

D Hubspot: A Complex Subscription Model for Inbound Marketing

HubSpot offers subscription-based SaaS solutions for inbound marketing, sales, and customer service. As opposed to outbound marketing, in which marketers try to reach the customers via advertisements or e-mails, inbound marketing creates content, such as blogs or information videos that interested customers would want to see. The solution offered by the company offers tools to create high-quality content, increase exposure to interested customers, and tools to analyse the results. It also offers tools to qualify the leads and close the sale on its platform.

After initially contemplating a product-based and SaaS model for different customer segments, the adoption of subscription-based SaaS delivery seemed the right strategy for HubSpot from a long-term value creation perspective. However, soon they found two distinct segments among their subscribers. While the marketers from the big firms continued with their subscription and continued to extract value, small firm owners cancelled the subscription after gaining initial value from the offerings. It was crucial to reduce the churn rate for the subscription-based business model to be viable for the company. To manage the churn rate, HubSpot made a conscious choice of avoiding signing up the customers who would possibly renege. The sales team's incentive was determined based on the retention of the customers. Moreover, the company focussed on continuously improving its onboarding and customer support process, including dedicated help centres, a knowledge base portal, and certification programs. These steps resulted in lower churn rates for the company.

HubSpot currently offers all its services on a subscription-based model with a SaaS delivery. Instead of paying upfront to install and use software, HubSpot's customers subscribe to the solutions by paying a monthly/annual fee. HubSpot follows a tiered subscription model. Some basic CRM and marketing functionality are available free of cost, followed by a starter, professional, and enterprise solutions. The subscription tiers are offered in three distinct yet inter-related areas of marketing, sales, and customer service. The subscription tiers differ in terms of the number of users supported and additional features for the subscribers (see Table A for subscription tiers and indicative features for the marketing function).

While Table D-A is not exhaustive (e.g., there are more features offered in the professional and enterprise packages), it is clear from the table that the company offers distinct value addition across subscription tiers, especially to those opting for professional or enterprise packages. The success of HubSpot's multi-tier subscription pricing strategy may be gauged from the fact that out of their total revenue of \$674.9 million in 2019, around 95% (\$646.3 million) was earned as subscription revenue.

Note: Appendix D by Deepak Saxena

Table D-A: HubSpot Subscription Tiers for Marketing Function.

Features	Plans			
	Free	Starter	Professional	Enterprise
Pricing	–	Starting at €36.80 per month / €441.60 per year	Starting at €740 per month /€8,880 per year	Starting at €2,944 per month / €35,328 per year
Contacts included	–	1,000	1,000	10,000
Email marketing	2,000 email sends per calendar month	5X contact tier email send limit	10X contact tier email send limit per calendar month	10X contact tier email send limit per calendar month
Ad management	\$1k spend limit Simple website audiences only	\$1k spend limit 2 contact list audiences	\$10k spend limit 5 audiences	\$30k spend limit 15 audiences
List segmentation	5 smart lists, 25 static lists	25 smart lists, 25 static lists	1,000 smart lists 1,000 static lists	1,500 smart lists 1,500 static lists
Conversations inbox	1	1	100	100
Reporting dashboards	3	3	5	25
Custom properties	10	1,000	1,000	1,000
Ad retargeting	None	All available ad types \$1k spend limit 2 audiences	All available ad types \$10k spend limit 5 audiences	All available ad types \$30k spend limit 15 audiences
Multiple currencies	None	5 currencies	30 currencies	200 currencies
Social media			50 connected accounts for social media 10,000 posts per month	300 connected accounts for social media 10,000 posts per month
Subdomain availability			1 subdomain	Unlimited subdomains
Marketing automation			300 workflows	1,000 workflows
Custom reports			20	500

(Source: HubSpot)