B2B TECH STARTUP MARKETING AND CLOUD COMPUTING: UTILIZATION AND IMPACT OF CLOUD MARKETING AUTOMATION SOFTWARE

by

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The proliferation of cloud computing has resulted in the development of enterprise marketing platforms such as those offered by Salesforce, Oracle, IBM, Adobe and Marketo. While the cloud computing industry continues to grow with projections reaching $60 billion by 2020, the impact of enterprise marketing software has a tremendous effect on business-to-business (B2B) technology startups. Rather than use traditional marketing mediums such as television, magazine, and outdoor advertising, companies are utilizing automated systems that combine search engine optimization, search engine marketing, email campaigns, and sales. Through the examination of published industry data and interviews with marketing executives at various tech startups and cloud computing providers, this research provides insight on how B2B tech startups are leveraging cloud computing and how cloud computing will disrupt traditional marketing departments.

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Introduction to Cloud Computing

Introduction

This project includes quantitative data pulled from industry reports in addition to qualitative data derived from in-depth industry interviews. The thesis specifically focuses on five cloud marketing software providers: Marketo, Salesforce, Adobe, IBM, and Oracle. These companies were selected based on highest market share within the SaaS marketing industry. Additionally, the thesis focuses on four B2B tech startups in Portland that sell and utilize SaaS products.

To gain the closest insight of the industry, interviews were conducted with various marketing directors, customer success managers, and leaders of four tech startups in Portland: Elemental Technologies, Puppet Labs, OpenSesame, and Zapproved. These companies all fall within the realm of software-as-a-service tech startups in different funding stages and also encompass different markets within the field of tech. Furthermore, all of the aforementioned startups not only provide SaaS products, but also utilize enterprise marketing software such as Salesforce. Elemental Technologies is a supplier of software-defined video solutions for multiscreen content delivery. With Series D funding resulting in $45 million, Elemental Technologies can be classified as a later stage startup. Puppet Labs, another later stage startup with over $85 million in Series E funding, develops IT automation software for businesses. OpenSesame is an early stage startup with only $10 million in Series A funding is an online marketplace provider of elearning courses. Lastly, Zapproved represents a middle stage startup with $16 million in Series B funding that develops cloud based

eDiscovery software for corporate in house legal departments. Furthermore, all four of these companies utilize SaaS products in their marketing departments. Most notably, Salesforce and Marketo.

As a result of the growth of startup companies in Silicon Valley, new ventures are developing elsewhere – most notably in Portland, OR. Dubbed "Silicon Forest," many tech startup companies in Portland are actually business-to-business (B2B) companies that do not target individual consumers. Instead, B2B companies sell products and services to other companies and organizations with entire enterprises serving as the customer. The emphasis on personal selling and sales within B2B companies has contributed to diminishing marketing departments and the decreasing necessity to outsource to traditional advertising agencies. The proliferation of B2B tech startups in the past 20 years has also led to a rise in nuanced forms of targeted cloud computing.

The concept of cloud computing dates back to the 1960s, but its modern application did not become popularized until 1999 with the launch of Salesforce.com, one of the first cloud computing companies (Mohamed, 2009). In spite of cloud computing's 1960s origin, the term has changed dramatically with the advanced development of the internet (Fogarty, 2012). Although the 1960s term included diagrams of multiple layers of technological infrastructure, the term gradually evolved to incorporate the inclusion of software that could not be mapped by diagrams. The concept of cloud computing in its nuanced Web 2.0 form did not become widespread until 2006 when former Google CEO Eric Schmidt referenced the term in a press conference (Mohamed, 2009). Cloud computing is defined by IBM (2014) as "the

delivery of on-demand computing resources, from datacenters to applications, over the internet on a pay-for-use basis." Essentially, cloud computing allows companies and individuals to store data and information on the internet rather than through the utilization of physical, installed hardware. Cloud computing, an internet based tool, facilitates on-demand data and file sharing and also tends to reduce IT costs for fledgling companies due to its ability to quickly capture economies of scale (Satell, 2014). Comprised of three categories, Software-as-a-service (SaaS), Platform-as-a-service (PaaS), and Infrastructure-as-a-service (IaaS), cloud computing is developing as a form of technology-based marketing.
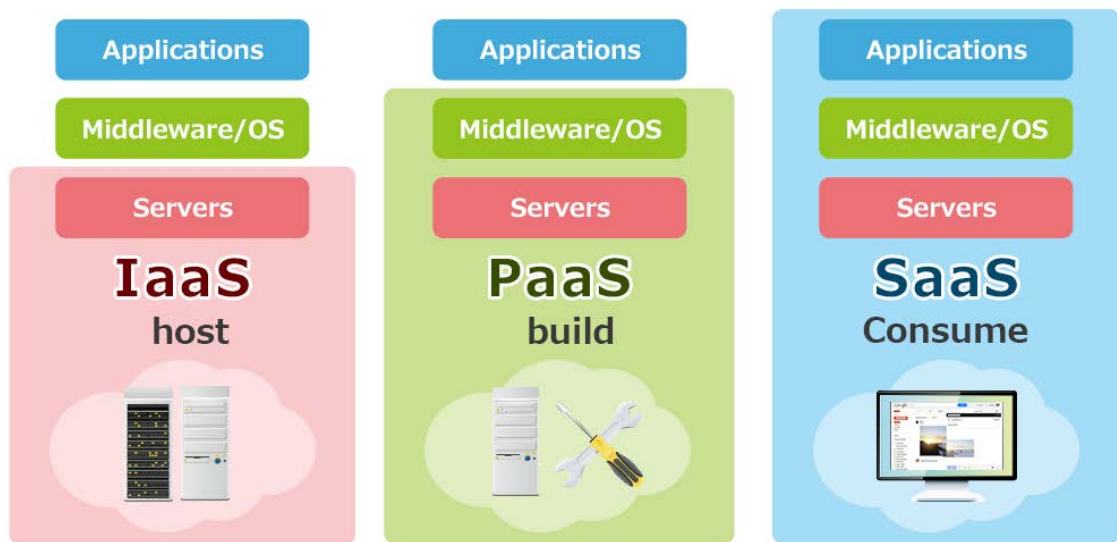
Figure 1: Diagram of cloud computing categories

SaaS tools are often referred to as "software on demand." These services are sold by SaaS companies and are bought and accessible online. An important characteristic of SaaS products is that SaaS computing provides a completed product that does not require maintenance from a customer ("Types of Cloud Computing," 2015). Examples of SaaS companies that offer web-based marketing tools include Dropbox, Marketo, and Salesforce.com. Clients of Salesforce do not have to worry

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about building or creating new interfaces within Salesforce because the technology is owned and maintained by Salesforce, not the client.

PaaS tools differ from SaaS in that PaaS computing provides a platform or a cloud environment that enables companies to create and develop web-based applications. Contrary to SaaS products, PaaS products can be delivered both through a public cloud provider in addition to software installation on site ("Types of Cloud Computing," 2015). Similar to SaaS tools, a benefit of PaaS products includes the fact that maintenance and procurement costs are not incurred by a customer. Rather, companies that utilize PaaS are responsible for creating, deploying, and managing applications. An example of a marketing-based PaaS tool is Oracle's Oracle Cloud and Private Cloud Solutions, which serves as a platform for application development while providing code testing, data analytics, and management features.

Lastly, IaaS tools provide a framework of networking, computers, and data storage. While IaaS products typically are not as developed as PaaS or SaaS tools, IaaS tools provide companies with more control over IT resources ("Types of Cloud Computing," 2015). IaaS is the most basic layer of cloud computing. However, most cloud-based marketing tools do not fall into the category of IaaS tools. This is because companies have a tendency to opt for services with completed interfaces and existing infrastructure provided by SaaS and PaaS tools (Barchi Gillai & Tao Yu, 2013).

Just as cloud computing varies in categories, there are also numerous types of cloud computing environments which include a private, public, and hybrid cloud environment. IBM defines these different cloud environments in the following ways: private clouds are operated specifically for a single organization and can be managed or

hosted internally or by a third party. A private cloud allows for more control of resources specific to a company's needs. Conversely, a public cloud is owned and operated by companies to provide quick access over a public network. Lastly, a hybrid cloud is defined by IBM as, "a private cloud foundation combined with the strategic integration and use of public cloud services. The reality is that a private cloud can't exist in isolation from the rest of a company's IT resources and the public cloud. Most companies with private clouds will evolve to manage workloads across data centers, private clouds, and public clouds—thereby creating hybrid clouds" ("IBM - What is cloud computing?," 2016). The majority of platforms discussed in this thesis are classified as hybrid cloud environments.

For marketing departments at startups, SaaS-based ecommerce platforms prove to be instrumental as SaaS continues to be a growing industry. Furthermore, the IDC predicts that by 2018, the SaaS market will reach $50.1 billion (Columbus, 2014). It is also predicted that enterprise marketing software alone will reach $32.4 billion in 2018. For the purpose of this research, startups will follow TechCrunch's and Stanford professor Steve Blank's definitions of a startup. As a part of TechCrunch's 50-100-500 rule, startups are companies with revenue under $50 million, have under 100 employees, and have a valuation under $500 million (Wilhelm, 2014). Additionally, startups, under Stanford professor Steve Blank's definition, "are an organization formed to search for a repeatable and scalable business model" (Shontell, Dec. 31, & 7, 2014) 2014). As a result, small mom and pop shops do not qualify as startups despite the size. Startups are specifically companies that are capable of quickly scaling.

The adoption of SaaS marketing platforms is particularly interesting in the B2B startup world because the approach to marketing to customers is vastly different than business-to-consumer (B2C) companies. Tim Greve, Marketing Team Leader at OpenSesame, notes that, "Smaller B2B companies like us don't need advertising agencies to help us grow. We don't need massive campaigns to appeal to the general masses because that's not who our target market is. As a startup with limited capital, not only is traditional quite expensive, it's also not always as effective as marketing software" (personal communication, January 15, 2016). More frequently, B2B companies do not spend marketing budgets on social media, product placement, branded entertainment, or television commercials. Instead, many B2B companies place a significant amount of emphasis on direct marketing, sales, partnerships, email marketing, blogs, podcasts, webinars, tradeshows, conferences, and inbound and content marketing ("The CMO Survey Report: Highlights and Insights", 2015).

One of the most significant marketing processes for B2B companies is lead generation and lead management. Lead management is defined by Marketo as, "the process by which marketing acquires, evaluates, nurtures and hands off leads to the sales team" ("Lead Management Overview and Resources," 2016). Leads, or prospective customers, can be generated from company websites, webinars, tradeshows, emails, and other marketing functions. Qualifying leads and creating a lead management system is an imperative marketing and sales technique specifically for B2B companies that focus heavily on developing relationships with clients and businesses. Not all leads will provide a direct sale but being able to sort and filter leads based on criteria such as interest, engagement, budget, and industry enables companies

to better organize resources toward better prospects. Lead management is a key tool that is integrated into most cloud marketing automation software programs.

Cloud-based marketing tools, particularly SaaS companies, enable startups to automate some of the aforementioned traits of B2B marketing at a lower cost. An important result of this approach is the changing and diminishing roles within marketing departments (Barchi Gillai & Tao Yu, 2013). Tech startups such as OpenSesame, an elearning marketplace provider in Portland, do not require large marketing departments. However, understanding the background behind cloud-based marketing automation software will better illuminate the benefits that can be gained from cloud marketing adoption.

Cloud Marketing Automation Software Background

There are currently thousands of marketing automation platforms. However, according to Mergent, the market for marketing software automation is highly competitive. One barrier to entry is the high cost of capital required to develop data centers to support the software. Additionally, given the fast paced environment of the technology, new products and companies are constantly entering the market. As a result, mergers and acquisitions in addition to increased competition is constant (Mergent, 2016).
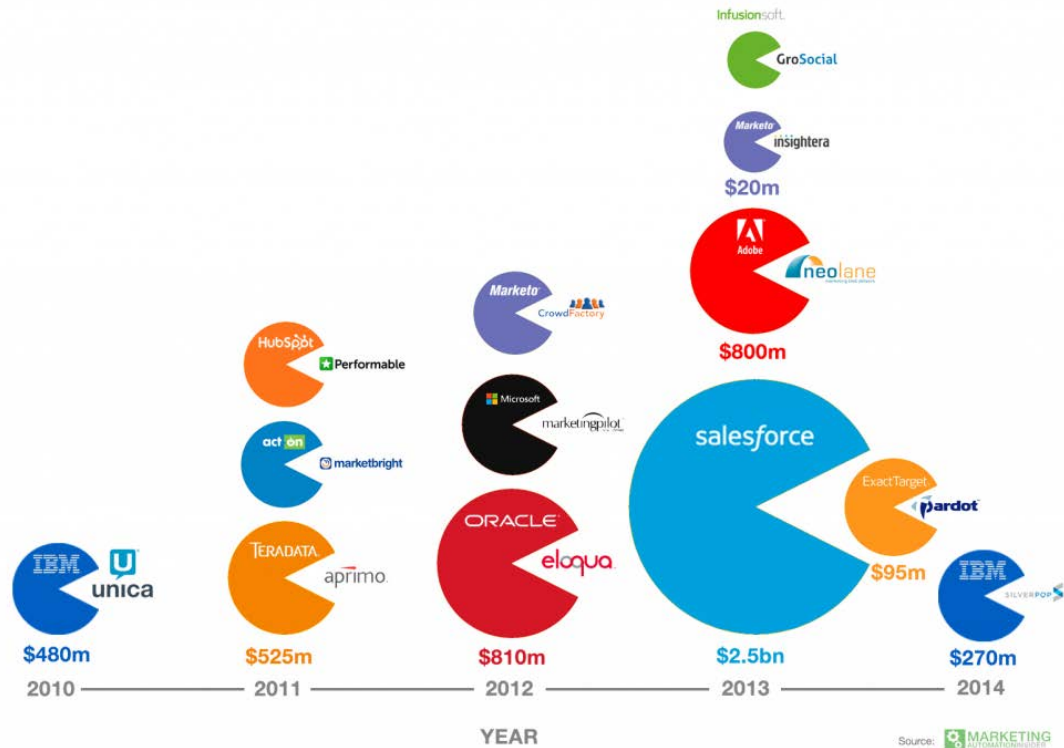
Figure 2: Marketing Automation Acquisitions (2010-2014)

This figure illustrates the main marketing automation competitors: Salesforce, Oracle, IBM, Marketo, and Adobe along with their subsequent acquisitions to enter the cloud marketing space

Marketo defines marketing automation software as "a category of technology that allows companies to streamline, automate, and measure marketing tasks and workflows, so they can increase operation efficiency and grow revenue faster" (John Miller, 2013). Marketing automation software emerged in conjunction with three different technological forms, which include web analytics, email capability, and marketing resource management (MRM) (Adam Sharp, 2015). Marketing resource management is defined by Gartner as "applications [that] enable strategic planning and budgeting, program management, creative development and distribution, content

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management, media planning and execution, event coordination, and resource measurement"("Marketing Resource Management," 2012). Grover Righter, CEO of Lever 10, describes marketing automation software in the following way:

> The purpose of the marketing automation platform is to first of all be a repository of who is known in the system. The way they do that is when you first visit a webpage on your website, there is a trace of code on there which we call munchkin code, named after the munchkins in the Wizard of Oz because it's a little tiny bit of code. What the munchkin code does is drop a cookie in your browser and that cookie is not actually from your company, it's from the marketing automation company like Pardot, or Marketo, or Eloqua (Grover Righter, 2016).

Marketing automation software essentially utilizes cookies to track customers' engagements, behaviors, and interactions with the company. Once a customer fills out information via forms, email clicks, or other ways, a customer is then identified by the marketing automation software. Subsequently, future messaging and promotions to that specific customer are targeted, tracked, and personalized for the individual.

In 1999 the first platform to enter into the marketing automation space was Eloqua. Marketing automation software gradually grew more sophisticated as more technological developments advanced. For example, with email growing more nuanced in the 2000s in conjunction with anti-spam laws and email databases, email marketing became integrated in marketing automation software (Pure 360, Technology for Marketing, 2016).

The International Data Corporation (IDC) partitions marketing technology into four main categories: interaction, content, management and administration, and data and analytics. Interaction includes advertising, digital commerce, direct marketing, events, enablement, social marketing, and website management. Content management includes activities related to authoring and publishing, content search and analytics, portals, and

content management systems (CMS). Management and administration includes collaborative applications marketing resource management (MRM) (Louis Columbus, 2015). All four aforementioned categories are integrated into marketing automation software in some capacity. The level of integration differs depending on the marketing automation platform utilized.

The Harvard Business Review outlines the leading enterprise marketing automation tools to be Marketo, Adobe Campaign, Oracle Eloqua, Salesforce's Pardot and Exact Target, and IBM's Silverpop (Gudema, 2014). Each platform represents different forms of cloud marketing platforms typically utilized by enterprise businesses.

Marketo

Marketo is a SaaS provider serving both large and small companies and was founded in 2006. Serving over 3,700 clients, Marketo has seen business increase 56% from 2013-2014. With a reported $78 million raised in its IPO, Marketo went public in 2013. Currently Marketo can be integrated into multiple customer relationship management (CRM) systems including Salesforce, Oracle, and SAP ("Marketo - Quick Report - Hoover's," 2016). Marketo offers numerous marketing solutions which include email marketing, lead management, consumer marketing, customer base marketing, and mobile marketing. Its software includes marketing automation, email, mobile, social, digital ads, web, marketing analytics and predictive content (The Economist Intelligence Unit, 2016).

Based on interviews with the four different tech startups in Portland, OR, Marketo is an invaluable resource partially because of its templated materials (Jennifer Bantelman, March 17). Companies such as Zapproved, Puppet Labs, and Elemental

Technologies also find great value in Marketo due to its email marketing platform,

scalability, and ability to quickly deploy thousands of emails filled with different,

personalized content. Notably, Marketo is catered specifically to marketing

departments. Marketo includes features that allow companies to create and develop

landing pages and forms, all with little knowledge of HTML programming required.

Furthermore, Marketo creates an environment where companies can easily

collect information on prospective clients. Marketo can track when people open emails,

how long people view landing pages, most popular searches, previous engagement, and

much more. The result is a rich customer profile with deeper and more accurate

information on prospecting activities (The Economist Intelligence Unit, 2016). What

makes Marketo a powerful platform is that it tracks and utilizes buying behavior to

create targeted content that can be as specific to zip code. Similar to other cloud

marketing platforms, Marketo also optimizes digital campaigns across multiple

mediums whether that be via email, social media, webinars, websites, etc. Marketo can

even connect to Google Adwords to reevaluate keywords in messaging to better target

customers, simultaneously improving SEO while nurturing better leads. This change is

significant because Marketo centralizes data vital to the customer experience and to the

customer journey. Some traditional in-house marketing departments utilize multiple

platforms such as Google Adwords and audience tracking in isolation. Marketo

incorporates behavioral data within customer profiles to subsequently generate targeted,

medium specific campaigns all within one platform. The centralization of these

platforms into Marketo provides marketing departments with the most accurate

consumer and channel performance information to develop powerful campaigns that

ordinary platforms would be unable to produce. For example, Marketo's webpages

change and alter to show specific content based on the identity of the customer (Heather

Clancy, 2014).

Based on an interview with IBM Marketing Integration Executive, Samir

Mehta, Marketo is one of the clear industry leaders. Its templated email platform, ability

to track channel specific performance, and integration into Salesforce makes it a strong

competitor in the cloud marketing space. Integration with CRM platforms such as

Salesforce, Oracle, and SAP enables Marketo to deliver highly targeted content to

increase click-through rates, leads per click, and most importantly, revenue.

IBM

IBM, famous for its storied history of innovation and acquisitions, has a large

cloud marketing portfolio with over 100 solutions. SilverPop, one of its more prominent

cloud marketing software programs, was acquired by IBM in 2014. This acquisition was

significant because it added to IBM's already growing portfolio of over 140

applications and services (Heather Clancy, 2014). SilverPop provides companies with

the ability to track customer engagement across multiple platforms ranging from social

media to mobile throughout the customer journey.

Similar to the other enterprise cloud marketing platforms, SilverPop also offers a

sophisticated email marketing program that can capture engagement from any channel,

not just from email. This result can include information such as the last date of purchase

or how many click through were made in past emails. This is one core capability that

separates IBM's SilverPop apart from other competitors. Notably, IBM is able to scale

emails from a personalized message to an individual to a one-to-many email to millions

of people. The platform is accurate and targeted to the point where retailers can determine when a customer has viewed an item online and entered the store. Based on whether or not the customer has opted in for text messaging from the retailer, SilverPop can determine whether the item is in stock and will send a personalized text message to the customer within a matter of minutes ("IBM closes acquisition of Silverpop," 2014). SilverPop, which combines the benefits of data analytics with IBM's historic knowledge of cloud computing and data storage, is very popular among large enterprise businesses. Boasting clients such as Conde Nast, Acura, Mint.com, Thomas Cook, and Kimberly Clark, IBM was able to capture a significant portion of the market (Heather Clancy, 2014).

In addition to IBM's acquisition of SilverPop, Unica was one of the earliest marketing automation platforms to go to market. Founded in 1992, it wasn't until 2010 when it was acquired by IBM for $480 million (Stynes, 2010). Prior to IBM's acquisition of the company, Unica was a leader in predictive behavior and designing campaigns based on customer data. Although IBM had previously been built around providing computer products, its entrance into the cloud marketing space not only broadened its portfolio but also aligned with its already massive computing ability. In 2010 press release about its acquisition of Unica, IBM noted that, "…marketing professionals are increasingly investing in technology to automate and manage marketing planning and execution to help them better analyze customer preferences and trends and in turn, predict buying needs and drive relevant campaigns" ("IBM to Acquire Unica Corporation," 2010). The integration of Unica and SilverPop into IBM's

robust marketing cloud solutions have made IBM a strong competitor in the cloud

marketing space.

Despite IBM's massive appeal to large businesses, its platforms also provide the

same scalability that can help startups thrive. Samir Mehta, IBM M&A Marketing

Integration Executive noted:

> Silverpop and Unica are just two of the products in our portfolio that
> companies can use to really do an end to end campaign regardless of
> device or regardless of channel to really look at things holistically.
> That's really the power that we can bring to the organization. We're able
> to give a startup or small company a solution and then grow it overtime.
> So we do serve the largest companies in the world because we have the
> ability to scale to meet their needs whether they're doing a marketing
> campaign to tens of millions of people or a few hundred people—it's
> very targeted. So, we really try to look at it holistically in what we try to
> provide (Samir Mehta, 2016).

Salesforce

Founded in 1999, Salesforce.com was started by former Oracle Executive, Marc

Benioff. Benioff is widely recongized as the inventor of the concept of software-as-a-

service (Bort et al). Famous for its CRM system built on a software on demand business

model, Salesforce gradually began expansion into cloud marketing in the 2000s (

Benioff, 2013). Similar to the aforementioned marketing software platforms, Salesforce

is also a SaaS company that has inspired the creation of thousands of other companies

("Salesforce.com Company Profile," 2016). In 2013 Salesforce bulked up its Marketing

Cloud platform with the $2.5 billion acquisition of ExactTarget, a digital marketing

platform that already had clients such as Coca-Cola, Gap, and Nike ("Salesforce.com

Signs Definitive Agreement to Acquire ExactTarget - salesforce.com," 2013). This

acquisition was timed after ExactTarget had purchased Pardot, an email marketing and

CRM software company that was already compatible with Salesforce, for around $95

million. Salesforce's Pardot solution, focused to both B2B and B2C companies, offers

what many traditional marketing methods can't: metrics. Pardot's interface enables

companies to directly track the engagement and success of different campaigns across

multiple channels.

Due to the fact that Salesforce was already an industry leader in CRM software,

integrating CRM information such as sales and marketing data directly into Pardot and

ExactTarget makes it very appealing to small and large size companies. Instead of

having to install external plugins, all of the necessary applications are all centralized

within Salesforce.

The entrance of Salesforce into marketing automation coincides with trends

within the way B2B marketing has evolved. In a press release about the acquisition of

Pardot, Salesforce notes:

> The B2B sales cycle has changed dramatically in recent years, primarily
> because prospects now research options online and engage with
> companies only when they're close to making a purchase. While the
> actions prospects take during the research process present numerous
> engagement opportunities, most marketers and sales reps don't have the
> visibility or context required to understand how best to connect with the
> individual and advance them through the buying process. For example,
> marketers know a prospect opened an email, but don't how long they
> were engaged with it or what they did next. And by the time sales
> receives the intelligence, the moment of engagement has passed and it's
> too late to act on it. What they need is a solution that assembles the
> individual data points and translates them into actionable insights"
> ("Salesforce Launches the Next Generation of B2B Marketing
> Automation," 2015).

As mentioned earlier, B2B marketing is nuanced in that marketing and sales are highly

dependent on tracking leads. Increased internet and mobile usage have changed the way

businesses shop for software and the introduction of a marketing automation software helps marketing departments remain relevant in a digital age. For startups, Salesforce can be a powerful tool to provide real time metrics. Furthermore, due to the fact that Salesforce already caters to large enterprises, startups are able to quickly scale and capture global markets when using Salesforce.

Oracle

Oracle is one of the leading CRM providers occupying the same market as Salesforce. In 2012 Oracle purchased leading marketing automation provider, Eloqua, for $810 million (Rubin, 2012). Previously Eloqua had been one of the market leaders in marketing automation, providing measuring tools for marketing and sales initiatives. As a result of this acquisition, Oracle was better positioned to compete against Salesforce. Oracle's Eloqua solution offers similar capabilities to other cloud marketing providers. Some capabilities include: targeting, lead management, marketing measurement, web marketing, and sales enablement. Oracle offers a significant amount of value to startups in its ability to centralize data from prospects and customers who are using multiple media channels to connect with the brand. Similar to the aforementioned cloud marketing providers, Oracle has the ability to provide filters to better narrow down the best leads to pursue and engage with.

Furthermore, given that B2B marketing has very direct interactions and implications on sales, the lead management feature Oracle provides is very useful. Oracle offers tools that ensure the best prospects are being addressed once marketing departments qualify leads before handing off customer information to the sales

department ("Lead Management," 2016). Given that Oracle is already a CRM provider, the direct connection between Oracle's CRM system and CRM's marketing solution makes transferring data very easy.

Adobe

Adobe's cloud marketing platform offers a robust array of solutions. Similar to other cloud marketing providers, Adobe also made several acquisitions prior to entering the cloud marketing automation market. In 2009 Adobe acquired Omniture for $1.8 billion in addition to other acquisitions adding to $3.2 billion. Omniture provides Adobe with powerful web analytics and tracking abilities similar to those of Google Analytics. Adobe was the earliest entrant into the cloud marketing space with its slew of aforementioned acquisitions throughout 2012. Combined with Adobe's strong brand for creative cloud products (Photoshop, Illustrator, InDesign), Adobe is recognized by Gartner as one of the leaders in digital marketing hubs in terms of its ability to execute campaigns and its vision (Dom Nicastro, 2016). Recently, in May 2016 Adobe announced that it is acquiring publishing platform Livefyre (Swant, 2016). Although the deal has not yet closed, Livefyre is reportedly going to be integrated into Adobe's Experience Manager as part of its marketing cloud solutions. Adobe offers solutions which include Adobe Analytics, Adobe Target, Adobe Social, Adobe Experience Manager, Adobe Media Optimizer, and Adobe Campaign (Team, 2014). The combination of these platforms provides Adobe with the ability to cater to B2B companies and to be a strong leader in the cloud marketing industry.

All five of the aforementioned cloud marketing platforms are considered leaders in the cloud marketing industry by Gartner and the Harvard Business Review. Each

platform provides SaaS based products that enable marketing departments to manage

and target individual and mass campaigns across multiple platforms and to companies.

As mentioned earlier, the market for cloud marketing software continues to grow with

increased improvements across data integration and attribution.

The Growth of Marketing Automation Software

Based on data collected from the "Beyond Infrastructure: Cloud 2.0 Signifies New Opportunities for Cloud Service Providers" report (2015), by 2017 approximately 47% of marketing departments will have 60% or more of their applications on a cloud platform. With automation beginning to dominate marketing departments, traditional approaches to marketing are becoming obsolete. This change is partially due to the fact that companies previously had to utilize multiple outlets to organize a marketing campaign. Cloud marketing enables companies to centralize marketing efforts all into one platform (IBISWorld Services, 2015a).

For example, companies running banner advertisements and email campaigns no longer have to utilize multiple platforms and employees to create the campaign. Now companies can use one tool such as the Adobe Marketing Cloud. This also coincides with insights from Tim Greve, Marketing Team Leader at OpenSesame. For some companies, less marketing staff is needed to operate the department as automation is increasing productivity at a lower cost. Search engine optimization (SEO) now enables companies to receive higher rankings in organic web searches at a lower cost than outsourcing to a third party advertising or marketing agency. Salesforce.com, a SaaS CRM provider is now offering marketing based solutions through its marketing software, Pardot, which now integrates Google AdWords into its software. Now companies are able to utilize SEO through one medium: Salesforce. The 2015 Content Marketing Report notes that B2B companies value lead generation, sales, lead nurturing, and brand awareness the most in planning marketing budgets.

Why Tech Startups are using the Cloud

Based on interview with four Portland tech startups, the most common reason to adopt marketing automation software was to have better tracking capabilities. Keith Wymbs, Chief Marketing Officer of Elemental Technologies notes, "Number one was to track and to build a track across the lead generation process and then tie that back to what was the initial trigger that customer and to create ROIs and to start to make decisions. Figure out what works, what doesn't, what we should expand and contract, what kind of creative ideas worked, what ones don't, it's all about decision making" (Keith Wymbs, 2016).

Furthermore, as reported by the 2014 Deloitte study on cloud marketing and small businesses, the move to cloud computing systems can be attributed to a reduction in house costs, increased customization, easier implementation, scalability, more mobility, lower costs for experimentation and innovation, increased backup and recovery, application tools, and mobile services that are connected to cloud computing (Deloitte, 2014).

On the marketing automation seller side, Samir Mehta, IBM M&A Marketing Integration Executive, adds:

> It allows companies to not have to buy the servers and incorporate those costs or to run and manage these applications in house. It allows them to use these applications and software while someone else is managing and maintaining the infrastructure for a reasonable price. So it changes companies from an operating side because otherwise companies would have to buy a server and have people manage it and have a data center and have to upgrade that continually. SaaS allows somebody else to do the heavy lifting for them. From a finance perspective, there's a lot of benefit to companies to go down this path. We're seeing growth in the use of SaaS and these software applications available in the cloud growing and growing every year (Samir Mehta, 2016).

Additionally, the proliferation of multiple devices and numerous customer touch points

has created a need for marketing software that can address customers at multiple stages

in the pipeline who are utilizing more than one search method. Cloud marketing enables

companies to do exactly that with a substantial amount of customer data. Amazon Web

Services (AWS) reports the six advantages and benefits of utilizing cloud computing to

be trade capital expense for variable expense, benefits from massive economies of scale,

accurate estimates of capacity, increased speed and agility, reduced spending on

running and maintaining a data center, and going global in a few minutes ("What is

Cloud Computing?," 2016).

For B2B tech startups that are aspiring to become enterprise companies,

scalability is imperative. Cloud based marketing technology enables startups to compete

with larger companies on an international scale. Cloud technology also allows for

startups to scale its marketing resources to an enterprise level. Lever 10 CEO, Grover

Righter, elaborates:

> If you are going to do enterprise sales, you have to have something that
> collects this information and you can't do it yourself. You have to have a
> system somewhere so we got marketing automation originally for that.
> As the business has progressed, large companies have become much
> more important to us. So there's this magic threshold. Up to a certain
> size of deal, the more you sell big deals to big customers, the more and
> more important marketing software gets until it's not important at all.
> Because if your business was based on selling one deal to one giant
> customer every, then you wouldn't need marketing automation software
> (Grover Righter, 2016).

One example of a startup that benefits from the flexibility of cloud based

software is Zapproved in Portland, OR. Zapproved is an eDsicovery company that

caters to companies under threat of litigation. As Bantelman notes, it is difficult to

predict when a company may be sued as combined class action lawsuits and small

lawsuits often happen at different times. Jennifer Bantelman of Zapproved adds:

> No one really know when they're going to get sued. Corporations don't generally do a lot of suing; they get sued. So it's very lumpy. And the amount of data you might need to process at any time is usually going to be really small. And you're going to have these big spikes where you have to process a lot. But if you're dealing with an installed software, you buy according to that spike. Because if it's lower than that, you're not going to be able to process everything. Think of it like a hard drive or a server. You buy a certain amount of space and you can't go over that. The cloud changes all of that. When you need to go over, you go over. And you either upgrade your tier or you overages, whatever is going to be more cost efficient for you. So you can really right size what you're paying so it makes it very cost effective but it also makes it so that you don't have to budget for the edge case all the time. If you're only going to spike in the month, you can pay over the course of the year for that one month of spiking (Jennifer Bantelman, March 17).

This is also imperative when estimating computing costs. Just as business needs

fluctuate, the rate companies pay with cloud computing has the flexibility to fluctuate

based on variability. This also allows the cloud to be more efficient than data centers

and installed software. Grover Righter of Lever 10 elaborates:

> You have less wasted resources. So if you went into a data center in the year 2000 and you walked up to a server, and you asked the average utilization of that server, do you know what the answer would have been? Three percent. Well, why in the world is it three percent? Remember, we have these bursts of activity where it can grow up to 100%. Cloud is a mechanism of putting lots of users in the same system at the same time and averaging to much higher than a 3% usage. There's a better usage of electricity, of disk storage, of everything (Grover Righter, 2016).

Cloud marketing software enables companies to be more efficient with their resources,

allowing for better utilization rates which lowers costs.

Given that traditional installed software was accounted for as a capital expense,

SaaS products can be accounted for as operating expenses, making the cost easier to

justify in some instances (Heather Clancy, 2014). Furthermore, cloud based marketing

software allows for increased accessibility. Employees, such as those in Zapproved's

customer success department, that have to travel throughout the year are able to keep

stay connected because most of the necessary tools required for their positions are

available on the cloud.

Another reason why startups tend to opt for cloud based solutions is due to

venture capital funding reasons. A significant of capital is required for installed

hardware systems and not all venture capitalists are willing to front the cost for

datacenters. Keith Wymbs of Elemental Technologies elaborates on the cost saving

advantages of startups using SaaS products:

> The reality is 90% of startup of startups fail—99% probably. So you're
> not going to find anyone anymore that's willing to make that bet for that
> reason. They're not going to say "I'm going to give you five million
> dollars to go and build out that infrastructure assuming you're going to
> do a great job." You may have a great idea but they would rather say,
> "Go get it as a service" and if you fail and least you fail working on the
> right things rather than infrastructure for demand that doesn't exist. And
> then if you succeed you have an unlimited capacity to take advantage of
> (Keith Wymbs, 2016).

Furthermore, due to the thousands of customers that utilize cloud solutions such as

Amazon Web Services and Salesforce, these companies can achieve an economies of

scale that allow them to lower pay as you go prices. Also, because resources are

constantly updated by the cloud computing vendor, content is fresher and quicker to

deploy than physical installation solutions.

Implications of Cloud Marketing Adoption

The Growth of the Chief Marketing Technologist

One of the most significant results of the increase of SaaS marketing tools is the impact on marketing departments. Startup companies, which operate on tight budgets and already optimize technology utilize cloud marketing are changing the way marketing departments operate. Rather than have campaign managers, brand managers, or communications managers in marketing departments, tech startups are now hiring marketing & Salesforce operations managers that combine all of the aforementioned traditional marketing positions. This is evidenced by the growth of the Chief Marketing Technologist (CMT). The Harvard Business Review defines the CMT as having the responsibilities of aligning marketing technology with business goals, serving as a liaison to IT, and evaluating and choosing technology providers (Scott Brinker & Laura McLellan, July-August). According to the 2015-2016 Gartner CMO Spend Survey, approximately 80% of companies surveyed reported having a Chief Marketing Technologist (CMT) in their company and that an estimate 33% or marketing budgets go towards investment in marketing technology (Yvonne Genovese, Jake Sorofman, & Anna Maria Virzi, 2015).

Marketing Automation Arms Race

Increased competition and growth within the marketing automation space also has the potential to create an "arms race" in cloud based marketing software, according to CEO of Lever 10, Grover Righter. He notes that, "what marketing automation has become in 2007 and 2008, was a tool for advanced thinkers. By 2012, it had become a

tool for the leaders. By 2015, it had become like an arms race. Every company has

marketing automation software and we see a significant Law of Diminishing Return"

(Grover Righter, 2016). This arms race evident by the continuing rate of marketing

automation software acquisitions by companies such as Adobe, IBM, Oracle, and

Salesforce to create a more centralized system.

Ambiguous Data Purchase Market

As data become more important for marketing automation systems, the purchase

data market becomes more significant. In the past, companies had the ability to

purchase consumer data from third party sellers. However, today this option is not the

case. CEO of Lever 10, Grover Righter, explains the shifting data purchase market:

> There is a new marketplace like Zoominfo, like Data.com and it's quasi-
> legal. It's actually not completely clear that it's legal to acquire people's
> business contact information and sell it to people. In the United States,
> it's a grey area. In Germany, it's so illegal, that it is illegal to have a
> marketing database as it is to have child porn on your computer. It's the
> same law from the same counties. They're called the German F2 laws,
> and you're not allowed to keep business information of people if you do
> not have a business relationship (Grover Righter, 2016).

While the regulations and legality surrounding the data purchase market remains to be

unclear, the increased collection and utilization of consumer data will become more

prominent.

Potential Competition with Advertising Agencies

As a result, many companies do not have large marketing departments and also

have no need to utilize traditional advertising agencies. This has a significant impact on

advertising agencies as the availability of substitutes is proliferating. This is exemplified

by consulting firm RSW/US's survey (2015) of marketers which revealed that 59% of

marketers have consolidated advertising agencies and 63% believe that this trend will continue (RSW/US, 2014, p. 20). *Forbes* also reported that cloud-based SaaS technologies are expected to grow at a rate of 16% to reach $27.5 billion, indicating that utilization of cloud computing will be even more prominent in businesses (Columbus, n.d.). Tim Greve of OpenSesame notes that the need for traditional advertising is gradually becoming obsolete:

> Before, in order to grab somebody's attention, you had to have a really creative, great ad whether it was in the copy or the visual aspects of the ad. More so now, you just have to have the ad pop up on their screen at just the right time or hit their inbox with just the written to back that up with your original group of prospects being very scientifically put together. So it's no longer the super bowl ad that saves the day and makes everybody go wow and people get an award. It's the person that can write an e-mail that can get somebody to click it. That's ultimately what it comes down to (Tim Greve, 2016).

While advertising agencies are still in high demand, the skills and data surrounding typical advertising methods is quickly becoming replaced my automation tools that can precisely integrate consumer behavior and buying trends with promotional initiatives.

According to a 2014 Deloitte study commissioned by Google, approximately 80% of small companies reported that cloud technology enabled them to scale and grow faster. The companies already using cloud technology also reported that the cloud enabled small business to grow 26% faster and 21% more profitable than companies not using cloud technology. The survey also reported that of the 1,316 surveyed, 69% of small companies also expect to increase investment in cloud technology in the next three years (Deloitte, 2014).

Furthermore, one of the growing external threats to the advertising industry is the "growing prominence of digital advertising" which includes marketing cloud

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software that enables companies to implement search advertisements from their

computers (IBISWorld Services, 2015b). Additionally, the reports includes search

engine optimization (SEO) as a growing threat to traditional advertising agencies as it

serves as a highly effective, lower cost form of advertising. Given that SEO is already

integrated into cloud-based marketing software such as Salesforce, cloud marketing

serves as an external threat to traditional advertising agencies (Yvonne Genovese et al.,

2015).

In response to the changing technological environment, advertising giant Ogilvy

& Mather recently launched the Ogilvy CommonHealth Marketing Cloud platform in

April 2016. Ogilvy CommonHealth, a subsidiary of WPP, specializes in consumer health

and health-related communications. This particular platform is intended to "aggregate

data across numerous first- and third-party sources, creating a single physician-level

profile that helps modern marketers deliver optimized content on every channel and

every device, and across paid and owned media."("Ogilvy CommonHealth Worldwide

Launches the Ogilvy CommonHealth Marketing Cloud and Redefines Data-Driven

Marketing Services for the Life Sciences Industry," 2016a).

According to a press release from Ogilvy CommonHealth, the move to cloud

marketing is a direct response to the changing industry: "Given the increasing

complexity and turbulence of our industry, modern marketers need a framework and a

set of tools to capture, analyze, and create segments that enable them to predict

healthcare provider behavior," said Ritesh Patel, EVP, Chief Digital Officer. "Fueled by

the Medikly platform, the Ogilvy CommonHealth Marketing Cloud offering enables

OCHWW to build unmatched personalized cross-channel campaigns and customer

interactions."("Ogilvy CommonHealth Worldwide Launches the Ogilvy

CommonHealth Marketing Cloud and Redefines Data-Driven Marketing Services for

the Life Sciences Industry," 2016b, p. 1) As a result, the benefits of cloud computing

and marketing automation software not only benefit in-house marketing departments at

startups but clients of advertising agencies as well.

Security

Security is a high level concern for individuals and organizations utilizing cloud

based software. Currently, there are many laws and regulations associated with

information and data security and privacy. Although laws differ depending on

jurisdiction, there are numerous federal laws in the United States. One of the most

significant laws involves compelled disclosure. Under the Electronic Communications

Privacy Act (ECPA), Stored Communications Act (SCA), and USA Patriot Act,

companies are required to disclose data information to the US government (Hogan

Lovells, 2010). Additionally, cloud computing platforms are required to adhere to strict

industry specific regulations such as HIPPA, SOX, and FERPA in addition to many

others. However, cloud computing remains an area where the Federal Trade

Commission is still determining appropriate regulation standards (Hogan Lovells,

2010).

Security is a top priority for marketing automation providers. For cloud

computing providers such as IBM, adhering to security requirements can be challenging

to navigate across countries and industries. Samir Mehta of IBM explains:

> The other thing that's really important is data processing security. That's
> probably the number one thing that everyone thinks about when they
> think of cloud and what they use and want on the cloud and whether it's

secure and going to provide the right kind of privacy of the information that's being accessed and provided on the cloud. And certainly, when you go internationally, different countries have specific laws around security. And so we have to make sure that we adhere to those standards very very strictly. And that's a really important part of what we do. We have to make sure that we the data is secure in the highest possible standards in that country and also from a compliance and regulatory perspective. And there are certain kinds of industries, I would say, especially with the cloud, where the cloud may not be really appropriate for. So if you're in a highly regulated environment and you have very specialized needs that require proprietary information to meet certain regulations, the public cloud may not be appropriate (Samir Mehta, 2016).

Although cloud regulations may differ in some areas, most cloud based marketing systems incorporate many security features such as firewalls and load blockers, non-routable IP addresses, intrusion detecting, data backups and 24/7 service monitoring ("Adobe Marketing Cloud Security," 2014).

Two key ways that cloud computing providers are able to provide security is through data encryption in programs and in transit. Grover Righter of Lever 10 and OpenSesame elaborates on cloud security:

It's like that joke "why do bank robbers rob banks?" It's because they know that the money is in there. So the reason that cloud could be considered less secure is because it's got obviously visible targets. People who do cloud computing, they're not perfect but they have the resources and the expertise. They're doing a better than a pretty good job. They are doing a very, very good job. The breaches are spectacular. If you go and look at the breaches, most of them weren't cloud security problems. For example, if you called Salesforce, and you tell Salesforce, I have lost all of my passwords, please unlock my data. Do you know what the person at Salesforce is going to tell you? You can't. We don't have a backdoor into the data. You encrypted it with your passwords (Grover Righter, 2016).

Cloud based software benefits from having the resources and money of large companies like Salesforce, Adobe, Oracle, and IBM. Unlike installed data centers or hard drives within offices, it is very difficult to locate where cloud data is. In the past, if a hacker

were to steal an on premise server from a startup, getting information was easy. However, cloud based computing is like a moving target and the source of data information is not as easy to detect (Keith Wymbs, 2016).

While there are concerns about privacy in a cloud environment, Jennifer Bantelman of Zapproved notes that, "people are moving to the cloud because of security. Because they're realizing they can't maintain these servers in house the same way that Amazon web services can protect their infrastructure. They're able to put a ton of resources into the security into their cloud that other companies just can't do" (Jennifer Bantelman, March 17).

A Data-Driven Marketing Department

With data and marketing automation software becoming more ubiquitous within marketing departments, new job positions and required skillsets are developing within some companies. Tim Greve, Marketing Team Leader at OpenSesame mentions the need for more data skills:

> It's a much more technically based job and department than it used to be. Mathematics becomes much more important. Technical aspects of coding and html become much more important and very, very, slight nuances –a different word in one position can make significant differences in open rates and success rates of campaigns. So that's a significant difference in the way it used to be (Tim Greve, 2016).

While traditional branding and communication skills within marketing remain important, increased data tracking capabilities raises the need for individuals who are able to read and translate this type of marketing information.

As mentioned earlier, the rise of the Chief Marketing Technologist emerged with the quick adoption of internet based technology. Within some companies,

marketing departments are beginning to have specialized job positions specific to

certain marketing automation platforms. SVP of Puppet Labs, Nathan Rawlins explains

the current jobs functions within his company:

> We have a business operations team, we have a Marketo specialist and a
> Salesforce specialist. They are tied directly to those applications. And
> then probably the other big thing is that with these cloud based software
> tools, a lot of what they are pushing is to make them much more user
> friendly. If you go back and you look at some of the marketing
> automation tools before Marketo came on board, there was no way your
> average marketing person would be playing around with it. So now we
> have an admin that does a lot of the building the templates and those
> sorts of things. But everyone else on the team is in Marketo actively
> using it. Everyone on the team is on Salesforce actively using reports so
> it's pushed a lot more self-service and then specialization of those that
> make it so that the tools do what we want them to do (Nathan Rawlins,
> 2016).

Increased usage of marketing automation tools has prompted higher demand for

marketing professionals who are familiar or specialize with these types of cloud based

platforms. In the past 20 years, these automation-specific positions did not exist.

Companies that required traditional branding and communications backgrounds within

marketing are also now seeing a higher need for individuals who are skilled in utilizing

platforms like Salesfoce and Marketo.

While Puppet Labs in Portland requires a Salesforce administrative associate to

build HTML templates for email blasts within its marketing department, other

companies are staffing for similar marketing automation-specific positions. Elemental

Technologies in Portland also has demand for similar skills:

> I think that this is an area that is probably under taught because the
> experts in the area tend to be in high demand and it's a fairly new field.
> So, ideally, as we've staffed in the digital marketing area, we're looking
> for people that do have specific, not only marketing automation
> capability, but within Marketo (Keith Wymbs, 2016).

The marketing automation field is still relatively new. However, as exemplified by the

B2B Portland tech startups, one significant implication of the adoption of this type of

software is a change in required skillsets for marketing professionals as the need for

proficiency with cloud based marketing software becomes more important.

Limitations of Marketing Automation Software

Although cloud marketing platforms can offer cost saving benefits along with

increased tracking and measurement, cloud computing is not without its faults. Nathan

Rawlins of Puppet labs elaborates on the challenges associated with utilizing this type

of software:

> It's going to become even more entrenched in companies. So for a
> startup where you don't have to deal with a legacy, of course, you're
> going to just be in the cloud. Bigger companies are definitely going to go
> there as well. I think that one of the next big areas is that, we talked
> earlier about being able to do recording, and you can get a lot more data
> out than you could five or ten years ago. But it's still nowhere as easy as
> it could be. So you look at tools like Domo or Tableau where they're
> doing aggregation across all of the other cloud data sources and making
> it so that you can see from the top of your funnel to the bottom of your
> funnel exactly what is happening. So they're taking data from Marketo,
> they're taking data from Salesforce and they're matching it all up. That's
> still a huge pain and I think that's going to be the next big frontier
> (Nathan Rawlins, 2016).

The disconnect between CRM systems and marketing automation platforms still exists.

While CRM systems provide the benefit of tracking leads throughout the sales process,

the ability to effectively translate that information into a cloud marketing platform

remains difficult as many plugins are required to connect with Salesforce. However,

Salesforce's acquisition of ExactTarget indicates that the market is headed in the

direction of centralization as a way to better utilize data.

Along with the challenges startups face while using marketing automation software, providers and sellers of marketing automation software also note other limitations with the software. Samir Mehta of IBM adds:

> I think it's not a solution for everybody. Probably the number one issue that companies face—I would say it's more of the larger companies—they have a lot of applications that they have already built or that they have customized over the time so they may not find the best cloud based application today right off the shelf. There is going to be planning and discussion around some of the very specialized kinds of needs for certain companies. It may just not be available in the cloud today (Samir Mehta, 2016).

Despite cloud computing's clear cost and convenience advantages, there are still many solutions that can be improved for small and large scale companies. For startups, having data that can more easily transfer into more meaningful visualizations can make the information gained from CRM systems more powerful. As evidenced by Mehta's insights, not all marketing automation solutions provide the best opportunities for large businesses to customize their cloud needs. Furthermore, this issue become more prevalent in industries that are highly regulated and require very distinct specifications.

Lastly, as marketing automation software becomes more ubiquitous, messaging and promotions become saturated and crowded. Tim Greve of OpenSesame notes that, "It's very difficult to get your voice heard above the noise when people are getting hundreds and hundreds of similarly style e-mails each week. It's very difficult to get them to open and see your message. People get very jaded about it and can even have more animosity than they used to. So I think it's a bit more difficult to get above the noise" (Tim Greve, 2016).

The Future of Cloud Marketing Automation Software

Decreasing Costs

As Jennifer Bantelman of Zapproved notes, a possible trend for SaaS products includes the decreasing cost of software. Figure 3 is demonstrative of this growing trend.
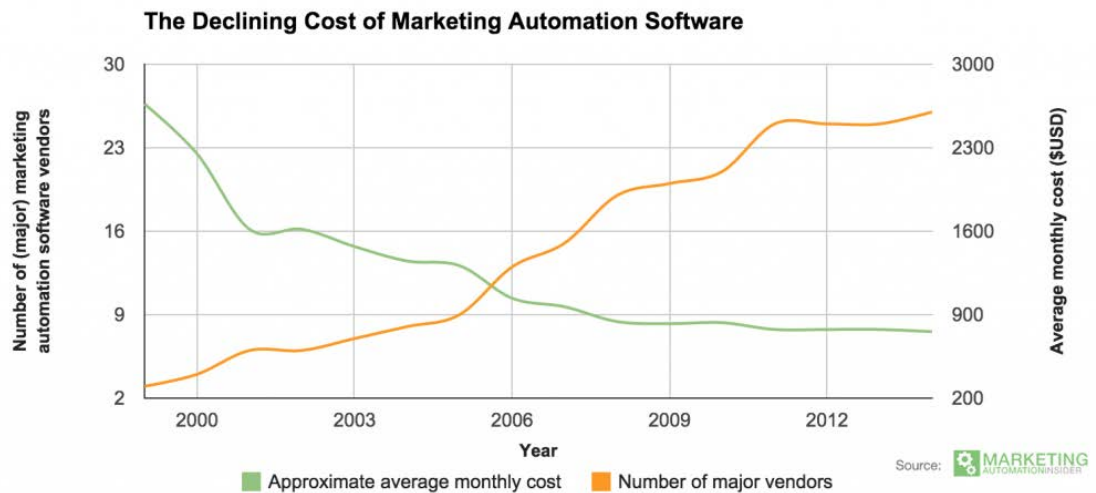
Figure 3: Declining Cost of Marketing Automation Software

Source: Marketing Automation Insider, 2015

While marketing software continues to become more sophisticated with increased vendors entering the market, there has been a consistent trend in decreasing costs.

Templated Content

While the SaaS market and cloud marketing software industry continues to grow, it is still unknown how the software will evolve. Bantelman suggests that the software will continue to become more templated, making the user interface and functionality of the software easier to use:

> The more people on the cloud, the less that becomes a value proposition. If everyone's on the cloud then you have to differentiate in other ways.

> And so I think we're going to see that in costs going down and I think we're going to see that in things getting easier and more and more templated. In customer success specifically I'm already seeing that where it used to be kind of "choose your own adventure"—and customer success is still a bit of a "wild west" where a lot of different teams do things differently" (Jennifer Bantelman, March 17).

The move to more templated material is a feature now being capitalized on by companies such as Salesforce and Marketo. As mentioned earlier, one of the greatest values that comes from utilizing marketing automation software is the fact that it provides a way for a marketing professional unfamiliar with computer coding to create content and campaigns for the company. The inclusion of additional templated materials is an idea that will allow individuals from nontechnical backgrounds do more in the software programs without having to require significant tech support.

Content Catered to Tracking

While emails are becoming more targeted and personalized with the help of marketing automation software, content creation is becoming more nuanced. As promotional newsletters and emails lose popularity among clients and prospective buyers, there becomes a higher need for content that is compelling enough to elicit an action from the target consumer. CEO Grover Righter notes:

> The content I give you has to be worth something. That's the future. It doesn't matter whether it's e-mail, or social media, or whatever. When you really understand how clickbait works, you understand how all marketing ought to work which is "I should engage you in a multiple set of steps, which continues to reinforce that you really care and then I should reward you. Then I should start giving you real stuff. I should give you actual stuff. But then, because I know who you are, I have to withhold at least one thing, which is what we called gated content and I should make you fill out a form to get that. I do ultimately want to know who you are. So, it doesn't matter whether Marketo becomes as big as Oracle, it doesn't matter whether we quit using e-mail marketing and we move to social media marketing (Grover Righter, 2016).

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Part of creating content catered to tracking is creating content that people will want to engage with. Measuring engagements to utilize predictive behavior greatly enhances a marketing department's ability to have content viewed. However, creating buttons and opportunities for users to directly click through content is just as important as it allows marketing platforms to directly track the customer journey as it is happening.

Centralized System of Attribution

Nathan Rawlins of Puppet Labs agrees with the potential trend of more templated materials, also noting that a possible improvement of this type of software includes a system of attribution across the entire process (Nathan Rawlins, 2016). For example, Salesforce gathers client data throughout the pipeline but cannot produce the powerful graphs and insights companies can gain from using a different type of data visualization software like Tableau. Ideally, some companies are expecting and anticipating a more centralized platform where extra Salesforce plugins aren't necessarily needed. When talking about the potential for Salesforce to create a more centralized marketing platform, Nathan Ralwins of Puppet Labs notes:

> "That would be ideal. So [Salesforce] brought on ExactTarget too. That's clearly their vision. We talked about before that one of their biggest headaches right now is tying data out of Marketo or any marketing automation tool with your Salesforce data. What you want is some sort of attribution all the way through where you can say "we did this program and this person did this, this, and this, and it led to this opportunity." It is a complete pain in the butt to do that right now. If it's in a single system, there's a much better chance that you can get that attribution model in place. I think it's going to take them a while to do it but I would not doubt at all that Salesforce would put the pressure on Marketo" (Nathan Rawlins, 2016).

Emphasis on the Customer Experience

As marketing campaigns become more personalized with the integration of data across multiple platforms, the customer journey and the customer experience becomes paramount. IBM Marketing M&A Executive, Samir Mehta elaborates:

> …no matter how much marketing you have, you have to have a really good product to offer and a really good reason for a customer to come and try out your product or buy your product. It puts more pressure on the products being good because people can quickly figure out if this is something that really works and if it is something they really need. We have to really incorporate all of that into making the products the best they can be along with the experience. The experience and the product are so intertwined now that the customer sees it all as one. And there's not as much separating but the experience is now part of the product (Samir Mehta, 2016).

As exemplified by Mehta's insights, technology products are becoming synonymous with the process of accessing and using the products. The ease of access and navigation through a company's website to view a webinar or tutorial on SaaS based software is new a key component to selling services. Now that there are more tracking capabilities, some companies are beginning to anticipate enhanced customer experiences where content is always new and always relevant to the consumer.

Cloud marketing automation software has the ability to transform the way marketing departments operate. For B2B companies, improved lead management and generation combined with quick scalability allows companies to steadily grow revenue.

Contribution to the Field

This project is important as it discusses implications for marketing departments and businesses as a whole. Traditional marketing is quickly being replaced by cloud marketing technology and marketing departments are gradually becoming more

analytics based (Salesforce Marketing Cloud, 2015). The examination of how cloud

marketing technology is evolving and how B2B tech startups are utilizing enterprise

marketing software allows for better insight on how companies can better delegate

marketing efforts. Given that B2B tech startups are constrained by capital and need to

quickly scale, examining the ways these companies utilize cloud marketing provides

valuable insight on how to cost effectively grow a company with a limited marketing

budget (Deloitte, 2014, p. 26).

Cloud marketing platforms such as Salesforce.com provide marketing data that

can expose problems ranging from revenue realization, targeted email marketing

campaigns, and lead generation (Barchi Gillai & Tao Yu, 2013). As a result of B2B

companies' emphasis on customer relationship management (CRM) and sales, the

emergence of the customer success department in conjunction with technological

platforms such as Salesforce can result in highly effective ways to target, maintain, and

generate revenue (Salesforce Marketing Cloud, 2015). This project also discusses the

move to utilizing cloud based computing systems and marketing data to maximize

marketing efforts.

Methodology

To gain the best insight on how companies are using cloud marketing

technology and how these types of platforms might impact the industry, six different

interviews were conducted with six business professionals. The interviews will took

place in person and in locations the interviewee deems most convenient (meeting rooms

and cafés). During the interview, conversations were recorded (with permission from

the participant) to create the transcripts below. Prior to including each transcription,

completed transcripts were sent to each participant for review to gain permission to

include the documents this thesis. The data collected from the participants is strictly

qualitative with each participant serving as an industry expert and providing personal

insight on the industry.

Questions for the interviews were as followed:

1. Please explain your position and responsibilities with your company
2. How does your company structure your marketing department?
3. What are the typical functions of your company's marketing department?
4. How has your company utilized cloud marketing software?
    a. How has this changed how your marketing department operates?
    b. How, if applicable, has cloud marketing software changed the marketing positions needed in your marketing department?
5. Why did your company decide to utilize cloud marketing software?
6. How does cloud marketing software impact your business?
    a. What are the specific advantages that cloud marketing software offers?
    b. What are the specific disadvantages of cloud marketing software?
7. How, if applicable, do you think cloud marketing software has disrupted the marketing industry?
8. Where do you see the future of cloud marketing?

Interview Transcriptions

Interview Transcript with Nathan Rawlins, SVP of Marketing, Puppet Labs

Location: Puppet Labs
Date: Thursday, March 24, 2016 at 8 AM
Duration: 25:39 min

Simone: Please explain your position and responsibilities within your company.

Nathan: My title is SVP of Marketing. I am responsible for all of the marketing functions. Here that's product marketing, corporate marketing which includes things like demand generation team, marketing operations team, events team, partner marketing team, press and analysts. And on the product marketing side we have the core product marketing team, sales enablement, and also technical marketing. So that kind of runs the gamete.

Simone: Perfect and I think that answers the second question. So what are the typical functions within Puppet Labs' marketing department?

Nathan: So, do you want more detail and what those different teams do?

Simone: Yeah, that'd be great.

Nathan: So let's start on the corporate marketing side. Basically there you have the engine of demand generation. We have a demand generation team specifically focused on digital media buys. They're working with the Sales team to make sure they're getting the right leads, they're nurturing those leads, those sorts of things. They work closely with the corporate marketing team. That team is mostly responsible for content. They write content from all of the blog posts, design, all of those sorts of thing come from that team. They also work with our Ops team. Ops is responsible for Marketo and a lot of the systems and they're also responsible for understanding the return on our investment, the yield of our efforts, the velocity of leads through the pipeline and those sorts of things. We do a lot of events here so we have an events team that does everything from tradeshows to Puppet camps. We run a bunch of Puppet camps around the globe where we go and we have people from the community that talk. So that team runs those and we have a big conference every year that's called Puppet Conf. Then we've got partner marketing and a few other things in there. On the product marketing side, that team is responsible for knowing how we position things, how we message things, how we ensure that the sales team knows how to talk about what we're doing. So they tend to be more of the domain experts and they're focused on ensuring that we are saying the right things to the market and that anyone in a field facing role understands what they need to say.

Simone: Ok. How has your company utilized cloud marketing software? It sounds like you're using Marketo.

Nathan: We use a bunch. Right so we use Marketo, we use Salesforce. Our website is all hosted in the cloud and we use a whole bunch of tools there. Specifically for managing SEO and we have tools for doing A/B testing and we use Optimizely. We do a lot with BlueJeans for video-conferencing. Other than our website platform itself, which we host in a remote data center, pretty much every tool that we use is some sort of cloud software. Arguably, the website is too.

Simone: Going off of the question set, I'm curious because a lot of companies say that the cloud is safer so I'm interested in why you host a private data center?

Nathan: We have some things in a private data center a number of things in the cloud. Some of that is, as a company that builds software for managing infrastructure, we have a high degree of competence in managing a data center for our size. We have people here who used to run iCloud for Apple and now they're managing our data center which is relatively small. The genesis of that one, specifically for the website, was to save some costs.

Simone: How has this software changed the way your marketing department operates? Have you always been using the cloud or did it come midway through?

Nathan: We have always been using cloud-based software. Maybe I shouldn't say always because I'm sure if you go back five years ago there were areas where we were not but I know at least in the two years I've been here, everything has been in the cloud.

Simone: Ok and the next question is, how has cloud-based software changed the marketing positions in your department? And so for this I was thinking about how more and more companies are requiring a Salesforce automation specialist instead of a marketing specialist. Have you noticed that sort of change?

Nathan: Yes so we have very tailored roles. Neither of these two people sit directly within marketing. We have a business operations team, we have a Marketo specialist and a Salesforce specialist. They are tied directly to those applications. And then probably the other big thing is that with these cloud based software tools, a lot of what they are pushing is to make them much more user friendly. If you go back and you look at some of the marketing automation tools before Marketo came on board, there was no way your average marketing person would be playing around with it. So now we have an admin that does a lot of the building the templates and those sorts of things. But everyone else on the team is in Marketo actively using it. Everyone the team is on Salesforce actively using reports so it's pushed a lot more self-service and then specialization of those that make it so that the tools do what we want them to do.

Simone: Why did Puppet Labs, if you know, decide to utilize cloud marketing software in the first place?

Nathan: I don't know if it was a decision so much about "let's put it in the cloud" because the cloud is just where the tools are. The best marketing tools right now are cloud-based.

Simone: Why do you think that is? Is it due to ease of access or because of cost savings?

Nathan: I think it's primarily because Salesforce built the model. The tool that marketing teams use almost all hover around SFA. They use Salesforce automation as the core. Once you've decided to go with Salesforce, you'd be kind of silly to do anything that had a hard time working with Salesforce. As you look at a lot of these other tools you see that they came to market after Salesforce did. So their business models are so closely tied to working with Salesforce that they followed a similar path. In general we don't look at, "Does it cost less than bringing it in house?" although the website is one exception. It's just historically it's been something that we had here in house. But for tools that we've acquired over the course of the last two years, we haven't don't do an evaluation on what would work on prem because I'm not sure that we've even evaluated one that would work on prem. They are all in the cloud. Are you finding that other companies are doing more evaluations of on prem software?

Simone: No.

Nathan: I think it's a given at this point. I think especially on the marketing side, it's all about Salesforce. And it doesn't make sense that you would put something on prem where you have to deal with ports and the likelihood that you are going to be off version with Salesforce. On prem, you're not going to rev the software nearly as frequently and so because it all has to plugin to Salesforce, we like to have the vendor take care of that because most businesses don't want that hassle.

Simone: How has this type of software impacted your business? Are there any specific advantages or disadvantages to using Salesforce or Marketo?

Nathan: Probably the one I just mentioned is the biggest. You're always on the latest version. I look back at tools that I've used on the past where I'm on software that's five years old and it's clunky. Any time I wanted to upgrade it's this massive project. Now we don't have to deal with that anymore. That's definitely one the most significant things because you can continue on a project and keep improving. The second thing we touched on briefly is that the tools are accessible to a larger group of people so that you don't have to have single points of contact for getting reports.

Simone: How do you think this type of software may have disrupted marketing departments or the marketing industry?

Nathan: It has made being data-driven much more possible. Back in the days if you were using Siebel for your SFA and who knows what for your marketing automation.

Getting data out is nearly impossible. So for a company of our size, unless you had an army of consultants to go through something like that, you're just not going to get the data out. Here we have a lot of data about how our business in running on a day to day, week to week basis. And that fundamentally changes what we do.

Simone: Another follow-up question, I was reading through IBIS and Gartner reports that discussed the traditional advertising agency model and things like search engine optimization are starting to take away market share from agencies. So for example, Salesforce now has an integration with GoogleAdWords. Do you think that this type of software is going to make a shift to bringing marketing in house rather than outsourcing?

Nathan: It seems to shift back and forth. There's kind of this pendulum. I know for us right now we just went through a period where we're pushing more out. Largely because we don't have to build up the specialized skills in house and as we scale it's easier to burst with an agency—meaning that for us in the first half of the year, there were a bunch of things that we needed to do to accelerate demand generation. It's easier to say we're going to spend more money with an agency in the first half and then we're going to go and hire a bunch of people that maybe halfway through the year say, "Great we've done that. Now we have excess capacity." I would expect that it varies pretty dramatically by company circumstance. We are relying more on agencies right now more than any time in the past couple of years.

Simone: Interesting. Where do you see the future of marketing automation software or of marketing in general?

Nathan: I think it's already assumed. It's going to become even more entrenched in companies. So for a startup where you don't have to deal with a legacy, of course, you're going to just be in the cloud. Bigger companies are definitely going to go there as well. I think that one of the next big areas is that, we talked earlier about being able to do recording, and you can get a lot more data out than you could five or ten years ago. But it's still nowhere as easy as it could be. So you look at tools like Domo or Tableau where they're doing aggregation across all of the other cloud data sources and making it so that you can see from the top of your funnel to the bottom of your funnel exactly what is happening. So they're taking data from Marketo, they're taking data from Salesforce and they're matching it all up. That's still a huge pain and I think that's going to be the next big frontier.

Simone: One of the reports that I was reading talked a lot about how startups in particular are using software automation just because it allows them to scale so much faster. Do you think that there are any other specific advantages for startups to use this type of software?

Nathan: Remind me, what was the reason they gave for startups using it?

Simone: So the reasons were cost, ability to scale, and another one was access.

Nathan: All sound perfectly reasonable. So as a startup you've got to pick and choose who you hire very carefully. Especially early on. The more you can have flexibility, where you can bring in someone that's more generalist where they can have bunch of different things, and then you have tools that allows them to have some kind of specialization, that's kind of ideal. As you get much bigger, you can have much more specialized function but in a startup, you typically are looking for individuals who can do a bunch of different things. That's where access to tools makes it easy for a generalist to do specialized things is very important.

Simone: Another question that I have is, how important do you think it is for people to start learning these specializations? Just because I know it's starting to become more prominent at universities where people are starting to hear more about Salesforce.

Nathan: If you want to be in marketing you have to understand Salesforce. It's everywhere at this point. I would say it's very important to understand Salesforce early. I think the other thing that's going to become really common is data analytics tools. Things like Tableau. Understanding those coming out of college will be very helpful.

Simone: One last question about Salesforce. Salesforce just launched Pardot. Do you think that Salesforce could essentially replace Marketo to become centralized into one software automation tool?

Nathan: That would be ideal. So they brought on ExactTarget too. That's clearly their vision. We talked about before that one of their biggest headaches right now is tying data out of Marketo or any marketing automation tool with your Salesforce data. What you want is some sort of attribution all the way through where you can say "we did this program and this person did this, this, and this, and it led to this opportunity." It is a complete pain in the butt to do that right now. If it's in a single system, there's a much better chance that you can get that attribution model in place. I think it's going to take them a while to do it but I would not doubt at all that Salesforce would put the pressure on Marketo.

Simone: What capabilities does Marketo have that Salesforce lacks?
Nathan: I am not as familiar. Marketing automation interfaces are much more complex than the Salesforce interface. That's one of the areas where they are definitely different.

Simone: Do you think that the term, "cloud" is an appropriate term to describe the environment or should there be another name for it?

Nathan: Um, it's a fair question but at this point I don't know if there would be another name for it. The metaphor may or may not be the right one. It's so far entrenched that changing it is just not going to happen. Whether or not it's the right metaphor, the meaning of cloud is evolving quite a lot. There are many different types of clouds. Most people think the cloud is somewhere out there—they don't know exactly what it is. When you peel it back there are infrastructure-as-a-service, platform-as-a-service,

public cloud, private cloud, hybrid cloud. At some point it will be assumed and we will probably stop calling it cloud or anything because it will just be software.

Interview Transcript with Keith Wymbs, Chief Marketing Officer, Elemental

Technologies

Location: Elemental Technologies
Date: Wednesday, March 16, 2016 at 3 PM
Duration: 36:18 min

Simone: Please explain your position and your responsibilities within Elemental Technologies.

Keith: I am the Chief Marketing Officer here and I've got responsibilities that span from technical to the softer side of marketing. The most technical aspect with Product Marketing –so how do you translate your functionality and the features that you develop into benefits—how do you sell it and differentiate it—and that also includes managing the partner ecosystems so there will be adjacent solutions to us that, when we combine them together, make for a better solution. And then going across the different functional elements we have field marketing which allows us to scale our resources—so you can think of it as a geographical focus—we have folks that are in Europe, folks who are in Asia, folks that cover North America. And we have a publicity function as well that tends to work on a regional basis. We also have a communications group which focuses on either collateral development, messaging, or going all the way over to the graphics side—doing static design, motion graphics, as well as video. We're a video infrastructure company, so we have video production capabilities and we do that all in house. In addition I've got a group that focuses on sales enablement, so that group supports both our direct channel (which is our sales team, who are distributed across the world) as well as channel partners. The team that focuses on our direct sales support which tends to focus on responses to proposals that are requested by customers—they have a list of functionality that they want us to adhere to and to compete for and we help centralize the production of that response, working with the legal teams and different technical teams. Digital is more similar to marketing operations. So the functions of our website, the interaction with our cloud-based automation software, interfaces to the sales team, lead generation as well as doing media buying, SEO, SEM, all sorts of keyword activity is handled in this group. The team also works a little bit with social media so using LinkedIn, for example as a targeting for us. And it looks like I answered questions 2 and 3.

Simone: Oh, that's perfectly fine.

Keith: Do you want me to dive into any of those more?

Simone: No it's fine, it looks like we have a good baseline for now.

Keith: Those are my groups and the things that I focus on just in my position is strategy for the company as a whole, as well as making sure that the team is aligned with the initiatives we have to grow our business. And we've been growing very fast for 5-6 years now so that's been kind of challenging to grow the team. So the next question…"How does our company utilize cloud marketing software?"—what do you mean by cloud marketing software? Just to make sure I understand.

Simone: So for my thesis I'm focusing on four main providers so Salesforce, Adobe Cloud Marketing, IBM Cloud Marketing, and then Oracle and so using any form of cloud technology to assist with your daily functions whether that's Marketo…

Keith: Yep.

Simone: …Or that's Salesforce.

Keith: So our structure is Marketo and Salesforce. We have used other marketing automation software in the past but we have been using Marketo for a few years. We use Marketo and Salesforce to capture interested customers that come into our purview and get converted to leads and then run through a sales pipeline. And then we go all the way to actually using Salesforce as a supply chain management tool and a forecasting tool and part numbers and pricing and quoting and all that.

Keith: On the Marketo side, we use it as our database and our ability to slice our database—create lead gen campaigns based on certain goals and different types of targeting of subsets and segments in the market. So that might be by geography, by industry type, and things of that nature.

Keith: [Reading interview question] How has it changed how your marketing department operates? It hasn't really changed because we've been using it together a long time. I guess the one thing that really has changed is our ability to track effectiveness of campaigns and engagement level of our customers based on our campaigns. It's pretty significant and allows us to have the potential to track return on investment. Let's see here… [Reading interview question] How has cloud marketing software changed the positions in the department?

Simone: So that example would be like more companies are hiring Salesforce automation managers within the marketing department. Are there any positions that are specific to the type of software you're using that you're hiring for as a result of cloud technology?

Keith: Yeah so our sales operations group runs our Salesforce instance that is within the sales organization, so that's separate. And that is a person who had a lot of experience in Salesforce before she came here. And that was the year we basically decided to launch and she's been through that process the whole way. Basically as the business has

scaled she's started to have people under her reporting to her to do some more of the tactical work. Mostly conversion of POs into accepted orders with the supply chain. On my side, over the course of time, I've actually learned that having an expert in the marketing operations/digital marketing area is really important. It is a science. It is also a craft that you don't necessarily learn at school. I think that this is an area that is probably under-taught because the experts in the area tend to be in high demand and it's a fairly new field. So, ideally, as we've staffed in the digital marketing area, we're looking for people that do have specific, not only marketing automation capability, but within Marketo. It doesn't mean that we wouldn't take somebody who has less Marketo knowledge, because they can typically learn quickly and the concepts are the same across the different platforms that you mentioned, but it is good to have depth in the area.

Simone: So, for Marketo, are you finding that you're putting more specific marketing efforts in a certain subset? Whether it's like, marketing campaigns or search engine optimization?

Keith: This is an area where we're pretty nascent, I would say. I mean we do a lot of email but you've got to remember that's only to our base. So that's to someone that's already raised their hands and said, "You can have my email address." But what we also do is we create tracking tags for digital efforts whether it's in a campaign for an email or we're trying to get third parties involved to embed that within their email campaigns or just digital assets are out there that are banners and kind of different types of promotion—sponsorship types of activities. So we do all of those things and it's kind of one of the biggest challenges, how do you balance the use of your tools or even your mindshare for getting things into the top of the funnel based on, you know, there's all these people that don't even know you exist, or they know you exist but haven't said, "You can have my information" because they don't identify with the problems that you solve. And then how do you work it back down the funnel and how do you cross sell into the base—new solutions that you come out with?

Simone: And then with Salesforce I know that a lot of companies utilize it for not only lead generation and sales management but also for retention of customers whether that's through their Pardot email marketing campaign. Do you find that you utilize that a lot?

Keith: Not with Salesforce.

Simone: Ok.

Keith: So we basically have other tools that we use that surround Salesforce. We do not use Pardot. That would be kind of overlapping with Marketo. We use a specific support system that does have an interface with Salesforce but is not owned by Salesforce. We use a community portal that allows our customers to join a community but it's not, and I don't even know if Salesforce has their own internal solution for community management, but we use a third party application for that as well so it's kind of Salesforce as the heart. And then we have, I'm going to guess six or seven different

elements that are specialized around it and they share data across it so you have one kind of view of what the customer is (ideally).

Simone: And so, why did your company decide to utilize marketing automation software?

Keith: Number one was to track and to build a tracking mechanism across the lead generation process and then tie that back to what was the initial trigger that customer and to create ROIs and to start to make decisions. Figure out what works, what doesn't, what we should expand and contract, what kind of creative ideas worked, what ones don't, it's all about decision making. That's the fundamental reason.

Simone: Interesting. So under the category of how it's impacted your business, are there any specific advantages to using marketing automation software?

Keith: Yeah, it goes back to that decision making. If you have a business where you're spending a dollar and you can generate facts about how that dollar is spent, at a minimum you've got a customer who has raised their hand to generate an opportunity for someone on your sales team and you can start to make decisions on what not to do and what to do. So you're not wasting resources and you're not guessing as much. I don't think it's perfect because one of the biggest, it's not a disadvantage, but one of the difficulties of the automation packages is that it does require behavior changes for those that interact with it. It's not all automatic. You have to decided, "Am I going to accept or reject?" You have to acknowledge a lead. You're going to have to say "I'm converting it and I'm tying it to this opportunity" and there is a behavior that needs to change in order for the data to be accurate. It's extremely hard. So what you end up doing as a marketing person is you take proxies for the ideal. So the ideal scenario is, "I spent a dollar here and got three dollars in revenue" and, ideally, five dollars of revenue in the future and I want to be able to prove that. In reality, a lot of the decisions that we're making are not based on perfect information. First of all you may not have the time. You may not be able to wait until the dollar went through or the five dollars that it was in the future. You're not going to wait three years to say, "Oh that campaign that we ran four years ago worked." And so to create a fast feedback loop you're making decisions with imperfect information, you're saying, "I spent a dollar and I know I got this many sales accepted leads that the sales team said, "that's a really good contact. I'm really glad you did that" and measuring it that way. So it's kind of different and it doesn't guarantee that revenue is going to fall out.

Keith: [reading interview question] How, if applicable, has cloud marketing disrupted…what do you mean by that?

Simone: So with this I was just thinking more of the traditional marketing. More agencies tend to take that sort of approach and so, something that I found in a bunch of studies I was reading was that cloud marketing, now that for example, Salesforce just released a product that integrates Google AdWords. So is this at all changing the way

marketing departments are structured or operate because you can now use it all from one platform?

Keith: I don't know. I think it's kind of too early to tell. But I do agree that in the marketing operations and digital marketing world the tools have made it a lot easier to do a lot of the techniques and tactics that are used. So, as a lot of automation happens, you start to have people who have cross functional experiences who can do a lot more. Right? So, they just used to play the violin but now they can play five instruments at once because they have something else that's doing the heavy lifting in terms of bringing it across different channels. So I do think that it is a case but that's just always true. In the course of just business, technology allows people to be more effective and to do more things at once. You know initially when there's a technique or a technology comes out it's really focused and it's really good at that specific thing and then it widens and you're doing multiple things and you can just as easily put in the same amount of input but you're getting a lot of impact. So I think that's generally true. I don't know about your specific case that you raise in terms of Salesforce integrating AdWords. It probably allows you to abstract the interface and to probably target better. I would imagine you would get some insight based on, you know, we can track when people are viewing our site and I'm still not sure how that specific platform works.

Simone: Yeah I'm not super familiar with this new Salesforce platform. And so along the lines of disruption, do you see a specific future for cloud marketing or any implications it has for startups or the industry in general?

Keith: So I think the biggest thing right now is there are many alternative ways to go in the industry. There are many tools, you mentioned some of them, and I think this space is still very nascent and it's not completely working yet. It's possible that someone new will come into that space and disrupt those that were there—there's probably ten or twenty of them. And I don't think that anyone has proven or can completely say that "we're the best." And so I think that's the big thing: I don't think that anyone is super satisfied with what they have and the cost benefit value to it. It has disrupted the traditional marketing approach which is great, but will the disrupters be disrupted? I think there's an opening for that because it's still so early and here's still so much chaos and it's kind of like, not quite a formed child.

Simone: yeah and so I was looking at a study that was conducted by Deloitte which was commissioned by Google on how cloud software enables smaller companies to scale so one thing that the study outlined was cost advantages to using cloud software. Would you agree to that?

Keith: Fundamentally, most applications are not used all the time to the maximum capacity that they need to be used so there's batching that happens and demand isn't always constant. And frankly, in a startup world there's so much uncertainty that you can't possibly predict what you're going to get. If you're betting big and you're confident and if you were to own the infrastructure you're going to have to go out and buy and raise a lot of money to make the big bet so you don't get caught under

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resourced. The reality is 90% of startup of startups fail—99% probably and so you're not going to find anyone anymore that's willing to make that bet for that reason. They're not going to say "I'm going to give you five million dollars to go and build out that infrastructure assuming you're going to do a great job." You may have a great idea, but they would rather say, "Go get it as a service" and if you fail at least you fail working on the right things rather than infrastructure for demand that doesn't exist. And then if you succeed you have an unlimited capacity to take advantage of. So I can't even really fathom anymore startups making a decision to build their own data center. I just can't even see it. Back a few years ago, reliability, security, the cost maybe were concerns but even the costs—the costs are dropping. We're part of a cloud infrastructure company and they publicly disclose the fact that they do and have done dozens price drops since they started. They just keep giving it back to the customers. And so they're reducing that barrier.

Simone: Another big thing that came out of the some of the reports I was reading was the concern for security with for example, at a company like Salesforce has all of this data from multiple, well thousands of companies, some which are competing against each other. Is there any concern for security with marketing automation software versus having a hard drive?

Keith: When somebody is getting hacked that typically means that they're being targeted and it means that you have to have some kind of intelligence and you have to know where they store their data, you need to know how to get to those systems. That's way easier to figure out if when have datacenter environments than it is if you're in a cloud environment. So that's just one level of security. It's just harder to hack when you don't know where to hack.

Simone: Very interesting. My liberal arts professor wanted me to ask this question to everyone is, what do you think about the metaphor of the cloud to describe the environment that you're operating in? Would you describe it as a sun instead or keep it as a cloud?

Keith: That's an interesting question. I don't know. I've never questioned it, really. The thing that bothers me about it is not the word itself, it's the misuse of the word. So a lot of people will say, "it's in the cloud" or "we're going to the cloud" when in reality they're not. They're just calling it that. There are a lot of companies that will take their own infrastructure and make it easier to reuse resources and call it the cloud but it's not. It's still in their building and it's still a resource that they had to buy and capital that they had to spend even though they can use it more flexibly. It's sometimes called the private cloud but that area gets kind of fuzzy. I think it's a really good word actually because clouds are there. You know, the metaphor, I don't know exactly how it originated but the way I can explain it is that datacenters are on premise whereas you know, as a service, cloud capabilities are not on premise, they're not in buildings (they're in buildings but they're not in your buildings) and so it's like they're somewhere else…in the air. Originally datacenters were in companies and then there would be hosting companies that customers would use to buy the assets that would then

go into the buildings of the hosters. It gets it out of the building. You're not paying for the power, you're paying for a service that gets the physical equipment in there. And then the more extreme is the cloud where you never bought anything physical. It's like a utility—calling it more of utility might be a synonym that might be a better metaphor but it's not as sexy. It's utility computing. It's like a utility at home. You know you don't go out and buy a wire to connect to your house to get electricity—you get a service. It's a utility. You get your gas that way, you get your electricity that way, but you're not really the one hooking it up. So that's maybe the word that I would use as a synonym.

Simone: Ok yeah. I know it's kind of a bizarre question so I wasn't really sure what kind of responses I would get for that.

Keith: What is their opinion on it?

Simone: Well my professors are from a marketing background and I didn't have anyone from a computer science background and they think it's perfectly sound and it's hard to tell the history of the cloud. I had trouble finding the origin of the cloud and could only find it from a Google press release from years ago. But they're curious if that's an appropriate term or if there's a better word.

Keith: Interesting.

Simone: Yeah and to wrap up, I'm curious, with this cloud environment, are there new skills that people need to develop to be successful in this environment—in house at least?

Keith: Are they different?

Simone: Yeah or are there emerging skillsets that you think are going to be more in demand?

Keith: I mean, I think that a lot of the softer skills exist. They have to be there whether they be design or writing, or strategic thinking and things like that. I do think that having almost a quantitative aptitude is an absolute must for somebody who wants to lead a marketing organization. If you don't have that capability, I think it's challenging to lead marketing whereas in the past you could probably do it based on huge amounts of publicity experience and your personal network with the media people in the industry you're trying to influence. I think that in B2B marketing you used to have two parts: people who were technical and understood the products and solutions and you had people who were on the softer side and there wasn't this data in the middle. So having that really analytical understanding of numbers and having that intuition about numbers and seeing trends and being able to present data well and make decisions based on data is really more important now because of the ability to get the information.

Simone: That's interesting. Yeah, another study that I was looking at from Gartner was talking about the emergence of the Chief Marketing Technologist so I was just curious to know or hear if you've seen it more.

Keith: Hm, the Chief Marketing Technologist. What do you think that means?

Simone: So from the articles I've read from Harvard, it sounds like it means a hybrid between the technology department and the marketing department and understanding how the technologies and platforms work to integrate it into marketing campaigns.

Keith: One of the things that I've come to realize is that it's so much more possible now to have a complete, in-house marketing team. And I don't know if it's all associated with marketing automation. I think that it's that technology has made things so easy whether it's content production or asset production or digital photography, video—it's all become so possible to create something great…that creating an organization even at a small level that does everything in house is possible now for small organizations. It's kind of an experiment that I wanted to do here and it has its challenges but its benefits certainly outweigh them in terms of speed and how quickly you can iterate. You don't get into disconnects between you and the third party supplier and that's something fundamental that I've learned in the job…it's possible to do that. It's not easy to do or even possible unless you're a really quickly growing organization. Because if you're kind of stumbling and your revenue is going up and down and you're not really confident, you can't really hire at scale to keep above the demand. But when you're growing an organization you can actually do it. I think it's an interesting thing.

Simone: Definitely and thank you again for participating in this interview.

Interview Transcript with Jennifer Bantelman, Director of Customer Success,

Zapproved

Location: Sisters Cafe
Date: Thursday, March 17, 2016 at 8 AM
Duration: 36:18 min

Simone: Please explain your position and responsibilities with your company

Jennifer: Sure. I am the Director of Customer Success at Zapproved and customer success is really in charge of everything that's customer related post sale. So as soon as a customer comes on board my ream manages the implementation process, we manage the ongoing customer relationship, we're in charge of renewals, training, and we also handle the support. So it's a very multi-faceted department—we have a lot of projects with a lot of layers within it. We also handle all of our customer communications –so we took that over from Marketing about a year ago. That includes things like our

customer newsletter, customer facing webinars that we do—all of that is now handled through customer success.

Simone: And so, could you explain a little bit more about customer success? When I first heard you speak at the Lunch and Learn, I thought it was really fascinating because I think a lot of people get customer success confused with customer service.

Jennifer: Absolutely. Yep and that's partly where it came about. Customer success is almost exclusive to the SaaS industry actually. And that's because when you think of large technology companies that are not subscription based, it's a onetime sale. You don't really need to drive that ongoing customer loyalty because you don't have as much dependency on recurring residents. In SaaS business, your valuation as a tech startup and your ongoing work as a company is tied almost entirely to recurring revenue. So it's really critical to not just get customers, but to keep them. As well because subscription-based pricing is usually much cheaper than an installed system, just because of all the infrastructure (that kind of a thing), usually it costs more to acquire a customer than you make in the first year. It's actually right about where the breakeven point is. So really in order to make money on customers, you have to keep them a couple of years. And that is really where customer success came about. It's not about making a customer achieve specific goals that we've laid out, it's really more tailored than that. It's about identifying what a customer considers success. So what were their business goals when they purchased our product and have we achieved those goals? And over their lifetime with us, have those goals changed and how do we adapt or sell them more products to help with their changing needs? And so customer success is really more a holistic view of making the customer achieve what the customer views as success rather than an arbitrary service level of "How many support tickets did we answer?" We don't really measure our people that way. We measure it in terms or satisfaction rather than times.

Simone: That's really interesting and moving on to the next question, how does your company or companies in general, structure a customer success department?

Jennifer: Companies in general are split in about three different ways and that's largely because customer success is relatively new. Salesforce actually coined the phrase of a customer success manager but it's far less than a decade old and has really only taken off in, I would say, the past four years or so. So it's so new that people are still figuring out how they are trying to structure it. If you want, I can tell you how companies are structuring it and I can tell you how I think people should structure it.

Simone: Yeah that would be great!

Jennifer: Ok. So some companies use customer success as inside sales support. And there are a lot of local companies even locally in Portland that do it that way where customer success actually rolls up through the VP of Sales. So it's a sub-department but ultimately it rolls up through sales. And the individuals that are in customer success have varying levels of quota. The quota isn't anywhere near as aggressive as it is on

sales teams but still, you are expected to sell at least a little bit. That's one way to do it. Another way is to have it through marketing or through operations. And those function really similarly. And for marketing it's really more of a function of having and making sure that there's a lot of content that customers get. Operations, having it roll up through there, it's heavily renewals focused. So when that happens customer success managers are usually in charge of making sure that all of the renewals come in and that we can upsell wherever possible. I believe that the way to go is for customer success departments to be able to directly report to the CEO. And that is how we are structured. I believe that's important because all other departments have different interests, as they should. Customer success is only beholden to the customer. And I think that's critical in product based companies. We're a product company. We make our money because we make a software that no one else does in a way that no one else does it. If we slip on that, we don't survive as a company. So our customer success team serves as our internal stakeholder, serves as our customer advocates for what is working for customers, what isn't, and what we really need to put into our products to hit the next buck. So that's why I think that it's so important for it to be CEO-level report because the CEO is managing all of these different departments –customers have a seat at that table when you report up to the CEO. That also gives you flexibility. A lot of customer success teams do not include support. They consider support to be reactive and customer success to be proactive. I don't think you can separate them. I think you have to have support and customer success working very closely together. Because of that we certainly have support as a sub-department. We have people that just do support, of course, but they work right alongside the customer success managers and the implementation folks so that everyone feels like we're part of the same team. Yes, you may be answering a support ticket, whereas a customer success manager may be asking for a reference, but we're all working towards that same goal of making the customer successful.

Simone: So, I'm curious, to know, you kind of touched on this earlier, but what are the different functions of the customer success department? Anything else you want to elaborate on?

Jennifer: The only thing I'll add is that customer success is eating different pieces of different departments and this is only something that I've seen in the past year or so and it's partly a function of the growth curve we've had as a company –we were much much smaller. We were about a third of the size when we started. So we're growing very quickly and as we do that we're going to add more people onto our teams. So that allows us to build out our departments but what we're able to do is we're able to find things that are not high priority in other departments and take those duties over and turn them into high priorities within my team which is one of the more fun things that I've gotten to do over the past year. Something that we initiated last year was actually taking on those marketing functions that have to do with customers. Because marketing has also shifted and I know that this is a lot about what your thesis is on and I know you're going to get a ton of feedback on this but you go back before there was SaaS software and you will find that marketing did advertising and that was synonymous. Marketing is basically sales now. It's this dramatic shift that has happened over the past decade or

two as web-based software has become more popular. Because the way we market today is completely different. Marketing is not putting up a billboard, and even if you do put up a billboard, you're still going to be doing a bunch of other stuff that involves lead generation and that didn't used to be part of marketing. Now that it is, marketing has maybe a designer or two on staff but most of the people in marketing are working on lead generation and what the next conference, MQLs, and all that kind of thing. So one of the things that didn't get enough love from our team is these customer webinars and these customer news articles. So we went from doing maybe a webinar a year to doing three a month. Over the past year we've started with one a month and we've built on that and we get an average of 20-25% or our customer base coming to those which is wonderful because it gives us the ability to give people best practices as to how to make themselves more successful and we do it to 50 customers at once. That saves us conservatively 50 hours or more because we're not having to have these one on one conversations with everyone. Then because customer success does it, we're able to report it, we're able to trim it up, and we're able to put it into our support site so that people who weren't able to attend the webinar can access it at any time. So we're doing a lot of repurposing of content that other departments wouldn't necessarily the time to do. And because we're putting in that time on the front end, it actually saves us time on a per customer basis.

Simone: That is a really great lead in to my next question. For part of my thesis I'm focusing on SaaS based companies utilizing SaaS software whether that is Salesforce or something like Marketo. So for some of the marketing operations that your department has taken over in the past year or so, I'm curious –what kinds of tools are you using? Are they cloud-based software?

Jennifer: In customer success we do not use any installed software. Everything we do is web-based even to our email. Our corporate email is actually a Gmail server. And our system is architected that way as well. We don't want to have to host a bunch of servers because it adds a liability and we build software; we don't build the infrastructure. So we leverage Amazon Web Services and our company was built on the cloud so everything our customers do is cloud-based. Everything my team does is cloud-based as well. We utilize Salesforce as our system of record across sales and customer success and marketing. We use Marketo on the marketing side but we also use it for our one to many communication in customer success when we're doing emails. We tailor the messaging so it feels really personal but when we do email blasts to people it's through Marketo. We also utilize Gainsight. The way we use it is essentially a Salesforce plugin and they some of the leading experts in the customer success field. So Gainsight is specifically designed to give you a better handle on your customer health. It's heavily tailored to giving workflow guidance to customer success managers. It doesn't help so much with support. But we use Salesforce for support tickets.

Simone: Very interesting. That actually is similar to other companies I've been talking to. Since your company was built with the cloud, do you know if utilizing these types of software programs enhances your department in any way? Or differs from not using a cloud-based software?

Jennifer: It makes us highly efficient. In general, the reason why the cloud is taking off the way it is is because it's inexpensive and easy to implement. And there's varying levels of inexpensive and varying levels of easy to implement. Web based software can even take months to build up depending on your resources and depending on how good your data is before you get started. It's kind of garbage in, garbage out so generally whether it's us implementing a new software or it's a customer implementing it into our software, how long it takes depends on the resources you're willing to devote to it and the state of the current data that you're trying to get into the system but either way it's going to be faster than an installed software. It's really all about the efficiency. It also, less so for our support team, but more so for me and other customer success managers, we're on the road a lot. We like to go out and visit customers. I have a general goal for each of my customer success managers to get on the road at least once a quarter to visit their customers because there's value in meeting face to face. And having a web-based software across the board allows you to not have to play catch-up. So everything that you have access to in our office you have access to at home and you have access to on the airplane.

Simone: So going along the lines of type kind of software, have you noticed a change in the customer success departments or departments at other companies? What I'm trying to get at is that instead of having someone in the marketing department be a content writer, marketing employees are now becoming Salesforce automation managers or Marketo analysts. Are you noticing these types of things appearing more?

Jennifer: Absolutely. I'd say that the idea of customer success is shifting and will continue to shift. I don't think that it will stabilize for at least another five years. And I would actually say that customer success won't be called customer success in the next five years. I think that it's going to move to customer experience. That's an early trend that I'm seeing. It's early enough that I'm not going to change the name of my department right away but I believe that that will change because you don't have to explain customer experience the way you have to explain customer success. Our customers are corporate legal teams. They don't work with a lot of software and they certainly don't work with a lot of web-based software. When you say customer success you have to explain a lot to them. When you say customer experience, you don't have to explain as much. When you say that you're a customer experience manager, there's a connection that "oh, ok I'm a customer experience manager. I'm here to manage your experience as a customer." It's straightforward. So I think that the titles are going to shift around like that. I think that more and more companies are going to separate out support and the customer success function. And that's because it takes a different skillset to manage the two teams. I still think that it should roll up through customer success or customer experience because I do think that those two teams have to be intimately aware about what the other is doing. But, I can see it splitting off. I also think that as companies mature in this, more and more companies will have a customer success operations person. And that's really somebody that helps crunch the numbers. Customer success people have a lot of soft skills. It's a lot of talking to people and diffusing situations, setting expectations. Really, it's a lot of verbal and communication

skills. That's mainly what I'm hiring for when I'm hiring a customer success manager. Customer success ops people love numbers. They crunch numbers and they look at how efficient we're being and how happy our customers are and what the trends are and that's critical as things move on. That being said, even huge companies aren't really farther along with customer success departments than smaller companies because it's so new. We started customer success about three years ago. So did most companies. Oracle started customer success about two years ago. Because they used to have installed software and now they're moving to the cloud and now they need to retain customers.

Simone: Yes, Oracle is one of the cloud-based software providers that I'm highlighting in my thesis. So I'm curious why Zapproved decided to utilize cloud-based software. Is it the cost advantage? The efficiency? A combination?

Jennifer: It's a combination. It really comes down to efficiency as far as scale goes. To understand it properly and the value proposition we have as a company because we are cloud based, I have to walk you through a little bit of what the industry is. What we do is eDiscovery software. Essentially when a company has a threat of litigation, they are under obligation legally to alert the appropriate people who might have data to not destroy it. Eventually if the case progresses, if it hasn't settled, they have to collect that data. And then they have to go through it and see what's wrong with it. On top of that, they have to manage outside counsel because they're usually paying third party lawyers so they more billing systems so they have these very complex processes. As well, you don't get sued once a month. You might get this huge class action lawsuit and then nothing for a few months. Or, you might get a bunch of lawsuits all at once –we have no idea. No one really know when they're going to get sued. Corporations don't generally do a lot of suing; they get sued. So it's very lumpy. And the amount of data you might need to process at any time is usually going to be really small. And you're going to have these big spikes where you have to process a lot. But if you're dealing with an installed software, you buy according to that spike. Because if it's lower than that, you're not going to be able to process everything. Think of it like a hard drive or a server. You buy a certain amount of space and you can't go over that. The cloud changes all of that. When you need to go over, you go over. And you either upgrade your tier or you overages, whatever is going to be more cost efficient for you. So you can really right size what you're paying so it makes it very cost effective but it also makes it so that you don't have to budget for the edge case all the time. If you're only going to spike in the month, you can pay over the course of the year for that one month of spiking.

Simone: I think we kind of touched on question seven about how cloud software impacts your business. Do you think in any way that cloud software has disrupted your industry being that legal services didn't really have that kind of efficiency?

Jennifer: It's funny. A couple of years ago I would have told you that a lot of companies get nervous about the security of the cloud. And that's partly because legal teams operate on precedent. So at any given time they're referencing things that are 10-20 years old. They don't really want to be on the frontlines because it's harder to defend it. That said, people are moving to the cloud because of security. Because they're realizing

they can't maintain these servers in house the same way that Amazon web services can protect their infrastructure. They're able to put a ton of resources into the security into their cloud that other companies just can't do. And this is a shift that we've seen over the past year or two. Also our competitors are starting to realize the value of the cloud. We were the first cloud solution in our space. Now even the software solutions that were competitors that were installed are making cloud solutions to try to compete. So we're ahead of the curve on that but everyone is starting to recognize that the cloud is the future. And it's really the only way because of the amount of data and just how quickly it's growing, it's the only way to manage costs and processes. There's no way that 10 years from now companies can leverage these big installed systems because there's going to be too much data.

Simone: So given that you're sort of on the cutting edge on this trend, was there any challenge in communicating the security of these systems to your clients?

Jennifer: Absolutely. Our CTO is the most security-conscious person I have ever met and it allowed us to pretty easily defend everything. We've ran into maybe a handful of people that just say, "No, we will not do the cloud." But it's less and less of an objection than it used to be because it's more and more proven. Everyone utilizes the cloud now at least in some capacity. Even customers that don't realize they're using the cloud are using the cloud. Box is a great example of that. More and more companies use Box for their file sharing. That's cloud. You may not realize that because it's right there on your desktop, but that's cloud. And because of that it's getting less and less common for people to have objections regarding the cloud. They still have questions around security and that's why we are very committed to having best in class security processes. And actually, it impacts us in ways you wouldn't think. There's actually, I get told "no" on software I want to buy for customer success because it's not secure enough. We don't just protect our systems. We protect our customer data in other ways too. There's support ticketing systems that I'd rather use but can't because they're not secure enough and we don't want our customer support tickets to be hacked.

Simone: Where do you see the future of cloud-based software whether that's in customer success or in businesses in general?

Jennifer: I think more and more everything is going to move to the cloud and it's going to be easier and easier to use. Because people, we used to be able to compete just be being in the cloud. We're also easier to use and we're resource efficient. But the cloud isn't the only differentiator anymore. The more people on the cloud, the less that becomes a value proposition. If everyone's on the cloud then you have to differentiate in other ways. And so I think we're going to see that in costs going down and I think we're going to see that in things getting easier and more and more templated. In customer success specifically I'm already seeing that where it used to be kind of "choose your own adventure" and customer success is still a bit of a "wild west" where a lot of different teams do things differently and again, regardless of size, you could be a huge company and just be starting out with your customer success department or you could be a small company and have tons of systems in place. But now software

providers that are targeting customer success teams actually give you a lot of templated materials on managing your renewals and what to do about customers that aren't really talking to you or low usage or things like that.

Simone: What do you think about the cloud metaphor? Do you think that the term is representative of the technological environment or is there a better term?

Jennifer: I like the cloud. Because I think it encapsulates the fact that it's up there and you don't have to deal with it. From the customer perspective, that's really the best thing about it. If you have internet, you have access to your tool. If my computer dies and I have to get a brand new computer, it will take me less than an hour to get it set up because everything I have is in the cloud. So it's not tied to a particular machine or to a particular server. So you don't have that worry so I like the metaphor.

Interview Transcript with Samir Mehta, IBM M&A Marketing Integration

Executive

Location: Phone Call
Date: Friday, April 29, 2016 at 9 AM
Duration: 41:34 min

Simone: Please explain your position and responsibilities within IBM.

Samir: Yeah, my title is Merger & Acquisition Marketing Integration Executive. My responsibility is to integrate the companies we acquire into IBM in particular the marketing departments into IBM.

Simone: Ok. So why and how did cloud marketing software develop within IBM and when you're looking at acquisitions, what do you look for in this kind of software?

Samir: Cloud means different things to different people, I would say. And you also have different kinds of clouds. We have a public cloud that consumers and businesses can use. They can use services in a public cloud like an Amazon web services. They can purchase software and services from the cloud like an Amazon or Microsoft would have. There's private cloud which tend to be hosted by a company inside their firewall and it tends to be for the use of one particular company. Then we have something that's sort of in between called the hybrid cloud. So it's the notion that you use a public and or private cloud for different reasons. Those are kind of three kinds of clouds. And then when we talk about cloud, we also have different kinds of services that are offered by the cloud. The three that we focus on and have products and services in are in three different areas. There's something called infrastructure-as-a-service, platform-as-a-service, and then there's software-as-a-service. And at the really bottom, if you look at these services as a three layered cake—they kind of sit on top of one another, infrastructure-as-a-service is very much about allowing a company to have their own

cloud and manage their own cloud. So that really is allowing a company to have their applications and their data sit in this infrastructure-as-a-service platform. From IBM's standpoint, this is something that we offer and two years ago we bought a company called SoftLayer and we have really expanded on what we do in that area where we now have over 40 different datacenters around the world where companies can run their operations and applications and have everything be managed by IBM. On top of that we offer what we call platform-as-a-service and this is where we offer a set of developer tools and services to allow companies and developers to be able to create applications within the cloud. We call it BlueMix. Our customers can go onto BlueMix.net and see all of our products and services and what we have to offer. They can then try it for free and then go ahead and license or purchase the services to develop your own cloud based application. On top of the platform we have software-as-a-service (SaaS). And that's where anyone can go and utilize the particular software for a subscription and that could be a monthly or yearly subscription. The benefit of this approach is it allows companies to not have to buy the servers and incorporate those costs or to run and manage these applications in house. It allows them to use these applications and software while someone else is managing and maintaining the infrastructure for a reasonable price. So it changes companies from an operating side because otherwise companies would have to buy a server and have people manage it and have a data center and have to upgrade that continually. SaaS allows somebody else to do the heavy lifting for them. From a finance perspective, there's a lot of benefit to companies to go down this path. We're seeing growth in the use of SaaS and these software applications available in the cloud growing and growing every year. At IBM we're definitely a leader in the space as well. We offer at least 400 now different kinds of service. This is with IBM's software and also we're partners. We've created a cloud marketplace where small businesses even startups or individuals as well as large companies, can go a select the kind of software that they want. It might be analytics tools, reporting tools, it might be our cognitive computing capabilities that they can utilize around Watson; it might be security capabilities, ecommerce solutions. So we have a very broad range of offerings. Traditionally we would offer what we would call on premise. So companies would traditionally go and buy it and run it in their IT datacenter. Now we give them option to really have us run it in our data center and they can use it as needed on subscription basis. That is a long explanation for what we do.

Simone: Yeah, that's great. So I'm curious, I talked about with 5 different startups about how they structure their marketing departments. What does your marketing department look like with this type of product?

Samir: Can you give me a little bit more background on the question?

Simone: Yeah so my question is more geared toward what kind of teams do you need on the provider side specifically for cloud marketing software?

Samir: So we have different groups in marketing. For marketing, I'll call it our marketplace, which is our SaaS offerings, we have product marketing teams that are responsible for the launch of the products that our development teams built and launch

and take those to market. One of the ways that we take it to market is that we have this software that we provide to our customers available in our marketplace. We provide education around different products. We have teams that will create demonstrations so that you can see how the different products and services work. We also provide free trials so that you can see how the interface feels for 30 days and if it works to solve your specific need. We try to provide as much information for someone to be able to decide if a product's right for them without talking to a person. So we have a product marketing team that it's focused on everything that's needed to talk about the product. This is anything from brochures and datasheets and white papers. So you can read about the products, creating demonstrations of the product. We'll work with development about creating a free trial of the product. And then we have a whole digital marketing team that's focused on user experience. So when someone goes to the website to understand more about a particular product. We have a whole digital team for that experience. That team's constantly looking at where people are going, what they are looking for, how far did they get in the experience, how often did they click on a data sheet, how often did they download the free trial, how often did they look at the demo, and how many people actually purchased. So we have an ecommerce group that makes sure that you can use credit cards to pay for that product. We also have a team that focuses on what we call live chat. So you can talk to an adviser online and ask questions along the way without having to pick up the phone. Or you can ask IBM to call you back to give you more information. So really it's a combination of groups within marketing. We have a product marketing team that understands the product and what information is needed for someone to understand the product enough to make a buying decision. We then also have a digital marketing team focused on the whole user experience from the first time they come to maybe the second or third time that they come to try the product and to really see more value, making the purchase, and then following up with the customer. So that whole experience plays a very large –it's a very critical role. And we have other groups within marketing as well. We have competitive marketing who are looking at what our competitors are doing, how we are doing against competitors to keep us on track there. We have a market research group that's looking at trends within the market by industry, by geography, by key decision maker—all of those kind of things. We also have marketing teams that are responsible for creating new content for the website for the solution as well as demand generation experts that are focused on marketing campaigns. This could be for an event, promoting our solutions and offering at events where we reach the audience—the key decision makers, the customers, the prospects as well as webinars and things along those lines. So it does vary. We have a number of different roles within marketing.

Simone: Great and I'm curious, just because I know IBM has been such a dominant leader in the cloud computing arena, why did IBM decide to go into offering marketing solutions?

Samir: Well, a number of years ago—we're constantly transforming and reinventing ourselves. We're going through a transformation now and we realize that there is a whole market out there and that the chief marketing officer has a wide range of needs for tools, technology, and systems that we were not in. And we realized that there's a

great opportunity to go serve that market. This would be marketing whether you're a retailer, bank, energy company, and pharmaceutical company, whatever you may be, there was a great opportunity. Looking at the market and opportunity there and growth within the market, we felt that it really aligned with what we could do from a value perspective. We took a lot of things and resources we already had and also acquired a number of companies to build out a very broad portfolio that could provide pretty much everything that the chief marketing officer would need. That's been a really big focus for us and, for example, we now have sort of a lot of solutions available for what we call our marketing cloud which were where we allow one department to do marketing campaigns across a wide range of channels and devices. We have a wide range of capabilities in this area and we've seen a lot of growth whether it be retail or financial services or other industries that we serve.

Simone: Great and that kind of goes into my next question. In my thesis I'm highlighting Salesforce, Adobe, Oracle, and Marketo so a lot of these companies seem to offer similar products, so I'm curious to know how IBM differentiates Silverpop or Uniqa from the other competitors.

Samir: Yeah I'm not the expert here but I'll give you my high level view. I'd have to have you talk to somebody else who would be much more of an expert in this area. But really our focus is not just one product to solve one problem. It's really to provide a broad range of capabilities to serve all the different kinds of folks in marketing. So we really focus on in-depth solutions whether you're doing email campaigns or traditional marketing, digital marketing campaigns or mobile marketing—we really focus on being able to provide that full range. That's really the strength that we have in doing that. When we combine that with the fact that we've been leaders in the database world for one period of time, to be able to bring all of the data together and combine it with our analytics capabilities from traditional analytics and reporting or you're doing something like a mobile campaign or tracking people clicking on a certain offer—we have a lot of rich capabilities including social media marketing. So it really is the ability to bring all of those things together that really allows the marketing department and the chief marketing officer to unleash the power of marketing and to really measure the effectiveness of their marketing investments. Really Silverpop and Uniqa are just two of the products in our portfolio that companies can use to really do an end to end campaign regardless of device or regardless of channel to really look at things holistically. That's really the power that we can bring to the organization. We're able to give a startup or small company a solution and then grow it overtime. So we do serve the largest companies in the world because we have the ability to scale to meet their needs whether they're doing a marketing campaign to tens of millions of people or a few hundred people—it's very targeted. So, we really try to look at it holistically in what we try to provide. Uniqa and SilverPop complement each other with their strengths and capabilities around all of the various ways that they manage marketing campaigns whether it be things that are just truly digital to more of a traditional campaign that might involve print or events and other campaigns. And this reaches people in the best way that they want to be reached.

Simone: Great and so after I've interviewed different startups, asked each one the specific advantages and disadvantages to utilizing cloud software. So on the provider end, I'm curious to know what you think the top benefits are for your clients.

Samir: Yeah I touched on this a little earlier and I really think that it's the speed to market. We're able to allow a Fortune 500 company of a startup to immediately start to create a campaign because they don't need to go and buy the software, configure the software. They can literally go in a matter of minutes to one website, find exactly what they are looking for, download it, purchase it on a credit card, and get going for a very reasonable cost. So one of the benefits is speed to market. It allows the company to focus on what they really want to do and not worry about how they're going to be able to get that software into their office and how they're going to use it. It really frees them up from worrying about all of that IT administration that they used to have to deal with. It also really helps with that team. Now they can get what they want with a click of a button online. So the speed to market, the ability to get what you need now or your particular group or your particular need is very easy. I would say that's really the number one benefit that customers see. The other one is cost. It reduces the cost of using the software by an order of magnitude because again, now you're just paying for what you need, the number of users you need, and how long you need to have it. So you don't have to have it for forever. You can just buy for the period of time you need it and then be done. It's cost effective, it's flexible—it really helps people get to market faster. It also gives startups a means to compete with larger companies now.

Simone: That's great. It definitely answered a lot of my other questions and that was some of the reasons why some of these companies started using cloud software is because it is faster and it's easier to track, and you can purchase based on your needs. So going off of the advantages, I'm curious to know if there are any specific challenges or disadvantages to using cloud software.

Samir: I think it's not a solution for everybody. Probably the number one issue that companies face—I would say it's more of the larger companies—they have a lot of applications that they have already built or that they have customized over the time so they may not find the best cloud based application today right off the shelf. There is going to be planning and discussion around some of the very specialized kinds of needs for certain companies. It may just not be available in the cloud today. The other thing that's really important is data processing security. That's probably the number one thing that everyone thinks about when they think of cloud and what they use and want on the cloud and whether it's secure and going to provide the right kind of privacy of the information that's being accessed and provided on the cloud. And certainly, when you go internationally, different countries have specific laws around security. And so we have to make sure that we adhere to those standards very very strictly. And that's a really important part of what we do. We have to make sure that we the data is secure in the highest possible standards in that country and also from a compliance and regulatory perspective. And there are certain kinds of industries, I would say, especially with the cloud, where the cloud may not be really appropriate for. So if you're in a highly regulated environment and you have very specialized needs that require proprietary

information to meet certain regulations, the public cloud may not be appropriate. However if you have a hybrid cloud or private cloud, it may meet some of those needs. So those are things that you have to factor into whether for these particular applications you need a private cloud. And companies need to go through that based on a need by need or application by application basis.

Simone: Great and so I'm curious to know if you've noticed cloud marketing software disrupting the marketing industry or some of the cloud functions within the marketing industry?

Samir: Yes I think the roles are changing within marketing. A great example is in the old days we would literally print a lot of material taken to events. We would do a lot more direct mail out and we know that the returns of those kinds of activates wasn't very high. So I think that the whole notion of having a lot of money to spend of printing and shipping costs have started to go away in a big way. We're starting to see those differences and I think there's a huge transformation going on right now as soft of a transformation of old traditional marketing practices to digital marketing practices. Also the whole idea of mobile now. An application or a product or service really has to be something that can be easy to explain in a few minutes on a website or a mobile application. So really when we think about marketing now we have to think about not just meeting somebody at an event, but the whole digital ways to reach customers. It could be a webinar, virtual event, website, or an app that you provide that they download. We have to be much more flexible in how we reach customers and how we communicate to customers. It does change dramatically. I think the reach is so much bigger now that you can literally sell globally from day one because everybody has access to the web and to a seller. And they can purchase something from any country. So you have to factor in, "how are we going to communicate to everybody in these different countries in a different way and the fact that people are purchasing in different currencies?" All of these kinds of things have to be thought about from day one. Before you used to just have to think about a local market and now you can think globally from day one. I think it changes the way you go to market and we're shifting the money we're spending and the people. Now there's a lot more knowledge in having to think about how you're selling on a smartphone and on the web and how we're going to reach customers in a very personalized experience. There's a lot more focus on user experience and a lot more focus on effectiveness. We can track how many people saw a demo or downloaded a free trial online without talking to anybody. It changes everything we do. There's a lot of change that's going on in marketing and we're doing that here at IBM as well.

Simone: Great and going off of those changes, how can cloud marketing software be improved?

Samir: I think to me that's sort of like software itself. The beauty of software is that you continue to improve it based on user feedback. And I think that's something we're all going through which is to say that we're still in the early stages of people using cloud based application, buying things on the cloud, and putting more and more things into

the cloud—I think it's a journey that we're going though. I don't think I have one answer for it but I think it's an evolution. So the more people use it, the more feedback you can improve in the service and the experience in being able to use and buy the product in the cloud. I think it's going to constantly improve over time. First and foremost security and privacy will always been the main factors in the adoption of people utilizing cloud because it is an evolution of people's mindsets. Especially for those who are used to having everything in house. It's a big adjustment for those people now that they don't have to own the software, they can rent it and purchase as much as they need and don't need to purchase physical software any more. It is very much going from buying your car to renting your car. It's very similar to that kind of model. I think that the behavior has shifted but I think it's a constant feedback that you need to get back from your customers on how you can improve the experience and the product.

Simone: Great and sort of along that, I'm curious to know where you think the future of cloud marketing is going to be? I know it's impacting a lot of industries within advertising. Ogilvy & Mather just released a cloud marketing platform so are there other trends whether it be in cognitive computing or other things that you foresee for cloud marketing? On the advertising end, companies within advertising are starting to enter into this market.

Samir: I do think that it's an evolution we're going through. The key really for us is always to listen to our customers. We continue to have a large sales force that engages directly with the customers and works through that to understand what their needs are. What the cloud really allows us to do is to have a direct interaction with the customer to get feedback back immediately. We can look at trends, look at traffic, and understand what's happening. We can adjust much quicker. It allows us to respond to new things within the marketplace and it just gives us a means to amplify what we do in a much broader way that's more cost effective. But we have to be smart because there's a lot of noise out there. Everybody's getting bombarded by a lot of emails. So a lot of just goes back to at the end of the day, no matter how much marketing you have, you have to have a really good product to offer and a really good reason for a customer to come and try out your product or buy your product. It put more pressure on the products being good because people can quickly figure out if this is something that really works and if it is something they really need. We have to really incorporate all of that into making the products the best they can be along with the experience. The experience and the product are so intertwined now that the customer sees it all as one. And there's not as much separating but the experience is now part of the product. It's something we have to be very aware of.

Simone: My next question is about the metaphor of the cloud to describe this sort of technological environment. Do you think that it is an appropriate term? Should it be called something else?

Samir: I think that it's engrained in everyone's head and is going to be hard to change. What I like about it is that when people think cloud, they think that it's sort of up there and in the sky, if you will, it's not something that you can touch and it's not something

you own. Clouds sort of are available for everybody and they provide a great benefit like water which is something we all need. So from that perspective there's a positive connotation and when people think about it from a technology perspective, we think of a place where we go to get something that we need to solve a problem. So I think from that perspective, it is good. Obviously it's a general term and I think when most people hear cloud, they think public so from an enterprise perspective we have to change the way people think of the cloud. No it doesn't mean that everyone has access to everyone's information. I think that's the negative connotation that we have to change. There are some very positive connotations. It'll be really hard to change and there are different variations—we talked about public and private—but I think in general it's going to be hard to change.

Samir: So some background on cloud computing is that there was initially a system called CRM where you have sales and marketing tracking leads and opportunities and reporting on that. From that eventually a guy named Mark Benioff was at Oracle decided that he could do better. He went and started Salesforce.com around the early 2000s. Obviously it's done extremely well. So that's become a system that a lot of companies, especially the ones we buy, use for tracking the opportunities for sales sellers. They enter the opportunities that they are pursuing and the status of each one along the pipeline and whether or not these opportunities become wins and deals for the company. So Salesforce has almost become the number one player because it is cloud-based and software-as-a-service based and they were pretty early in doing that. On top of that though there are a bunch of companies, for instance you mentioned Marketo that have what we call marketing automation and these can be marketing automation platforms or marketing systems or tools. And so there's this whole set of vendors that are very focused on the marketing department and tracking of marketing campaigns and activities and the results of those. These can track what's worked in the past and what hasn't worked so there's a whole set of companies in this space that have popped up. Marketo is definitely a leader and they've gone public but then again everybody's got one. Oracle bought a company called Eloqua so they have one. We've bought two. One's called Silverpop that we bought recently and we also have Uniqa. Salesforce bought several companies: ExactTarget and Pardot and so now we've just got a lot of companies in this space that are competing.

Simone: Yeah thank you for the background. I know it's kind of hard to keep track of the market because companies are acquiring lots of other companies.

Interview with Grover Righter, CMO of OpenSesame, CEO of Lever 10

Location: OpenSesame
Date: Thursday, March 17, 2016 at 11 AM
Duration: 56:18 min

Grover: At Open Sesame, I am the Chief Marketing Officer and I appear on the website as such. I am not only responsible for hiring and firing all the people here who technically report up to the Chief Operating Officer, Josh Blank, the reason is because I am not legally an employee here. So, I'm not technically an officer of the company, even though I have officer in the title. I am a mercenary. I am a hired gun. I was brought it when the company took its series A funding. The management team here was looking for marketing help and the venture capitalist Partech recommended me because I have a long-term relationship with both the individual and the company Partech and I have been the Chief Marketing Officer for two years and four months or so. It's obviously not going to happen long-term that way, we need a full-time person in here. I'm currently the Chief Marketing Officer responsible for the go-to-market strategy, the programs, and reporting to the board.

At Lever 10, I'm the founder and I like to think of myself primarily as the Chief Scientist. I'm a mathematician, I'm a topologist –a pretty good topologist, which was very out of favor for about twenty years and very much in favor for the past ten years. It's replacing what we call Gibbs function statistics. I'm also the CEO of Lever 10, I thought even this week of giving the CEO job away to somebody else. I don't particularly like that part of the job, I love the job of being the Chief Scientist. At Lever 10, we do large analytic studies for business transactions primarily business although we have done several business to consumer transactional studies. We measure everything and we'll talk in a minute about what measuring everything means. So, that's what I do. I have about eight full-time mathematicians working for me in Eastern Europe right now and a total of about 40 people in my company.

Simone: How did your company structure your Marketing Department at Lever 10? How would you describe it?

Grover: Well, we actually don't have a Marketing Department at Lever 10. Lever 10 is famously bad at Marketing. It's 100% reference information or 100% word-of-mouth. We do have a website, it's kind of funny, but we don't market Lever 10. It's all reference from people we know. Here at Open Sesame, the way we are primarily structured is around what I call tools and content. Tools are people who have to use Salesforce, Marketo, HTML systems, they have to use the relatively new family of digital systems that comprise sales and marketing work as well and we have a specialist for that. The specialist is responsible for content and what I call non-digital programs, which Tim is responsible for –mostly the content and the non-digital and Neil's currently responsible for the digital. Now a lot of the non-digital is digital content, but it's not using the tools, it's mostly creating content and (they) often use outside vendors or video-makers to do that stuff.

Simone: What are the typical functions in the Marketing Department for your company? I know you talked about it a little bit.

Grover: Well, in a bigger company because I worked as the Marketing Officer for several, very large companies, you usually have marketing people for what we call the communications piece. They do the public relations and the public outreach. They're

responsible for press releases, increasingly responsible for working with bloggers and people like that because the formal press has declined. As the money has left the paper advertising world, it really has collapsed. I used to fly to New York to Long Island and you'd talk to CNP Media and they had buildings and they had editors and the had writers and they, you know, bought you lunch and all that stuff. Now 100% of the writers are contract writers, none of them are employees. The paper part of the publishing is hanging on by a thread, if you will. Virtually all of the traffic goes through their website. So, do you know what it costs to buy the New York Times on an annual basis?

Simone: I don't.

Grover: If I buy a paper version of the New York Times, it costs about $360. What does it cost to buy just the digital version? About $360. Why in a sane world would something that requires no shipping, no nothing, why would it cost so much? Are they trying to cheat me? What's going on? Actually, they make less money on the digital than they do on the print. How is that possible, given the huge cost of goods of physical paper? It's because the print advertising market has a certain set of costs that are historic for advertising and the prices you can charge for an impression in print advertising is much higher than the same impression in digital. It doesn't mean that that's right. It doesn't mean that that makes sense. It currently just is. There's a theory that at some point they'll converge and any impression will be worth the same amount of money. We're not there yet so today, if you buy the New York Times, if you buy the paper version, they'll charge you $360 a year. If you buy the electronic version, it's $360 a year. What do you suppose it costs for both?

Simone: Double?

Grover: The same. It's $360 a year for both. If you buy the paper version, they will give you the digital version for free. Actually, they make more money on the digital version and I'll tell you why. It's because they impressions on the digital side are actually measured, we know how many eyeballs saw the ad. The impressions on the paper side are assumed. So, when you buy both, since you're doing all the consumption digitally, you get all the credit as if you read the paper, which you probably don't do anymore and you get credit for every page you look at. Does that make sense? So the New York Times makes more money when you buy the paper and then you use the digital. That's why it's the same cost. They actually make more money. So, everything we just talked about ripples through all of Marketing.

You know, when I was Head of Marketing, my advertising budget was 100% print. It was the early '90's. My marketing budget was tens of millions a year for print advertising. It was huge. We were a billion-dollar company, we spent a lot of money on advertising. Now virtually all the publications that we published to that point –some of them are still alive, but they're not necessarily still viable. Does that make sense? So that's how we structure Marketing. We have PR people who do blogging, we have product marketing people who were supposed to be responsible for mostly making sure our product looks and smells and feels competitive in creating collateral to do so. In the

old Marketing school, we used to have people who were production specialists, we'd have in-house teams that did their own Photoshop and prints. I remember back when I was working for a public company back in 1995, we had an in-house group who made our own slides. This was before projectors worked very well and we literally took carousels of slides -you see it in museums, you know, your grandfather owns one. That was the way businesses did presentations in the mid 1990's. By the end of the 1990's, 100% had switched away from slides. It was just this very disruptive thing. In 1991, the most popular way for me to give presentations was using overheads with clear slides. By 1995, we used 35mm slides on a carousel. By 1999, it was to use a digital projector. So it's changed dramatically. So we used to have people who do that production in-house. They're gone. They've all gone to outside vendors or something like that. We also have what we call channel marketing people who worked with the OEM groups and the partner groups and they would do channel specific groups, a lot of field marketing groups. We have field marketing groups who were responsible for supporting the sales people in the Mid-west, East Coast, in the Southeast and they would help put on local events and they would invite people to get sandwiches and breakfast and hear the company story or set up trade shows that were more regional instead of global. Then you have the big Marketing people who were responsible for things like tradeshows, particularly uphill to, you know, the bigger partners and stuff like that. So that's basically how you construct a Marketing Department.

Simone: So in any of your past companies or even in OpenSesame now, how do you utilize cloud marketing software, whether it's Salesforce or Marketo.

Grover: Well, there are several classes of marketing software, I'll pick out three of them. One of them is CRM. First of all, the CRM and almost all customers using Salesforce CRM, almost all customers are using cloud CRMs. I don't know if you know this, but there is this whole history of CRMs before the cloud and the average project for the CRM prior to the cloud in the 1990's or 1980's took two years to implement, cost tens of billions of dollars, and was never successfully implemented. That was the average CRM project. Today, Salesforce costs about $1500 per salesperson per year. So if you have a body of ten sales people it will cost you $15,000. The total amount of money spent to configure it is maybe 20% of one worker in the first year. So if you have a worker with a full-time equivalent cost or burden of cost of $120,000 and it's 20% of that it's around $2400. So you spend maybe $2400 configuring it. So a combination of $1500 per year plus $2400 is a bargain. It's 5% percent or less of the old CRM projects.

We use Salesforce in every company I work with except for two. Salesforce is a great hub. Salesforce has what I would say probably, I mean definitely the best Oracle engineers the world has ever seen. They're fantastic Oracle engineers, they've done miracles with what Oracle can do inside Salesforce. It's relatively fast, it's very stable, quite secure. The total number of real breaches into Salesforce recorded that we know of is miniscule and all of them were based on user fishing passwords, but it's actually very difficult to break into Salesforce even if you have the password. If I gave you the password to my Salesforce account, you couldn't get in because it's two series of identification.

So, the way Salesforce is used is in three ways. First of all, it's a repository that holds what's going on with the actual leads that Sales is calling. You should watch the video for Glen Gary Glen Ross, you should watch the video. Make sure you watch it before you turn in your final paper and put in at least one allusion to it. Glen Gary Glen Ross is the equivalent to Death of a Salesman, but it talks about the good leads. The whole joke of Glen Gary Gary Ross is that the sales guys want the good leads. So, in the CRM, one of the key things is to give quality leads to salespeople and then to hand them off. There's this dirty little secret among humans that we don't talk very much about is if you give someone a commission and you give them 100 leads, they will call enough of them until they have at least five great deals in their hands and then they'll quit calling. They'll claim that they used their judgment to find all the good ones in there and that the rest are just junk. If you give them ten, they might call seven. If you give them five leads, and you promise them that one of them is going to be business, they'll call all five. So the lesson here is that you can't give a large undifferentiated list of potential prospects to salespeople because they will cherry pick. They will not give you what we call coverage. They will not call every lead. So we have a new layer in the chain now which we call either LDRs lead development representatives or ADRs account development representatives, sometimes call SD or sales development representatives. What their purpose is, is to not sell anything. It's to basically prequalify the leads. Here at Open Sesame, we do that offshore, we do that with a team of people in the Philippine Islands. They are people who get up and call our leads and they ask them the qualifying questions. Have you ever heard of BANT? BANT is budget, authority, needs, and timeline. What you are looking for is we've given you a lead, we met someone at a tradeshow, we have a vague concept they may want our software or our services at Open Sesame now we have to BANT qualify them. That first layer, which I call the triage layer and most people call ADRs or SDRs are responsible for BANT. They're responsible for calling up and saying "do you have a budget? Do you have a need?" They are usually nice about it and they do it in a very human way. They ask "what's your need? What's not working? What would you like to get? How? What would an ideal answer be?" They get the need first, then they find out when, then they find out if there's a budget, then they find out who signs the budget. Once you answer those four questions about budget, authority, needs, and timelines, that's BANT qualified.

Let's assume those are all answers in front of you. Then we hand off. There's some sub criteria too like how big is your company in order to determine how big your budget is. There are some complexities in using LDRs. It turns out, for example, in my company the biggest deal I ever signed as a business person is a $5 million deal with INTP de Como. In the world of sales, that's considered pretty tiny. That's not an impressive number. When you tell a serious sales person that the biggest deal you've ever had is $5 million, when they leave they'll tell jokes about you. Serious enterprise software sales people usually have deals signed that were north of $50 million for total package. In my company, even though I have tremendous confidence in my products, if I bumped into a large customer, I always call my Head of Sales and say "you will now call the customer and find out what the budget is" because if I ask, I'll do it wrong. I've had decades of business experience, I'm very good at this, I will do it wrong. It's very sensitive to ask a bunch of questions because if you ask it wrong, you get an answer and

if you say "yes" to that and then the rate's higher than that. You've already said that we can do that for $50,000. Well, if you come back later and they said that they would've paid $150,000, you can't bridge that gap. So you need very serious people for this. That exposes the biggest weakness of using a layer like LDR. You are using inexperienced salespeople who have been given a script and some friendly phone skills they're calling up and talking to big companies and they're asking about budgets. So we always say the LDR layer is ANT qualifying them or little 'b' qualifying them. That just means that you find out if there is an active project and a budget behind it, does that make sense? It's very dangerous to have a junior ask the question about the budget because it's impossible to avoid this scenario, which is I'll ask you "do you have a budget for this project?" Do you say "yes, we do" and then I would ask "well, roughly how much have you allocated for this?" and you say "well we've currently got $17,000 in my spreadsheet for it." Then they ask the fatal question "is that okay?" Then the LDR, who wants to keep the conversation going will probably say something mildly in the affirmative like "that's fine." An experienced person would have asked different questions to dig in deeper like "what's the biggest possible budget?" That's key. So, we present the leads in the CRM to the LDRs, they prequalify them, then they turn them over as sales-qualified leads over the people who actually do deals. Those people, we created an opportunity in the CRM then they work it through the stages like discovery, initial and technical qualifications, approvals, price quotes, get the deals signed.

I didn't talk about marketing automation software. So there's three legs of the total supply. There's the sales CRM system, there's the personal database systems like Data.com or RainKing or Discover or any of those cousins which basically have databases of people out there that connect in. Then there's the marketing automation platforms. Marketing automation platforms are an incredibly complex discussion. Marketing automation flows are roughly ten times as complicated as anything that happens in the CRM. This is because in the CRM, everything that happens is mostly linear. Leads come in, they get contacted, the progress to the opportunities, they go through work flows, approvals, documents, have the signed the NDA?, have the signed the contract? It's all linear. You move down a contract like a marble moves down a groove. In the marketing automation platform, the behavior is far more like a ball in a pachinko machine, it pops all over the place. It's a well-known and well-rehearsed statistic that by the time a customer talks to a salesperson in the modern world, they've done 80% of the research themselves before they talk to anybody. Where did it come from? Well, it came from websites and it came from forums. They may have looked at your website and totally discarded it and your marketing stuff and gone to 50 forums to look at what people say about your product. So, by the time that they get to you, they are already pretty informed and that really has an impact with how they interact.

The purpose of the marketing automation platform is to first of all be a repository of who is known in the system. The way they do that is when you first visit a webpage on your website, there is a trace of code on there which we call munchkin code, named after the munchkins in the Wizard of Oz because it's a little tiny bit of code. What the munchkin code does is drop a cookie in your browser and that cookie is not actually from your company, it's from the marketing automation company like Pardot, or Markto, or Eloqua. At Open Sesame we use Pardot, which used to be a stand-alone company coming from Atlanta, Georgia, the founders are very smart people and

they built a marketing automation platform. They were acquired by ExactTarget and ExactTarget was acquired by Salesforce and Salesforce now sell Pardot as a product that coexists with Salesforce. There are several large, successful companies in the marketing automation platform. The king of all of them is Adobe Marketing Cloud. It's a monster system, it's a wonderful system, it's beautiful, it's elegant, and it's only used by hundreds of companies. So the next one down from Adobe Marketing Cloud is Eloqua. Eloqua is a super powerful system and it is currently owned by Oracle. It used to be a stand-alone company. It was founded in Toronto, Canada, and it is an engineer's dream. It will do everything. It is just sort of a general computing environment. It's super-fast, super powerful, but it's a little hard to learn. One of the most popular products, what I'd call the McDonald's or Microsoft of marketing automation is Marketo. Marketo's CEO is Phillip Fernandez, he has a long marketing background. Marketo has been selling some volume since as early as 2007. By 2010 they only had 1000 installations and now they have a little over 15,000, so the market has grown.

So, going down from the level of Marketo, you have a very popular platform called Pardot, which I talked about, we've got Act-On, which is a little simpler, but actually quite powerful. There's Hubspot, Genew and half a dozen other stragglers. It is well saturated in some markets and not so in others. So, marketing automation drops a cookie, then the anonymous person has a number assigned to them. Because the cookie is so persistent you can actually track in Marketo or Pardot, in our case, that they came back to the website. Then maybe they went to a certain PDF and then they've been to the website 15 times in four days so we can score them and give them points for the things they do. The scoring can be quasi-intelligent. Some kind of category of pages is worth more points. Then there's other things they can do. So let's say you came to our website and you visited it for three months and you never cleaned your cookies, we would know who you were. One day you did one of two things, you either came to our site and filled out a form, in which case Pardot will reverse engineer everything you've ever done. You no longer are called anonymous; you are a known visitor. Then we can take action. The thing you would normally do to become a known person is to fill out the form. There's another thing, which is if you look at a typical B2B space, we may have purchased the records of 100,000 people and we may be sending them e-mails. Let's suppose you were a Chief Learning Officer at a Fortune 500 company and you've been visiting our site and you never fill out a form. But one day, you click on one of our e-mails. The link in there was wrapped with Pardot wrapper code, it goes to the special Pardot web server, and you can see it. It doesn't say our website name, it's got a long string in there and then it collapses down to the thing you thought you clicked on. That middle string was encoded by the Pardot server and it recognizes you as the CLO of a big company and now we know who you are. So there's two ways to become a known person: fill a form or click an e-mail. There currently is no third way. So these systems are big Pachinko machines, we send you a lot of content, you interact with some, you don't interact with others and the whole idea is to have a marketing automation layer that tracks what you are doing while it gives you a score and then uses the judgment of that to say you're clearly interested and we have enough information on you to send you to sales and we shove you over to the CRM. We send you the CRM, which is called sinking it or pushing it and then it shows up there and an LDR calls you. The person who isn't qualified to ask you a bunch of questions, but the person who qualified to ask

you about needs and then it goes to the salesperson. So that's as much as you can reduce it.

Simone: Has this changed any of the marketing departments?

Grover: It's changed everything. First of all, the cost has changed. This is an income statement; historic marketing budgets were never budgeted for the taxes for things like marketing automation. It's a serious budget hit. The cheapest marketing automation that you can buy would cost you $20,000ish a year, so let's call $1200-$1400 per month the cheapest. Mostly you're going to be told that it's $3000 a month to install the marketing automation software, $36,000 per year. If you need more records or features, you could be spending $50,000 very quickly and then you need an operator because it takes hours and hours to manipulate these things. The operator is responsible for doing all the plumbing and the programming inside these things because the work flows are around ten times as complicated as the CRM. So you have the account for all the complexity, all the synchronicity, people doing things out of order and stuff like that. Is this too much information? So, it's an unexpected tax.

I would suggest that very few people start companies with a known pathway with how to fund the marketing automation. They actually discover how specific it's going to be and every day is like Groundhog's Day. They wake up and they're like "oh, I didn't realize how expensive it was going to be." Every single day. The people costs, the costs of templates built for them… There's a market surrounding marketing automation that charges a lot of money for all the different assets it needs. So, in that sense it is hard to fund. It's also hard to cost justify. What marketing automation has become in 2007 and 2008, it was a tool for advanced thinkers. By 2012, it had become a tool for the leaders. By 2015, it had become like an arms race. Every company has marketing automation software and we see a significant Law of Diminishing Return. The most successful paper mail program I ever did was in 1999 and it was to 50,000 people in the telecommunications industry and we got back 2,500 BRC responses (business response cards). This was unheard of. 5,000 would be 5% of the database. Unheard of! This was the most successful paper marketing campaign ever done. Paper marketing campaigns start to fail on September 11, 2001. We had people take down the Twin Towers. At the same time, as an accident of timing, somebody send some anthrax to the White House. At that point, and it's hard to believe how closely those things were coupled, in September, the Twin Towers got pulled down. In November, the anthrax scare and we tried to send a Christmas card that year. They were actually returned. No one wanted the mail because of that anthrax scared. I'm not kidding. I remember this like it was yesterday. Paper mail is mostly dead. Paper mail is so dead today that someone who rediscovers it will do great. So what's the biggest reason why you can't send paper mail to Fortune 500 companies? Why can't I just go get a list of people and mail them? Because you don't have the mail stop. At a big company you can't just say "123 Maple Street, John Smith." You actually have to have their mail stop. It's been this way for decades with big companies. We used to be able to get the mail stops because people used to subscribe to magazines and the people would have to write their mail stops. So the primary vendors of data, magazines, used to have the mailing addresses and we used to buy them through mailing companies and ship stuff through.

Make sense? So, I'll go on. Now the data repositories are Zoominfo and Data.com and RainKing and DisoverOrg, they don't have mail stops so we can't use those mail lists to mail things to big companies. Little companies work fine. So, the world's changed a lot in this sense.

Simone: So has this changed the marketing positions? Are there more positions specific to these platforms?

Grover: Yes, marketing particularly in tech companies. If you go to most companies in the high tech space, the marketing people are smartish, they're not the smartest people there, that's the engineers. If you go to Proctor and Gamble, the smartest people in the room are the marketing people. By far, they are the most educated, they are the sharpest, and they're the quickest. Marketing used to hire, what I would call "average players." We used to have a joke about marketing people in high tech: "if you have the brains to make software, you'll be a developer. If you have the nerves of steel to sell software, you'll be a salesperson. If you have neither, you'll be in marketing." This was kind of true, sorry but it was true. The product marketing people were usually smarter than the other people because they had to know the product and they were technologists at heart. But a lot of the marketing people were good people, they had good, solid judgment, but they weren't necessarily top tier people. All of that is changing. It's a crisis, it's an absolute warzone. There are all these people who are mid-career right now, and I could give you names, but I won't because it's rude, who have no clue what's going on. They don't know how to log into these systems and use them, they didn't grow up with them, and now they're responsible for managing the people who use them and they don't even know what to tell them what to do. Because there isn't just a platform that's automating, it's not like the person who's in charge of marketing today used to make leather belts by hand and now there is a machine that makes it, they still understood leather. Everything has changed. It's moved from paper marketing and event marketing to digital marketing. Every rule has changed and so the middle layer is getting killed. The upper layer, the management layer, knows this, but they're not getting killed because they hire other people to come in and do the reporting –they hire business analysts to do the reporting and suck the information out of Salesforce. So, the crisis is, I must know at least 100 VPs of Sales right now for whom my team has Salesforce accounts. None of them, absolutely none of them can log into Salesforce and give you meaningful reports. None of them. Not one. Someone else has to do it. So we have Salesforce people or admins do it. The same thing is true with marketing automation.

   Now it's come down to what really is the biggest gap in this whole thing. What does everybody want? They want something called ROMI (return on marketing investment). My company, Lever10 makes a fair amount of money doing studies, I won't give you and advertorial on it, but what everybody really wants is the Holy Grail. They want to know: "how much money do we spend over on the far left side? We spent how much on Google Ads, how much on search engines, how much on banner ads, how much on paid lead syndicated content tradeshows, even on our webinars, you name it." So it's the left-hand side. It's all the stuff we did. And in theory we have a dollar amount for every input. Then, in theory if we have the results from the input, how many

leads did we get for each of these, and then at the next level you have the next column of ROMI which is how many sales qualified leads did we get out of those inputs. And then the next column over would be how many of these became material opportunities. And the numbers are getting much smaller, of course. Then, of those material opportunities, to whom did we actually set a price and then of those, who bought something. So on the left-hand side you have all of the inputs and on the right-hand side you have all the dollars and what everybody wants to know is not just from beginning to end, but at every stage, what's the filter down? We want to know the effectiveness of the return on the marketing investment. Does that make sense?

It's a mess. In order to actually do this properly, first of all if people get false rules they don't follow the thing, but you have to have a cooking system that didn't look anything like Acton, Marketo, or Pardot and it looked more like Kentshoe or Marin Software. Those are platforms that pixel you when you do the first significant thing and it will remember you all the way through this thing. This is really tough because many times we change leads in the middle of a sale. For example, we'll get a technical analyst downloading our white paper and we know who they are and then the person who signs the contract is a completely different person. And so it's this discontinuous thing. Does that make sense? So in a perfect world, what we would do is instead of following a person through the chain, we would follow all persons from the company through the chain, find out how much interaction they had and how much influence and then at the end, you'd have an aggregate score of all marketing contributors.

Here, at Open Sesame for example, we have a thing that is the most significant lead source period and it's called the pricing guide. It's not an industrial secret, it's probably true at every company, the most significant lead source is called pricing guide. You go to the company's website and you say what would it cost if I wanted to buy so many courses and so many of this, I've got this many learners, and they come in. If you go look at the database in the CRM, it will say "whoa, that's a great source" because a very high number of those people become buyers later. The problem is, it's a very unlikely original source. It's very unlikely that someone woke up on a Tuesday and said "I need to buy half a million dollars' worth of coursework. And they do one Google search and they find OpenSesame, and they find the pricing guide, and they fill it out, and then it becomes a half a million-dollar deal. That's a very unlikely consequence. They probably heard about us from somebody else. Possibly someone at their company had done research, possibly someone else. We have no idea where they really heard of us. So that's the dark spot.

Simone: Why did your company decide to use marketing automation software? Was it mostly cost based or efficiency, or…?

Grover: I'd say it was visibility. If you are going to do enterprise sales, you have to have something that collects this information and you can't do it yourself. You have to have a system somewhere so we got marketing automation originally for that. As the business has progressed, large companies have become much more important to us. So there's this magic threshold. Up to a certain size of deal, the more you sell big deals to big customers, the more and more important marketing software gets until it's not

important at all. Because if your business was based on selling one deal to one giant customer every, then you wouldn't need marketing automation software.

Simone: If you could name any specific advantages or disadvantages to using this kind of software that come to mind.

Grover: Before marketing automation software, we had incredibly disparate ways of trying tracking this advert, this tradeshow… We had not centralized tracking in marketing. Marketing automation causes use to start cleverly concentrating our forces into something like a marketing relationship platform. For example, in the old days the most important number on in advertising was the number you were supposed to call. Up until 2005, the most important thing you had was an e-mail address or a phone number. After that, it became the URL you wanted them to go to and so you invent these new URLs that people would go to and basically go from there. Make sense? One of the things that is changing is that we can augment the data we have in our marketing system by saying "I know how big your company is, I know how much money it has, I know what industry it's in…" There are third party sources, very few of them are well integrated into any of the tools we talked about even including Adobe Cloud. Hard to believe. There's very few things that automatically just the lead comes into the system and says "oh, you're at this company, your revenue is this size, etc." All of this has to be built into marketing automation software. Out of the box marketing software does very little of this, you have to program it.

Simone: So, how do you think cloud marketing or marketing automation has disrupted marketing?

Grover: Well, it's disrupted in a couple of ways. First of all, it's created an arms race like I've said. Second of all, it's made the purchase of data a massive, grey market. Purchase data has always been a grey market. In the old days when we got magazine data, we never touched the data. We always sent it to what we call a bonded mailing house. By the way, the best bonded mailing house is in Santa Cruz, California. It's run by Martha. So, a magazine knows it can send a list to Martha and it won't leak. It knows that because there's a million-dollar bond that says if Martha leaks it, then Martha needs to pay a million dollars. Do you know the difference between insurance in a bond? With insurance if you wreck your car, they'll actually pay for your costs. You don't pay, except the deductible. With a bond, the bondsperson pays for the thing that wasn't supposed to happen and you have to pay the bondsperson. So it's not like insurance. Martha isn't insured for a million dollars, she's bonded. If she makes a mistake, it literally costs her a million dollars. The bond just makes sure you're going to get the money. So, they don't make mistakes. Bonded mailing houses never leak the data. There is a new marketplace like Zoominfo, like Data.com and it's quasi-legal. It's actually not completely clear that it's legal to acquire people's business contact information and sell it to people. In the United States, it's a grey area. In Germany, it's so illegal, that it is illegal to have a marketing database as it is to have child porn on your computer. It's the same law from the same counties. They're called the German F2 laws, and you're not allowed to keep business information of people if you do not have

a business relationship. Now, if you've known people, you can keep their business cards. If you've met them, shaken their hands, talked to them, that's fine. But you're not allowed to go buy data from someone else. It's very illegal in Germany. My company maintains a list of all these legal statuses in all the countries. Canada used to be as liberal as the United States and now it's roughly as strict as Germany. So that's all changed. So what's happened is that in 2004, if you went out and bought a mailing list that was pretty capable and you sent mail to it and you sent something really attractive like "we're going to have a Gartner webinar and you're going to learn cool stuff," you would get as high as a 4% yield on a mailing list. Over ten years, mailing has attenuated dramatically. The effectiveness of mailing has dropped. Today, if you get 4/10 of a percent, you are really, really good. So, at some point it becomes almost ridiculous to mail people. A good example is if you have a 1/10 of a percent response rate, and you send e-mails to 10,000 people, how many responders would you get? That would be 10. It feels pretty silly to send 10,000 emails to get 10 yeses. Those are the current statistics for e-mail marketing, it's about 1/10 of a percent to a little less than half a percent. That's normal. It's not great. Now, there's a threat we've had for years. One day, e-mail marketing is going to completely disappear. And good riddance.

So, tell me something that's going to replace e-mail marketing in the next two years. What's supposed to replace it? LinkedIn, Facebook, and Twitter. This one was supposed to make sense. But we've never proven it. For a while there was a false thought of LinkedIn saving our butts, and I love LinkedIn. When we first ran LinkedIn ads, it was like magic. You could target people in groups, you could target people with certain titles, and if you paid a certain amount of money you got really good results. It was wonderful, but there were two problems. First, it's not to scale. One of the things you always want to know when you're spending marketing dollars is "did my test and I got so many responses, if I spend five times as much money, will I get five times as many responses?" So you want to know if something scales. The second thing you want to know is is it continuing to work or is this a one trick wonder? A good example of one trick wonders are newsletter marketing. Every few years a new newsletter comes up and I'll pick on one because they are such great guides like FierceWireless… did some e-mail marketing through FierceWireless in 2006. It was wonderful. It was a brand-new newsletter and everyone in the world cared about wireless. Everyone was signing up for the newsletter. You'd put an ad in the upper right-hand corner and I swear it was like clicking like crazy. And you'd get these huge deals. Come back a year later, their newsletter is bigger. The yields are 1/10 of what they used to be. Why? Well, everyone read the newspaper for the first four or five and then it becomes commonplace in your mailbox and they quit reading it. So only new newsletters or new subscribers to existing newsletters cause this phenomenon. So every now and then you get this new newsletter, which is very important.

The same thing is true with bloggers. The nice thing about blogs is unlike people subscribing, you can actually have people who are still visiting it. It's very difficult to turn blogs into leads. It's very hard to get the people who write blogs to get them to do the right thing. It's very hard to get them to do what we want them to do. I talked to a really smart guy, I won't mention his last name, and we were doing an e-mail marketing campaign he asked me "what do you want them to do when they get this email?" And then he said "I want them to read it." Then I said "Ben, that's where you and I are very

different creatures. I don't think they're going to read it. I don't want them to read it. I want them to find something they must click in because only if they click can I measure what they're doing. So the secret to everything from blogs to almost everything else is almost all bloggers need to think in terms of product placement. How do I put the juicy asset right in the middle of my blog where the topic draws it in and you can give them real value just from reading, but then if they click, they get extra value? That click of extra value is the story we want to have. So the history of digital marketing and the future of digital marketing can be summed up in a simple experiment. Everything should involve the same experiment. I should send you an e-mail and it says "the seven steps to getting bigger muscles" and everybody who gets it should understand the value proposition immediately. I either do or do not care about getting bigger muscles. So because I care about getting bigger muscles I open the e-mail and then I look in it and it makes me an offer. The offer is either compelling to me and either says "get ripped" or "look good in your business suit" or "look good in your t-shirts" and since I wear t-shirts, I want one that says "look good in your t-shirts" so I will click on the one that says "look good in your t-shirts." So now I've done two things. I've opened the e-mail and I've clicked. Then I should go to the destination. When I get there, it should say "the seven tips to getting bigger muscles." Then it should say "tip one…tip two…tip three…tip four…" and then there should be a link that says "more." And then I should go there and I should see one through four and then I click on that and the moment I do that's what all future-based marketing should look like. It should basically somehow catch my attention, cause me to act, double check me to know if I really care by making me read only one through four.

Who are the very best people in marketing by the number? Do you know? The belong to an organization called the DMA (the Direct Marketers Association). They have nothing to do with business marketing. They send credit card offers. If you like credit card offers, then this is not something you should do. They're the most disciplined, they have the most data, they get paid the most, and they work the hardest. They're smart. They are really good. The DMA people are very smart people. So what's the equivalent? For example, you might have heard that there is a new CEO of Yahoo a few years ago. What good news. She's a mommy, she's smart, which are some of the good news. How well has Yahoo done?

Simone: Not well at all.

Grover: When was the last time you went to Yahoo's homepage?

Simone: Two or three years.

Grover: What's wrong with Yahoo? It's like tabloid trash. What's one of the most common things to find on Yahoo? "22 celebrities who have lost their hair" which we call clickbait. Why do we call it that? It's because the way we present it is I click on the first one, then my interest is peaked and I continue to click on the next ones. That's why it's called clickbait. When I described to you "Get Bigger Muscles" you would go to the first four then you click and see the rest, that's a clickbait strategy. So when I tell you about the celebrities that lost their hair it sounds cheap and tawdry. When I talk about

business to business selling, it's not called tawdry. It's actually called "I really proved to myself that you actually care." But, on my side, I have to deliver the goods. The content I give you has to be worth something. That's the future. It doesn't matter whether it's e-mail, or social media, or whatever. When you really understand how clickbait works, you understand how all marketing ought to work which is "I should engage you in a multiple set of steps, which continues to reinforce that you really care and then I should reward you. Then I should start giving you real stuff. I should give you actual stuff. But then, because I know who you are, I have to withhold at least one thing, which is what we called gated content and I should make you fill out a form to get that. I do ultimately want to know who you are. So, it doesn't matter whether Marketo becomes as big as Oracle, it doesn't matter whether we quit using e-mail marketing and we move to social media marketing.

Simone: What do you think about the metaphor of the cloud and do you think that's an appropriate term to describe that type of environment?

Grover: Well, that's a good question. Most people don't even understand how this stuff works. So it would be nice if they had some abstraction. I'm neutral. I don't look at cloud as a metaphor and say "wow, that's the word!" If some said if you have to give away the word cloud, what would you call it I would say well, remember how networks got their name. Why do you call networks networks because we all started with TCPA internet? We call them networks because it was a name for a network of association. It was a set of diagrams. It was a mathematical modelling concept. But for most people, before you ever heard of the Ethernet, go back to the 1950's. People still had what they called networks of friends, networks of resources. I belong to a sales network; I belong to what they actually used to call supply networks. If we couldn't use cloud, I would probably use network. But because network means transport layer to everybody now, people like me who used to be network engineers don't call them networks anymore. There's the transport of the physical layer, there's a transport layer, there's the transaction layer, and then the visualization or presentation layer. In fact, I think that cloud is reasonable.

Honestly, for the purpose of most of these questions like the marketing and sales it's not really complicated. It's really pure cloud stuff. What is the basis for true cloud software versus BS software. Let's pick on somebody. So, for example Eloqua, and I actually know the General Manager there, so I'm not trying to tell any secrets. Eloqua is only marginal cloud software it was in the past. That is, they actually give you a cloud bubble, or virtual bubble for your stuff. Salesforce is cloud. You do not get your own instance of a machine; you are hosted in a machine. Salesforce is a true cloud, Marketo is a true cloud. Most of the new stuff is a new cloud because it's more efficient. You have less wasted resources. So if you went into a data center in the year 2000 and you walked up to a server, and you asked the average utilization of that server, do you know what the answer would have been? Three percent. Well, why in the world is it three percent? Remember, we have these bursts of activity where it can grow up to 100%. Cloud is a mechanism of putting lots of users in the same system at the same time and averaging to much higher than a 3% usage. There's a better usage of electricity, of disk storage, of everything.

Simone: I know that there have been a lot of articles out about security with the cloud, would you say that's something that's going to become more prominent as more people are utilizing cloud technology or do you still think it's a secure alternative to a hard drive?

Grover: First of all, you're talking to a mathematician, so you're going to get a funny answer. The most secured computers are in a shielded, lead-lined room, inside a cage so that no one can leak in. The government has such rooms called "tempus rooms." You walk into a vault, you sit down at a computer, you're not allowed to have a USB drive, there's no network and cables. As long as you can control who can get into the room, as long as you can keep people from reading through the walls, the room is secure. The room is so secure that the electricity is converted from AC to DC so that there is no way for someone to read anything from the power coming out. Does that make sense? So, you're talking about a really secure environment that has no network. So your idea, which I'm not accusing you of this, is that somehow the hard disk on my laptop is more secure than some other locations like you log into the internet like everybody else. People from Russia, people from China, people from anywhere in the world, people can get inside your computer if there's a security flaw. So my answer to do I think that the cloud is more secure, would be a little bit like what makes you feel better? That we have secure prisons where incredibly psychotic people are being watched by other professionals or that the sheriff's office has them in a cell? I would rather have high security prisons. It's not that cloud is less secure. It's that people know that the gold is in there. It's like that joke "why do bank robbers rob banks?" It's because they know that the money is in there. So the reason that cloud could be considered less secure is because it's got obviously visible targets. People who do cloud computing, they're not perfect but they have the resources and the expertise. They're doing a better than a pretty good job. They are doing a very, very good job. The breaches are spectacular. If you go and look at the breaches, most of them weren't cloud security problems. For example, if you called Salesforce, and you tell Salesforce, I have lost all of my passwords, please unlock my data. Do you know what the person at Salesforce is going to tell you? You can't. We don't have a backdoor into the data. You encrypted it with your passwords. So you have to at least have one account that you can in fact log into. And of course what Salesforce would do you have any e-mail addresses for the people who died. Yes. So reset the password through that e-mail and you can get to your data, but the truth is that we can't. So, one of the answers is that you want to make sure that you can both insure data and encrypt it. So there are companies, for example, like Warmetric that will sell very advanced technology that says if you took the data and you put it on a thumb drive and you gave it to the criminals, they can't do anything with it because they can't get to it. So that's really the answer. Stuff needs to be encrypted, and encrypted in transit. We use secure socket (players? 8:14) and we need to harden the security layers. Until quantum computers are cheap enough, that's a good answer. When computers are cheap enough, we'll have to have a quantum encryption key that even they can't decrypt.

Simone: For my last question, I was curious about something you said earlier when we were talking about the cloud. So Adobe's system, from my understanding is more infrastructure as a service as opposed to Salesforce, which I think would be qualified as software as a service…

Grover: Some of the Adobe stuff is infrastructure as a service, there's no question, but their entire marketing cloud is still software as a service. For example, Omniture is a gigantic version of Google Analytics, which is part of the Adobe Marketing Cloud. That's purely cloud-based software as a service, it's not infrastructure. Some of the Adobe sub products, which I'm not going to talk about is, like Vendor, is based on something closer to you buying infrastructure as a service and you're hosting them on it. But, for what most marketers see is that it's indistinguishable. If you want to go to someone who's truly an infrastructure as a service provider, you go to someone like RackSpace, Joyant, or where they're selling either storage or compute power. Amazon web services is a good example of infrastructure as a service. Adobe Marketing Cloud at the functional buyer's level is indistinguishable from software as a service.

Interview with Tim Greve, Marketing Team Leader at OpenSesame

Location: OpenSesame
Date: March 17, 2016 at 1 PM
Duration: 34:54

Simone: So, the first question is to please explain your position and your responsibilities.

Tim: I am Tim Greve and I am the Marketing Leader at Open Sesame working under the Chief Marketing Officer and Leadership. I implement their digital marketing strategies and branding strategies as directed. I'm the boots on the ground here.

Simone: How would you say that Open Sesame structures its marketing department?
Tim: It's a fairly flat structure with the CEO and General Manager leading the Leadership Team. Working for them is the CMO and me as the Marketing Leader, but it's more of all of the marketing team pitching in and doing what needs to be done in a rapidly growing company.

Simone: So how would you describe the typical functions within the department?

Tim: The marketing department in a tech B2B business is that we have multiple customers. Traditionally, people think of marketing as the final end-user, somebody who's buying the product. I think of our customers primarily as internal customers. So as supporting the sales organization with branding and marketing tools, supporting the customer service or customer support or customer success in onboarding, our engineering department with branding and wording and things. So, about 90% of our work is to our internal customers and the other 10% is what people think of as

traditional marketing and branding out to the general world trying to incite interest into our product.

Simone: How has Open Sesame utilized marketing software or marketing automation? So for Pardot or…

Tim: Really, it's the only way for us to exist. Our organization is based on lead generation. So finding either inbound or outbound, making sure that companies that are interested in us can get into the sales funnel or we find people out there that are potential prospects through marketing programs and all of that is done by cloud marketing. Well, we talked about having different customers. Our primary role is lead generation for the marketing team in whatever form it is. That simply can't be done on the scale we need to do without cloud marketing these days. Our growth trajectory would not be supported without it.

Simone: Has this changed how your marketing department operates?

Tim: Well, the company was founded using these platforms, so it hasn't changed the way the company works since we are a fairly new company. But, it definitely the way the marketing department has to think and operate compared to the way people think of as a traditional marketing environment. So it's a much more technically based job and department than it used to be. Mathematics become much more important. Technical aspects of coding and html become much more important and very, very, slight nuances –a different word in one position can make significant differences in open rates and success rates of campaigns. So that's a significant difference in the way it used to be. The other side of that is the metrics of measurement is very different now. So it used to be the classical phrase in marketing was "50% of my marketing works, I just don't know which 50%." These days it really isn't the case anymore, especially with cloud-based marketing. There are measurement devices attached to every single thing that we do. That requires us to justify our return on investment for all of our programs. It also allows us to better evaluate whether a program is valuable to the company and how to prioritize programs within the company.

Simone: Going off of that, has that changed the positions needed?

Tim: Yeah, very much so. You know a couple of years ago, it wasn't too many years ago that a lot of companies growing to this stage would need a media buyer to go out there and negotiate terms for media and they'd need to hire a graphic designer in-house. They'd need of have a number of positions that now can be filled anywhere in the world.
    We currently have sub-contractors that we utilize for specific projects all over the world in different countries based on their skillsets. Sometimes that's culturally based skillsets that allows us to ramp up or scale back as the case may be. It's skills needed to operate in these departments ten years ago are almost irrelevant compared to what's needed now.

Simone: Do you know why Open Sesame decided to utilize the cloud software?

Tim: It's first and foremost the best way to scale up in a dramatic way in a b2b environment. The growth wouldn't be able to be supported without a cloud based environment. It allows us to get the same kind of success and reach in what would probably be known as traditional marketing and sales techniques: send people out to knock on doors and going to dozens and dozens and dozens of tradeshows, lots of direct mail pieces and lots of advertising. This is simply not a financially feasible or scalable option anymore. Its success rate isn't what it used to be. Cloud marketing allows a company to compete on a global scale now while maybe only having a couple dozen people. That could've never have happened maybe ten years ago.

Simone: Going off of what you mention, are there specific advantages or disadvantages with this kind of software?

Tim: The advantages are certainly scalability, the ability to collect and utilize data, and the ability to build upon that data. Nowadays, the data that a company has on its customers or potential customers has really become and significant asset to a company. In the old days, ten, twenty, thirty years before, it used to be the mailing list -the handwritten records of customer data. Nowadays, all that data is in the cloud and the ability to collect that data and then retarget those clients, move the client's decision making process, and influence them in a natural way to satisfy their needs is a significant advantage of cloud marketing because it can be set up automatically based on the actions they take. There would've been no way to scale that before.

　　　　Disadvantages is that there's lots of people out there doing it. It's very difficult to get your voice heard above the noise when people are getting hundreds and hundreds of similarly style e-mails each week. It's very difficult to get them to open and see your message. People get very jaded about it and can even have more animosity than they used to. So I think it's a bit more difficult to get above the noise.

Simone: How do you think this kind of software has disrupted marketing whether it's displacing jobs, changing jobs, etc.?

Tim: Yeah, I think you just answered the question. There are not just jobs, but whole industries that are going away. These huge Marcom agencies are going away. They're not relevant anymore. The jobs that supported those, so many marketing people came up through those ranks and those are going away. So much can be done in-house now by a small team with some degree of training. It's completely put the industry on its ear. And it's also the amount of creativity in marketing arguable has shifted and lessened as the skillsets in marketing tend to lead more towards an analytical mindset and a more technical skillset. Whereas marketing used to be the realm of the creative types—that has dramatically changed.

Simone: So, along those lines, has it changed because of technology or is it because something else is driving this dramatic industry change?

Tim: I'd say it's technology without a doubt. Before, in order to grab somebody's attention, you had to have a really creative, great ad whether it was in the copy or the visual aspects of the ad. More so now, you just have to have the ad pop up on their screen at just the right time or hit their inbox with just the written to back that up with your original group of prospects being very scientifically put together. So it's no longer the super bowl ad that saves the day and makes everybody go wow and people get an award. It's the person that can write an e-mail that can get somebody to click it. That's ultimately what it comes down to.

Simone: So where do you see the future of cloud marketing going?

Tim: Right now, over the last few years we've seen big business use cloud marketing very significantly. Small businesses use it, but very superficially as an online mailing list. I see it small and medium businesses that really didn't embrace it or doing anything other than a constant contact electronic newsletter. It's learning to be much more sophisticated in how they use it and adopt a lot of the bigger businesses methodology for analyzing customers, behaviors, and moving them in the sales funnel whether it's a b2b process or whether it's a b2c process. It'll become a more personalized product in front of the consumer at whatever level, which hopefully, will increase sales and satisfy the customer a little bit more.

Simone: What do you think about the metaphor of the cloud? Is that an appropriate term or would you call it something else?

Tim: Our world is going into the cloud. It is where this stuff lives for all intents and purposes for most people is very theoretical. They're likely to never see these actual, physical servers. So it's really going away someplace they can't really touch. So yes, I think it's as accurate as we are going to get.

Glossary

Marketing = The American Marketing Association defines marketing as, "the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."

Startup = Startups are companies with revenue under $50 million, have under 100 employees, and have a valuation under $500 million (Wilhelm, 2014). Additionally, startups, under Stanford's professor Steve Blank definition, "are an organization formed to search for a repeatable and scalable business model."

B2B = Business to business refers to business that is conducted between companies, rather than between a company and individual consumers.

B2C = Business or transactions that are conducted directly between a company and consumers who are the end users of its products or services.

Software-as-a-Service (SaaS) = Software as a Service provides a completed product that is run and managed by the service provider. In most cases, people referring to Software as a Service are referring to end-user applications. With a SaaS offering you do not have to think about how the service is maintained or how the underlying infrastructure is managed; you only need to think about how you will use that particular piece software. A common example of a SaaS application is web-based email where you can send and receive email without having to manage feature additions to the email product or maintaining the servers and operating systems that the email program is running on.

Platform-as-a-Service (PaaS) = Platforms as a service remove the need for organizations to manage the underlying infrastructure (usually hardware and operating systems) and allow you to focus on the deployment and management of your applications. This helps you be more efficient as you don't need to worry about resource procurement, capacity planning, software maintenance, patching, or any of the other undifferentiated heavy lifting involved in running your application.

Infrastructure-as-a-Service (IaaS) = Infrastructure as a Service, sometimes abbreviated as IaaS, contains the basic building blocks for cloud IT and typically provide access to networking features, computers (virtual or on dedicated hardware), and data storage space. Infrastructure as a Service provides you with the highest level of flexibility and management control over your IT resources and is most similar to existing IT resources that many IT departments and developers are familiar with today.

Customer Relationship Management (CRM) = A computerized system for identifying, targeting, acquiring, and retaining the best mix of customers.

Search Engine Optimization (SEO) = the process of maximizing the number of visitors to a particular website by ensuring that the site appears high on the list of results returned by a search engine.

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