- Make CAC lower - Get cheaper customers. We do this with more efficient ads following the steps we just outlined.

- Make LTGP higher - Increase how much you make per customer. We do this with a better business model.

For maximum money… *I prefer to do both*.

For example, if you made a billion dollars per customer, then you could spend nine hundred and ninety-nine million dollars to get a customer and *still* have a million dollars leftover. You could spend pretty much whatever it takes to get a customer. No matter how crappy your ads - you'd still probably win. On the flip side, if you made one cent per customer, you'd have to get each customer for *less than a penny* to make it work. Even with the best ads, you'd fail.

I bring this up because we speak with hundreds of entrepreneurs every month. They often think they have crappy ads (high CAC) when, in reality, they have a crappy business model (Low LTGP). Here's a finding that will probably surprise you as much as it surprised me. The cost to acquire customers, between competitors in the same industry, is <u>much closer than you'd think</u>. The difference between the winners and the losers is *how much they make off each customer*.

So how do you know if it's your ads or your business model that needs work? I use the industry average CAC as my guide. Research your industry averages for the cost to acquire customers. If your CAC is below 3x your industry average (good), *focus on your business model* (LTGP). If your CAC is above 3x the average (bad), *focus on your advertising* (CAC).

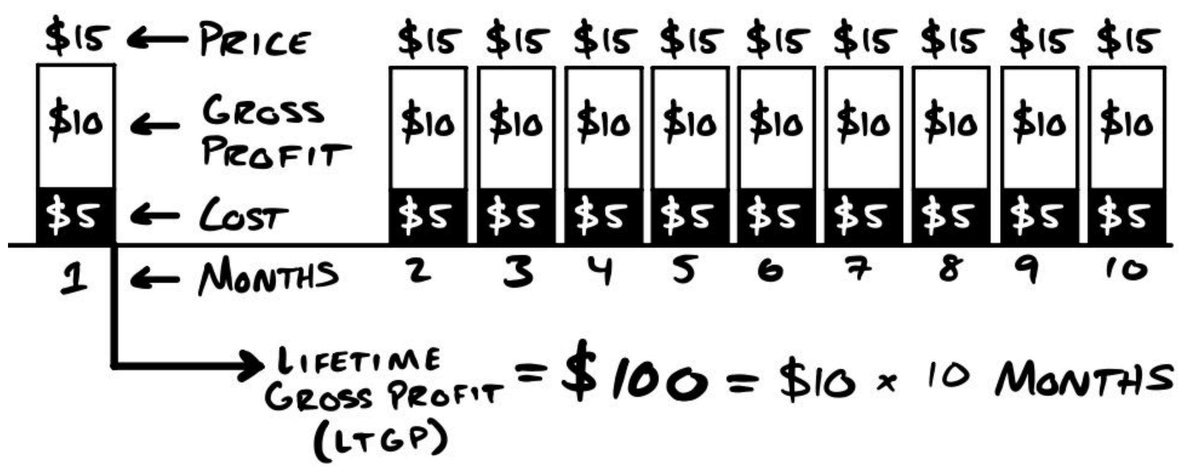
Things can only get so cheap. Eventually you just gotta make more. Think about it like this– lowering the cost of getting a customer by $100 will eventually take more work than making an extra $100 from them. So once your cost is low enough, focus on your business model. Costs can only approach zero but how much you make can go up to infinity. Increasing advertising efficiency beyond a certain point is like trying to "save your way" to a billion dollars. You feel like you're making progress, but you're never gonna get there.

"My ads aren't profitable, how do I fix it?" → Client Financed Acquisition

For many businesses, LTGP is bigger than CAC. Yay. But *not after the first purchase.* Boo. The profit from the customer's *first purchase* is often less than the cost to get them. It can take many months to collect the full LTGP. So you get your money later instead of now. This cash flow problem cripples your ability to scale ads and get more customers. Boo again.

But… if your customer spends more than it costs you to get ***and*** fulfill them–in the first 30 days–then you have the funds to scale *now* and *forever.* I call this **client financed acquisition.**

I pick thirty days because any business can get interest free money for thirty days in the form of a credit card. And if we make more than the cost to get and fulfill the customer in the first thirty days, we square our balance. Now, we have zero debt and a new customer which we can keep profiting from forever. Then, we repeat the process. Money is no longer your bottleneck. This is the key to limitless scale. *I repeat the same image above so you can reference it.*



Let’s see client financed acquisition in action:

- Say we have a $15 per month membership that costs us $5 to deliver. That leaves us $10 gross profit left over.

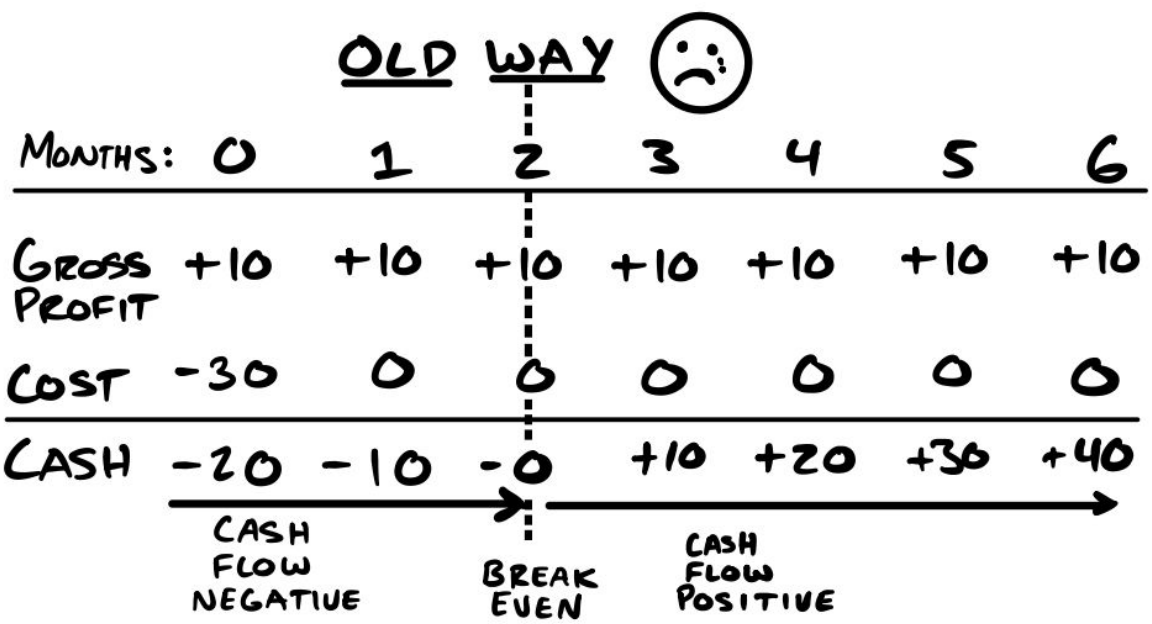
($15 membership) - ($5 cost) = $10 gross profit per month

- And let’s say our average member stays for ten months. That makes our lifetime gross profit $100.

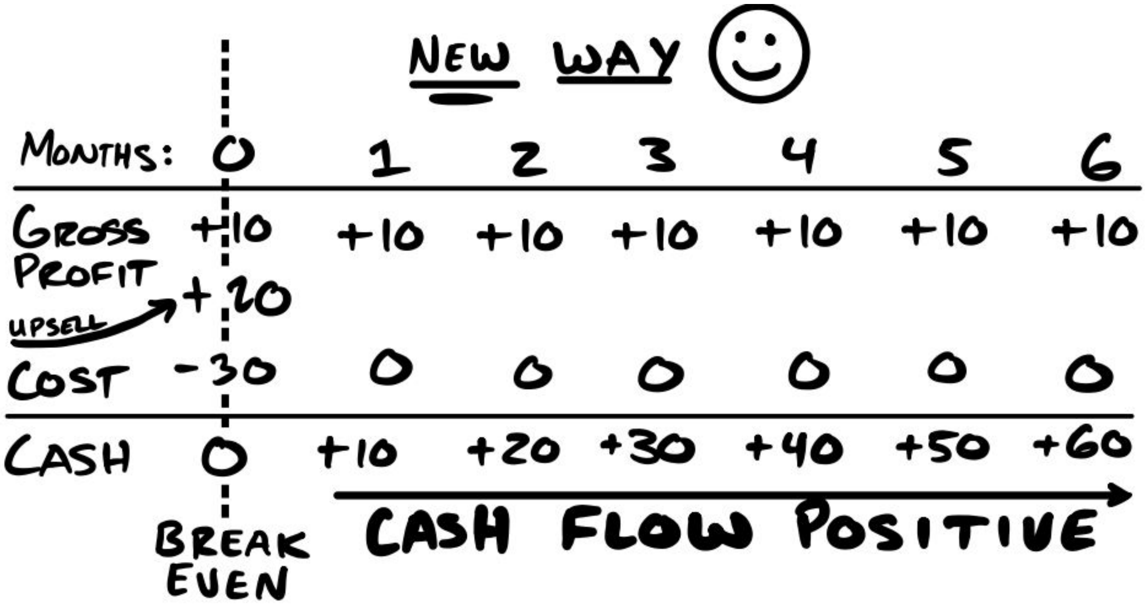
($10 gross profit per month) x (10 months) = $100 LTGP.

- If the cost to get a customer is $30 (CAC = $30), we have a 3.3:1 LTGP : CAC ratio.

($100 LTGP) / ($30 CAC) = 3.3 LTGP / 1 CAC → 3.3:1 Our ads make money. Hooray.



But wait…there’s a problem. You spent $30 in ads and only got $10 back. Ten bucks trickles in, one month at a time, until you finally break even…two. months. later. That’s tough! Make no mistake, you should 100% make that trade. But, now we have a *cash flow* problem.



Here's the way I fix it- *I immediately sell them more stuff*

- If I offer a $100 upsell (with 100% margins) that one in five new customers take. That adds $20 of gross profit per customer.

  ($100 upsell) /(5 customers) = $20 average upsell dollars per customer.

- This takes us from $10 to $30 in the first thirty days (our break-even window). The first purchase is $10. But now *the average upsell adds $20.*

  $10 + $20 = $30 gross profit per customer in less than 30 days.

- And since it costs $30 to acquire them, we break even. Great!

  $30 CAC - $30 cash collected within thirty days = free customers!

Every $10 a month that comes in thereafter is "gravy." Now, I can go get another customer while I keep collecting that $10 profit per month for the next nine months. This is how you print money. The things you can sell or upsell are unlimited.

If I cover the cost to get and fulfill a customer in the first thirty days I can pay off my card, then do it again. It's how I've scaled every company I've started for the past seven years past $1M/mo in the first twelve months - without outside funding. With efficiency out of the way, creativity is your only limit.

Bottom Line: Figure out a way to get your customers to pay you back in the first thirty days so you can recycle your cash to get more customers.

Personal Lessons from Paid Ads

1. **Don't Confuse Sales Problems With Advertising Problems.** The cost to get customers doesn't only come from advertising (it just mostly does)… For example, a company I invested in spent twelve weeks and $150,000 to run paid ads. They were getting the right leads on the phone, but they weren't buying. The owner said advertising didn't work. But the ads worked fine, great even, *their sales sucked*. The owner threw up his hands and gave up…six inches from gold. Frustrating. Confusing an advertising problem with a sales problem cost them an estimated ~$30M in enterprise value. If your engaged leads have the problem you solve and the money to spend, and they're not buying, then your ads work fine–you have a sales problem.

2. **Your Best Free Content Can Make The Best Paid Ads.** Some of the best paid ads I've ever run came from free content. If you make a free content piece that generates sales, or performs very well, nine times out of ten it'll make a great paid ad.

    a. **User Generated Content (UGC).** If you can get your customers to create testimonials or reviews using your product, post them. If they perform well as free content, they often make killer ads too. Having a system in place to encourage these public posts from customers is my favorite way of getting a steady stream of potential ads.

And - the best part is - it's no extra work.

3. **If You Say You Suck At Something, You Will Probably Suck At It.** Never say "I'm not techy" or "I hate tech stuff." It just keeps you poorer than you should be. I said it for…wait for it…FOUR YEARS. Then one day, I snapped because I hated my website designer more than I hated tech itself. "If this idiot can do it, so can I." Four years of wasting time and lost money reversed with four hours of concentrated effort.

Your turn

I can teach you how to place an ad in twenty minutes. It'll cost ya $100. Worth it? I hope so. It's an important skill. It won't make you money, but you will learn a lesson worth far more than a hundred bucks - *running ads is easier than you think.* In fact, platforms spend zillions to make it as easy as possible (so they can make more money). Here's all you gotta do:

Search "HOW TO PLACE A [PLATFORM] AD." Then place one for $100. Don't go all the way to the end then chicken out. Spend the gosh darn money. Rip off the bandaid. As soon as you do - you're no longer an observer, you're in the game.

Once you have put all these pieces together, it's time to send it. Spend money. Start with an acceptable amount of money you are willing to lose each month. Expect to lose it. You won't be earning, you'll be learning.

If you recall our advertising checklist, you'll need to pick each line to fill out your action card. This kicks off your journey in paid ads to get more engaged leads. Sample Paid Ads Checklist:

Paid Ads Daily Checklist	
Who:	Yourself
What:	Your Offer
Where:	Any platform/audience you can buy access to
To Whom:	Target audience or lookalike audience
When:	Everyday, 7 days per week
Why:	Get engaged leads to sell
How:	Call Out + 3Ws + CTA
How Much:	Learning Budget, Then Reverse to Sales Goal
How Many:	30+ Call Outs x 10 Ads
How Long:	As long as it takes

Paid Ads Part II Conclusion

Paid ads are the fastest way to scale how many leads you get. We spent the lion's share of this chapter talking about efficiency. Because once you understand how ads really make money, it becomes much easier to win. I've been very successful with paid ads, but it wasn't because I was the most creative or had the best copy. It was because I knew the numbers. So follow the steps outlined.

I recommend doing paid ads last for two reasons. First, skills from the other three methods transfer to this one. And second, paid ads cost money. Money you will have if you start with the other three methods first. So learn the skills and make the money from the other three methods, so you have the shortest learning curve on this one.

And once we have all that, we scale it. We expect to lose more times than we win. And once we win, we scale the hell out of it. And that's how we do it.

Paid ads is the last of the core four ways a single person can let other people know about their stuff. But before we transition to the second half of the book, I wanna show you how to put these strategies on steroids.

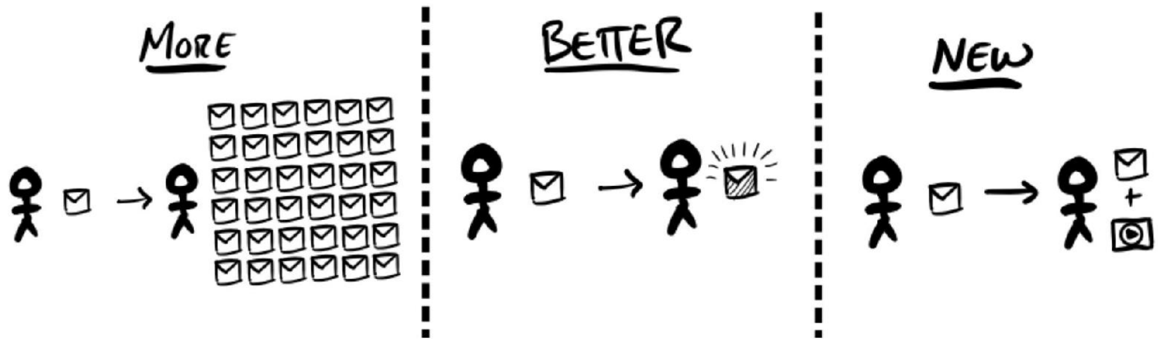
FREE GIFT: Bonus Training - Paid Ads Fast Track

Running paid ads is the fast track. It’s high risk high reward. I recorded a deeper breakdown of paid ads frameworks that have served me across industries and price points. You can find it here for free, as always: **Acquisition.com/training/leads**. My gift to you - money you’ll make in the future. And as always, you can also scan the QR code below if you hate typing.

SCAN ME

Core Four On Steroids: More Better New

"If at first you don't succeed, use force."



I surveyed the fifty or so faces of the group. All entrepreneurs looking to scale their businesses. Each hungry for the "missing link" that would flood them with engaged leads. After finishing a presentation on lead generation, *I opened up the floor for Q&A*:

The first business owner chimed in, "I just feel like I've saturated the market. I don't think we can get any bigger in the chiropractor niche than we already are."

"What're you doing in revenue?" I asked.

"$2,000,000 a year"

"And how much do you spend on advertising?"

"About $30,000 a month on Facebook"

"What's your conversion rate from click to close?"

"I don't know"

“So you don’t track overall throughput?”

“I guess not.”

“Okay…What other platforms do you advertise on?”

“None.”

“How much content do you make for chiropractors?”

“None.”

“How much cold outreach do you do?”

“None.”

“And the $30k you spend, on one platform, for a two million dollar business, saturated the $15.1B chiropractor industry? Does that sound reasonable?”

A second business owner chimed in before he could answer "If it helps - I'm in the chiropractor niche too, and I spent $30k in advertising, across *four* platforms, last *week...*"

“Do you still feel like you’ve saturated your niche?” I asked.

He got the point.

***

I have this conversation daily with entrepreneurs looking to grow. Typically, they have figured out how to get enough customers from one platform to get them to $1M-$3M per year. It's still not completely predictable. And they have their ups and downs. But they have the "gist" of what they need to do and have seen some success. So it's at this point they hit a wall because they think they can't make more money. They assume they've "tapped" their market. I kid you not. I had a conversation with a different entrepreneur making about $3,000,000 per year in the weight loss space. He worried increasing his ad spend past $40,000 per month would saturate his ad platform. For context, that platform has over 1B active daily users. And he was selling weight loss… in America… a $60B industry. Silly.

There are more leads out there than you can possibly imagine. I've used a framework to unlock those leads over and over again and now you can use it too.

How To Get Even More Leads: More Better New

First, you reach out to people who know you. Then, you start making free content. Then you start reaching out to people who don't know you. Then you start running paid ads. This is how you *do* the core four to get engaged leads. And there's really nothing else a single person can do *on their own* to get them.

But what if you are doing the core four and still not getting as many engaged leads as you want? Well, worry not! There are two ways to boost *any* of the core four to get even more engaged leads *on your own*. I use these every time I want to increase the engaged lead flow in a portfolio company. They are easy to remember: **More, Better, New**.

Simply stated:

1) You can do *more* of what you're currently doing.

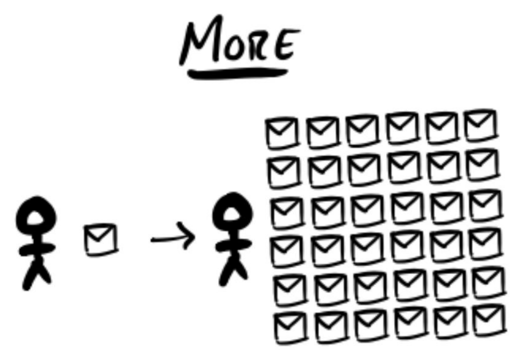
2) You can do what you’re currently doing *better*.

3) You can do it somewhere *new*.

And, just like the story in the beginning with the agency owner, that's *exactly what I was asking him*. Could you advertise more? Could you advertise better? Could you advertise somewhere new?

So let’s start with the one I actually do first: *More*.

More



You’ve done some advertising by now. And you know the advertising that you do works to some degree. So the next obvious thing you can do to get more engaged leads is - *more*. *A lot more.* Crank up the volume to your max capacity.

Even with no improvements at all, if you double your inputs, you’ll get more engaged leads. Make twice the reach outs, post twice the content, run twice the ads, double the ad spend, etc. You won’t regret it. Unless, of course, you hate money.

So while we’ll always focus on testing to make ourselves *better,* which we’ll get to in a moment, the <u>biggest</u> increases often come from advertising *more*.

Here’s how I do *more*: The Rule of 100

The rule of 100 is simple. You advertise your stuff by doing 100 primary actions every day, for one hundred days in a row. That’s it. I don't make many promises, but this is one. If you do 100 primary actions per day, and you do it for 100 days straight, you will get more engaged leads. Commit to the rule of 100 and you will never go hungry again.

Here’s what it looks like applied to each of the core four:

Warm Reach Outs:

100 reach outs per day

Example primary actions: email, text, direct message, calls, etc.

Post Content:

100 minutes per day making content.

Release at least one per day on a platform. As you get better, post even more.

Example primary actions: short and long videos or articles, podcasts, infographics, etc.

Cold Reach Outs:

100 reach outs per day

Example primary actions: email, text, direct message, cold call, flyers, etc.

As with all cold advertising, expect lower response rates, so use automation.

<u>Paid Ads:</u>

100 minutes per day making paid ads

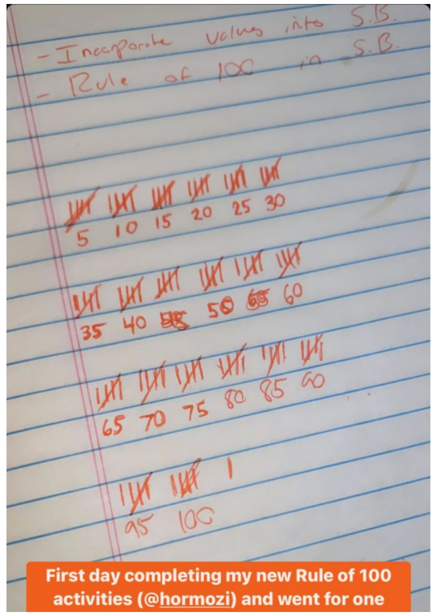
Example primary actions: direct response media ads, direct mail, seminar, podcast spots, etc.

100 days straight of running those paid ads. Use the daily budget we calculated together in the paid ads chapter. Aim for Client Financed Acquisition.

Pro Tip: More Ads Means Better Ads Means More Leads.

Facebook reviewed the accounts of all advertisers on their platform. They found something curious. The top .1% of advertisers test eleven times more creative than everyone else. Oftentimes, it’s not that you can’t scale an ad profitably. You just can’t scale a *mediocre* ad profitably. And the only way to find the *exceptional* ads is to make eleven times more of them. Success leaves clues. Do what the .1% do to get what the .1% get.

Here’s some inspiration from someone in #Mozination following the rule of 100:



Better

Getting better gets you more leads for the same effort. We want that. And you can only get better by doing one thing–testing. So you do more and more… *until it breaks*. Then, you make it *better*. In other words, if you do *more* for long enough, your CAC will eventually get too high to sustain. So you make a tweak and see if it improves. If it does, keep doing it. If it doesn't, toss it out. Thousands of these tiny tests separate the winners from the beginners.

Every action a lead takes before they become a customer is a potential "drop-off" point. So *I do the most testing at whatever step the most leads drop off.* I call these "constraints." Constraints are the points where the smallest improvements create the biggest boost in results. That's why they're so important. We get the biggest bang for our buck. For example, if you have three steps in your process:

30% Optin (give you their contact information)

5% Apply ← This is the constraint because it has the biggest drop-off

50% Schedule

But let's ignore the constraint for a moment. Imagine we improve each step by 5% by itself.

30 + 5%→35% Optin = 16% Increase in leads (1.16x)

5 + 5%→10% Apply = 100% Increase in leads (2x)

50 + 5%→55% Schedule = 10% Increase in leads (1.1x)

We get wildly different results! Improving the constraint also comes out the clear winner. So, *focus on the constraint.* And, again, if you're not sure which step is the biggest constraint, find the step where the most leads drop off. You'll get the biggest reward for the smallest improvement.

<u>Here's how I get better</u>: *I test one thing per week per platform.* And I do it for four big reasons.

1) If you test multiple things at a time on one platform you never really learn what worked.

2) Steps affect each other. A *single* change can affect results at other steps. For example, if you change step one, and more people optin, but *fewer* people apply, no bueno. But you wouldn't know that if you changed both steps. If you make one change *you can see what happened*. If you make a bunch of changes…good luck trying to figure out what worked (or didn't).

3) It forces you to prioritize what will get you the most engaged leads. You can do an infinite amount of tests. But, time is limited. So you must choose your tests wisely. For example, if you only do one "big" test per week per platform, don't waste it on a color change from red to bright red.

4) Maybe the most important, you run the test for long enough to see if you actually get an improvement. Too short and you won't get enough data. Too long and you waste time you could've spent improving the next constraint. With the size of my team and the amount of money I spend on advertising, one week is typically long enough for me.

In every company I own, I set up a testing schedule. Every Monday we run one split test per platform. We give it a week. And the next Monday, we do three things:

1) Look at the results, and pick the winners for each platform test.

2) Then (important), we write down the results of the test in a log of all tests. So the next time we do something, we start a zillion improvements later, not at square one.

3) Come up with our next test to beat our current 'best' version. If we can't beat the version we're currently running in *four tries (or one month)*, we move onto the next constraint.

You continue to allocate effort to make things better. But, at a certain point, the effort you put into making it better brings lower and lower returns. At some point, it makes more sense to invest your effort into something that will bring higher returns. Only at this point, do we try something *new*.

Pro Tip: Front > Back (most times)

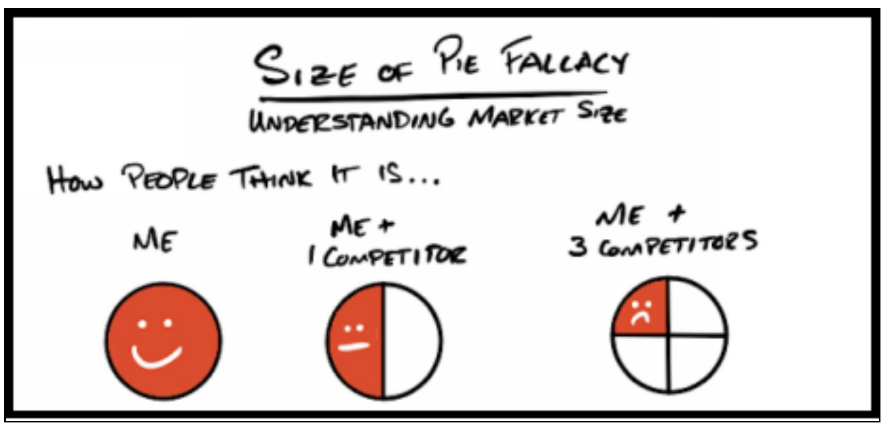
In general, the lowest percentage steps usually happen at the front. And, the higher percentage steps happen at the back. As in 1% of people may click an ad then 30% will give you their contact information. This is why (most times) you'll end up focusing on the front more than the back. And that's fine. Those steps are usually the constraint. They have largest returns for the smallest improvements. The call out. The value elements. The offer. The CTA. The landing page headline. Sub headline. Image, etc. Down the pathway you go in order of what the lead will see and then do.

Pro Tip: Better, More, New

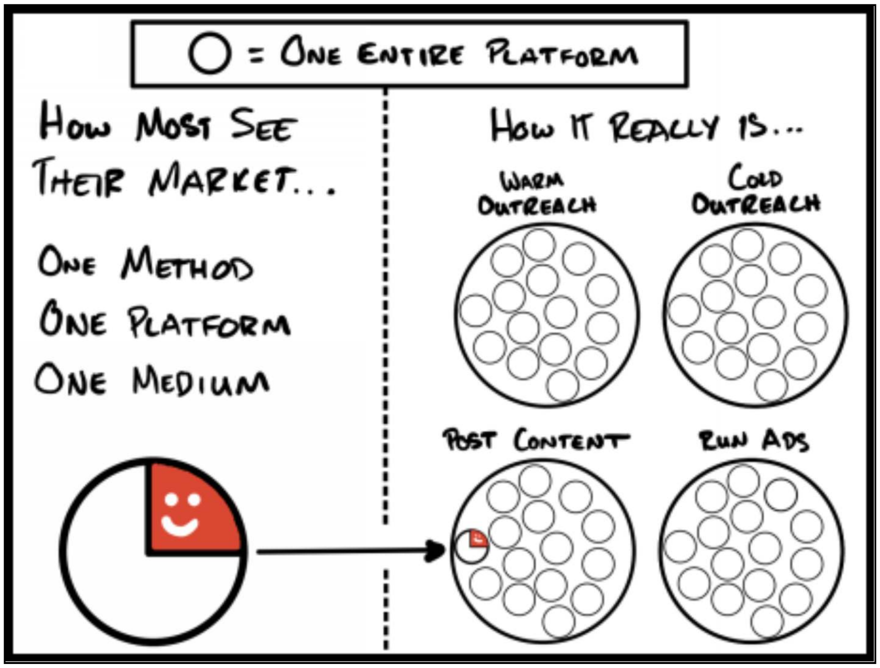
When talking to businesses less than $1,000,000 per year in profit, I usually advise them to do *more* first. They haven't done enough volume for percentage changes to make a big difference. But once you cross, $1,000,000 in annual profit, making things better can be the lowest cost, highest return thing you do. So once a business is big enough, I flip the order from "more, better, new" to "*better*, more, new."

New

So after you've improved your marketing efforts through 'more' and 'better' the only thing you have left is - 'new places in new ways.' In simple terms– *new*. And if you think your business can't possibly get any bigger, let me show you *why* it can. Then, I'll show you *how* it can.



Most business owners look only at the platform and tiny community they market in. And usually, there are only three or four big companies marketing in their niche. So, they assume those companies *must* split the *entire* market between them. This is exactly what the entrepreneur in my intro story did. Think for a moment about how ridiculous this is. I call this problem: **The Size Of The Pie Fallacy**. Here's a drawing to illustrate how the market is, in fact, much bigger than most assume.



The Size Of The Pie Fallacy. A small business uses one of the core four, on one platform, in one specific way, with a very targeted audience. And in that *same* space, advertising the *same* way, there may only be a handful of other competitors.

They mistakenly assume the tiny slice of the universe they advertise to is the entire available market! This is why most businesses stay small. When they plateau, they think there's no more leads to get. They believe they got as big as they possibly can. Because, for many, saying "I'm as big as I can get" is much easier than saying "I'm not as good at advertising as I thought." This false argument keeps entrepreneurs everywhere poorer than they should be.

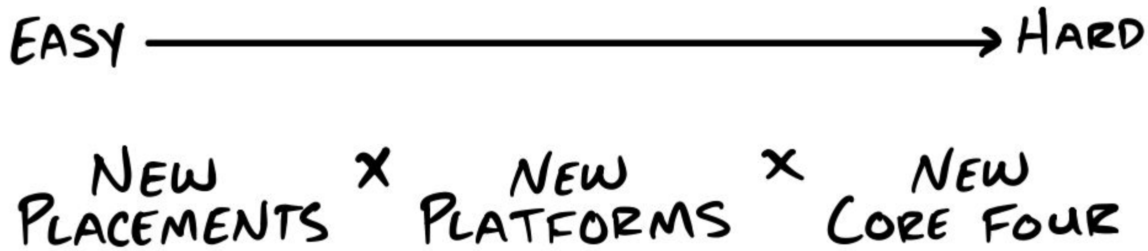
When to do *new*: When the returns you get from doing more↔better are lower than what you could get from a new placement or new way of advertising.

There are many other slices of attention (and potential leads) sitting *just inside the tiny universe of "post content*." They could add new placements (since many platforms have multiple places and forms of content). For example, on Instagram you can make stories, messenger ads, and posts. On YouTube you can make shorts, longs, community posts, etc. Or, they could add a new platform. They go from Instagram messenger to Facebook messenger. They go from YouTube shorts videos to Instagram short videos (reels). Etc.

And once they've exhausted those, they could add an entirely new core four activity.

And if you're curious, the order I pick my next 'new' comes down to one thing: what will get me the most leads for the amount of work? That is the rule. And nine times out of ten, it goes like this:

New placements→New Platforms→New Core Four.



Bottom Line: No matter how you advertise, you could do it in new ways (different styles of content) or in new places (think other platforms). Then finally, do a new core four activity altogether. And, you guessed it, each of them gets us what we want - more leads.

Now, this is much harder in practice, which is why I exhaust 'more, better' first. But at a certain point you have to expand to 'new' placements, platforms, and core four activities to let more people know about your stuff.

Action Step: Exhaust more better first. Once you can't do anymore, any better (meaning the returns are lower than putting that same effort into a new platform) try *new*. Use this rough order: new placement, new platform, new core four activity. Get it going. Measure how you do. And scale up from there using more–better. Then, rinse and repeat.

'More Better New' Summary

First, you do *way more* of the advertising that works until it "breaks." Then, *the next drop off point becomes obvious*. Then you keep that level of advertising up while you go back, fix the constraint, and make it *better*. So really, *better* and *more* work with each other more than they work separately. The first question I usually ask myself before we invest in a company that needs to get more customers is "What's stopping them from doing ten times what they're currently doing?" Sometimes, nothing– so we just do *more*. Other times we just need to make something *better* first. So answer that question and you'll know what to do next.

Only once you've exhausted more–better do the real returns come from doing *new*. First, go with new ad placements on a platform you know. Second, go with placements you know on a new platform. Then, once you get the hang of that new platform, use new placements on it. Once you exhaust that, you can add a new core four activity on top of what you currently do. That gives you my simple, *real-world way*, I put the core four on steroids to get even more leads.

Conclusion

Advertising is *the process of making known*. It's what we do to let strangers know about the stuff we sell. Now, we solved 'the stuff' problem with your <u>lead magnet or offer</u>. But to get them to turn into engaged leads, you have to <u>tell them about it</u>. So we spent this section going over the only four ways <u>a single person</u> can advertise–let other people know about their stuff. And to do it, you trade either time, money, or both. And when you do it, you can advertise to people who know you (warm) or you can advertise to strangers (cold). You can advertise publicly (content/ads) or privately (outreach).

As far as what to do when? Whenever I build a business I think about it this way–after I do warm outreach to get my pool of customers going–if I have more time than money, I move to posting content. If I have more money than time, I go with cold outreach or running ads.

But remember, you only need to do <u>one</u> to get engaged leads. So, just pick <u>one</u>. Then, *max it out*. Do more. Do better. Do new. And, all the advertising methods compound together. The money, systems, and experience you earned from the prior method will help you master the next. A business that posts free content and runs paid ads will get more out of their ads *and* their content than a business that does only one or the other. A business that does cold outreach and makes content will get more from their cold outreach *and* work their warm leads better than one that does only one. Every combination of the core four advertising activities boost each other in some way.

And as a personal note, I've done 'em all. I built my first business off posting content and warm outreach. I built my gyms off free content and paid ads. I built Gym Launch off paid ads and cold outreach. I built Prestige Labs off affiliates (which we cover in Section IV). I built ALAN off paid ads and affiliates (also Section IV). I built Acquisition.com off posting content. There are many ways to get engaged leads. If you master one, you will be able to feed yourself for the rest of your life. *They all work if you do.*

Next Up

If you follow the steps in this book, you'll run out of hours in the day. You won't be able to do any more, any better… let alone add anything new! So you'll need help on your journey to the land of endless leads. You'll need allies. Those allies come in four different flavors. And since there are more of them than there are of you, they're the key to getting there. So let's go get them.

FREE GIFT: Bonus Training - More, Better, New

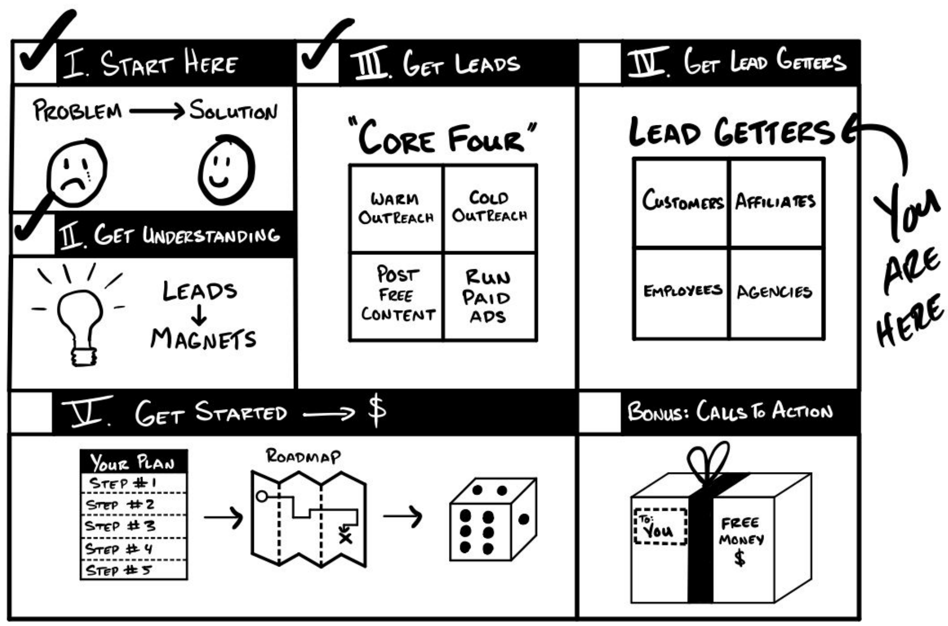
This is one of my favorite topics around scaling businesses. Our portfolio CEOs cite this as one of the most impactful frameworks I’ve given them. If you want to see a video version of me breaking this down. You can find it here for free, as always: **Acquisition.com/training/leads**. And as always, you can also scan the QR code below if you hate typing.

SCAN ME

Section IV: Get Lead Getters

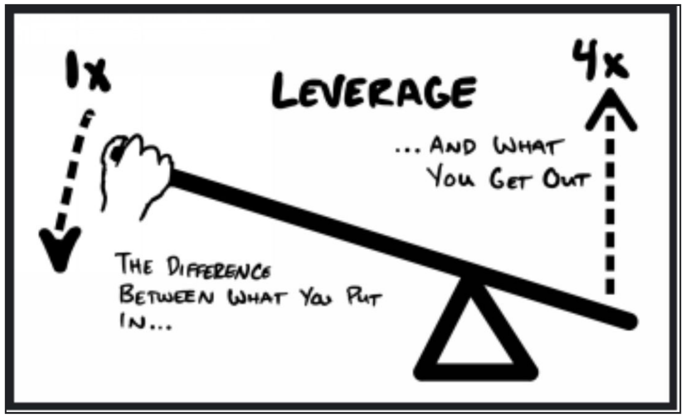
Get people who get you more leads

"Give me a lever long enough and a fulcrum on which to place it, and I shall move the world." *- Archimedes*



Building A $100M Lead Machine Is All About Leverage

An old lady can lift a semi-truck with a long enough lever. The strongest man in the world, without one, *can't*. The length of the lever determines how much someone can lift. This is leverage. We can use the principle of leverage in advertising. Let me explain:



Someone with internet can send a message to millions of people at once. Someone writing postcards by hand *can't*. The internet allows us to reach more people for the same time spent. So, it's higher leverage.

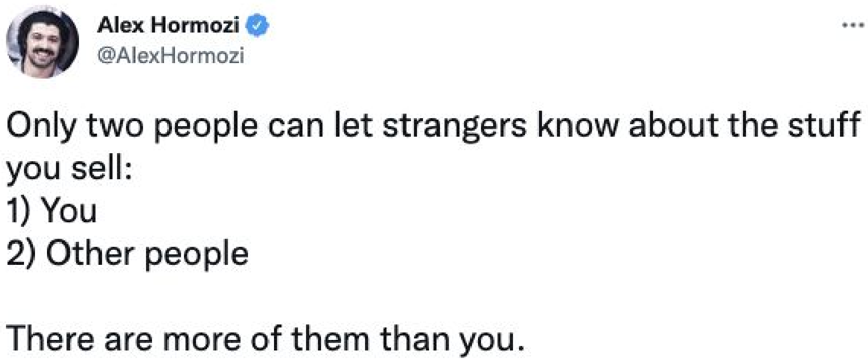
That means leverage boils down to how much we get for the time we spend getting it. So we want to use higher leverage activities to get what we want. More stuff we want. Less time getting it. Good.

And we want *leads*. *Lots of leads.*

Pro Tip: Don't Mistake Leverage for Speed

One person can only move so fast. A person 1000x ahead of you isn't moving 1000x faster. They *can't*. They're doing different stuff. So the future that feels so far away, with leverage, is closer than you think.

Lead Getters Give You Leverage


Alex Hormozi
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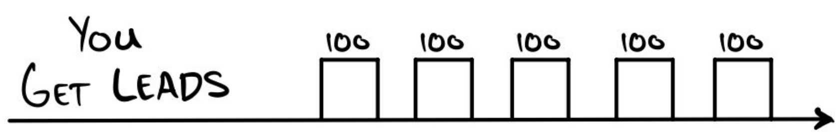
Only two people can let strangers know about the stuff you sell:
1) You
2) Other people

There are more of them than you.

People can find out about the stuff we sell from two sources. *We* can let them know using the core four. Or, *other people* can let them know using the core four. I call these other people **lead getters**. When other people do it for us, we save time. That means we get more engaged leads for less work. Leverage baby.

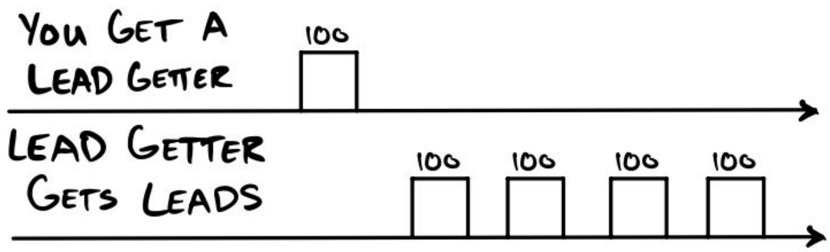
Imagine four scenarios:

Scenario #1: You <u>are</u> the lead getter. You do the core four all day everyday by yourself. You get enough leads to pay the bills.



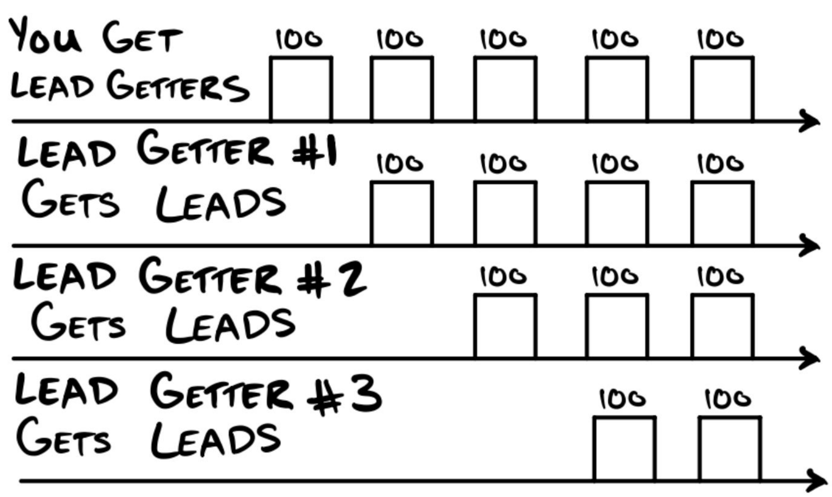
Work: HIGH Leads: LOW Leverage: LOW

Scenario #2: You <u>get</u> a lead getter. You get a lead getter to do the core four on your behalf. Now, the lead getter brings enough leads to pay the bills without you advertising. You work less than scenario #1 and get the same number of leads.



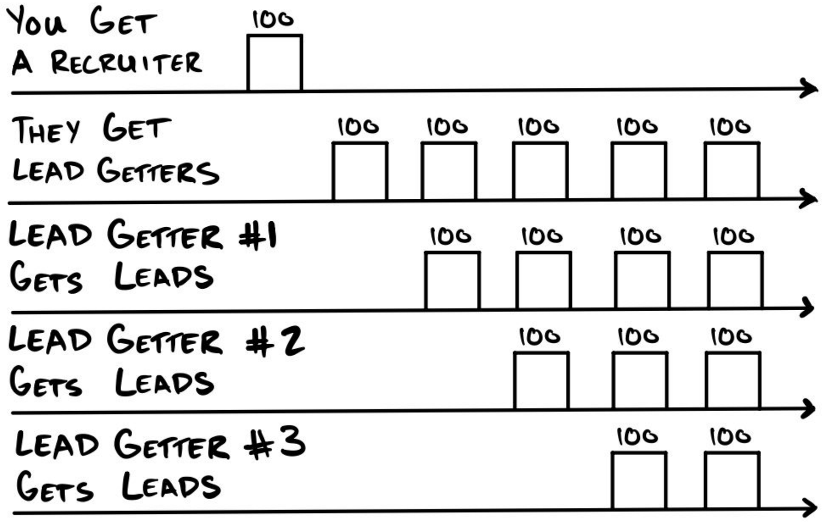
Work: LOW. Leads: LOW. Leverage: HIGH.

Scenario #3: You get lots of lead getters. You spend all your time getting other lead getters. Your leads go up every time you get another one. You work all day everyday, but you get way more leads than you did when it was just you. You work more than scenario #2 but get *way* more leads.



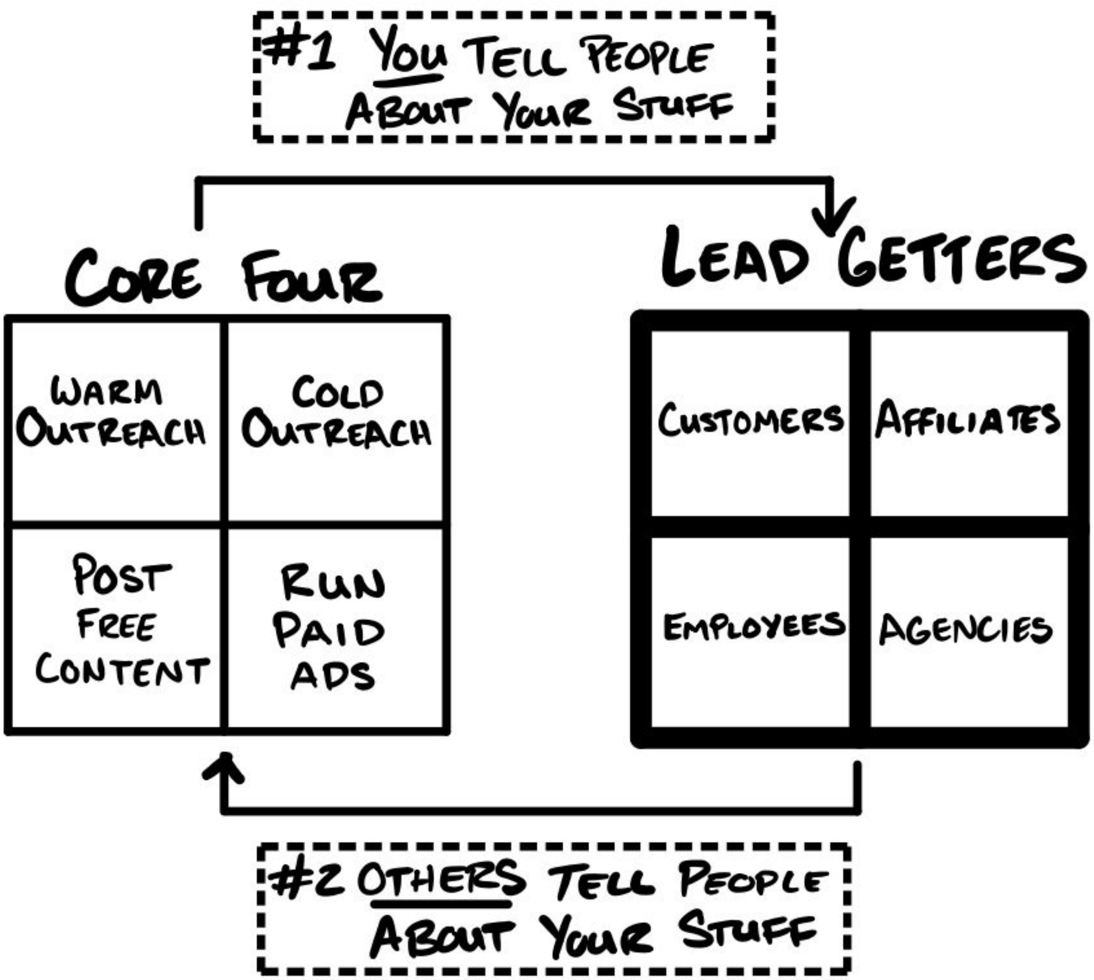
Work: HIGH. Leads: HIGH. Leverage: HIGHER.

Scenario #4: You get a lead getter who gets lead getters. You recruit somebody who recruits other people to advertise on your behalf. They get more lead getters every month. You only had to work to get the first lead getter *once*, but his leads continue climbing without you working. You works less than scenario #3, and you get more leads each and every month.



Work: LOW. Leads: HIGH. Leverage: HIGHEST.

Now you've got the makings of a *$100M Leads* machine.



Outline of The “Lead Getters” Section

The lead getters aren’t part of the “core four” because they’re not things you do. You do not ‘do’ affiliates or ‘do’ customer referrals or ‘do’ agencies or ‘do’ employees. But, *you have to do the core four to get them*. They come from warm outreach, cold reach outs, posting content, and running paid ads. And once you get them, *they* do it for you.

So the core four stacks. One time to get them, and a second time for when lead getters get engaged leads on your behalf. But it doesn’t have to end there. In fact, it shouldn’t. The process repeats. Lead getters can go get lead getters! So we do something once then lead getters can do it forever.

But wait, I thought this book was about getting leads? So am I trying to get leads? Or do I want lead getters? Answer: Yes. Lead getters start out as leads, then get interested in the stuff you sell and become engaged leads like anyone else. The difference is they get other people interested in the stuff you sell, too! And ideally, every lead becomes a lead getter.

The following chapters explain, in detail, *how to get other people to advertise for you*. And, if you want to scale to $100M+, you have to understand them:

#1 Customers- they buy your stuff then tell other people about it to get you leads.

#2 Employees- people in your business that get you leads.

#3 Agencies- businesses with services that get you leads.

#4 Affiliates- businesses who tell their audiences about your stuff to get you leads.

*All four lead getters let other people know about *your* stuff. In other words, all four are higher leverage than you doing it on your own.

Once you do understand the four lead getters, you can build a lead getting machine for every company you start for the rest of your life. I'll break down how I use all four lead getters. How each is different. How to work with them. When to use them. Best practices. And how to measure your progress along the way. At the end of this section, you will understand how to get other people to bring you more leads than you can possibly imagine.

And since we already use the core four to get customers, let's start with something we can do right now–get those customers to refer more customers.

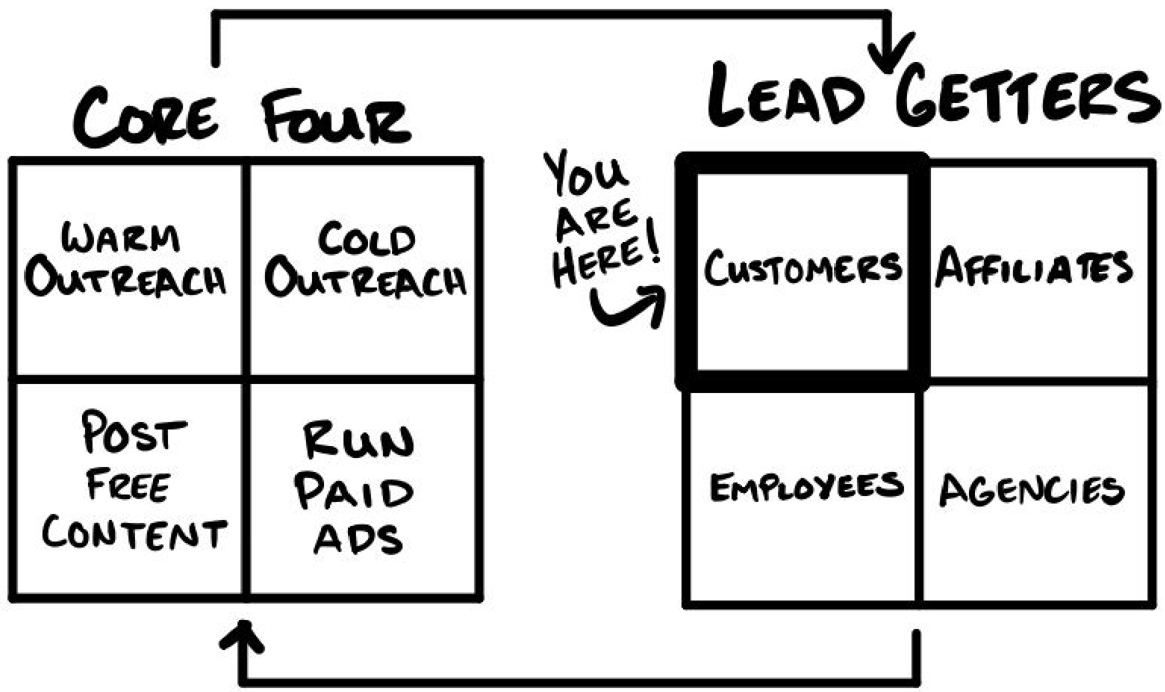
FREE GIFT: Advanced Bonus - Get People To Do It For You

That may have been one of my favorite chapters in the book. It took me so so long to figure out how to recombine everything into a simple model. If you want even more training on getting other people to get you leads, and how it applies to scaling go to: **Acquisition.com/training/leads**. And as always, you can also scan the QR code below if you hate typing.

SCAN ME

#1 Customer Referrals - Word of Mouth

"The best source of new work, is the work on your desk" - Charlie Munger



October 2019.

Leila and I sat together on her parents' living room couch. The one she watched movies on as a kid. The faded edges of the coffee table begged us to kick our feet up. We balanced laptops on our thighs. Extension cords snaked around the couch to outlets down the hall. Her stepmother clanged in the kitchen. This was *not* a work environment. But, we made due.

Two years earlier, I lost everything and met her parents *on the same weekend…*

Hey dad, I met this guy on the internet. He lost everything and has no money. But don't worry, I quit my job and moved in with him to help with his next big business idea. By the way, can we crash here for a while?'

…*Great* first impression, Alex.

But a lot had changed since then. We were multi-millionaires now. We made enough to buy her childhood home in cash. *Every week.*

Leila reviewed reports from our department heads. Oh yeah, we had executives now, too.

“Hey, sales numbers look a little soft this week.” she said.

“Really? How many did we close?”

“Fifteen. And sales started dipping last week too. Is there anything different on your end?”

“I don't know. Let me check.” I logged into Facebook’s advertising portal. Red rejection notifications filled the screen.

“Welp. That’ll do it” I said.

“What? What happened?”

“All the ads got shut off.”

“Well…that’s a problem. When do you think you can get them back up?”

“It’ll take a day or two to get a new campaign started.”

I squinted at the screen. Something even more alarming jumped at me. *Facebook rejected the ads two weeks ago.* I acted like nothing was wrong.

“So we closed 15 this week, and how many the week before?” I asked.

“21”

“Well, I’ve got good news and I’ve got bad news.”

“Uhh…Ok…”

“The bad news is…the ads got shut off two weeks ago, so that explains the dip. The good news is…our product is so good that we’re still doing $500,000 a week from word of mouth alone.

“You ignored the ads for two weeks!?” She had *oh no you didn’t* written all over her face.

I shrugged with a sheepish grin. “You still love me, right?”

We busted out laughing at the absurdity of it all.

Those two years were insane. The amount of money we were making didn't make sense. We didn’t comprehend how much until years later. We were just grateful to be doing this together, flaws and all. And this accidental stretch without running paid ads made something very clear: *Our customers were telling their friends.*

A few months later

I stood on stage and looked out over the 700+ gym owner audience. Everyone paid $42,000 to be there. All wore black "Gym Lord" t-shirts and stick-on mustaches. It. Was. Nuts.

I was mid-presentation, explaining how excellent service generates leads through word of mouth. All the while, I obsessed over whether the money we made during two weeks without running paid ads was a fluke. Feeling confident, I paused the presentation. *Time to find out*:

"Alright, just to show you how important this is, who here learned about Gym Launch from another gym owner? Raise your hand." As soon as the words left my lips, I felt instant regret. *What if no one raises their hand? What if our growth was all forced? I'm such an idiot.*

I looked around the room with my arm raised like a monkey. The room stood still. *Oh no.*

Then…a few gym owners raised their hands. *That doesn't look great, but it could be worse*. Then, more. *Thank God.* Then, more. Then, a *wave* of hands. *Holy cow*. People looked to their sides and behind them. *It was almost the entire room*. I let the moment sink in for all of us. I'll never forget it. I knew we had good word of mouth, but not *this* good.

"That" I said, "is the power of word of mouth."

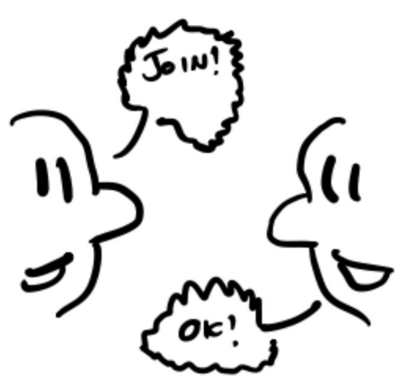
***

I know you weren't there when Leila and I realized we were making $500,000+ per week from word of mouth. I know you weren't there to see $30M in customers say someone referred them. The first time I realized the power of referrals - *it was by accident*. Seeing how much it made me, I studied what had gone right. I wanted to make sure I could recreate it *on purpose*. For me to transfer that ability to you, I have to transfer the beliefs that created it. And these experiences formed those beliefs. *This is why I share them.*

People copied our offers, ads, and lead magnets. They copied our landing pages, emails, and sales scripts. They copied everything they could–but they did it with little success. They think it's about "advertising," and it is. But the *best* advertising is a happy customer. An amazing product turns every customer into a lead getter.

The world loses trust by the second. Every day, more customers do their research. They arm themselves with information to make purchasing decisions. As well they should. So to play at higher levels, we need our product to not only deliver... but *delight*. Customers must get *so much value* it compels them to tell other people about us. The good news is, once you know how, it's easier than you think.

In this chapter, I explain how to get the lowest cost, highest profit, and best quality leads out there: referrals.



How Referrals Work

A referral happens when somebody, a referrer, sends an engaged lead to your business. Anyone can refer, but the best referrals come from your customers. So this chapter focuses on getting more referrals from your customers.

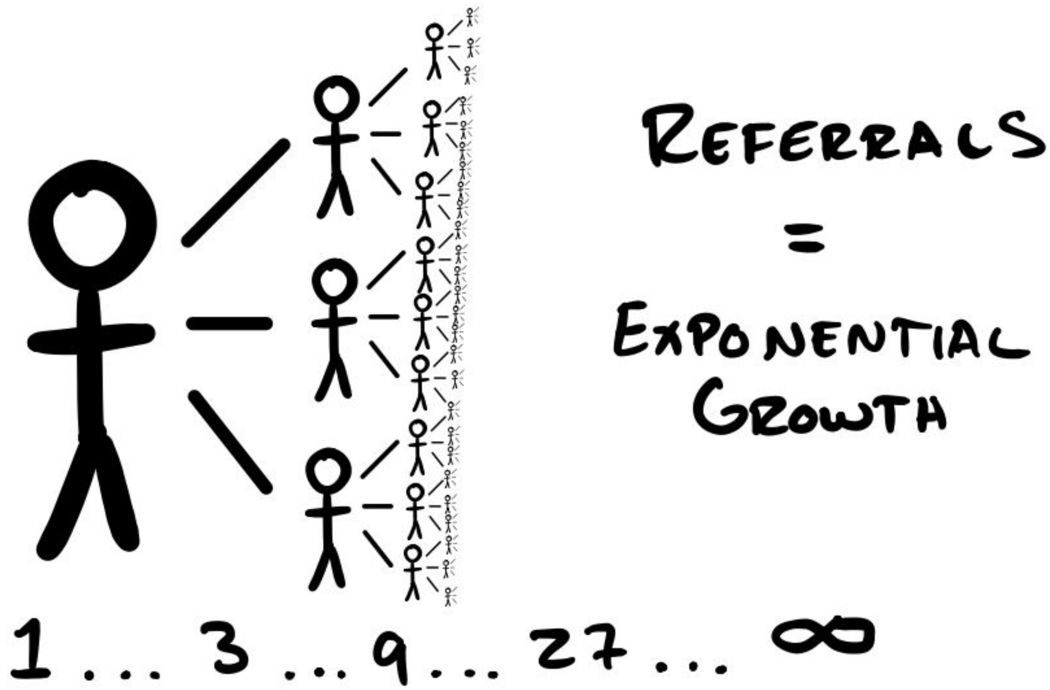
How Referrals Grow Your Business

Referrals are important because they grow your business in two ways:

1. **They're worth more (higher LTGP).** Referrals buy more expensive stuff and buy it more times. They also tend to pay in cash upfront. Lovely.

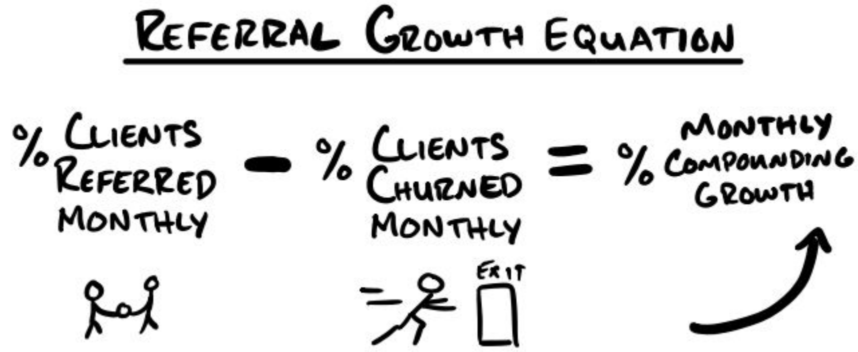
2. **They cost less (lower CAC)**. If one customer sends you another customer because they like your stuff, that new customer costs you nothing. And free customers are cheaper than customers that cost money. So free customers = good.

But what does this stuff really mean? Check this out…imagine you had an LTGP to CAC ratio of 4 to 1. That means it costs twenty-five percent of your lifetime gross profit of one customer to get another. Not bad. But now *imagine if every customer brought you two more customers.* You'd now have an LTGP to CAC ratio of 12 to 1– you'd use just over 8.3% of your lifetime gross profit to get a new customer. So you get three customers for the price of one. Now we're talking. Hooray. What a deal! On top of that, *referrals are exponential*. Let me explain.



The number of engaged leads you get from the core four depends on *how much* you do them. The inputs to outputs have pretty linear relationships. If you do 100 reach outs you get engaged leads. If you double it, your leads roughly double. If you spend $100 on ads, you get engaged leads. If you double it, your leads roughly double. So no matter how well you advertise, how much you get depends on how much you do. And that's great. But with word of mouth, we can do even better. With word of mouth, one customer brings two. Two bring four. Four bring eight. And so forth. It's not linear, it's *exponential*.

Nothing scales like word of mouth. Want to know why so few people scale by word of mouth? They lose customers faster than they get them. Look at the referral growth equation to see it in action. Referrals (in) minus churned customers (out).



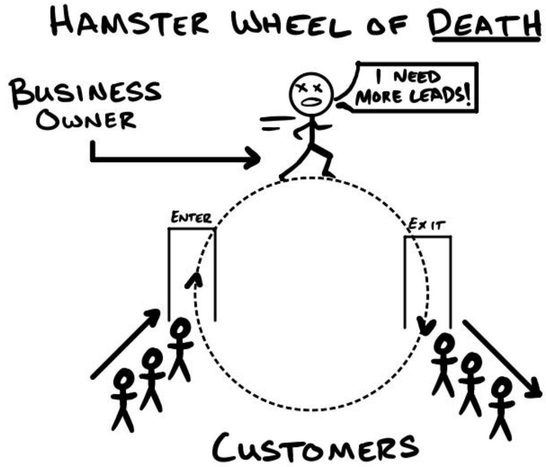
- If referrals are greater than churn: you grow without any other advertising (yay!)

- If referrals are equal to churn: you need other advertising to grow your business (meh)

- If referrals are less than churn: you've got to advertise to break even (boo - most folks)

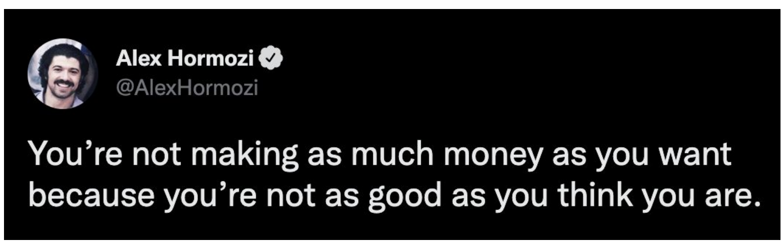
This gets nutty when you look at percentages. If the percentage of referrals every month is bigger than the percentage of customers who leave, your business compounds every month. You'd have to spend that much more money on ads, do that many more reach outs, or post that much more content just to maintain that growth. You eventually hit a wall. But with referrals, you can maintain growth *no matter how big you get*. This is how companies like PayPal and Dropbox exploded into multibillion dollar businesses. I'll break down their exact strategies later in the chapter.

On the other hand, small businesses barely scrape by because they have about the same customers exiting as they do entering. A hamster wheel of death. Here's why…



Two Reasons Most Businesses Don't Get Referrals

Most businesses don't get referrals for two reasons. First, their product isn't as good as they think it is. Second, they don't ask for them.



Problem #1: The Product Isn't Good Enough

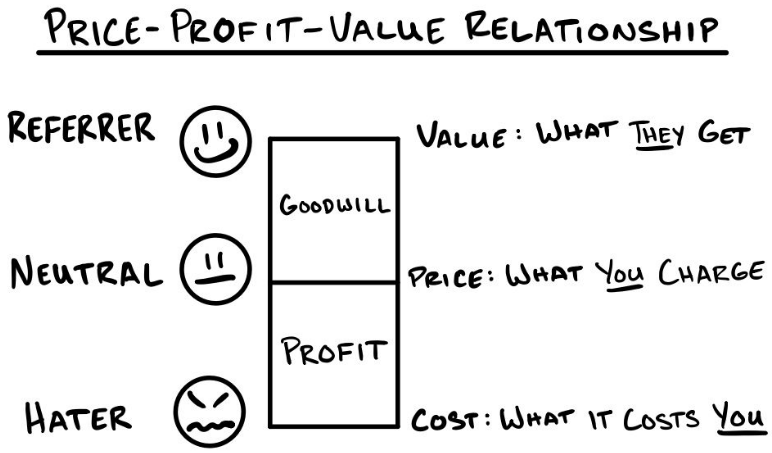
"Everyone loves our stuff, we just need to get the word out!" - says every small business owner with a product that's not as good as they think it is.

I'm gonna take off my nice guy hat for a second. If your product were exceptional, people would already know about it and you'd have more business than you could handle. So if you sell direct to consumers and they are not bringing you more customers, your product has room to improve.

I like to ask myself: "Why are my customers too embarrassed to tell everyone they know about my product?" It may be okay, but it's *unremarkable*, as in - not worthy of remark.

In fact, most of the stuff I pay for, kind of sucks. My pool guy forgets stuff half the time. My landscapers make tons of noise at the worst hours. My cleaners routinely put my clothes in my wife's closet (I guess that's what I get for extra schmedium t-shirts). The list goes on.

Business owners wonder why they don't get referrals. The answer is right in front of them. *They're just not good enough.* Let me show you how I think about it:



Price is what you charge. Value is what they get. <u>The difference between price and value is **goodwill**</u>.

This means that price not only communicates value, but it's also how we *judge* value. Economics dorks call it 'customer surplus'. But I'm just gonna call it goodwill. You want lots of goodwill. Lots of goodwill creates word of mouth. Word of mouth means referrals.

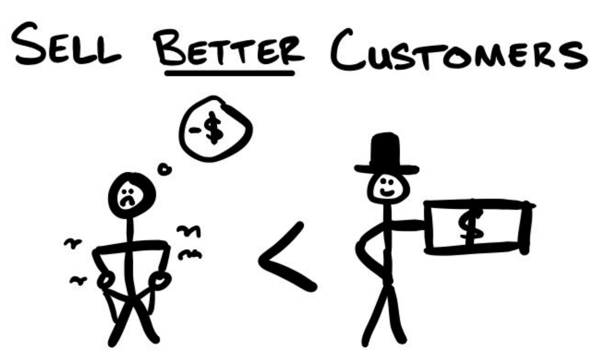
There are two ways to build goodwill with your customers. You can lower your price or you can give more value. After all, if you lower the price of your product enough, people would line up to get it. But you'd probably lose money. So, lowering the price is, at best, a temporary solution. You can only lower the price so much for so long. And, as marketing legend Rory Sutherland says, *"Any fool can sell something for less."*

So, to build goodwill to get referrals, the question isn't how do we lower our price but, how do we give more value?

Six Ways To Get More Referrals By <u>Giving</u> More Value

There are six ways I get referrals by giving more value. And it just so happens to map to the parts of an ad. Neat-o.

1. Call Outs → Sell Better Customers
2. Dream Outcome → Set Better Expectations
3. Increase Perceived Likelihood of Achievement → Get More People Better Results
4. Decrease Time Delay → Get Faster Results
5. Decrease Effort and Sacrifice → Keep Making Your Stuff Better
6. Call to Action → Tell Them What To Buy Next



1. **Call outs → Sell Better Customers.** We want to sell better customers because they get the most value from our products. Customers that get the most value have the most goodwill. And the customers that have the most

goodwill are most likely to refer. Yes, it's that simple. Let me give you a real-life example:

We have a portfolio company that did public relations for generic small businesses. They had a lot of sales, but they had a lot of churn. So they plateaued. They didn't grow for years.

To see what we could do, we looked at their lowest churning customers to see if they had anything in common - they did. They were all in a specific niche and looking to raise funding from investors. So the solution looked obvious–get more of them! But the founder had a big worry–these customers were only fifteen percent of his business. If he changed his targeting, and it failed, he would lose eighty-five percent of his business(!). But the business wasn't growing anyway. A tough situation for any entrepreneur. But, after reviewing the data many times, he agreed to *change the advertising call outs to match this narrower, "perfect fit" customer.*

The results: The company broke through its plateau. They grew for the first time in years - and now on track to adding *millions per month*. Plus, their cost of advertising–a huge expense for their stagnating business–went down. They got *even cheaper leads* since they could be more specific with their messaging. But not only that, the cheaper leads got even more value from the product because *it was meant for them*. And those customers, because they had more goodwill toward the business, started referring like clockwork.

Action Step: *Increase the quality of the prospect, and you'll increase the quality of the product.* Figure out what your most successful customers have in common. Use those similarities to target a new audience that has the greatest chance of getting the most value. Then, sell <u>only</u> people who meet those new criteria. Set yourself up to build more goodwill. More goodwill means more referrals.

2. **Dream Outcome→Set Better Expectations:** The fastest, easiest, and cheapest way to make your product remarkable - make it better than they expect. And that's easier than you might think because *you* set the expectations.

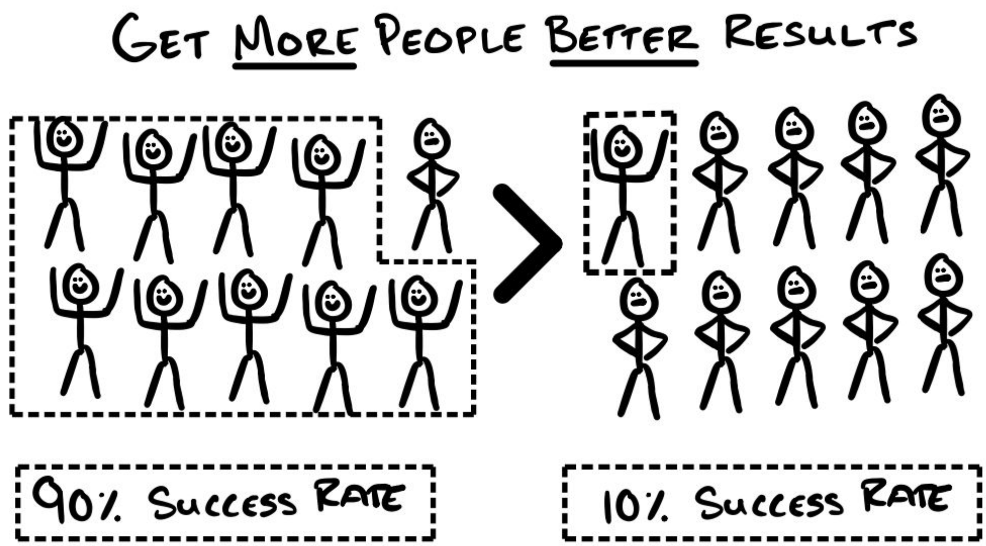
Pro Tip: Dating Advice

On first dates, I like to set the bar as low as possible by admitting all my flaws. After telling my (now) wife all my flaws, I joked - I can only go up from here!

Have you ever had a stranger tell you a new movie was awesome? Then you go see it and think ‘that wasn’t as good as I expected.’ On the flip side, have you ever had someone tell you a movie was terrible, then you ended up seeing it anyways and thought ‘That wasn’t as bad as I expected.’ Our expectations of an experience can *dramatically* affect the experience itself. We can increase goodwill by lowering expectations. It gives us room to overdeliver.

In the beginning, I promised everything and the kitchen sink to get people to buy. Fulfilling on that turned into a nightmare. So, I began inching down my promises while maintaining quality. It gave me more room to overdeliver and I netted a major benefit - referrals. Customer expectations are fickle. That’s why we set the expectations for them. And if we set those expectations, then we can exceed them.

Action Step: Slowly lower the promises you make when making offers. Keep lowering them until your close rates lower. At that point, stop. This maximizes how many customers you get *and* the goodwill you build with them. Maximized customers and more goodwill means more referrals.



3. **Increase Perceived Likelihood of Achievement → Get More People Better Results:**

The customers with the best results get the most value from your product. Figure out what they do to get the most value, and you can help your other customers do the same. Two steps ago, to sell better customers, we figured out who the best ones ***were***. So now, to get everyone the best results, we figure out what the best ones ***did***.

Let me show you what it looked like at Gym Launch. We started by tracking customer activities. Speed to running their first paid ad. Speed to their first sale. Their attendance on calls. Etc. Then, we compared the activities of our *average* customers to the activities of our *best* customers. We found out something huge. If a gym owner ran paid ads and made a sale in the first seven days, their LTGP *tripled*. Once we realized this, we focused on getting ***everyone*** to launch ads and make sales in the first seven days. The results of our average customers skyrocketed. More customers, more testimonials and more referrals followed.

Here's the process I use to get more people better results:

Step #1: Survey customers to find the ones who got the best results.

Step #2: Interview them to find out what they did differently.

Step #3: Look at the *actions* they had in common.

Step #4: Force new customers to repeat the actions that got the best results.

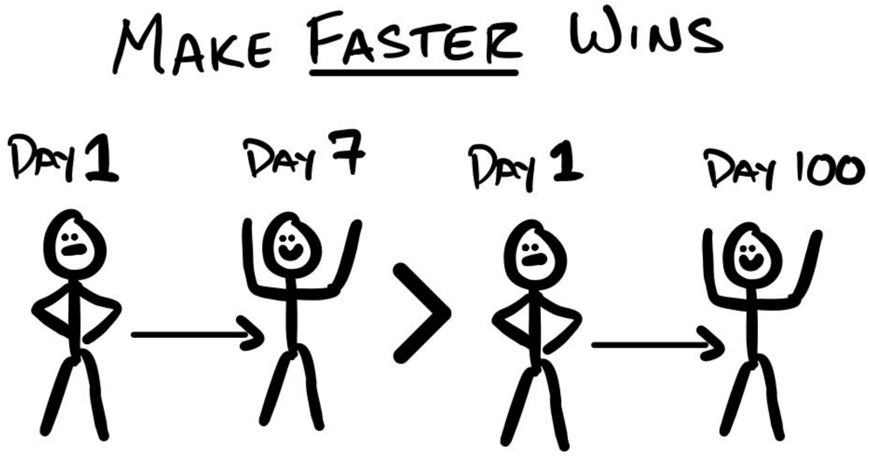
Step #5: Measure the improvement in average customer results (speed and outcome)

Step #6: <u>Match the conditions of your guarantee to the actions that get the best results to get more people to do them.</u>

Pro Tip: Make The Success Activities The Conditions of Your Guarantee

<u>DO NOT DO THIS IF YOU HATE MONEY AND HELPING PEOPLE</u>: As soon as you start getting customers results, note what they did. Then, start guaranteeing new customers those results. But do it on the condition they *do what the best customers did*. The guarantee sells more people. The conditions get them better results. You win. They win.

Action Steps: Figure out what the best people did. Then get everyone to do it. Make your guarantees around the actions that create the most success. More success. More goodwill. More referrals.



4. **Decrease Time Delay→Make Faster Wins:** I define a "win" as any positive experience a customer has. Faster wins increase their perception of speed, increase the likelihood they'll stick, and increase how much they trust you. Triple win. To make wins *feel* faster, we give them wins *more often*.

Let's imagine you have a product that takes a week to deliver. The customer can get one win at the end of that week or win every day with daily progress updates. Same amount of progress, seven times the wins. On top of that, if someone said seven things would happen, and all seven do, I trust them even more. Referring a friend is now lower risk since seven promises were made, and all seven were kept.

Here's five ways I make wins happen faster in the real world:

1. If I have seven small things to deliver, I deliver them at shorter intervals rather than all at once.

2. Updates are wins. If it's a bigger project, I share progress updates as frequently as possible. You can never give someone too much good news. And regular updates, progress or not, is better than leaving your customers hanging.

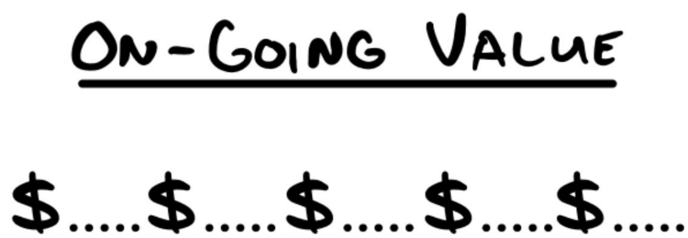
3. Customers form their lasting impression of a business within the first forty-eight hours after they buy. Force a good impression. Force as many wins as you can in that window. Set many expectations. Meet many expectations. Repeat.

4. They should always know the next time they'll hear from you. I got a slick saying from a public CEO friend of mine - BAMFAM:

Book-A-Meeting-From-A-Meeting. Again, never leave a customer in no man's land. They should always know what happens…*next*.

5. Never expect customers to forgive you. Ever. So act like it. For example, you can deliver early, but never late. I add fifty percent to my timelines so I always deliver early. That makes "on time" for me *early* for them.

Action step: Break down outcomes into the smallest possible increment. Communicate as often as reasonable (even if there is no progress, update them). Set timelines with breathing room. Deliver early. More customer wins means more goodwill. And more goodwill means more referrals.



5. **Decrease Effort & Sacrifice → Keep Making Your Stuff Better:** If the customer does less stuff they hate to benefit from your product, you've made it better. If the customer gives up fewer things they love to benefit from your product, you've made it better. And there's no such thing as a perfect product. You can *always* make it better. And the easier you make it for them to benefit, the more goodwill you get, and the more likely they'll refer. Here's my process to keep making my stuff better.

Step #1: Use customer service data, surveys, and reviews to find the most common problem with your product.

Step #2: Figure out your fix. To get a headstart, get feedback from the customers who made your product work for them despite the problem it has.

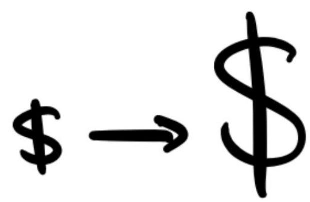
Step #3: Use that feedback to improve your product.

Step #4: Give the new version to a small group of your (struggling) customers.

Step #5: Get your next round of feedback. If you solved the original problem, then roll it out to all customers. If it didn't, go back to step #2.

Step #6: Move to the next most common problem and repeat the process. Do this until the end of time.

Action Step: Keep making your stuff better. Survey. Make changes. Implement. Measure. Repeat. I run this process every month. Set this as a recurring monthly process. A product that takes less effort and fewer sacrifices means more goodwill. And more goodwill means more referrals.



6. **Call To Action→ Tell Them What To Buy Next:** If you have an amazing product, they'll want more. You have to satisfy their desire to buy. If you don't, they'll still buy… but *from someone else*. Don't let that happen. Sell them again. You can either sell them a new thing or more of the thing they just bought. In either case, you'll get even more goodwill and extend the lifetime of the customer. And besides, the more stuff they can buy, the more stuff they can refer their friends to.

For example, in a weight loss company we know, lots of customers referred friends to their first tier product. But, some didn't. A lot of those customers who didn't refer to the first product, when they bought their more expensive thing, referred their friends to that! So you gotta keep selling.

In my experience, people obsess over their front end offers. And that makes sense. But then they neglect the back end *and customers fall off*. And customers that fall off your product are unlikely to refer - so keep selling them so they don't.

Action Step: Treat every customer like it's the first time you've sold them. Make sure your next offer is more compelling than your first. Remind them to buy more after each big win. More things to buy means more opportunities to add even more value. More value means more goodwill. And more goodwill means, you guessed it, more referrals.

One Question to Rule Them All

Let’s consolidate these six steps into one thought experiment. I encourage you to try it out with your team. Here it is:

You’ve lost all your customers but one. The gods of advertising ban you from doing the core four and decree:

-All customers must come from this one customer.

-Violate our terms and we will destroy your business, and every other business you start, for eternity.

Tough break. But, the question remains, how would you treat this customer? What would you do to make their experience so valuable they would send all their friends? What kind of results would they need to get? What would their onboarding be? What type of customer would you pick? Think about it. Write it out. *Your business depends on it.* Then…*do it :)*

Start acting like the advertising gods will revoke your core four privileges at any moment. Soon you’ll see you have no choice but to start adding more value to get more customer referrals.

Now that we covered that. Do you wanna know how you can get even *more* referrals? →Ask for them.