



## Think Technology: Closed Loop Customer Targeting

### Closed Loop Customer Targeting: Interview With CEO Of Aprimo

**Reason for Report:**

**Industry Update**

Michael Huang

415-249-2923, mhuang@thinkequity.com

#### **THINK SUMMARY:**

We had the opportunity to interview Bill Godfrey, the CEO of Aprimo, a leading provider of a unified, multi-channel marketing suite for large enterprises across geographies and industry verticals. According to Mr. Godfrey, the recent launch of a multi-tenant, SaaS offering (Marketing Studio) clears an attractive path to the SMB and to the emerging and compelling interactive/multi-channel opportunity. We're encouraged to hear that spending on marketing technologies and multi-channel appears to be ramping even in the face of macro headwinds and marketing budget cuts, which suggests to us the need for solutions that optimize marketing activities across new (online, social network, mobile) and traditional channels.

#### **KEY POINTS:**

We had the opportunity to interview Bill Godfrey, the CEO of Aprimo, a leading provider of a unified, multi-channel marketing suite for large enterprises across geographies and industry verticals. According to Mr. Godfrey, the recent launch of a multi-tenant, SaaS offering (Marketing Studio) clears path to the SMB and to the emerging and compelling interactive/multi-channel opportunity.

In a nutshell, Aprimo helps organizations optimize the performance of marketing investments by equipping marketers with an integrated, multi-channel solution to capture their target audiences, engage them in more relevant and meaningful dialogues, convert them to customers, and then cultivate the lifetime value of these customer relationships. We're fans of the potential market opportunity, as we think the market is fragmented, sizeable, and predominantly greenfield, bridging the significant white space between two better-known, publicly traded companies—salesforce and Omniture (recently acquired by Adobe).

According to Mr. Godfrey, the functional area of marketing is one of the last unautomated frontiers within businesses, despite that marketing is one of the largest sources of indirect spend. The intensifying pressures (exacerbated by the recession) to increase revenues while decreasing budgets and headcount is giving rise to a need for holistic, integrated, quick-time to value platform, which optimizes marketing activities across the marketing lifecycle and across channels.

The ramping marketing technology spend even in the face of marketing budget cuts represents a tailwind at backs of marketing focused vendors, in our view. According to Mr. Godfrey, the percentage of a company's marketing budget that is spent on technology is still only 1-3%, but growing even while marketing budgets are under pressure.

The company has several hundred customers including Bank of America, Wal-Mart, Intel, Warner Brothers, AT&T, Nestle, Abbott, Wells Fargo, and Kodak, which suggests credibility of the offering. Customer acquisition should accelerate on the heels of the SaaS offering and the build out of an indirect channel.

Aprimo grew revenue 15% in 2009. Recurring revenue was up 29% Y/Y.

**Please see analyst certification (Reg. AC) and other important disclosures on pages 7-10 of this report.**

---

**Interview with Bill Godfrey, CEO of Aprimo**

Mike Huang (MH): Can you explain the main problem that your business solves and why customers should care about Aprimo?

Bill Godfrey (BG): Sure. The main problem that Aprimo solves is providing marketers purpose-built applications to manage their business, holistically, with greater precision and accountability.

MH: Could you drill a bit more into your solution and value proposition?

BG: We provide on-demand marketing software, and the approach we're taking is new and innovative in the marketing world. Aprimo's software is an integrated marketing platform to manage all online and offline marketing activities, with the end goal being to optimize the performance of marketing investments. We're equipping marketers with an integrated solution to capture their target audience, engage them in more relevant and meaningful dialogue, convert them to customers, and then cultivate the lifetime value of that customer relationship.

Our software becomes, in essence, the system of record for marketing organizations, allowing them to more easily manage their marketing activities across brands, products, and geographies. Aprimo's software allows marketers to accelerate their time to market when they're trying to launch a new product or a new campaign, streamlining workflows in the review-and-approval process. At the end of the day, Aprimo's software becomes marketing's de facto standard desktop application to manage the business of marketing.

MH: So, with respect to this very large source of indirect spend that you're going after, can you estimate what percentage of marketing spend is typically spent on marketing technologies?

BG: Historically the percentage of a company's marketing budget that was spent on technology was close to 0%. Today, it's in the neighborhood of 1-3%, and I think most organizations are coming to the realization that investing in their marketing infrastructure is a prerequisite to becoming smarter and more accountable marketers.

MH: In terms of the secular trends, we're seeing the rising strategic importance of the online channel and we're seeing more discussion and buzz around multichannel programs. Could you talk about you know how Aprimo benefits from these trends, and could you share thoughts on any other secular trends that are driving the need for Aprimo?

BG: Clearly the marketing game is changing and it's changing on many fronts. The headline is that marketing, out of necessity, is becoming more strategic to a company's future success. The importance of marketing is going up in the boardroom. Marketers are faced with growing pressures to increase revenues with decreasing budgets and human capital. The irony is that while marketing budgets are under significant stress—in most cases they are flat if not down—corporate spending on marketing software is increasing. Marketing software is no longer optional, it is a requirement to survive and thrive in today's hyper-competitive marketplace.

Aprimo's vision is to provide marketers with a suite of integrated applications that automate campaigns across multiple channels, both inbound and outbound, encompassing both online and offline media. We believe marketing channels will continue to proliferate, with the current infatuation being social media and mobile marketing. Marketers have come to the realization that what is required to navigate and manage in this fast-paced sea of change is an integrated marketing software platform that is independent of channel and allows them to intelligently plan and execute their various campaigns, offers, messages, and communications via the preferred channels for their target customers, thereby creating a unified customer experience that truly leverages their best brand assets.

MH: Are you still in the phase where you're doing a lot of heavy lifting to help customers understand the importance of this platform and its underlying capability? Maybe you can intersect that question with the impact that the constrained economy has had on your business?

BG: Back in the late '90s and early 2000s, we were in evangelization mode. Today it's well understood that marketing needs technology to survive and to successfully compete in the marketplace. As I look back at Aprimo, we started with a vision to be the marketer's system of record, in essence to be the integrated marketing software platform with best-in-class

---

applications for each role within the marketing organization, across each of the marketing channels, which evolved and expanded over time. We've become very pervasive—meaning our software is used literally by every person within a company's marketing value chain, whether it's a 10-person marketing department, or in many cases hundreds if not thousands of marketers.

And if I compare that to what's occurred elsewhere in this marketing automation landscape, other marketing automation vendors started out with a different vision, which was more narrowly focused on automating a single channel of communication—such as social media, e-mail, and direct mail or lead management. Those tools tend to get deployed and used by individuals or very small, isolated groups of people. Pretty quickly, these point tools hit a ceiling where they don't scale any more, and they cause a multiplication of islands of data that actually increase complexity and total cost of ownership.

The market today is much more educated. Marketers are getting increasing support from their IT organizations, and the awakening that is occurring is that they need to replace these disparate point products with an easier to use, more sophisticated and much more integrated marketing suite. I think a lot of the early education that we did in building the market is now coming around to benefit the growth of our business.

MH: Could you help us understand your target customer—what is your sweet spot? And then maybe you can share a couple of your marquee customers.

BG: Aprimo's software appeals to both midsize companies and larger enterprises, and we focus our solutions on both B2C and on B2B marketers. We have several hundred customers who have deployed our software in over 40 countries and we have more than 150,000 licensed users. Our customers span over a dozen different vertical industries, including financial services, retail, life sciences, technology, manufacturing, Telco, CPG and media and entertainment.

Our heritage as a business was primarily focused on the global 2000, and so our customer list includes many of the world's leading brands, such as Bank of America, Wal-Mart, Intel, Warner Brothers, AT&T, Nestle Abbott, Wells Fargo, and Kodak. Our go-forward strategy is to expand our market focus to also include midsize companies, which we expect will be a significant accelerator to our rate of customer acquisition.

MH: What's the typical ROI that your customers see?

BG: Customers can realize up to a 20% realignment of their marketing budget from one year to the next. With the visibility that we create and the transparency that our software produces, organizations are literally able to reallocate and, in many cases, stop or suspend habitual marketing spend that was producing no return in prior periods. Regardless of company size or marketing budget, that's meaningful ROI.

Also, customers use our software to increase their campaign response rates. It's not uncommon to get more than a 100% increase in response rates through the use of our more sophisticated campaign and e-mail marketing applications. Through the use of our workflow and project management software, many of our customers are able to accelerate their time to market upwards of 33%, meaning as they're launching a new product or brand and getting a marketing campaign out the door, they're able to cut weeks off of their cycle time and that significantly improves their competitive advantage.

Our customers have also been able to increase campaign throughput, meaning they produce up to 25% more campaigns with the same resources, the same budget and the same people using our technology. And many of our customers utilize our software in managing their outside supplier and agency relationships, and they're able to achieve up to a 75% reduction in agency fees.

MH: So are customers typically using the full breadth of your capability across all the different channels and across the entire marketing value chain?

BG: We have several dozen application modules that we offer within our integrated suite. Given the breadth of our platform, we find that there are anywhere from six to eight different starting points that our customers will embark upon, based on what their current initiatives or priorities are. It could be they want to start with automating online marketing campaigns. Another area would be automating their database or direct marketing, which tends to be more of a multi-channel play. We have many customers who start by addressing their lead management and scoring requirements. Other customers start out

---

trying to get a better handle on how they're storing, managing, and making available their digital assets that come out of their upstream creative production processes. We have others that want to tackle marketing workflow and project management first. And then others will start with trying to manage and get their arms around their marketing spend, how they go from planning, budgeting, and forecasting all the way down to the invoice level.

But regardless of where our customers start, the focus is quick time to value. So we typically focus on getting a quick win, delivering value on a sustainable basis, and then when the timing is right our customers tend to turn on other modules within the platform. In fact, we've done this study across our customer base from time to time. On average, our customers in the first three years of our customer relationship will increase their investment in the Aprimo technology platform by over 300%, based upon the value that they're getting and the fact that over time, they want to have a more integrated and holistic approach to managing their marketing activities.

MH: Given the environment that we're in now, is there a starting point that new customers are gravitating towards?

BG: Over the past decade, we've seen a pretty good balance between companies who are focused on growing revenues versus those who are focused on controlling costs. We've gone through several economic downturns over the past 10 years, and Aprimo's revenue has grown every single year, which is somewhat telling. If the current market driver is customer acquisition, we have solutions for that. If the current market driver is cost control or productivity improvements, we have solutions for that. Given the breadth of our solutions, we have demonstrated that we can adapt through these economic cycles.

MH: Do you have an estimate for the size of target market?

BG: The total addressable market for marketing software is in the billions. More importantly, marketing is the last un-automated frontier within corporations and it is one of the fastest-growing segments of the tech sector.

MH: Drilling into the underlying platform, could you help us understand at the highest level your secret sauce? What's the key source of differentiation that would be tough to replicate?

BG: Our secret sauce is our integrated marketing software platform. We have a unified code base that spans the end-to-end marketing process, and the benefit to customers, and what helps us win deals in the marketplace, is that customers know they can move very fluidly through our role-based applications and be leveraging the same data, the same reports, the same system of record, regardless of who they are.

MH: And the breadth of platform, this was all built organically?

BG: Most of it has been built organically through our innovation lab combined with customer and market feedback. We have executed a couple of acquisitions along the way, and in each of those cases we took the IP and rewrote it into our common code base, so we truly have a unified platform, from a user experience, from a workflow and business process, and from an underlying data standpoint. Our integrated marketing software is very unique as our competitors, in trying to build out a suite of marketing applications, have ended up with multiple, disjointed code bases which impedes user adoption and increases total cost of ownership.

MH: Switching gears, could you talk about product roadmap? What should we expect to see over the next 12 months?

BG In the fourth quarter of 2009, we delivered major releases of our products into the marketplace to address the rapidly growing segment of interactive online marketing. In doing so, we added new capabilities to address social media, Web analytics, and online advertising, while at the same time strengthening several core areas, such as data management, e-mail marketing, dialogue marketing, lead management, creative reviews, and performance management. Our roadmap through 2010 will continue to incorporate new functionality, especially for the emerging digital channels.

MH: Do you have a target number of releases that you make a year, and how do you guys roll out new capabilities to your clients?

BG: We provide our on-demand customers new functionality via quarterly releases coupled with monthly updates. We

---

provide our on-premise customers new functionality via annual releases with quarterly updates.

MH: Are you primarily direct sales or are there any key partners that you're working with?

BG: We have a strong and consultative direct sales organization, which is complemented by our growing ecosystem of partners that assist in our selling efforts. In the future, our partners are going to increasingly participate in reselling our products into target markets.

MH: Is the indirect channel a new lever of growth for you guys? And who are some of your key partners?

BG: Yes, we believe it will become a new opportunity of growth for Aprimo. Today, over 50% of our deals are either alongside or through our partners. We work closely with consulting firms, including Acceleration, Accenture, Cap Gemini, CoreMatrix, MarketSphere, Numeric Analytics, and TopRight. We also partner with marketing service providers, including Acxiom, Communisys, Harte Hanks, Sigma Marketing, and Xerox. And we are building a network of indirect resellers that will focus on particular markets. As an example, interactive digital agencies will be one profile of an indirect reseller that we will be building in 2010 and beyond.

MH: Now, I know that you guys partner with salesforce.com and Omniture. How important are these relationships to your business?

BG: We value our relationship with both salesforce.com and Omniture. We collaborate with them, we co-market with them, and most importantly, our customers experience a unified, joined-up process of how they manage their marketing. The natural integration point with salesforce.com is to take a lead, which the marketing organization has created, scored, and nurtured to the point of it being a qualified lead. and electronically and intelligently hand it off to the sales organization. And vice versa, to provide the sales force, through salesforce.com, with single click access into not only qualified leads, but also the marketing calendar, the marketing digital assets, the marketing campaigns and the like, providing each of these roles a purpose-built application for their needs. And in the case of Omniture, we have a very tight integration to their Web analytics stack, which allows us to get very deep and rich insights into anonymous visitor traffic. Aprimo automatically converts the anonymous visitor at the right time into a known visitor for marketing to take action on.

MH: And what is your pricing model, and what's the average deal size that you see?

BG: Our software subscription pricing is based on the number of applications and the number of users purchased. The annual subscription for a midsize company starts around \$40,000 per year, and it tends to average over \$100,000 per year for larger enterprises.

MH: And I'm not sure if I asked you this earlier, but the number of customers that you have now and how many of those are enterprise?

BG: We have several hundred customers. We initially focused our customer acquisition on global 2000 companies, and we have a very strong and growing line-up of blue chip customers. More recently, we've expanded our on-demand product offerings to also address the digital marketing needs of mid-sized companies and we've established additional direct and indirect sales channels to accelerate our rate of customer acquisition.

MH: And in terms of competition, who do you see most often out there? Who represents the greatest threat longer term?

BG: Our experience has revealed to us that the market for marketing software is highly fragmented along several dimensions. We do have competition, but we find that competition in niche categories. For instance, in the area of marketing planning and spend management, we compete with SAP and Oracle. We usually end up coexisting at the end of the day. In the area of marketing workflow the closest competitor was a company called SmartPath, whom we ended up acquiring a few years ago. Today, we have a dominant position in the category of marketing workflow and project management. If we move into the area of marketing asset management, we encounter enterprise content management vendors and other specialty digital asset management players, but more often than not we encounter competition from agencies trying to offer custom built solutions. In the category of database and direct marketing, we encounter a variety of older technologies from companies like Unica, Oracle/Siebel, or Infor/Epiphany. We also encounter competition in the category of traditional e-mail



marketing, where we compete with specialty firms like Responsys and ExactTarget, among others. And in the category of lead management, we run into Oracle/Siebel in enterprise opportunities and niche vendors like Eloqua and Marketo at the lower-end of the market.

We are finding that companies are now much more knowledgeable about what their marketing technology requirements are, and more importantly, what the possibilities are, and they are now looking for—in fact they are now demanding a more integrated approach to managing their marketing activities across all their online and offline channels. Aprimo's integrated marketing software is very distinctive in this regard, and enables our customers to take their marketing performance to the next level while reducing their total cost of ownership by consolidating a myriad of point tools. The business case is a no brainer.

MH: OK. I'd be remiss if I didn't ask the question—do you think that like a Google would ever get into this space and are they at all in your mind with respect to who could be source of competition longer term?

BG: This is a very large and growing market, so you have firms like Google, Microsoft, Adobe, and agency holding companies—from WPP to Omnicom—looking at how they could and should compete in this market. I wouldn't be surprised in the future if all of them chose to participate in some way with software applications, since technology-enabled marketing is rapidly becoming mainstream.

MH: And so over the next couple of years if it's not competition, what exactly is the biggest challenge for Aprimo?

BG: Since the total addressable market is very large and our platform approach creates a significant opportunity for growing customer lifetime value, our biggest challenges are building awareness of Aprimo and scaling our global distribution channels. Those are the focal points.

MH: Could you give us a sense of how big you are and how fast you're growing?

BG: For 2009, our revenues were \$68 million. Compared to 2008, our recurring revenue grew 29% and our total revenue grew 15%.

MH: Great. And then the last question for you, where do you see yourselves in three years? Are you a public company? Are you part of another platform? Are you a private company?

BG: We believe that our vision and our platform will definitely support Aprimo as a high-growth, standalone company into the future, and we're just beginning to scratch the surface of our market opportunity.

MH: Thanks for you perspectives and your time, Bill.



**COMPANIES MENTIONED IN THIS REPORT:**

Company	Exchange	Symbol	Price	Rating
Google, Inc.	NASDAQ	GOOG	\$533.12	Buy
Intel Corporation	NASDAQ	INTC	\$20.43	Buy
salesforce.com, Inc.	NYSE	CRM	\$65.09	Buy
Wal-Mart Stores, Inc.	NYSE	WMT	\$52.90	Buy

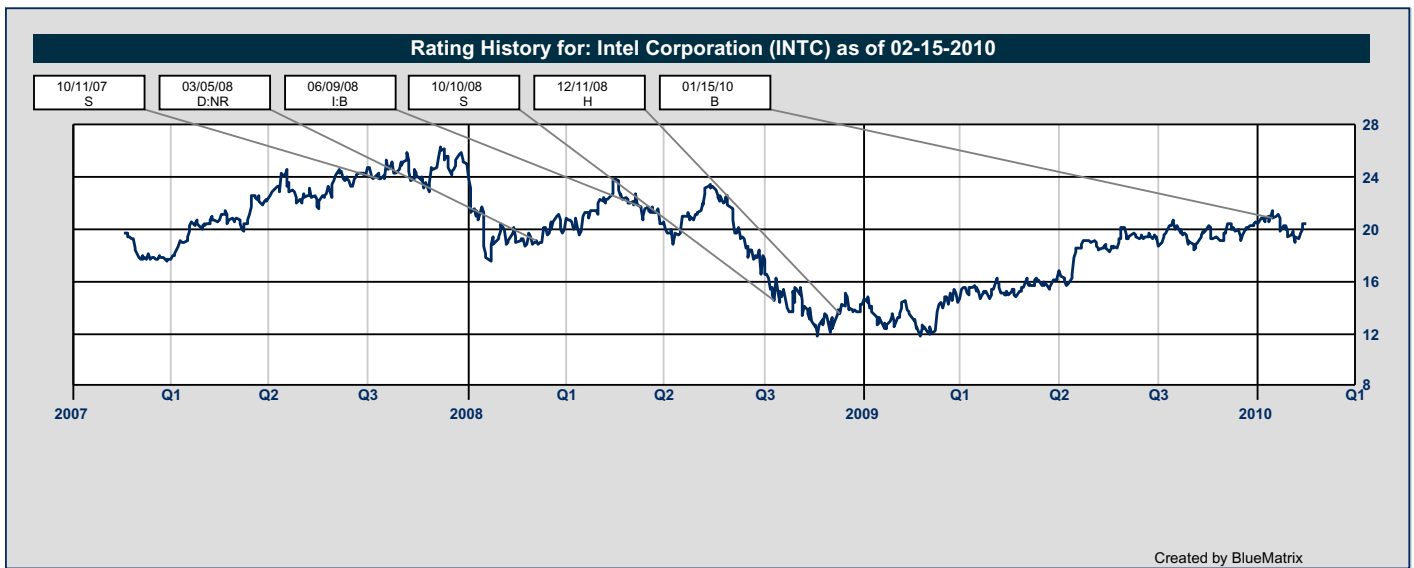
**Important Research Disclosures**

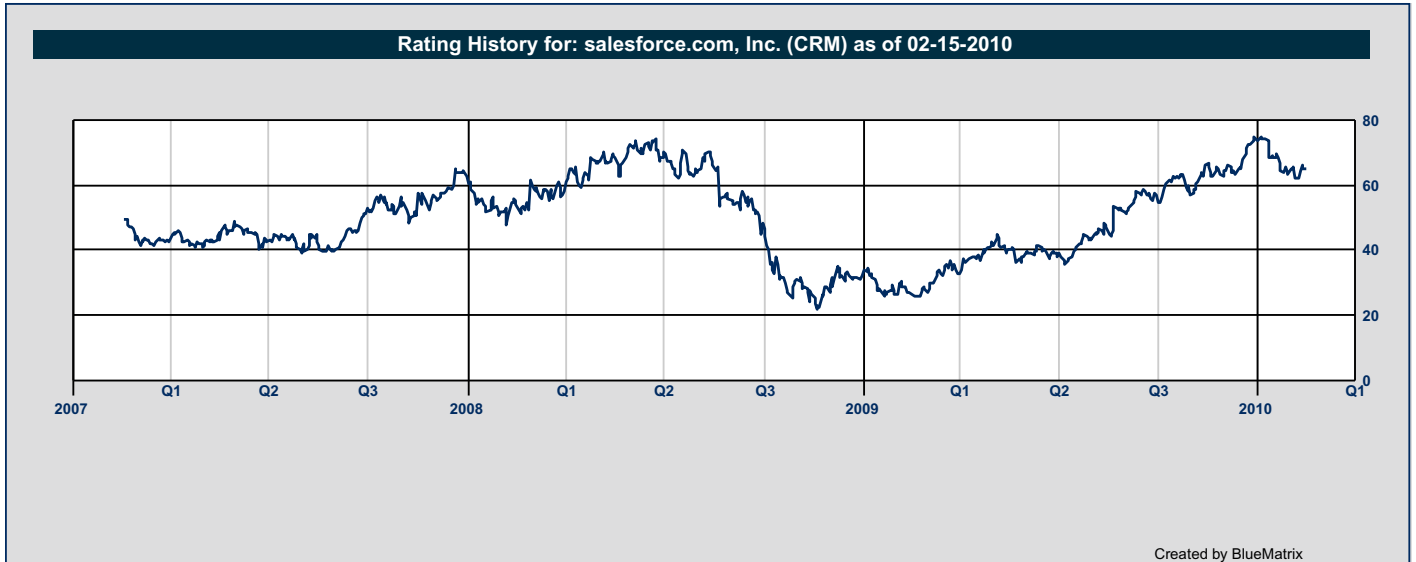
**Analyst Certification**

I, Michael Huang, hereby certify that all of the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

The analyst(s) responsible for preparing this report has/have received compensation based on various factors, including the firm's total revenues, a portion of which is generated by investment banking activities.

ThinkEquity LLC makes a market in Intel Corporation, Wal-Mart Stores, Inc., salesforce.com, Inc., and Google, Inc. securities; and/or associated persons may sell to or buy from customers on a principal basis.







## Rating Definitions

Effective October 7, 2009, ThinkEquity LLC moved from a four-tier Buy/Accumulate/Source of Funds/Sell rating system to a three-tier Buy/Hold/Sell system. The new ratings appear in our Distribution of Ratings, Firmwide chart. To request historical information, including previously published reports or statistical information, please call: 866-288-8206, or write to: Director of Research, ThinkEquity LLC, 600 Montgomery Street, San Francisco, California, 94111.

**Buy:** ThinkEquity expects the stock to generate positive risk-adjusted returns of more than 10% over the next 12 months. ThinkEquity recommends initiating or increasing exposure to the stock.

**Hold:** ThinkEquity expects the stock to generate risk-adjusted returns of +/-10% over the next 12 months. ThinkEquity believes the stock is fairly valued.

**Sell:** ThinkEquity expects the stock to generate negative risk-adjusted returns of more than 10% during the next 12 months. ThinkEquity recommends decreasing exposure to the stock.

Distribution of Ratings, Firmwide				
ThinkEquity LLC				
Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [B]	123	67.60	13	10.57
HOLD [H]	56	30.80	1	1.79
SELL [S]	3	1.60	0	0.00

This report does not purport to be a complete statement of all material facts related to any company, industry, or security mentioned. The information provided, while not guaranteed as to accuracy or completeness, has been obtained from sources believed to be reliable. The opinions expressed reflect our judgment at this time and are subject to change without notice and may or may not be updated. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. This notice shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any state in which said offer, solicitation, or sale would be unlawful prior to registration or



qualification under the securities laws of any such state. This research report was originally prepared and distributed to institutional clients of ThinkEquity LLC. Recipients who are not market professionals or institutional clients of ThinkEquity LLC should seek the advice of their personal financial advisors before making any investment decisions based on this report. Additional information on the securities referenced is available upon request. In the event that this is a compendium report (covers more than six ThinkEquity LLC-covered subject companies), ThinkEquity LLC may choose to provide specific disclosures for the subject companies by reference. To request more information regarding these disclosures, please call: 866-288-8206, or write to: Director of Research, ThinkEquity LLC, 600 Montgomery Street, San Francisco, California, 94111. Stocks mentioned in this report are not covered by ThinkEquity LLC unless otherwise mentioned. Member of FINRA and SIPC. Copyright 2010 ThinkEquity LLC, A Panmure Gordon Company