

Case Study Series: What's Working in Marketing & Selling Professional Services

HOW A START-UP RELIED ON INBOUND MARKETING TO BECOME A \$4 MILLION COMPANY WITH MORE THAN 1,000 CUSTOMERS IN 14 MONTHS

By Mary Flaherty

OVERVIEW

Software start-up HubSpot was founded in 2006 by Brian Halligan and Dharmesh Shah in Cambridge, Massachusetts. The company developed a web-based software—or an inbound marketing system as they described it—to help small and medium-sized businesses use the Internet to attract more qualified traffic and leads. While the largest companies could spend vast sums of money and IT staff time to integrate complicated software systems to do sophisticated inbound marketing, it was outside the reach of most businesses. The idea behind HubSpot was to harness the power of a complex corporate system and put it into the hands of marketers at small and medium sized businesses.

With just a handful of employees and a one-person marketing department, they would need to immediately and successfully use the power of inbound marketing for themselves, if the company were to succeed.

SITUATION

How to Attract Customers in a Scalable, Cost-Effective Way

In 2007 when vice president of marketing Mike Volpe joined HubSpot, Volpe constituted the entire marketing department. In fact, when he started building the company's marketing efforts, their web-based software hadn't yet launched. "No one in the world knew about us and no one cared that we had some software to sell," said Volpe. "So, it was really hard initially to break through."

The company's software, which was to be sold on a subscription basis at a cost of \$250 or \$500 per month based on number of features, would provide integrated Internet marketing services—tools and analytics for search engine optimization, blogging, and social media—for a target audience of small and medium-sized B2B businesses, including professional services firms and software and hardware companies.

Because HubSpot was an Internet marketing company, the initial approach was clear—the firm's marketing needed to be built around inbound marketing. "If we couldn't make inbound marketing work for our own company," says Volpe, "then we shouldn't be selling software that helps other companies do it." So, while a traditional approach might have been to purchase a list and start making cold calls, Volpe focused on inbound tactics—that is, how could he drive leads and potential customers to the company's website and

software, as opposed to “interrupting” people with outbound advertising, direct mail, and cold calls pushing the software.

Starting from scratch and with no product launched, Volpe had to figure out how to attract customers into the business in a scalable and cost-effective way.

APPROACH

Build Relationships Using Social Media

Volpe did not wait until the software was available to start building relationships with potential customers, using social media tools including a blog, Facebook, and LinkedIn to establish a presence for the company. “We launched a blog before we even had a product we could sell,” recalls Volpe, “We were blogging about small business, we were blogging about marketing, we were blogging about blogging, we were blogging about all sorts of things to build an audience.” Employees contributed blog posts and maintained profiles on social networking sites like Facebook and LinkedIn and responded to questions. As other tools, like the micro-blogging tool Twitter, became more popular, they jumped in there, as well.

“What was great was by the time we launched our product in December 2007” reports Volpe, “We had people who were following us, who were engaged in conversations about small business and marketing and growth, and who were interested in trying what we had. So we never really had a problem—once we had a product—growing the company.”

He continues, “If one of the best ways to develop a business is to build relationships—then, what’s great about the Internet and using inbound marketing is that you can build those relationships with more people, spread broader throughout the world, and more quickly using these technologies. So if you have the right software, if you have the methodology, you can really grow your business using those personal relationships and using yourself and the employees of your company.”

Build on What You Know

One of the company’s most successful lead generators came about fortuitously. Volpe explains, “We were constantly looking at different companies on the web and trying to figure out if they were doing a good or bad job of Internet marketing. Our thought was that maybe we could figure out some way to attract the companies that weren’t doing a good job, because they would be the ones that would naturally be more interested in using our software to help improve.”

What began as a manual process was automated when one of the cofounders, Dharmesh Shah, built a small tool for internal use—a website grader. Says Volpe, “We said, ‘Well, this is kind of cool. Maybe we should just throw it up on the web and see what happens,’ and despite the ugly initial design, it was an interesting tool that gave people some interesting information about their website and people started to use it. Then we said, ‘Hmmm. Maybe we can use it as part of our marketing strategy.’” At that point, they added features including an opt-in for users to receive email updates about Website Grader along with an invitation to watch a free webinar to learn more about Internet marketing.

“Website Grader was one of the things that definitely helped our company get over that initial growth challenge and start to get our name out there,” says Volpe.

With a keen focus on inbound marketing strategy, the company continued to create content to engage their target audience and attract them to that content. They used social media and search engine optimization to promote that content—including additional interactive tools (Press Release Grader and Twitter Grader), a webinar series, and video podcasts.

Include a Strong Offer

It's not enough to have the content. You need strong landing pages and a strong offer. For Website Grader, they offered site visitors information to help them improve their score. When visitors viewed their [grader report](#), they saw a message at the bottom that read:

“HubSpot, the inventor of Website Grader, offers a free kit of marketing tips about how to improve your website so you can get found by more prospects and convert more of them to leads and paying customers. Download the Internet Marketing Kit.”

For Twitter Grader, one of the major calls to action was to follow the company on Twitter. They've built that Twitter account ([@Grader](#)) into one of the top 100 Twitter accounts in the world with over 30,000 followers. They don't use the Twitter account to ask people to buy HubSpot software, but they do use it to publicize webinars and other company activities. “There are multiple steps to move people from prospects to customers. This gives us additional opportunities down the road to hopefully convert leads into customers.”

Nurture Your Leads

The company used a structured methodology to nurture the leads that resulted from their interactive tools and other sources. For example, users of the Website Grader, and other tools, who opted-in to the company's email list, received one to two emails per month with updated information, or a blog article, or an invitation to an upcoming webinar. Users who passed the lead scoring process typically received a call from the company's in-house sales staff. While time in the pipeline can be lengthy, once a qualified lead has engaged with the sales team and set up a demo, it was only about a month from that point to actual purchase.

Create a Strong Sales & Marketing Staff

Training was a key element of HubSpot's sales and marketing effort. New sales hires participated in an intensive month-long training program. “The training is not sales training,” says Volpe, “as much as it is marketing training. The goal is to teach them about marketing so they can really be a good advisor and a good resource for the people they're calling. Our sales process is much more about gaining people's trust and convincing them that we know what we're talking about and can help. Consumers are smart enough not to get suckered into buying things that aren't right for them. The goal is to make your sales team as smart as possible, so they're able to answer questions and actually be a helpful resource for people.”

To ensure that sales and marketing worked in tandem, the company developed a plan so that as they grew the sales team, they knew how many additional leads marketing needed to deliver to sales each month. Lead projections were based on traffic and the new content being launched. So, sales people were hired only as marketing could support them with the lead flow. Says Volpe, “Unlike other companies that grow just by hiring sales people—at HubSpot marketing does half the job of sales, we're providing the sales team with highly qualified, targeted leads that have an interest in and want to get that call from HubSpot.”

RESULTS

The approach is paying off according to Volpe, “Our sales people hear things like ‘Oh, HubSpot. I’ve been meaning to talk to you guys.’ Or ‘Oh, I just watched your webinar yesterday. I had a couple questions.’ So, it’s the opposite of a cold call. It’s like getting a call from one of your friends because we’ve already built that relationship with the people. We really don’t do any cold calling.”

Just 14 months after launching their software, while not yet profitable as they are heavily investing in growth, the company has grown to a staff of 65 (including 25 sales staff) and has more than 1,000 customers. And, although the private company won’t divulge actual revenue—given the subscription rates and customer base—annual revenue is likely in excess of \$4 million, and growing.

Their original interactive tool, the Website Grader (there’s an enhanced version for paying customers), remains one of the company’s top five lead generators and an important part of the of the mix, however, it’s declined in importance over time as other tools have been introduced (i.e., Twitter Grader) and as other tactics have strengthened (blog, webinar series, YouTube videos, etc.).

Today, the top sources for the company’s leads are: (1) organic web traffic (driven by a combination of search engine optimization and blog), (2) interactive tools (Website Grader, Twitter Grader, Press Release Grader), and (3) webinar series. Over 90% of the company’s leads come from inbound marketing with approximately a third coming from SEO and blog, a third from tools, and the remaining third from miscellaneous other sources.

And, according to Volpe, over 10% of traffic that ends up on the company website HubSpot.com converts into leads, with conversion metrics varying by channel (i.e., Facebook, LinkedIn, blog, Twitter, etc.).

Volpe estimates that using inbound marketing, HubSpot’s average cost per lead is about five to seven times less than most B2B companies doing traditional outbound marketing. “It’s definitely very cost effective,” he reports. “We obviously have an advantage since we’re a software company, so developing interactive software tools is relative low cost for us because we have people in-house that are good at that. But everything that we’re doing in terms of our blog and search engine optimization and activity with the social media and our video podcast series—all of that, anyone can do that even if you’re not good at developing software.”

Additional Insights Shared by HubSpot

- **Take the first step:** What is it that you do? What is the service you provide? Take a small version of that, produce it as content for the web (a video, webinar, white paper, or e-book)—something that people can easily share and can attract your target audience. If you promote it the right ways using social media and search engine optimization, it can be extremely cost effective.
- **Inbound marketing can work really well:** The most important thing, frankly, is to just get started. Pick one or two things and just start. You’ll learn a lot and, typically, the more you put into it, the more you get out of it.

- **Don't be afraid:** People are often very concerned about writing a blog post. What if someone doesn't like it? What if people have negative things to say? Well, to that we say: If you're getting comments, even if they're negative, that's good. If you have comments, you're a marketing success—you've attracted people and you're being found on the search engines. Once you get started, you'll find that most people are generally pretty nice and mostly have really good things to say.

RESOURCES

HubSpot website: <http://www.HubSpot.com/>

Website Grader: <http://website.grader.com/>

Twitter Grader: <http://twitter.grader.com/>

Press Release Grader: <http://pressrelease.grader.com/>

Link to sample Website Grader report:

<http://website.grader.com/wsgid/2223513/default.aspx>

Link to Website Grader offer (PDF):

<https://www.raintoday.com/documents.cfm?documentID=194>