Soft•letter

BUSINESS INSIGHTS FOR SOFTWARE DEVELOPERS & PUBLISHERS

Happy New Year!

Our must-read Google usage report reveals that 19% of you thought AdWords "a complete no-brainer" while 33% aren't using AdWords! See pages 2, 4-6.

Strategies for Maximizing Google AdWords ROI, Part I of II

by Fergus Ross Ferrier, Red Gate Software

Google AdWords is one of the newest and most exciting forms of advertising currently around. Why? You can accurately pinpoint targeted prospects for your business and pitch to them while they are looking for information on your business offerings. You only pay on results: when the qualified searcher makes a conscious decision to click on your advert and find out more on your website. It's easy to analyze your results and see which of your ads are converting best into sales or leads.

This article series aims to help you take advantage of all the benefits AdWords has to offer as an advertising medium, while helping you avoid some of the common pitfalls that could spell doom for your campaign and your advertising dollars.
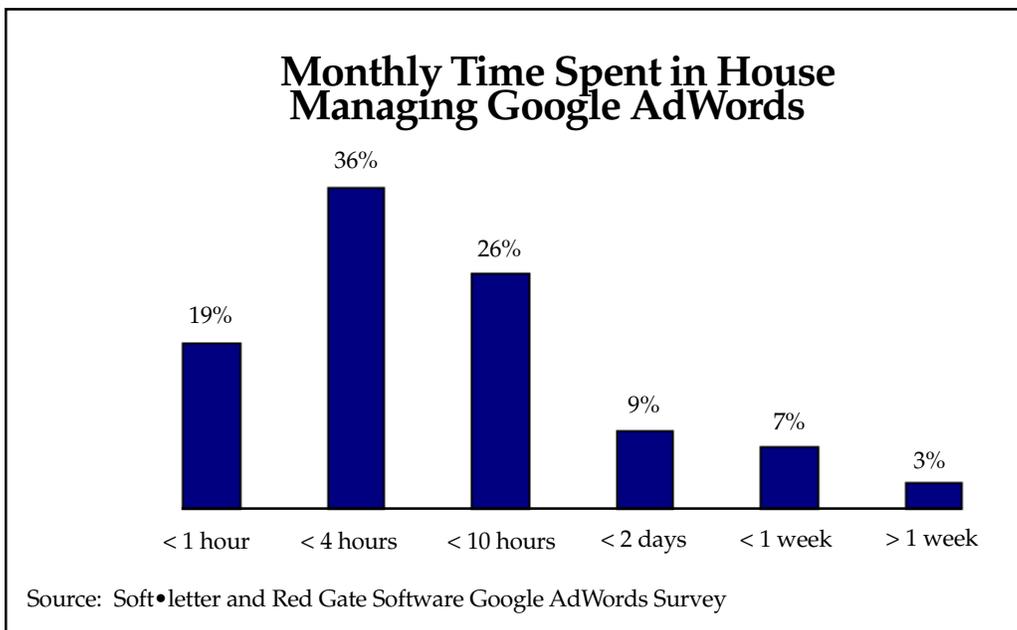
Implement Conversion Tracking to Monitor ROI

The only way to ensure your AdWords campaigns are effective is to use conversion tracking to results (CTR) to work out ROI on a keyword-by-keyword or ad-by-ad basis. CTR involves analyzing the actions of website visitors who come from your AdWords ads to see which campaigns and keywords create the most conversions.

Potentially useful post-click actions to measure include:

- Page Views—a higher number of page views indicates a higher interest in your website after clicking. If they only view the landing page and then leave, they are less like to be interested in what you have to say
- Purchases on a Shopping Cart
- Leads - from an online contact or quote form
- Sign Ups/Subscriptions

You should choose one of these to track, and give that potential action an estimated dollar value. In this way, you can assign each visitor from AdWords a "value" to your business for that visit.

Even if your website does not lend itself to conversion tracking (e.g. no online orders are taken, or people use your telephone number to follow-up an online enquiry), you can still place a value on someone viewing a particular page—for example, the

Monthly Time Spent in House Managing Google AdWords

	36%				
19%		26%	9%	7%	3%
< 1 hour	< 4 hours	< 10 hours	< 2 days	< 1 week	> 1 week

Source: Soft•letter and Red Gate Software Google AdWords Survey

Google AdWords Survey Results

The joint Soft•letter and Red Gate Software survey on the use of Google AdWords gathered 195 responses. Two thirds (66%) of the respondents have an international customer base, while 28% have only national customers; 4% have regional businesses, and 2% put themselves down as local.

We found it surprising that only 67% of those responding currently use AdWords. Considering that our audience is the software industry, a technical and Internet-savvy group, evidently the word has not got out that three-fourths of the current AdWords users really like it. 54% said it was "a good investment and competes favorably with other media," while 19% were pumped enough to call the use of AdWords "a complete no-brainer." But 21% of all those answering have never tried AdWords, and 12% have stopped using the Google service. 52% of everyone in the survey have never advertised (using PPC, pay-per-click) through any search engine except Google, while 19% of the group formerly advertised with another search engine but no longer do. The remaining 28% of all those surveyed say that they do use the advertising services of another search engine besides Google.

Only 9% of the AdWords users see it as an exercise in maintaining "visibility in the search engines for branding, awareness," while 3% say they have "no official goal" in using AdWords. The majority (74%) of those advertising through AdWords try to "maximize the number of visitors/leads/sales on the basis of a fixed budget," while 14% try to achieve "as many profitable leads/sales as possible in an unlimited budget." Answers to our question on current monthly spending on AdWords exclusive of agency/consulting fees showed that:

• Only 12% of the spending rises above $5 per month (in rare cases $20-$50k per month)

• Half of it falls between $500 - $500 per month *(continued on page four)*

contact details page. For a given keyword or ad and a given time period, you can then work out the total "value" of visits received, as well as the total cost for all the clicks received over the same time period. This will determine whether or not the traffic from a particular keyword or ad is profitable.

How to Implement Conversion Tracking

This sounds like a big task, but fortunately, Google makes it a whole load easier than it seems. Selecting "Conversion Tracking" from the AdWords setup main menu gives you access to this free feature, which is easy to set up, and the documentation to implement it. It involves putting a snippet of code onto the relevant pages of your website that tell Google when a "conversion" has occurred. Then you'll be able to see in your Google account the "cost per conversion" for campaigns, ad groups and individual keywords. Google can also help you to analyze your website traffic in a more serious way, across many advertising channels, if you set up Google Analytics.

Using this Information

Clearly, if a keyword has a much higher "cost per conversion" than you deem to be profitable for your organization (vis-a-vis the average "value" per visitor to your website from AdWords), then you should try something to increase the conversions or decrease the costs (i.e. bid less, increase CTR), or alternatively, stop bidding on that keyword entirely. If you have a limited budget to spend, make sure you spend it on the keywords that have the lowest "cost per conversion".

Remember also:

• The lifetime value of a customer is not included in these calculations as Google only tracks the actions made by that person on your website within 30 days of clicking the AdWords advert.

• "Cost per conversion" will not be accurate unless you are looking at a sufficiently high number of clicks—you can often get a better, average picture by looking at statistics over a longer period of time.

Choose the Right Keywords

Many marketers rush at AdWords like students at a free bar and choose highly untargeted keywords for their ads, and end up very quickly losing money on expensive clicks that do not lead to sales. For example, if you sold a particular brand of cars, you'd probably find that advertising on the keyword "cars" attracted too general an audience for your offering to be a hit. Though your ad itself might qualify visitors quite well, you'd be getting a very low CTR, and thus, due to the effects of Google's "Quality Score," in order to receive any traffic your cost-per-click would need to be very high.

In order to maximize your ROI, you need instead to find terms which your particular target audience is using to search. As well as bringing in traffic that is more qualified, the increased CTR of your ads and increased relevance will increase the Quality Score, and therefore bring down your cost-per-click as well as reducing costs.

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- 19% of it is $100-500 per month

- 17% of it is less than $100 per month

Attitudes of users toward AdWords, although generally positive, are also complex. The results below show that users are generally satisfied and confident about their use of AdWords, but also worried about click fraud, whether payments are as low as they could be, and whether coverage/visibility is targeted enough:

	Agree	Disagree	Neither
Gives us a positive return on investment	53%	14%	33%
I trust Google to treat my account fairly	53%	18%	29%
I use Google's Analytics package to analyze the effectiveness of traffic	51%	41%	8%
I have a good grasp of how effective it is	44%	23%	33%
I see click fraud as a significant threat	44%	25%	31%
We pay the minimum amount possible for the number of clicks we receive	35%	35%	30%
Is too complicated for us to fully exploit	31%	42%	27%
We are better at using AdWords than our competitors	26%	22%	51%
It gives me enough coverage/visibility with my target audience	24%	41%	35%
It is our primary source of web site traffic	23%	55%	22%

Managing AdWords In House

While 76% of AdWords users manage their AdWords campaign in house using a single person part-time on the task, scarcely 2% have a single employee doing the work full-time. Another 11% have several employees each giving some of their time to AdWords management, and only about 12% have outsourced the task.

Of those managing AdWords in house, 97% "use the standard Web-based Google interface to manage AdWords campaigns"; the others use both a third-party tool and the Google interface. Those using the Google interface say that the tool:

	Agree	Disagree	Neither
Limits appropriately how much money is spent	73%	18%	9%
Gives a transparent overview of how campaigns are doing	54%	33%	13%
Helps you to discover and add new keywords easily	51%	26%	23%
Has an intuitive user interface	49%	27%	24%
Allows you to complete management tasks quickly	47%	35%	18%
Helps you to bid appropriately for keywords	40%	33%	27%
Gives enough access to advanced management features	34%	46%	19%
Has good user support available	21%	56%	23%

Most (81%) of the in-house AdWords managers said that it took less than 10 hours per month to do the work; the largest group (36%) said it took 1-4 hours. 19% spent less than an hour per month on it, while 26% said 4-10 hours was enough. In the higher ranges, 9% said it took from 10 hours up to two days, another 7% said it took two days to a week; and only 3% said it took more time than that.

The most time-consuming activities, arranged by the percentage of respondents picking them, were:

Monitoring the average Cost-Per-Click / Click-Through-Rate / Conversions for running campaigns	**51%**
Researching and adding keywords to campaigns	**50%**
Finding and fixing badly performing ads/keywords	**49%**
Working out what to bid on keywords	**47%**
Checking the actual ranking of our ads	**45%**
Creating new ads	**24%**
Editing existing ads text	**20%**
Checking that our spending is within our total budget for the month	**19%**
Finding and fixing ads which have been rejected or automatically paused	**17%**
Creating reports for presentation to others	**16%**
Other (please specify)	**7%**

The first five items are a major concern to the users and directly concern AdWords; the second five are distinctly less of a problem. The most frequently mentioned concern under "Other" is checking for click fraud, followed by determining profitability and combinations of the chosen words, and testing variations of ads.

Outsourcing AdWords Management

In giving their chief reason for outsourcing AdWords management, nearly half (43%) of that that small group said they did so because the work was taking up too much time. A smaller number (24%) didn't believe they had "the relevant skills or knowledge." 10% did it for cost-efficiencies offered by the outsourcer, and 5% believed the outsourcing firm had specialized software to optimize strategies for bidding on the AdWords. Other reasons (19%) included letting the outside Web developer handle AdWords management, the departure of a key employee, and speed to market. Although those using third-party AdWords management companies helpfully named them, there was not a single repetition among the names, and so there is no trend or important company to report in this field. In every case the outside company offered extra services as part of the AdWords management deal:

Optimizing of our web site to rank highly in the normal (free) search listings	**41%**
Management of other pay-per-click search engines	**21%**
Other internet marketing - email	**17%**
Web site design/management	**10%**
Other (please specify)	**7%**
Offline marketing	**3%**

The "Other" services reported included Web-site analytics, user testing, and marketing strategy and campaign development.

Opinions of Former AdWords Users

The views of those who quit AdWords are worth a look. All of them managed the AdWords campaign in house. The majority of them quit principally because the AdWords campaign was not cost-effective.

Clicks not becoming sales / spending was too much	**54%**
Change in internal circumstances: cut budget	**14%**
Other (please specify)	**14%**
Too much hassle to maintain	**11%**
Click fraud	**7%**
Don't know why we stopped using it	**0%**

The "Other" responses (14% of the total) included individuals who changed companies and therefore no longer do AdWords (the companies themselves did not quit), inability to get AdWords "to work," "too expensive," and too much of a burden for a limited staff. One responder wished that a third party would take over the campaign.

The AdWords spending of those who dropped out was generally comparable to that of the current users in the middle spending ranges, but it was weaker at the top and stronger at the bottom ends of the range, indicating that the dropouts were smaller companies. This is another indication that strong internal resources are needed to make AdWords effective. The group was about evenly divided by the date when they dropped AdWords, ranging over a period from recently to as long as two years ago. The number of AdWords in their former portfolios ranged from 1-9 (30%) through 10-29 (45%) to 30-99 (25%).

Asked to give advice and comments about their AdWords experience, those who dropped the program said among other things that the hidden cost of processing unqualified leads outweighed the other costs and benefits of AdWords, and both here and in the comments above there was a strong recommendation that non-Google PPC (pay-per-click) was more cost-effective than AdWords.

Non-Users Will Probably Stay That Way

Of those who had never used AdWords, only 23% thought it "quite likely" they would sign up; only 10% said "Yes," they intended to start in the next month or so. 49% left it at "Perhaps." "Never" (5%) and "Don't know" (13%) brought up the rear.

The strongest reasons given for all this reluctance were:

Don't know much about it /Looks too much hassle
Costs too much / not effective return on investment
Feel that our rankings in the normal (free) search listings are enough

These were followed closely by:

Wouldn't be right for our distribution model/the product or service we offer.

"Fear of click fraud" lagged significantly behind the other reasons; it is interesting to see that those with actual AdWords experience are much more concerned about the problem.

When Your Employees Should Know About Your Deal Plans

By Frank Berger, Corum Group

Deciding when the time has come to inform your people about your plans often means walking a fine line. The right point in time varies case by case and is determined by things like size of your company, relationship and trust between management and employees, style of communication, etc. The more your people feel as though they are members of a "big family", the earlier they should be made part of the process. The likelihood for the transaction actually to be finalized is another key factor. So are the magnitude of changes that are likely to occur for your people and the competitive environment. It is your responsibility to design the information strategy best suited for your particular situation. The following guidelines may help:

(a) Keep the project confidential until you are perfectly sure there is a market for your company and a high probability that your financial and qualitative objectives will be met. Premature announcement will lead to drop in motivation, lower productivity and potential loss of key people. Employees can cope with everything but uncertainty. Professional M&A advisors will handle your project in a way that highest possible confidentiality is achieved during this initial phase.

(b) Plan the information process thoroughly and do it in a staged way. Talk to your key managers who have not been involved in the initial phase first. Share the responsibility for a smooth implementation of the defined information process with them.

(c) Put incentives in place for your key employees to ensure the selling and integration processes happen without major disturbances.

(d) Explain in the detail the reasons for your decision to sell. Keep in mind the wishes and needs of your employees when describing the planning process, as well as the likely implications. Review and rehearse contents and delivery of your messages with your close colleagues before communicating to the organization.

(e) For timing, use this rule of thumb: Make the announcement when the first (acceptable) offer is on the table, not after the due diligence process has started.

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Company/Description	Acquired by	Price/Terms	Revenues	Multiple
Jungo • *Residential gateway software*	NDS Group (NNDS)	$107,500,000 *Terms: Cash and earnout*	$15,000,000	**7.7**
@Road (ARDI) • *Mobile resource management software*	Trimble Navigation (TRMB)	417,000,000 *Terms: Cash*	$79,000,000	**5.28**
Protect Data AB • *Endpoint security and encryption*	Check Point Software (CHKP)	$586,000,000 *Terms: Cash*	$77,000,000	**7.61**
Digital Insight Corporation (DGIN) • *Online banking services*	Intuit (INTU)	$1,350,000,000 *Terms: Cash and debt*	$238,110,000	**5.67**

CORUM
MERGERS & ACQUISITIONS

Some Fun Blogs for the Holidays

- **Adrants** (www.adrants.com): Blog devoted to analyzing different marketing and ad campaigns. Offers up some interesting food for thought.
- **Ayende** (www.ayende.com/Blog/): Interesting blog by Oren Eini, an Israeli developer. Blog focuses on software architecture, data access and best practices.
- **Duct Tape Marketing** (www.ducttapemarketing.com/weblog.php): Marketing blog with a strong focus on Internet marketing and E-mail. Some useful information for the startup and bootstrapping software entrepreneur.
- **Hacknot** (www.hacknot.com): Development-oriented blog/site. Current article "Developers are From Mars, Programmers are From Venus "is an interesting read. Site offers a free downloadable book comprised of 46 essays on development.
- **High Tech Marketing** (www.hightechmarketing.com/blog): Interesting blog stuffed with marketing tidbits and tips. Links to many useful products and sites. Current very useful link to inexpensive stock photo site.

THE SAMBA TEAM ON THE MICROSOFT/NOVELL AGREEMENT: "For Novell to make this deal shows a profound disregard for the relationship that they have with the Free Software community. We are, in essence, their suppliers, and Novell should know that they have no right to make self serving deals on behalf of others which run contrary to the goals and ideals of the Free Software community.

Using patents as competitive tools in the free software world is not acceptable. Novell, as a participant in numerous debates, discussions and conferences on the topic knew this to be the case. We call upon Novell to work with the Software Freedom Law Center to undo the patent agreement and acknowledge its obligations as a beneficiary of the Free Software community." Quoted on http://news.samba.org/announcements/team_to_novell/, 12/22/2006)

BLOGGER ANDREW CONRY-MURRAY ON "LEADERSHIP": I got a press release today with the following headline: 'Genesys Named in Leaders Quadrant of Leading Analyst Firm's Report.'

The double use of 'leader' immediately jumped out at me. The headline implies that being named a leader by a leader transforms that appellation into something even more powerful.

But what? A mega-leader? A leader of leaders? A double plus good leader?

The need to amplify the value of leadership shows how marketing actually saps language of its power. If every company or product is a leader (and every press release I get says so), no one is. The claim no longer has meaning." (Quoted on http://www.networkcomputing.com/blog/dailyblog/archives/2006/12/beware_my_2_swo.html), 12/19/2006)