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RESEARCH

# SUGARCRM ACQUIRES SALESFUSION

## ANALYST

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## THE BOTTOM LINE

SugarCRM announced the acquisition of Salesfusion, which provides marketing automation capabilities focused primarily on the small and medium-sized (SMB) sector, with capabilities for campaign management, account-based marketing (ABM), lead and account management, Web and social media marketing, search engine optimization (SEO), and landing pages and forms development. The acquisition brings marketing automation into Sugar's portfolio and will reduce initial cost and time to value for customers while reducing their overall vendor management burden.

## OVERVIEW

On May 16, SugarCRM announced it had acquired Salesfusion, a cloud-based marketing automation solution provider. This is the second acquisition Sugar has made in fewer than three months, with its Collabspot acquisition in March to enhance its e-mail integration capabilities.

Both companies are privately held, and the terms of the deal were not disclosed. Salesfusion is positioned as an all-in-one marketing automation solution for the midmarket, providing capabilities to create and manage campaigns, manage search engine optimization and social engagement, nurture campaigns and score leads, and track and optimize marketing campaign spending.

This move by Sugar is not unexpected. In fact, since Accel-KKR's significant investment in Sugar in August 2018, the company has been setting up for growth both organically and by acquisition, announcing a number of changes in top leadership as well as plans for acquisition. A marketing automation provider was expected to be one of Sugar's first acquisition targets, given that it had previously needed to partner and integrate with other marketing automation providers to effectively fill customers' needs for marketing automation capabilities.

## WHY SALESFUSION

Salesfusion is a solid player in marketing automation for small and mid-sized business, and rated as a facilitator in the 2018 Marketing Automation Value Matrix – meaning that it has an above-average level of usability and strong core features but doesn't have the completeness of functionality of some of the larger cloud marketing automation providers (Nucleus Research *s100 – Marketing Automation Value Matrix 2018*, July 2018). Often providers in this quadrant are very popular choices for customers seeking core features at a more affordable price point than those solutions with a fuller feature set (that typically have premium pricing as well).

As such, this makes Salesfusion a good fit for SugarCRM's overall portfolio and culture. SugarCRM competes against other customer relationship management (CRM) leaders most effectively when it is facing an economic buyer that is looking to solve core CRM and custom application needs at a lower price point than its higher-priced competitors. Salesfusion's competitive pricing, coupled with its Concierge Service offering, makes it a cost-effective marketing automation solution while at the same time being a high-value one, which is well-aligned with Sugar's position as a CRM provider.

## CUSTOMERS BENEFIT

In the 20 to 30 Sugar customers Nucleus has analyzed over the past 18 months, more than two-thirds have had marketing automation on their list of requirements for their overall CRM strategy, meaning they had to select a Sugar partner solution and manage both the initial and ongoing integration of the two solutions. Bringing Salesfusion's capabilities into the Sugar portfolio will reduce the evaluation and planning process for customers that seek marketing automation capabilities while reducing initial costs of integration and implementation, as well as ongoing administration and support.

**Sugar customers benefit from reduced integration, support, and vendor management costs by consolidating marketing and sales automation under one vendor.**

Further, customers that are investing in Sugar's Hint capabilities can expect Sugar to invest in bringing further automation and intelligence across its marketing portfolio as well.

## WHAT'S NEXT

As customers increasingly look to CRM suites that provide capabilities across sales, marketing, and service, this acquisition was an important step for Sugar to stay competitive. Nucleus expects to hear further news in the near future about the roadmap for integrating the two solutions as well as likely a realignment of pricing (at least for new customers) that make sense for combined marketing and sales automation capabilities.

As Sugar continues to build out its CRM capabilities both organically and by acquisition, Nucleus expects that its strong business process management (BPM) capabilities will be highlighted by further investments to build out service automation capabilities that will give it a more complete packaged solution for CRM suite customers looking for all three legs of the stool in one solution.