

Monday, Jan. 15, 2007
Vol. 23, No. 01

Soft•letter

BUSINESS INSIGHTS FOR SOFTWARE DEVELOPERS & PUBLISHERS

Strategies for Maximizing Google AdWords ROI, Part II of II

by Fergus Ross Ferrier, Red Gate Software



Zeus

*Larry Ellison may not be
God, but his pay is pretty
Olympian. He leads the
compensation pack in our
2006 CEO survey
See pages 4-6.*

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Brainstorming for Better Keywords

Though you might need to use a bit of effort (and some creativity), spending time on this aspect of your campaign is critical as you can often uncover keywords that people are searching but of which your competitors are unaware and save money simultaneously.

To begin, sit down for perhaps half an hour and brainstorm anything you can think of. You'll be surprised at how many ideas you come up with. Also:

- Use the **Google Keyword Suggestion** tool to come up with ideas—it can also offer information on how often the suggested terms are searched on.
- Make sure you've got your company names, trademarks etc. covered—and any common misspellings.
- Think about all the things your prospects might call your product (e.g. "vacuum cleaner"/"Hoover"). Remember that people search for the problem they want to solve ("sore ankles") as well as the solution they want ("anti-inflammatory drugs").
- Not all people are the same: try variations on a theme—synonyms, plurals, industry-terms, common misspellings.
- If your website comes in several languages, bid on search terms in those languages.
- Use keyword research software or a service like WordTracker to give you extra keyword ideas.

Then it's simply a case of discovering which new keywords work (i.e. send you profitable traffic) and which don't, over the course of a week or so. Many of your ideas will probably not be searched for much at all. There's nothing wrong with having lots of low-volume keywords, but those which only get a handful of impressions a month are probably best dealt with by pruning them and instead incorporating a group of them as a single broad match. *(continued on page two)*

Using Regional Targeting to your Advantage

Regional targeting offers significant opportunities for you to more accurately reach your target audience. By looking at the Internet addresses of the computers of searchers, Google can determine quite accurately where searchers are from, and thus allow you to show your ads only to people in particular locations.

Google offers three options for geo-targeting. Each of these are implemented at the campaign level and apply to all the ad groups within it.

- **Countries and territories:** Choose particular countries in which to display your ad.
- **Regions and cities:** For some countries, you can choose cities, states and metropolitan areas in which to target your advertising.
- **Customized:** You can choose a point on a world map and Google will show your ad to anyone within a certain radius, or you can specify a polygon of latitude/longitude coordinates within which to show your ad.

If you only want sales or inquiries from particular countries or areas, then this is your chance to stop unwanted clicks and increase the ROI of your ads. Whether you sell globally or to a particular country, local area promotions, regional recruiting, and test marketing in a particular state are all possible with AdWords. Many advertisers actually make the mistake of being too selective and missing potential markets to advertise to. If your competitors are doing this, make sure you are reaching these untapped markets.

Since, by searching at Google, you can check only the search engine results for your location, you need to use the Ads Diagnostic Tool (in the AdWords interface: Tools > Ads Diagnostic Tool) to check if your ads are running in a given location.

Use Third-Party Tools to Save Time

If you manage a very large campaign, or advertise across a number of different pay-per-click search engines, then it's probably worth your while researching tools to save you hassle and time. Google, under much pressure from advertisers, recently released a desktop application which makes dealing with large AdWords accounts easier (<http://services.google.com/adwordseitor/>). It's free, and has a number of nifty features, as well as eliminating the slow "click-wait for the page to load-click..." drudgery of the normal web interface. You can manage several accounts from one interface, get any changes you'd like to make to the account approved or reviewed by someone else, and apply all kinds of filters to search for particular ads or keywords. There are a number of keyword research tools out there that can help you to come up with a list of new ideas to try, remember to not let the marketing hype around some of these software products convince you that it's all there is to a successful campaign. Some comprehensive reviews are available at the SEObook website: <http://www.seobook.com/archives/001013.shtml>.

If you spend a very large amount on AdWords, more than \$500,000 a year say, and are in a highly competitive space in the AdWords market, you might consider a bid management tool that engages in portfolio optimization. These use fancy economics and mathematics to scope out all possibilities of bidding, and choose the optimum situation for a particular business goal that you specify—e.g. get me as many sign-ups as possible for <\$2 per sign-up overall. Some of the useful systems to manage these types of campaigns include:

www.efrontier.com, www.searchignite.com, and www.searchforce.com.

Optimizing Your Ads

You have only four short lines of text to sell yourself on Google—make sure you make them count! The traditional advertising rules don't have to go completely out the window here, but with nothing but a small amount of text allowed, you have to think carefully about how to design an ad that attracts your target audience against the pull of competitors who are on exactly the same footing. To optimize your ads, the following guidelines will prove useful:

- Put the search keyword in the headline—it appears in bold type and surfers will recognize it as particularly relevant. Look at what your competitors are doing, particularly for highly competitive keywords—don't copy, rather adapt the ideas and test them out.
- Do not use your company name in the copy itself unless it's a recognized brand or the user searched for the company name—you'll just waste space. Capitalize the first letter of words in the headline, and important words in the copy to make them stand-out and easy to read – but don't destroy the aesthetics, or over-capitalize. Text should appeal to the surfer's self-interest: "save time", "please your boss," etc.
- Make sure you exploit the flexibility the display URL allows – e.g. 'AcmeStores.com/CheapTVs' instead of just 'AcmeStores.com'
- Include a call-to-action verb of some kind: "download", "try", "order" etc.—however "click" is not allowed due to Google Editorial guidelines. Provide as much information in the space allowed about your product, promotion, and price—to pre-qualify visitors as much as possible before you get charged for the click. This will weed out no-buyers.

Split Testing

The only way to objectively discover what makes a "good" ad is to split test both ads and landing pages. Thankfully, Google makes this an easy process—for an Ad Group you can create two or more separate versions of an ad to be alternated randomly. Running the ads side-by-side for a suitable amount of time, at least three to four days, should rack up a good number of impressions, which will allow you to compare the CTRs and determine which ad is most popular with searchers. Google often gives a ranking boost to ads which have performed well over time, so make sure that you create both new versions of your ad at the same time.

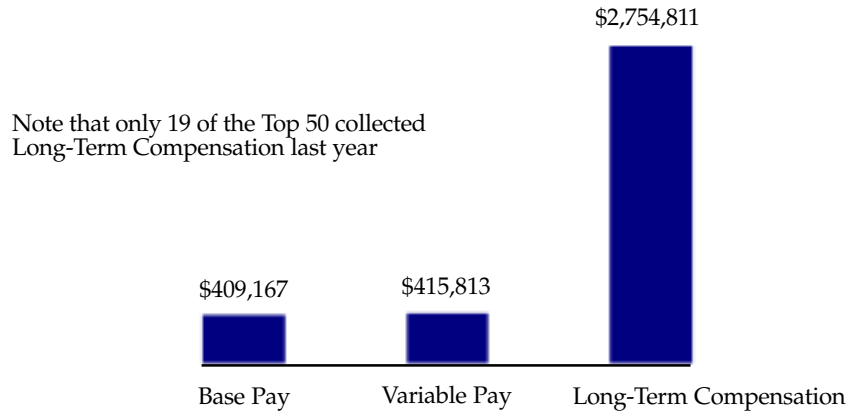
Landing Pages

Don't send all your AdWords clicks to your home page or a non-specific page on your website. I strongly suggest you design an individual page for each product (you can even set the destination URL differently for each keyword in your account). Strip away as much of the clutter and unnecessary navigation as you can, providing the cold hard information a visitor needs to make a purchase or take further action. Avoid placing affiliate links on your landing pages; Google has recently begun something of jihad against affiliate links. Avoid requiring visitors to the page to register for information. Do not put pop-ups on landing pages! Your promotional information should be easy to read and understand. The point of this is to boost your Google Quality Score: higher rankings are awarded with reduced ad rates.

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Top 50 CEO Compensation

Medians for Base Pay, Variable Pay, and Long-Term Compensation (exercise of stock options)



Benchmarks: Chief Executive Officer Compensation

The Soft•letter Top 50 CEO list is led by Larry Ellison of Oracle. Steve Ballmer of Microsoft holds 20th place, and unlike Ellison, did not exercise any stock options this year.

Interestingly, Eric Schmidt of Google does not appear on the list at all, for like Google co-founders, Page and Brin, he has chosen for several years now to receive only \$1 in pay. And this year, like Steve Ballmer, he did not exercise any stock options. Other dollar-a-year men in the tech industry are Steve Jobs of Apple and Terry Semel of Yahoo!, taking their compensation in stock options which are expected to result in lower taxes. We believe the recent controversy over options backdating will have a significant impact on CxO pay scales in the future and will be tracking this component closely.

The Soft•letter CEO compensation survey likewise indicates that CEOs are doing well, with a 10% increase generally in base pay this year, and a 25% increase in variable pay.

The median base pay for a CEO in our Top 50 was \$409,167; the median for variable pay was \$415,813. The median value of exercising stock options for a Top 50 CEO was \$2,754,811. Using medians smooths out the overwhelming tilting effect the handful of very top CEOs have on the aggregate and average figures for the Top 50. Despite the low median value of option exercises, the few extraordinarily large exercisers managed to tilt the field so that the 19 of the 50 who did exercise options realized a total value equal to 3.9 times the value of the entire base and variable compensation of the Top 50. In fact, the top three options exercisers walked away with 80% of the options-exercise pot, with a value of over three times everybody's total base and variable pay.

Although fewer than half our Top 50 CEOs exercised options this year, the value realized was four times the total base and variable compensation of the entire Top 50. These are the type of numbers that fascinate SEC investigators.

Overall Compensation—CEO*	Median	Top 25%	Bottom 25%	Raise
Base Pay—current	\$165,000	\$215,000	\$135,000	10%
Base Pay—last year	\$150,000	\$200,000	\$117,500	
Variable Pay—current	\$50,000	\$123,840	11,000	25%
Variable Pay—last year	\$40,000	\$100,000	\$1,250	
Total Pay—current	\$225,000	\$325,000	\$167,500	7%
Total Pay—last year	\$211,000	\$290,000	\$148,580	

* Number of respondents = 111 for "current," 105 for "last year."

CEO Pay by Company Size*	Base Pay	Variable	Total	Raise
Under \$1 million—current	103,500	24,500	123,000	10%
Under \$1 million—last year	94,000	13,750	94,000	
\$1-\$5 million—current	\$150,000	\$25,000	\$175,000	20%
\$1-\$5 million—last year	\$125,500	\$21,500	\$160,000	
\$5-\$10 million—current	\$183,000	\$62,500	\$270,000	2%
\$5-\$10 million—last year	\$180,000	\$20,000	\$230,000	
\$10-\$99 million—current	\$200,000	\$100,000	\$300,000	10%
\$10-\$99 million—last year	\$182,500	\$82,500	\$268,750	
\$100+ million—current	n/m	n/m	n/m	n/m
\$100+ million—last year	n/m	n/m	n/m	

* Number of respondents = 12 for Under \$1 million, 41 for \$1-\$5 million, 21 for \$5-\$10 million, 33 for \$10-\$99 million, and 4 for \$100+ million. Values are medians. n/m = Sample size too small for accurate comparisons.

CEO Pay by Development Stage*	Base Pay	Variable	Total	Raise
No significant customer revenue—current	n/m	n/m	n/m	n/m
No significant customer revenue—last year	n/m	n/m	n/m	
Privately owned, privately funded—current	\$152,500	\$35,000	\$213,000	2%
Privately owned, privately funded—last year	\$150,000	\$25,000	\$194,001	
Privately owned, venture funded—current	\$190,000	\$50,000	\$240,000	4%
Privately owned, venture funded—last year	\$182,500	\$50,000	\$227,500	
Public—current	\$200,000	\$124,420	\$306,920	3%
Public—last year	\$194,000	\$109,000	\$292,000	

* Number of respondents = 2 for No significant customer revenue, 82 for Privately owned, privately funded, 15 for Privately owned, venture funded, and 12 for Public. Values are medians. n/m = Sample size too small for accurate comparisons.

The Top 50: Highest Paid Public Company CEOs

		Base Pay	Variable Pay	Total	Long-Term
1	Lawrence J. Ellison, Oracle	\$1,000,000	\$7,460,200	\$8,460,200	\$66,891,118
2	Henning Kagermann, SAP AG	\$803,400	\$5,358,990	\$6,162,390	
3	Stephen M. Bennett, Intuit	\$1,100,000	\$3,654,290	\$4,754,290	
4	Peter Karmanos, Jr., Compuware	\$1,000,000	\$1,827,110	\$2,827,110	\$224,400
5	Carol A. Bartz, Autodesk	\$941,667	\$1,758,181	\$2,699,848	\$80,451,795
6	John S. Chen, Sybase	\$975,000	\$1,324,857	\$2,299,857	\$4,877,896
7	Alfred S. Chuang, BEA Systems	\$737,500	\$1,465,160	\$2,202,660	\$2,637,398
8	Michael J. Saylor, Microstrategy	\$387,500	\$1,698,398	\$2,085,898	
9	Bruce R. Chizen, Adobe Systems	\$925,000	\$1,072,826	\$1,997,826	\$10,556,389
10	John W. Thompson, Symantec	\$800,000	\$1,050,654	\$1,850,654	
11	Robert E. Beauchamp, BMC Software	\$700,000	\$901,293	\$1,601,293	
12	John A. Swainson, CA	\$1,000,000	\$570,669	\$1,570,669	
13	L. George Klaus, Epicor Software	\$736,403	\$698,129	\$1,434,532	
14	Jack Noonan, SPSS	\$357,242	\$967,454	\$1,324,696	\$1,011,887
15	Tod Nielsen, Borland Software	\$176,602	\$1,082,711	\$1,259,313	
16	Godfrey R. Sullivan, Hyperion Solutions	\$535,000	\$670,512	\$1,205,512	\$5,784,017
17	Mark B. Templeton, Citrix Systems	\$491,250	\$621,966	\$1,113,216	\$525,000
18	Mark F. O'Neil, DealerTrack Holdings	\$476,000	\$605,000	\$1,081,000	\$3,195,000
19	Matthew J. Szulik, Jr., Red Hat	\$400,000	\$644,358	\$1,044,358	\$59,051,025
20	Steven A. Ballmer, Microsoft	\$616,667	\$359,482	\$976,149	
21	Alfred J. Amoroso, Macrovision	\$246,474	\$651,951	\$898,425	
22	Robert A. McCormick, Savvis	\$370,835	\$515,413	\$886,248	\$122,758
23	Jeffrey E. Stiefler, Digital Insight	\$418,333	\$462,533	\$880,866	
24	James E. Cashman III, Ansys	\$400,000	\$429,098	\$829,098	\$2,754,811
25	Mark P. Cattini, MapInfo	\$370,000	\$451,000	\$821,000	
26	Peter F. Sinisgalli, Manhattan Associates	\$350,000	\$470,467	\$820,467	
27	Mark S. Ain, Kronos	\$501,923	\$287,700	\$789,623	\$3,139,425
28	Joseph W. Alsop, Progress Software	\$350,000	\$402,528	\$752,528	\$13,850,762
29	James C. Edenfield, American Software	\$434,500	\$279,498	\$713,998	\$301,963
30	Sohaib Abbasi, Informatica	\$350,000	\$331,284	\$681,284	
31	Paul A. Ricci, Nuance Commo.	\$464,688	\$200,604	\$665,292	
32	Stephanie G. DiMarco, Advent Software	\$360,000	\$273,257	\$633,257	
33	Albert E. Sisto, Phoenix Technologies	\$400,000	\$193,984	\$593,984	
34	Peter I. Cittadini, Actuate	\$400,000	\$169,200	\$569,200	
35	Robert Ashe, Cognos	\$519,696	\$32,867	\$552,563	
36	David Gould, Witness Systems	\$340,000	\$210,669	\$550,669	
37	Marc E. Chardon, Blackbaud	\$525,000	\$10,726	\$535,726	
38	Zvi Alon, NetManage	\$460,000	\$71,335	\$531,335	
39	John E. Baiye, Dendrite International	\$522,917	\$6,300	\$529,217	\$1,089,525
40	Michael Gregoire, Taleo	\$239,808	\$269,000	\$508,808	
41	Kenneth R. Klein, Wind River Systems	\$500,000	\$6,383	\$506,383	
42	Michael D. Andereck, Docucorp International	\$385,000	\$93,503	\$478,503	
43	John Schwarz, Business Objects	\$230,288	\$228,082	\$458,370	
44	Gregory S. Butterfield, Altiris	\$325,000	\$105,538	\$430,538	
45	Joseph L. Mullen, Bottomline Technologies	\$295,813	\$131,570	\$427,383	
46	Carlton H. Babb, Raining Data	\$248,000	\$165,210	\$413,210	
47	David C. Mahoney, Applix	\$275,000	\$118,697	\$393,697	\$12,830
48	Greg R. Gianforte, RightNow Technologies	\$250,000	\$126,561	\$376,561	
49	Anna M. Chagnon, Bitstream	\$230,000	\$133,150	\$363,150	
50	Subrah S. Lyar, WebEx Commo.	\$250,000	\$111,438	\$361,438	\$471,264

Note: The 50 individuals here received the highest annual compensation of chief executive officers of public software companies with a current market capitalization of \$49 million or more. "Variable" compensation includes bonuses, commissions, company-paid insurance, relocation and housing allowances, forgiven loans, memberships, profit-sharing contributions, etc. "Long-Term" compensation is income from the exercise of stock options.

Source: Company proxy statements for most recent fiscal years.

Sharing the Wealth—Taking Care of Your Employees at Close

By Frank Berger, Corum Group

There are two basic reasons why shareholders should seriously think about sharing the wealth resulting from the sale of their company with other people in the organization:

1. Awarding those who have significantly contributed to building the success of the company (in other words those without whom the wealth-building transaction never would have happened), helps keep your company working as a team.
2. Motivating the key contributors to continue giving their best helps ensure the company will continue to prosper under the new ownership and management (and focus on meeting performance milestones if there is an earn-out component integrated into the deal structure).

There are many ways to provide incentives: Employee stock option plans, contractual commitments, performance or exit bonuses. They can be implemented in various forms, from a comprehensive “fair” model to allocations driven by the subjective judgment of the founder (not usually the best approach). Whatever the shareholders may prefer to do, the model should be thought through and discussed with a tax consultant, a legal counsel and the M&A advisor as early in the process as possible.

Here are just a few of the examples we’ve seen during the past 20 years:

- The majority owner gave his non-shareholding CFO a significant bonus to be paid from his (the owners) proceeds upon closing of the transaction. The CFO has a very important role in closing such a deal and is one of the employees with the highest likelihood of being let go post transaction.
- In addition to a stock option plan in place, the founder paid significant bonuses to “his” key employees on a purely subjective basis at closing.
- The managing director, who held only 5% in the company, was contractually guaranteed by the founder 30% of the proceeds (tax free at the time)!
- The major shareholder set aside \$750,000, which was structured as welcome bonus and retention pool paid by new owners: Two thirds immediately after closing, one third twelve months later.
- The founder carved out 5% and presented checks to a surprised group of 17 key people at the announcement meeting (with the buyer in the room). A similar amount was promised over the following three years if earn-out targets were achieved.

Don’t let what happens to your key people be an afterthought. Think about your strategy and introduce it into the negotiation cycle early.

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Bad Design Resources

- **Ask Tog (www.asktog.com):** Site discusses many examples of bad interface design, from Lexus transmission switches to the design decision that led to the death of John Denver in his ultralight. Site owner Bruce Tognazzini was Apple's 66th employee.
- **Bad Human Factors Design (www.baddesigns.com):** Site covers bad designs and features from a wide variety of sources, including cell phone displays, toothbrushes, tuna cans, etc. Podcasts available on the site. Site owner Michael J. Darnell is a former Microsoft engineer.
- **Rebel Science (www.rebelscience.org):** Interesting site that debunks what site owner Jaron Lanier regards as many current shibboleths. Section dedicated to why software is bad is a must read.
- **Suckbusters (www.suckbusters.com):** Site run by David Platt, author of *Why Software Sucks ... and What You Can Do About It*. Site provides interesting examples of what Platt believes are bad software designs.

BLOGGER RICH SKRENTA ON GOOGLE: "To paraphrase an old comment about IBM, made during its 30 year dominance of the enterprise mainframe market, Google is not your competition, Google is the environment. Online businesses which struggle against this new reality will pay opportunity costs both in online advertising revenue as well as product success." (Quoted on www.skrenta.com/2007/01/winnertakeall_google_and_the_t.html, 01/01/2007)

COMPENSATION FIRM PRESIDENT ALAN JOHNSON ON STEVE JOBS: "He knew what he was doing. It wasn't 'the dog ate it.' He backdated the options on purpose and the committee said it will give him a free pass." (Quoted on BusinessWeekOnline, 01/05/2007)

DUKE LAW PROFESSOR JAMES COX ON STEVE JOBS: "You've got to really think about what the end game is. Who wants to be the one whose career is built on 'You brought down Steve Jobs'? It's a little like undressing Mary Poppins." Quoted on <http://www.siliconvalley.com/mld/siliconvalley/16426701.htm>, 01/10/2007)

CANOPUS RESEARCH PRESIDENT WILL ZACHMANN ON MICROSOFT: "If you're a small developer, be aware you're a mouse in the jungle and that Microsoft is the lion. Know the lion's feeding habits and figure your strategy around it. If you're not perspicacious enough to realize the piece of meat you want is the same one Microsoft wants to chomp on, you deserve to be eaten." (Quoted in *Redmond* magazine, 01/2007)

AUTHOR OF "WHY SOFTWARE SUCKS" DAVID PLATT ON FLOATING TOOLBARS IN SOFTWARE: "They increase the possibility of crashing errors and security vulnerabilities in the same way as more moving parts on any mechanical device render it less reliable." (Quoted on eWeek, 01/02/2007)

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Subscription rates: \$395 worldwide. Subscription office: Aegis Resources 34 Sugar Hill Rd. Killingworth, Conn. 06419

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