them, with the exception of tech companies, have invested in marketing automation to date.

By breaking down the segments, even more, we can identify that marketing automation is still in its early stages as evidenced by penetration at less than 10% among the SMB and micro-segments. For obvious reasons, larger companies adopted marketing automation practice first, but the trend set is now followed by smaller companies.
2.2. Macro-environmental factors

In this section, we will use the PESTEL framework in order to understand what factors could have an influence on the marketing software industry.

2.2.1. Politics

Governments do not intervene in the economy of marketing software, or their interventions are minors. The politic factor is irrelevant to the current analysis.

2.2.2. Economics

Marketing budgets are continuing to rise, according to a survey of marketing executives by Gartner, Inc\(^4\). Fifty-seven percent of marketing leaders surveyed expect their budgets will increase more than 12% in 2017. The study illustrates as well that the money goes mainly to their website. Websites are seen as their most important lead generation channel and this is where half of the people interviewed will spend their budget.

Another study from the CMO Survey\(^5\) confirms this trend. Marketing budgets now comprise 11 percent of total company budgets on average and have been

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increased over the last years. Tech companies are ones of the biggest spenders by this measure, allocating 13.8 percent of revenue to marketing.

Moreover, the study breakdowns the marketing expenses by industry and the result shows that B2B product companies are the ones allocating most of their marketing budget on direct marketing expenses. 66% of B2B product companies include expenses for digital marketing, advertising, trade promotions in their marketing budgets.

This may be because B2B product companies invest more in their inbound channel to generate revenue. Their lead generation and sales processes are done more and more via online channels.

2.2.3. Social

Here let’s focus on one particular population, the Millennials, people born between 1980 and the 2000’s.

By 2025, Millennials will comprise three-quarters of the global workforce\(^6\). In the USA, they are about 80 Million, more than the population of the baby boomers their parents\(^7\).

But the trend is different in Europe, Millennials represent a minority of the population\(^8\). France is a special case in Europe as its growth rate is higher than in the other European countries. The French millennials are about 16 Million today and will represent half of the workforce in 5 years\(^9\).

This generation will have (or already have) a predominant role in organisations. Within the next decade, they will become decision makers. More than any other generation, Millennials have technology at their fingertips. They were born with a computer, they are using social networks, communicating through messaging platforms, they have dozens of applications on their smartphone, shop online and judge a brand by its online presence.

As users of enterprise software, Millennials feel comfortable learning new systems and using them. They are fairly open to emerging fields, technologies or applications and are willing to try them if those new systems let them reach their

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goal. However, when they want something, they want it now. They are more open to change to new systems when the previous one become obsolete or does not innovate as expected.

2.2.4. Technological

Big data represents dataset produced by people using the internet. These data are so large or complex that traditional data processing application software is inadequate to deal with them. Therefore the support of special tools and methods are required. In a nutshell, all the information collected about people is becoming so important that simple human or even simple systems cannot process them, cannot understand them anymore.

The multiplication of touchpoints such as mobile, social network, smart TV, connected devices (IoT) is an aggravating factor to the big data. The total amount of data in the world was 4.4 zettabytes in 2013. That is set to rise steeply to 44 zettabytes by 2020\(^\text{10}\).

Big data has many contributions to marketing today, and especially in the area of analytics and to be more specific: Predictive analytics.

In marketing, it can provide important information about which content attracts users and convert them into leads. Which content is the most effective at each stage of a sales cycle. Based on the analysis of thousands of users journey, it could tell you what users will most likely become a customer. Or what next piece of content should nurture the lead in order to make him a better-qualified lead. It is all about processing thousands and thousands of user information to get better leads, leading to higher sales rates.

After spending years collecting data from various sources, those data contribute to the AI revolution that is emerging. Those data help for the training and acquisition of knowledge of machine learning systems. AWS and Google, came with a new generation of cloud instances that facilitate the setup of machine learning based systems\(^\text{11}\).

From the application development side, more and more frameworks enable the development of Artificial Intelligence. For example, Tensorflow - An open-source software library for Machine Intelligence developed by Google\(^\text{12}\).

\(^{10}\) Northeastern University, http://www.northeastern.edu/levelblog/2016/05/13/how-much-data-produced-every-day/ (2016)


And to finish, in order to accumulate all these data and run softwares that are able to process all these data. The power of the cloud is needed.

Amazon Web Services, the leader of cloud computing, and other actors such as Google, Microsoft or IBM provide since many years services to enterprises in order to let them deploy IT infrastructure at lower cost and at a larger scale.

Hosting and storage are getting cheaper every year. AWS report the price of the GB has been reduced by 80% since the release of its services back in 2006\(^ {13}\). Computing power is more and more affordable. AWS did more than 50 price cut since 2006 in its EC2 offering\(^ {14}\).

Besides the price getting cheaper, here the offering has been extended in term of sizing of the instances and as well regarding the availability of the service. Companies pay per use, and this could go down to the request or second. AWS and its competitors made the cloud mature and helped to the democratisation of softwares as a service. Big data infrastructure let companies store their date in the huge server farms provided by cloud computing providers.

2.2.5. Environmental

Despite the servers farm having an impact on global warming, there are no environmental factors that interfere with the software business. People still see software as a green industry.

2.2.6. Legal

From a legal perspective, the most restrictive regulation is the EU General Data Protection Regulation (GDPR). It replaces the previous Data Protection Directives and was designed to harmonize data privacy laws across Europe and, to protect and empower all EU citizens data privacy and to reshape the way organizations across the region approach data privacy. The GDPR includes more than 50 articles and must be implemented by each of the 28 EU member states by May 2018\(^ {15}\).

\(^{13}\)Amazon, \url{https://aws.amazon.com/blogs/aws/aws-storage-update-s3-glacier-price-reductions} (2016)


\(^{15}\)EUGPDR, \url{http://www.eugdpr.org/} (2017)
Main principles of the GDPR:

- Consent: Consent must be “explicit” for sensitive data. Organisations is required to be able to demonstrate that consent was given. And it must be as easy to withdraw consent as it is to give it.
- Data governance strategy: Organisation will have to be accountable for the data collected, notify people in case of a data breach, and on request give full access to the data collected or erase personal data.
- Privacy by Design: It calls for the inclusion of data protection from the onset of the designing of systems, rather than an addition. Organisations shall implement appropriate technical and organisational measures in an effective way in order to meet the requirements of this regulation and protect the rights of data subjects.

GDPR could be an opportunity for Marketing Softwares. Businesses will have to implement and respect complex privacy rules. In order to implement this in an efficient way, appropriate systems will be required. Data management will become an important requirement from marketing people, as important as automation features such as lead scoring. As businesses need to implement more sophisticated privacy protocols and compete on trust, they’ll turn to their marketing automation solutions to make it happen.
2.3. Competitors Analysis

Essentially, the marketing automation market is a "long tail" distribution of vendors; a few 1+ Billion EUR giants, 10 to 15 leaders with 100 Million EUR or more in revenue, and then the rest of smaller firms — from 1-3 person micro-SaaS companies to substantial firms with millions in revenue. The diagram below represents the global marketing technology market. But the same trend can be applied to the marketing automation category.

![The “Long Tail” of Marketing Technology](http://chiefmartec.com/2017/05/marketing-technology-landscape-supergraphic-2017/)

From my research I have come to a conclusion that amongst the 200 plus companies selling Marketing Automation software, only 30 companies are real players in the market with over 75% of the shares, these are the giants and the leaders. The remaining 25% is shared between all the others; the specialised and smaller companies. To have a better understanding of the competitors' landscape, a segmentation of the software vendors will be done.

Three segments will be described: The giants, the leaders and the vendors for small businesses. And for each segment, their revenue, clients, products and communication will be explained. As well, one representative company will be more detailed.
The first 2 segments are representing the software vendors sharing the 75% of the market based on revenue and serving large and mid-sized companies. These software vendors are always referenced in analyst reviews such as Gartner or Forrester.

The third segment is vendors for small businesses. Email marketing vendors will be as well included there as they offer automated features and their aggressive pricing targets SMB. The information came from various research and financial report disclosed by some companies.

2.3.1. Segment 1: The Giants

Companies studied: Adobe, IBM, Salesforce, Oracle.

Companies from this segment can be considered the giants of the marketing automation industry. These companies are IBM, Salesforce, Adobe and Oracle. They all have a long history in the software business in common and they all built their success over the last 20 years.

Everybody from the industry knows these brands, even if their offering is not always clear. These companies generate Billions of revenue per year, for example, Adobe achieved record annual revenue of 1,6 Billion EUR in the fiscal year 2016 with its marketing cloud.
Thanks to many acquisitions they built software suites also called “Marketing Cloud”. A suite provides an offer that is not only limited to marketing automation but goes beyond it and includes other pieces of softwares such as Content Management, E-commerce, CRM, Analytics and more.

The software suite approach gives a strong commercial advantage as the vendor can knock at the customer doors from various sides and enter it with one of its solutions. Their long-term goal is to sell the full suite of products and lock the customer into their solution.

Regarding the strict marketing automation aspect, the 4 giants have an offering delivering the majority of the functionality expected by a marketing department of large companies. One downside is that their tools are often complicated to use as it is made from various acquisitions. But the vendors put some efforts in unifying the final users' experiences.

Despite the goal to sell their full suite, every single software from the suite can be purchased individually. Based on the number of software purchased from the suite the license fee can be really high. It could reach more than 100'000 EUR per year in license cost. Also, the cost of the implementation cannot be neglected. These projects are often complex and require time and resources that only large enterprise could afford.

Their main targets are large enterprises worldwide from financial players to health care to, such as PNB Paribas or Bayer. Large enterprises with many various business requirements and integration constraints within their existing infrastructure are the favourite target of these big software vendors.

Regarding recent communication, 2016 and 2017 were the years of the rise of Artificial Intelligence. Numerous articles and press releases were published to brag about the great capabilities of machine learning engines such as Watson for IBM and Einstein for Salesforce. Their naming show as well how “modest” they are about these new features.

The communication tries to educate the marketer and explain that these new artificial intelligence powered solution built on top of their software suite will help them. They will save resources and time as these new technologies will be able to provide guidance and advice on how to automate marketing journeys effectively.
2.3.1.1. Spotlight on Salesforce

Created in 1999, Salesforce has developed from a 4-man startup to an enormous global company reaching 6.5 Billion EUR in revenue in 2016. They started by focusing on a large market (CRM) with an incumbent company (Siebel) that had many unhappy customers. In their early years, they focused on small businesses, many of them were not users of CRM yet. Simple pricing and low-risk implementations were key of their success.

From the beginning, they wanted to make a platform out of their product. Thanks to smart acquisitions of very promising companies they are now able to provide a full suite of product to their customers.

ExactTarget acquired Pardot in 2012 to improve its marketing automation features. The year after Salesforce acquired ExactTarget for the same reason. Since then, Salesforce enhanced its Marketing Cloud through more acquisitions and partnerships in the areas of analytics, commerce and advertising. Salesforce is capable to deliver on its CRM roots a complete marketing automation suite to answer every requirement of a large marketing department.

The downside is that Salesforce is a complex and fragmented collection of related capabilities that can be difficult to rationalize across an organization.

Salesforce has a complicated pricing now as it provides a full suite of software. Only to acquire Pardot, the marketing automation, a company searching for a solution will have to pay 3'000 EUR per month. This doesn’t include the fee they will additionally have to pay to the integration partner. A rough estimation could bring the annual bill of using Salesforce for Marketing automation between 50’000 EUR and 200’000 EUR for a team of 30-50 people.

It is obvious that the main target of Salesforce is not the SMB companies anymore but rather the large companies. First they can afford Salesforce, and second, they have the need to acquire the complete suite or any components of it.

Their online communication and their website tell us that they have many products to sell. When you understand where to look, their communication for marketing audience is all about the latest trend such as Personalised Customer Journey and Intelligent Marketing. They promote mainly the new Einstein feature that introduces advanced analytics in their system. Even their product name has been suffixed and is called now Marketing Cloud Einstein. They clearly communicate to advanced marketing people. Marketeer working in large companies, with complex
requirements and also enough time to spend in meetings discussing the complexity of their processes.

Also, Salesforce can financially afford to promote their name on TV or sponsor important events. They as well organise many events and conference to promote their new products.

The latest innovation is in the area of artificial intelligence. Even though their modestly named new feature “Einstein” got some caution from important analytics firm. Gartner mentioned, in its Magic Quadrant for Digital Marketing Hubs published in February 2017, a “Hazy positioning of artificial intelligence” and says in the same report that “some users may object to Einstein’s marketing focus on simplicity over transparency. Although Einstein offers programmable features (some of which existed before), its personified branding and vague marketing description are unlikely to instil confidence in data scientists.”

2.3.2. Segment 2: The Leaders

Companies studied: Marketo, Hubspot, Act-On, IgnitionOne.

Companies from this segment provide a single product, meaning “only” a single marketing automation platform and are usually on the market for 10 years. There is no additional software in their offering (to some extent some vendors provide additional software but nothing to compare with the software suite vendors).

Even if these companies are smaller than the big fours described previously in the first segment, they stay big companies and often compete against Oracle, Adobe, IBM or Salesforce. Indeed, they are as well big companies. These vendors have at least 300 customers using their product and generate revenues of at least 25 Million EUR per year.

Their product, their marketing automation system, is robust and answer most of the requirements of marketers. But marketers with complex lead nurturing and management requirements will find that the product wasn’t designed for them. As these vendors usually do not provide a full suite, they have built few connectors to connect their system with E-commerce, CMS or CRM.

The target is large enterprises with medium to the small marketing team and also SMB.

As they only have to communicate about the marketing automation, their communication is tailored around digital marketing best practices. They aim to
educate marketers about new marketing strategy and develop their tool to support those strategies. For example, Hubspot introduced "Inbound Sales and Marketing", when Marketo surfs on the “Account-Based Marketing” wave. Their online communication provides a lot of articles or educational content such as online academy. They want to be the “cool” tool next to the giant Marketing Clouds.

2.3.2.1. Spotlight on Hubspot

Created in 2006 at the MIT by 2 people, the company grew from 255,000 EUR in revenue in 2007 to 115 Million EUR in 2014. The success of Hubspot did not only reside in the quality of their system but in the capabilities of the founders who understood that the tactics of old (direct mail, email blasts, cold calls) simply weren’t effective anymore.

They came with a great idea, Inbound Sales and Marketing, and built a tool to support their approach. Inbound Marketing can be described in a nutshell by “People don’t want to be interrupted by marketers or harassed by salespeople. They want to be helped” - Brian Halligan and Dharmesh Shah, Hubspot Founders.16

Now Hubspot is a really successful company with more than 30’000 customers and about 1800 employees located within one of their seven offices around the world.

All-in-one inbound marketing and sales software. Despite Hubspot not being considered as a software suite, it includes 4 softwares in its offering: Hubspot Marketing, Hubspot CRM, Hubspot Sales and Hubspot Services. The CRM and the Sales software can be acquired for free or a minimal license cost for advanced features.

Their marketing automation capabilities, where the magic is happening, is behind Hubspot Marketing. It includes web content management system, email marketing, social media monitoring, and publishing. Marketers can easily create new landing pages, apply the best SEO strategy and insert personalized CTA or Forms to capture leads. All contact, company, deal, and task/activity data are located in a single and unified database. Also, Hubspot provides marketing best practices to its customer via the interface or training in order to leverage their content marketing skills.

Even if the system is easy to use, it seems that the automation features are poorly designed and complex email workflow is difficult to set up or not appropriate for larger organisations, explained Gartner in its report.

Hubspot provides a Software as a Service and charges a monthly fee for the usage of its services. Even if the price starts with only 200 EUR / month, the small or medium size company with decent marketing requirements will see its annual bill exploding to 30'000 EUR or more. It could be therefore assumed that Hubspot is not a cheap solution for its customers.

HubSpot positioned itself as the only marketing technology solution that allows mid-market companies to transform every element of their inbound marketing efforts. Their target is mainly small and medium-sized businesses even if they have large enterprises such as Randstadt or Shopify.

Hubspot has mastered the Inbound Approach in content marketing by offering great resources like blog posts, webinars, and other tools. They have a great academy where people can take free certification courses based on their inbound sales and marketing inbound techniques. Since 2006, HubSpot’s free Website Grader is also a tool that contributed to the popularity of the company and its inbound approach. People can use this free tool to see how their website performs and get a report about what to improve. Hubspot claims that Website Grader graded more than 4 million websites and generated a lot of inbound leads.

The marketing and communication of Hubspot can be summarized by the following sentence of one of the co-founder: “Marketers make a mistake when they don’t think about content from their potential customer’s point of view. Instead, they think about it from their own marketing point of view.”

Hubspot built great content to help people first, and then naturally those people will be interested in the services offered by Hubspot.

In summer 2017, Hubspot has made the acquisition of the machine learning startup, Kemvi in order to bring artificial intelligence to its offering\(^\text{17}\). This acquisition will bring new features such as automatic research and report about current prospect in order to serve sales reps with key insights.

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\(^{17}\) Venturebeat, 
2.3.3. Segment 3: Vendors for small businesses

Vendors from this segment can be divided into 2 categories: Established email marketing tools that recently improved their offering with automation features (MailChimp, Infusionsoft, Getresponse, Active Campaign) and new marketing automation platform created in the last 2 to 5 years (Sendinblue, Leadfox).

Even if these vendors are addressing the smallest customers, some of them are not small. For instance, MailChimp is a leader of the email marketing for small businesses and has more than 14 Millions customers.

These vendors do not compete with the companies from segments 1 and 2 on the enterprise level. Their automation features are quite limited but fulfil totally the need of small businesses. Their initial focus was solely on providing an email marketing solution. And small businesses do not require advanced and complex marketing campaign.

They provide as well a lot of integration with other systems such as popular CMS like Wordpress or Drupal, popular CRM such as SugarCRM or ZohoCRM.

Their target is clearly small businesses, less than 50 employees such as bloggers, agencies, and small to midsized Ecommerce. Small businesses expect systems that are easy to use and ready to use. Email designer should not require any advanced skills and automation must stay simple. This is what these tools are promising. Resources and times are very limited for small entrepreneur, they don't have time to implement complex scenario. They could deal with a workaround.

A favourite target within the small companies is e-commerce. And for an obvious reason. They are more likely to generate revenue and see their audience growing. That's why particular features answering specific needs of e-commerce are available in those solutions.

The pricing perfectly suits expectation from small businesses. It is cheap. Very cheap. It is possible to start an email campaign for free if the target audience is limited. Then when the needs of email are increasing, offering between 10 EUR/month and 100 EUR/months are available.

Their communication is all about helping businesses to develop. “Grow your business“ for GetResponse, “Small Business CRM, Sales & Marketing Software” for Infusionsoft. They communicate a lot about the number of users they have and explain that automation is at the fingerprint of small businesses. Free and cheap
pricing is as well a prominent message. Regarding the latest trend such as predictive analytics or any other machine learning based functions, they are quite behind.

2.3.3.1. Spotlight on Mailchimp

MailChimp has been on the email marketing market for a long time and has helped many small businesses since 2001. We could consider MailChimp as the Wordpress of Email Marketing with more than 14 Millions of active users. MailChimp is the leader of its segment.

As the company is still private, it is hard to get accurate values about their financial situation and its annual report is more prone to highlight the number of “Grumpy felines wearing cat hats with our #meowchimphtag” than their current turnover. But some estimations explain that the revenue of the company could be around 200 Million.

But what about marketing automation! MailChimp is a great inexpensive tool for small business that needs email automation. And email automation only! It offers a drag-and-drop design tool to help you design your emails and offers a large variety of templates.

The weakness is on the automation side because it is only limited automation to email campaign and complex scenario are more complex to set-up than bigger automation players. As well there is no proper lead scoring of contact and the contact management is cumbersome. Data-tracking and analytics are as well not ideal with MailChimp. Fortunately, MailChimp offers hundreds of third-party integrations. Integration with popular E-commerce, CRM and CMS, and as well integration to compensate lack of features.

MailChimp is very “generous” with small businesses because with Mailchimp’s free plan you can send up to 12’000 emails and have up to 2000 subscribers per month. The only ‘payment’ here is to display the MailChimp logo on all of the sent broadcasts. It provides other plans to help growing businesses. The annual bill could reach a maximum of 2’500 EUR.

Build your brand. Sell more stuff. Here the tagline of Mailchimp. It is obviously a message in the direction of growing business, small entrepreneurs trying to get a successful story. MailChimp is here to spread their message easily via email. And as mentioned earlier, the businesses that make the most revenue for the company are the e-commerce industries. Therefore Mailchimp targets this segment more particularly - MailChimp claim to provide marketing automation for e-commerce businesses.
Innovation at Mailchimp is as well focused on the e-commerce customers. MailChimp brings Data-Driven Product Recommendations to small online stores. Something similar to Amazon recommendation.

2.4. Distribution and Role of the business partners

There are basically two distribution channels for a software vendor: Direct selling and via a business partner.

2.4.1. Direct Selling

The customer contacts directly the software vendors. Software vendors are in charge of the full sales process, from the first product presentation to the negotiation of the contract. The contract is initiated between the customer and vendors.

2.4.2. Business Partner

Depending on the size of the vendor the business partner could be huge consulting firms (Accenture, Deloitte), medium-sized integration partners or small marketing agencies.

Agencies are most important for small and mid-size companies since large enterprises have deeper internal resources.

Business Partners play an important role for Software Vendors. They are almost on the daily basis with the customer when the vendor focuses on the development of the next version of his product. A partner will play a consulting role for a customer and will advise on the solution to choose. They play an important role in spreading the use of marketing automation, supplying skills that are missing from many in-house marketing teams.

Business partner advises, support customer with their decision, and then help them to implement the project. Later they will give them support for an upgrade and other maintenance tasks. They are present during at every stage of the project lifecycle.

Keeping a close relationship with business partners is a crucial task for the software vendor. This is where they stay in touch with their common client and fight the churn rate. Therefore software vendors have to provide all the important resources and material to help the partner educating the customer and keep him active.
The most important part of the partner model is the commission model. Revenue of a client acquisition must be shared between the partner and the vendor. In the end, the partner wants to do business and might promote the solution that offering him all the advantages: Quality of the product and a good remuneration.

For example, HubSpot has almost 3,100 digital and marketing agencies that resell its offerings or provide associated services in 69 countries.

2.5. Customers

At the very beginning, we introduced that marketing people are the main audience for Marketing Automation Vendors. But who are they exactly, what are they looking for, what is their behaviour and what can influence them?

Obviously, users of marketing automation tools are marketing people: a person working within a company selling products or services to business (B2B) or to people (B2C). Marketing people understand the need of having automation in place. Vendors have promised them more revenues and a better ROI. Marketing Automation is an evolution of Email marketing and it has come with new practices.

Unfortunately, many marketers lack skills regarding those new practices and are still using marketing automation as it will be a simple email marketing tool. Meaning they will use it to send mass emails or inadequate campaigns to a poorly segmented audience. This is reflected in a recent survey by Ascend2: 39 percent of respondents indicated that the absence of an effective strategy is the most significant barrier to success with marketing automation.

Indeed, the buyer's journey has changed significantly in recent years, and companies are struggling to keep up. There is a lack of understanding of how to align automated marketing messages with customer behaviour, and this cannot be addressed by automating old processes such as email blast.

Another barrier to the success to consider is the lack of technical skills. Here we can see this from a different angle. First, the systems developed 10-12 years ago does not provide the best user experience. It often the case that marketing people must ask a web developer to review the code of an email. Also with the explosion of the data, it is getting more and more important to require the help of data scientist to sort out all the users' behaviours.

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18 Ascend2,
Anyway, companies are still willing to invest. When asked which of the following technologies their organization intended to invest in 2017, the customers identified KPIs are: dashboards and reporting (46%); predictive analytics for lead scoring (42%); big data and advanced analytics (40%); and customer journey mapping (32%)\(^ {19} \).

These observations are accurate across every customer segments. But moreover, small businesses are reluctant to jump head first into an investment for marketing automation for another reason: cost, fees, up-front work and maintenance. Indeed the investments and return on the investments are not yet obvious for small entrepreneurs.

Regarding influencing factors, the biggest analyst firms that are Gartner and Forrester play a big role here. Especially for the top segment companies. Professional will look at the leader of the Magic Quadrant or Forrester Wave to do their software selection. It doesn't matter what are their requirements and if a "smaller" tool can help them. They will blindly trust the analysts.

\(^ {19} \) Gartner, [www.gartner.com](http://www.gartner.com) (2017)
2.6. Opportunities and Threats

The marketing market and especially the marketing automation platform segment is still growing, and more investments will be made in this area by companies. New trends, technologies or practices open new perspectives. It has some potential. The downside is a market highly competitive with a lot of innovative newcomers.

2.6.1. Opportunities

- A growing market.
- Half of the potential market is still not using a marketing automation tool.
- Penetration rate is very low for SMB.
- Big data getting bigger.
- Marketing budgets increasing
- Future investment in artificial intelligence, predictive analytics and other machine-learning based systems.
- Hosting and cloud computing more affordable.
- The emergence of machine learning systems.
- Companies seeking the support of informatics systems to respect the GDPR.

2.6.2. Threats

- Large and established competition.
- Many newcomers.
- New trends changing often, every 2-3 year.
- GDPR for existing Software.
- Outdated features for some vendors.
Conclusion

A growing market with a well-established competition could be the major takeaway of this analysis. The investment made and planned by organisation attract a lot of newcomers in this industry. These newcomers try to disrupt the market with contemporary tools and advanced technologies. The competition gets tougher year after year.

There are some gaps in existing products that create opportunities. For example, some of the products analyzed are lacking features in certain areas such as predictive analytics or lead scoring and other "smart" features that can be critical in products dedicated to small and medium-sized businesses.

Trends also show that customers expectations are going in the direction of more analytics. Customers want to understand what is going on in their digital channels, how their visitors behave, how leads and prospects interact with their websites and other online channels.
About the author

Passionate digital solutions expert with strong business and analytical skills, Samuel has a broad understanding of Sales and Marketing technologies such as CMS, Marketing Automation, CRM and E-commerce.

Samuel has over 12 years of experience helping clients and company to build their digital experiences. His multiple skill-set can be adapted for both business and technical environments and will always be focused on the result defined by the customer.

Samuel’s main driver is to enable growth of companies by helping them with their digital transformation. He understands very well marketing and sales processes and what are the challenges to make these core functions work together. Thanks to a solid IT background, he knows how to enable key functions of a company with technologies and how to implement them at a large scale.