

Friday, Dec. 31st, 2010  
Vol. 26, No. 24

**Softletter's SaaS  
University: Selling,  
Marketing,  
Infrastructure and  
Finance**

**Five Tracks, 26  
Sessions**

**Denver, CO, April  
26-28**

**Softletter Subscribers  
Save \$200 on Their  
Attendance**



*Our Benchmark 50 Return  
on Equity report shows  
Microsoft is still the heavy  
lifter in this key metric,  
with Google not yet a seri-  
ous challenger.  
See pages 4-5.*

**Publisher &  
Managing Editor**  
Merrill R. Chapman  
rickchapman@softletter.  
com  
860/663-0552

**Editor**  
Randy Hujar  
randy.hujar@softletter.  
com  
860/657-2838

**Editorial office**  
Soft•letter  
34 Sugar Hill Rd.  
Killingworth, Conn.  
06419  
Voice: 860/663-0552

**Subscription office**  
Aegis Resources  
34 Sugar Hill Rd.  
Killingworth, Conn.  
06419  
Voice: 860/663-0552  
Fax: 860/663-0553

# Soft•letter

BUSINESS INSIGHTS FOR SOFTWARE DEVELOPERS & PUBLISHERS

## Goosing E-mail Marketing with Social Media

*By Joe Dysart, Softletter*

Software makers looking to get a handle on social media as a promotional tool have found an easy solution—integrate the medium into existing E-mail marketing programs. Specifically, these early adopters say a little creative contact with current and potential customers on social networks like Facebook, Myspace and Twitter can add new muscle to tried-and-true E-mail.

“One of the things we hear too often is new customers wondering why they’d never heard of Real Studio before. We hope to harness the viral qualities of social marketing to reach a wider audience and to build awareness about Real Studio,” says Alyssa K. Foley, Real Software’s (<http://www.realsoftware.com/>) marketing coordinator. “We know it’s a small world, and if we can get our product mentioned in a just a few “social” circles the impact could be huge.

“We promote our social network connections via our standard mailing lists, and our honest hope is to spend more time on social networks than we do on E-mail in the future. We recently had a sale that did twice as well as the exact sale last year. We attribute this dramatic increase, in part, to the focus we placed on advertising the sale on Twitter specifically, as well as Facebook.”

Adds Chris Lynch, marketing manager for Socialtext (<http://www.socialtext.com>), who also seeds company E-mail communications with links to company presences on social networks: “The founding of our company was predicated on the idea of taking the best of the consumer Web, and adapting it for the enterprise. As such, we have a high comfort level with social technologies. They’re a great way to communicate with customers. We don’t just use one. We utilize Facebook, Twitter and LinkedIn. We also have a private customer community, called SocialDev, that we interact with very closely.”

Besides doing simply cross-promotions with E-mail and social media, software marketers also have some new tools they can use to get even more mileage out of their E-mail list data.

Case-in-point: StrongMail’s new Social Studio (<http://www.strongmail.com/products/strongmail-social-studio/>) service, for example, enables software makers to match E-mail addresses in

*continued on page three*

## STOP Using the Word “Solution”

by Ted Finch, Chanimal

The word “solution” is probably one of the most often misused words in copyrighting—especially in high tech. In fact, everything seems to be “a solution.” Is this correct? Why, yes. But if everything is a solution—does that mean your product is everything? See the point. It is too vague—or in simpler terms, it is an unarticulated word. It’s also a lazy word—for lack of thinking enough to call it what it really is.

Or are we are we actually trying to hide what our product is, or perhaps we are being “creative”—what, by not actually articulating our product? I don’t think so—specially since solution (replace “solution” with the word “everyone”) is using it (whatever “it” is—sounds Clintonian to me). BTW, we should not use the word “solution” just because we see it so frequently and think it is in style, or acceptable (I even wonder... nahh, I’m not nuts!)—most folks don’t have a clue about what makes effective copy (even many so called marketing folks (shameful abuse of a title). Monkeys copy other monkeys—want a banana with that copy?

I was responding to a question within a forum when the owner of a high tech product website said that nobody could understand his product. I went to his website. On his product page he used the word “solution” over 60 times! I then copied the text, replaced the word “solution” with “crap” and posted it on the forum. I then explained that he obviously had very “crappy” copywriting. And if you are selling a “solution”—then what exactly are you selling? Sounds like fertilizer to me. For heaven sakes, carpet is a solution, law is a solution, paint is a solution, a light bulb is a solution, corn is a solution, dog food is a solution—exactly which solution is your product? You can replace solution with just about anything—again, an unarticulated word. The only case where the word solution has to be used is when describing a liquid solution in chemistry. (Uhh...if you are selling chemical solutions—then ignore everything I’ve just said.)

Heck, I’m surprised a high-tech marketer hasn’t named his kid “Solution.” Or, since it seems to be used to describe all the products, then perhaps Solution 1, Solution 2, Solution 3 (any more solutions and he would have to be a Mormon or a Catholic). At least then he would have an entire family of Solutions—sounds like a chem lab!

As such, whenever possible, the word “solution” should not be used to describe a product—it’s just bad copywriting (period). Is it software? Then call it software. Is it a network interface card--then call it a NIC (we love acronyms) or something—just not a solution! Is it CRM software? Enough said.

But STOP calling everything a solution. If for the life of you, you don’t want to “call it what it is,” then don’t be lazy—get a Thesaurus (there’s one built into Word—or you can Google it). Hearing everyone call their product a solution (even “solution” selling) just ticks me off and makes me waste time writing dittys like this one—which, by the way, is also a solution (to fix bad copywriting).

Ted Finch, Chanimal.com, 12109 Lake Stone Drive, Austin, Texas, 78746; 512-263-9618. E-mail: tedfinch@chanimal.com.

---

---

their databases with “top influencers”—or people who have a lot of active friends online—and then reach out to those influencers with rewards, offers and word-of-mouth promotional programs. A number of marketers, for example, have already used Social Studio to invite such influencers to alert their Facebook friends about discounts and promotions, and then give rewards to those influencers who generate the most conversions in terms of referred sales or another desired action.

“The real value of social media marketing is to move beyond merely listening, to start driving actual revenue,” says Paul Bates, UK managing director at StrongMail.

Indeed, the power these programs have in ferreting out social activity on the Web by the simple input of an E-mail address can be so powerful, the result can sometimes be unsettling. Flowtown (<http://www.flowtown.com/tour>), a niche service that focuses primarily on mining and manipulating evidence of social networking, invites all comers to its Web site to input any E-mail and then quickly pulls up all the Web activity associated with that E-mail.

I took the bait, and not surprisingly, found a few revelations on my social network activity with E-mail addresses I currently use for such purposes. But in addition, Flowtown also unearthed a Web site community I joined—and forgot about—years ago with an old E-mail address I haven’t used in years.

Apparently, like rock and roll, the Web never forgets.

Granted, software marketers will need to tiptoe lightly between being seen as reaching out to socially active customers, as opposed to becoming willing participants in privacy invasion. But it’s clear that the ability to literally monitor every public move made by a person on the Internet can already be discovered, sliced, diced—and turned into a marketing opportunity.

In fact, some of the more sophisticated programs now offer marketers dashboards they can use to create, manage and monitor such integrated programs across all digital media, including E-mail, social, mobile and Web.

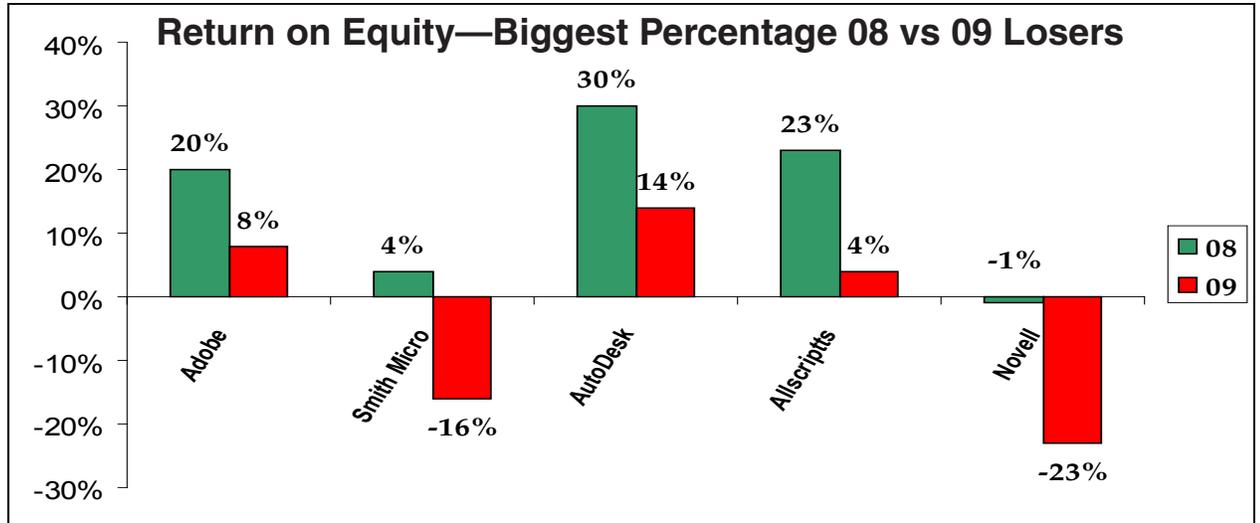
ExactTarget’s Interactive Marketing Hub (<http://www.exacttarget.com/hub/index.html>), for example, offers a CoTweet Social module, that enables marketers to manage multiple Twitter and Facebook accounts, track conversations, schedule posts—while monitoring all the activity with analytics and reports.

Another module within the package, Sites, gives marketers the ability to create, design and deploy static, interactive or socially enabled landing pages to support specific marketing campaigns. And still

**“At present, a strong generational divide separates users of social media. If your target audience is over 35, the primary vehicle for many audiences is still E-mail. If you’re under 34, an integrated approach is likely to be effective. If under 20, you may have to rely on social media exclusively. If you’re targeting someone at the workplace, E-mail remains the most effective approach.”**

—Joe Dysart  
Softletter

*continued on page six*



### Benchmarks: Return on Equity, 2009

Return on equity (ROE) is a company’s net income (revenues after expenses are deducted) divided by shareholder’s equity in the company. ROE is considered an excellent way to judge how well management is doing on behalf of the shareholders and the firm and it’s a number that can make upper management tremble when the results don’t meet stock analysts’ and shareholders’ expectations.

Microsoft’s ROE numbers have traditionally led the field because of the high profitability of its Windows and Office product lines; a Windows sale typically enjoys a gross profitability of 90%+. By contrast, while Google currently enjoys a stratospheric stock price, its ROE numbers are less impressive. A flat or declining return on equity can indicate that management isn’t controlling costs and keeping asset expenses under control. Another issue is one that’s been well discussed within the industry—Google’s tendency to create multiple product lines that fail to generate revenue (though its Android efforts are starting to generate real dollars). A close look at Google’s balance case shows net income margin has remained high, with equity increasing along with profitability.

The ROE numbers broken down sector by sector tell the tale of an industry undergoing fundamental change. Desktop/Retail is dismal and so are stock prices and multiples; growth in this sector has slowed to a crawl and investors are gazing towards mobile markets for future prospects and the next big thing. Softletter will shortly open up a new cohort in our Top 50 representing this new industry sector.

SaaS, as expected, saw significant percentage growth starting with the 2007 numbers, 3% to 6%. The numbers aren’t high, but the sector was starting from zero. Expect ROE to continue to improve over the next several years. Education swung wildly, not unexpected, as federal dollars allowed local school districts to continue buying technology, but we think next year will be ugly for the sector. Other categories showed little change over last year’s numbers.

Individual standouts in the Benchmark 50 were Novell (-23%), Unica (-51%), Adobe (2008: 20%; 2009: 8%), RightNow Technologies (2008: -27%; 2009: 115%), Scientific Learning (40%).

Looking at the five year trend, in 2005 we reported software’s overall ROE averaged 12%; this year’s average fell to 8% but up one point from 2008. It’s stable, but not wonderful, out there.

## The Benchmark 50: Return on Equity, 2009

	Revenues (000)			Return on Equity			Avg. '07-'09
	2007	2008	2009	2007	2008	2009	
<b>Microsoft</b>	<b>\$51,122,000</b>	<b>\$60,420,000</b>	<b>\$58,437,000</b>	<b>45%</b>	<b>49%</b>	<b>37%</b>	<b>44%</b>
<b>Google</b>	<b>\$16,593,986</b>	<b>\$21,795,550</b>	<b>\$23,650,563</b>	<b>19%</b>	<b>15%</b>	<b>18%</b>	<b>17%</b>
<b>Desktop Applications</b>				<b>13%</b>	<b>2%</b>	<b>3%</b>	<b>8%</b>
Adobe	\$3,157,881	\$3,579,889	\$2,945,853	16%	20%	8%	14%
Corel	\$250,480	\$268,230		91%	-44%		24%
Intuit	\$2,672,947	\$3,070,974	\$3,182,537	22%	23%	17%	21%
Smith Micro	\$73,377	\$98,424	\$107,279	2%	0%	3%	1%
Symantec	\$5,199,366	\$5,874,419	\$6,150,000	3%	4%	-16%	-3%
Bitstream	\$23,610	\$24,008	\$21,489	25%	15%	5%	15%
Nuance Commo. (Scansoft)	\$602,000	\$868,500	\$950,400	-2%	-2%	-1%	-1%
<b>Vertical Market Applications</b>				<b>10%</b>	<b>12%</b>	<b>11%</b>	<b>10%</b>
Ansys	\$385,340	\$478,339	\$516,885	13%	9%	9%	10%
Autodesk	\$1,839,800	\$2,171,900	\$2,315,200	26%	30%	14%	23%
Unica	\$102,243	\$121,131	\$100,618	1%	-16%	-51%	-22%
Allscripts	\$281,908	\$383,771	\$548,439	5%	23%	4%	10%
Advent	\$215,303	\$264,832	\$259,508	7%	10%	15%	10%
Micros	\$785,727	\$954,184	\$911,847	15%	15%	14%	14%
<b>Enterprise Applications</b>				<b>4%</b>	<b>7%</b>	<b>9%</b>	<b>7%</b>
Sapient	\$565,989	\$687,488	\$666,678	6%	21%	21%	16%
SPSS	\$291,000	\$302,913		7%	7%		7%
Manhattan Associates	\$337,401	\$337,201	\$246,667	17%	13%	9%	13%
Concur Technologies	\$115,996	\$215,491	\$247,596	3%	3%	5%	4%
Pegasystems	\$161,949	\$211,647	\$264,013	4%	6%	16%	9%
Lawson	\$750,388	\$851,926	\$757,328	-3%	1%	2%	0%
Open Text	<b>595,664</b>	<b>725,532</b>	<b>785,665</b>	<b>4%</b>	<b>8%</b>	<b>8%</b>	<b>7%</b>
<b>SaaS</b>				<b>3%</b>	<b>4%</b>	<b>6%</b>	<b>4%</b>
Blackbaud	\$257,038	\$302,495	\$309,338	28%	33%	25%	29%
Callidus	\$101,657	\$107,181	\$81,058	85%	104%	101%	97%
DemandTec	\$43,485	\$61,270	\$75,005	3%	-9%	-9%	-5%
salesforce.com	\$497,098	\$748,700	\$1,076,769	0%	4%	6%	4%
RightNow Technologies	\$112,077	\$140,435	\$152,687	-49%	-27%	15%	-20%
Savvis	\$793,833	\$857,041	\$874,414	112%	-11%	-10%	30%
Vocus	<b>\$58,076</b>	<b>\$79,383</b>	<b>\$84,579</b>	<b>1%</b>	<b>7%</b>	<b>2%</b>	<b>3%</b>
<b>Network Tools</b>				<b>7%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>
Novell	\$932,499	\$956,513	\$862,185	-4%	-1%	-23%	-9%
Citrix Systems	\$1,391,942	\$1,583,354	\$1,614,088	12%	9%	9%	10%
McAfee (Network Associates)	\$1,308,220	\$1,600,065	\$1,927,332	9%	10%	8%	9%
iPass	\$191,732	\$191,368	\$171,377	-18%	-102%	-28%	-49%
VMWare	\$1,325,811	\$1,881,027	\$2,023,937	16%	14%	7%	12%
NetScout	\$102,472	\$168,956	\$267,604	6%	-1%	9%	4%
Quest Software	\$630,981	\$735,377	\$695,236	7%	8%	8%	8%
<b>Developer Tools</b>				<b>11%</b>	<b>8%</b>	<b>7%</b>	<b>8%</b>
Magic Software	580,400	\$620,000	\$550,400	21%	7%	11%	13%
Red Hat	\$400,624	\$523,016	\$652,572	7%	8%	7%	7%
Sybase	\$1,025,530	\$1,131,930	\$1,170,569	15%	15%	16%	15%
Progress Software	\$493,500	\$515,560	\$494,137	8%	10%	6%	8%
Pervasive Software	\$40,783	\$42,467	\$47,218	5%	4%	6%	5%
TigerLogic Corp.	\$18,744	\$19,772	\$16,252		-1%	-15%	-8%
MicroFocus	\$268,781	\$228,196	\$274,731	48%	44%	39%	44%
<b>Education</b>				<b>13%</b>	<b>-7%</b>	<b>16%</b>	<b>-2%</b>
Apollo Group	\$2,723,793	\$3,140,931	\$3,974,202	64%	57%	51%	58%
Renaissance Learning	\$107,932	\$115,223	\$121,513	13%	6%	3%	7%
Scientific Learning	\$46,053	\$47,754	\$55,288	20%	-66%	40%	-2%
Skillssoft	\$225,172	\$281,228	\$328,494	18%	28%	25%	24%
Saba Software	\$99,867	\$107,777	\$102,821	-17%	-7%	-5%	-10%
SumTotalSystems	\$121,924	\$126,646		-7%	-18%		-13%
Plato Learning	\$69,632	\$68,401	\$65,183	-15%	-91%	8%	-33%
<b>All companies (median)</b>	<b>314,201</b>	<b>360,486</b>	<b>516,885</b>	<b>10%</b>	<b>7%</b>	<b>8%</b>	<b>8%</b>

Note: "Years" may not correspond to company fiscal years. Individual firms are averages; segments are medians.

\* 2009 filings not yet available.

---

---

other modules offer enhanced interactivity and monitoring via E-mail and mobile phones.

Similar programs with all-in-one solutions include Interact Campaign, from Responsys (<http://www.responsys.com/suite/index.php>), and the aforementioned Social Studio from StrongMail, both long-established E-mail marketing companies.

For some, this fusion of E-mail marketing and social media seems inevitable. The study “View from the Social Inbox,” released earlier this year by Merkle (<http://www.merkle.com>), for example, found that active social networkers are also likely to be avid E-mail users. All told, the study found 42% of social networkers check their E-mail four or more times a day, as compared to just 27% of those who don’t socialize online.

As the fusion gels, here are some tactics you’ll find marketers already using to combine the two, either by using pre-configured programs, or putting together applications of their own:

**“When someone clicks the “Like” button everyone in your Facebook group knows it. It also functions as the only way to access groups, discussions, and fan pages. And on Facebook, there’s no “Dislike” button. When you don’t “Like” something, you are taking access permissions away.”**

—Joe Dysart  
Softletter

- **Hold Twitter-or-Facebook-Driven Contests.** The immediacy of these mediums perfectly lends itself to time-sensitive contests. Hold an answer-the-question contest once a week rewarding the first person with the right answer with company product, company bucks, or the like, and watch the tweets and posts come in.

“We are using your basic retweet contest and giveaways—but in a way that focuses on inviting discussions with our users,” says Real Software’s Foley. “We’re asking things like ‘What do you plan to build with Real Studio Web Edition?’ or ‘What’s your favorite new feature?’ This not only starts a discussion with a specific developer about what they are doing with Real Studio, but it opens it up to all out followers and theirs. It’s really exciting to hear all the apps our users are building and to see the feedback they get from other developers around the world, in real time.”

- **Get the Most from Testimonials.** Customer accolades look good on company Web sites, but even better on customer Facebook pages. Marketers most aggressive in this area start by E-mailing a customer for a testimonial on a product or service shortly after that product/service is purchased. Customers who respond with glowing reviews, and often a related digital photo, get their testimonial posted to the company website. In addition, the authors are E-mailed again with a request to re-post the testimonial on their Facebook account, or in a Twitter tweet to all their friends. Often, willing participants get a small reward for their service.
- **Embed Social Network Testimonials in E-mails.** Sometimes, spontaneous testimonials pop-up on Facebook and Twitter without any prodding whatsoever. Such promotional gifts can be easily cut-and-pasted into the next marketing E-mail—along with a grateful nod, of course, to the author.

*continued on page seven*

- **Reach out to Top Influencers in New Ways.** With the ability to monitor social networking activity like never before, marketers are becoming very creative about reaching out and partnering. Many of the E-mail/social media suites and services, for example, are allowing customers to input an entire customer E-mail list, and instantly identify the E-mail addresses on that list owned by people who have hundreds, thousands or even tens of thousands of friends on Facebook and similar social networks. Marketers can then reach out to these people via E-mail, and partner with them on word-of-mouth promotions. Many of the new programs can also track the referrals these influencers generate, and verify which influencers are ultimately generating the most conversions, in terms of sales or some other desired action. Subsequently, la crème de la crème can be rewarded most heavily, and primed for a series of unfolding word-of-mouth promotions.
- **Fish Where the Fish Are.** Running an E-mail database through some of these more sophisticated programs can also yield an interesting picture of where your customers “hang out.” You may find, for example, that the greatest percentage of your customers focus on Twitter rather than Facebook. Consequently, you’ll be able to put your digital marketing dollars where they’ll reach the greatest percentage of your customers. “I love the informal, personal aspect to social networking,” says Real Software’s Foley. “We get to hear directly from our customers and their comments lead to discussion with other customers. Unlike an E-mail exchange about the same topic, this type of conversation comments open up the discussion to everyone.” Adds Socialtext’s Lynch: “We’ve had some sales leads whose first communication with us is over Twitter.”



**Flowtown enables you to input any E-mail address and instantly pull up web activity associated with that address**

- **Give People a Reason to “Like” You on Facebook.** Only a few months old, the “Like” button on Facebook has become one of the most coveted clicks in the marketing world. When someone “likes” your company on Facebook, your product or service becomes quantifiably more important, and more desirable. Many Facebookers click the “Like” button in the hopes they’ll get a freebie from the company. Don’t disappoint. Always offer, if at all possible, a coupon or some other tangible reward for the endorsement.
- **Optimize Your E-mail for Social Media.** Such optimization is as easy as adding links to the key social networks in your E-mails, including Facebook, Twitter and YouTube. There’s also a ShareThis button (<http://sharethis.com/>) you can add to your E-mail that instantly offers clickable access to dozens of social networking sites.

## “Share This” E-mail, Social, and Website Resources

- **AddToAny** ([www.addtoany.com](http://www.addtoany.com)): Free service that enables you to create a “share this” widget you can add to E-mail, website, and social system pages. Works with Feedburner and Wordpress.
- **E-mail Gone Social** ([www.slideshare.net/Silverpop/email-gone-viral-email-share-to-social](http://www.slideshare.net/Silverpop/email-gone-viral-email-share-to-social)): Online slide share presentation hosted by Silverpop discusses integrating E-mail and social marketing. Useful.
- **Facebook Messages** ([www.facebook.com](http://www.facebook.com)): Messaging system allows users to use a Facebook e-mail address with the @facebook.com suffix to communicate outside the social network.
- **LinkedIn Share button** (<http://blog.linkedin.com/2010/11/30/linkedin-share/>): Information on new service from LinkedIn.
- **Ping.fm** (<http://ping.fm>): Free service that allows you to access various social systems from one posting.
- **Tweetymail** ([www.tweetymail.com](http://www.tweetymail.com)): Online service that allows you to push E-mail to your Twitter account.

**PC WORLD ON MARKETS NOT IMPACTED BY SAAS:** “Given all the hype SaaS (software as a service) has garnered, you might be inclined to think every category of software will be delivered predominantly from the cloud at some point. Not so, says a new Forrester Research report. In fact, SaaS will only be ‘a disruptive force’ in software categories that account for about a quarter of global software spending and will have ‘little or no effect’ on many of some 123 market segments studied, Forrester analysts Liz Herbert and Andrew Bartels write.” (Quoted on [http://www.pcworld.com/businesscenter/article/218765/forrester\\_saas\\_wont\\_succeed\\_with\\_some\\_apps.html](http://www.pcworld.com/businesscenter/article/218765/forrester_saas_wont_succeed_with_some_apps.html), 02/02/2010)

Colleagues made off with your last issue? Go to [www.softletter.com](http://www.softletter.com). Click Subscriber Login in the upper right of the home page. To view the current issue and to search archives of hundreds of articles by keyword, topic, or issue date, log in and enjoy!

Soft•letter is published 12 times per year; entire contents copyright © 2011 by Soft•letter. All rights reserved. Reproduction by any means, without permission of the publisher, is prohibited. ISSN: 0882-3499.

Subscription rates: \$395 worldwide. Subscription office: Aegis Resources 34 Sugar Hill Rd. Killingworth, Conn. 06419  
Voice: 860/663-0552  
Fax: 860/663-0553  
[info@softletter.com](mailto:info@softletter.com)

**ENGADGET TIM STEVENS ON THE DEATH OF NOKIA'S SYMBIAN:** “We know how you feel about the apparent death of Symbian, and you had to figure that those most affected by it wouldn’t be feeling too good either. Those people are, of course, the 1,500-odd workers at Nokia’s Tampere office who have crafted the OS through the years, over a thousand of whom apparently walked away from their jobs today as a sort of non-violent protest—or maybe just to get a preview of what their Friday afternoons will look like once Elop starts dropping the axe.” (Quoted on [http://www.engadget.com/2011/02/11/nokia-workers-mourn-death-of-symbian-thousands-walk-out/?utm\\_source=feedburner&utm\\_medium=feed&utm\\_campaign=Feed%3A+weblogsinc%2Fengadgetmobile+%28Engadget+Mobile%29](http://www.engadget.com/2011/02/11/nokia-workers-mourn-death-of-symbian-thousands-walk-out/?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+weblogsinc%2Fengadgetmobile+%28Engadget+Mobile%29), 02/11/2008)

**INTEL CEO PAUL OTELLINI LAWSON ON INTERNET USAGE GROWTH:** “In 2010, total traffic crossing the internet was 245 exabytes. This is greater than all previous years combined.” (Quoted on <http://blogs.forbes.com/greatspeculations/2011/02/11/fear-and-loathing-in-big-cap-tech-with-cisco-intel/>, 02/11/2010)