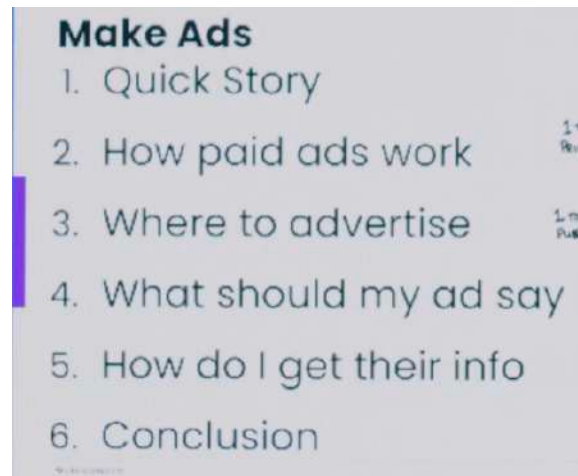


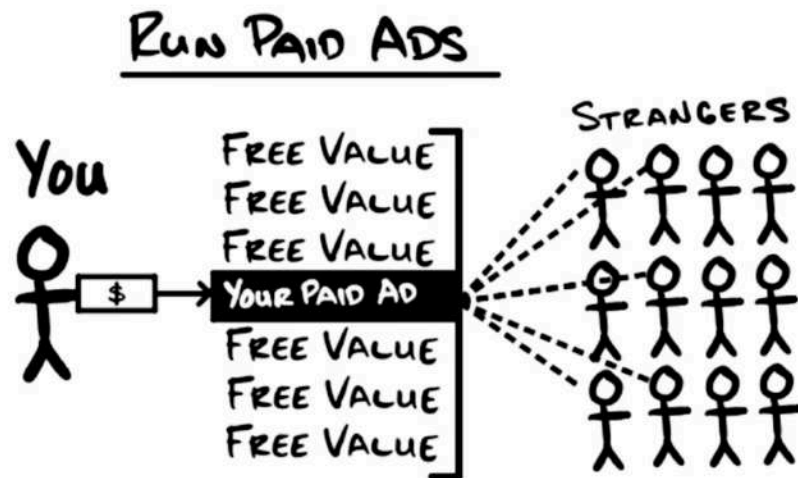
Paid Ads



Simply speaking:

1. Show an ad
2. Ad includes lead magnet or an offer
3. Catches our audience attention and compels them to engage and take one more step towards our thing
4. From there "build and set the mouse trap"

How paid ads work



Paid ads are a way to advertise one-to-many to cold audiences. People who don't know you. Paid ads work by paying another person or business to put your offer in front of *their* audience. Think of it like renting eyeballs or earballs.

How paid ads work

~~"DO ADS WORK??"~~

"How well you can make them work?"

The reach is guaranteed. You pay for the reach. The question is how efficiently you can extract value from those eyeballs vs the cost of reaching them.

How paid ads work

Paid ads give us four new problems to solve. Let's break them down together:

- 1) Knowing where to advertise
- 2) Getting the right audience to see it
- 3) Making the best ad for them to see
- 4) Getting permission to contact them

1. Where to advertise:

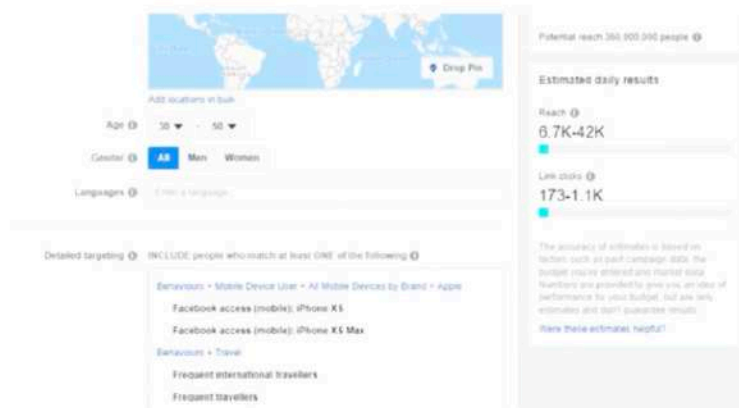
Step 1: "But where do I advertise?" → Find a platform where these four things are true

1. I've used it and gotten value from it as a consumer. So I have some idea how it works.



- Don't want it to look like an ad. Want it to look like content.
 - Best ads are content that worked


2. I can target people on the platform interested in my stuff.



- Targeting is crucial for efficiency and efficiency is the question here.


3. I know how to format ads specific to the platform (which I'll dive into in step three).

FRESH LOCAL GYM LEADS
For \$8.33/Day



and just deliver more leads
to you is actually very easy.

They just do less...and make more...and we got
paid for providing that turn key business model
+ "bodies in the door" to run it.



4. I have the minimum amount of money to spend to place an ad.



- Social media have democratised advertising

Pro Tip: Place Ads Where Your Competitors Place Ads (To Start)

Platforms often have different ad types. For example, on LinkedIn, you can send message ads or you can run newsfeed ads. On Instagram, you can run ads to the newsfeed or stories. On youtube, you can run ads on the side bar, mid stream, or as pre-roll. So how do you know where to start? Look at the ad placement of other people in your space, and start there. If they can make it work so can you. *Replicate before you iterate.*

Action Steps: Start with one platform that meets the four requirements. And start watching, listening, or reading ads on the platform as a first step to learning how to make one.

Recommendation: Look at ads library

- Find top ads in your sector. Ads that have been running the longest and have the best engagement. Then transcribe those ads. Look how they hook, retain, reward + make an offer.
 - Look at 50 ads to give yourself a headstart in creating your own

2. Getting the right audience

Step #2: “But how do I get the right people to see it?” → **Target them**

So if we start with the entire world, which we kinda do, we need to be a bit more specific.

For example, if you choose a platform that has 100,000,000 users, you’ve already cut out 99% of the world

- **Continue to cut down, specific is good.**



- Rather be too specific to too small of an audience. Start in the puddle, then move to the pond, then the lake, then the ocean.
 - Having the highest ROI in the puddle then affords you the money to be a little less efficient in the pond and so on.

First round = selecting our platform.

Second round is *within* the platform itself.

Modern advertising platforms have two ways to target. You can use them separately or combine them:

1) **Target a lookalike audience.**

Modern platforms can show your ad to an audience that is similar to, and much bigger than, a list you provide. Advertisers call this a **lookalike audience**.

- upload their minimum list size to create lookalike audience
- The bigger and better = better
- Add warm reachout list, then cold reachout

2) **Target with factors of your choosing.**

Targeting options include: age, income, gender, interests, time, location, etc.

For example:

- if you know no one over forty-five or below twenty-five has ever bought your thing, then exclude anyone outside that range.
- If you sell car parts then show your ad during car shows and on car channels.
- If only people with pets buy your thing, then include pets as an interest.

Pro Tip: Local Targeting

Since local markets are already *tiny* in comparison to national markets, you won't want to add many more filters. Be as specific as possible, but no further. The local market on its own is already .1% of a nation, so you're already pretty narrow.

Action Steps: Bring all your lead lists together into one place. Separate them by past and previous customers, warm outreach, and cold outreach.

1. Eventually you will have a list of people that engaged with your paid ads but did not buy. That will come in handy.
2. If the platform allows, use these lists in order of quality to create your lookalike audience
3. Then add filters on top to further optimize the list

**If you are incapable of making a lookalike audience, then simply start by targeting interests.*

3. What do you say

Step #3 “But what should my ad say?” → Call Out + Value + Call to Action (CTA)



“I DON'T SKIP ADS”

“I DON'T SKIP ADS”

“I DON'T SKIP ADS”

Call out (hook): get their attention

Value (retain): build trust so they're more willing to take the next step

CTA (reward): to take the next step

No better school of advertising than what's already working today. Have your feed full of ads.

**1) How they call out their
ideal customers.**

**2) How they present the
value elements.**

**3) How they give their
audience a call to action.**

Let's use the three chunks to make an ad.

- 1) Call Outs - I need to get them to notice my ad
- 2) Value - I need to get them interested in what I have to offer
- 3) Calls to Action - I need to tell them what to do next

1) Call Out: *People noticing your ad is the most important part of the ad...by a lot.*

- The purpose of each second of the ad is to sell the next second of the ad. And the headline is the first sale.
 - Focus your effort front to back.

This "first impression" is the part of the ad I test the most.

- 80% of your effort needs to go into the first 5 seconds. First impression to hook them is everything.
- Record 10 videos, then create 30 hooks for each. You now have 300 ads, test them all, see which is converting best and double down at it.
- Platform hasn't "capped" your ad. They want to take your money. What has "capped" you is how good your ad is. It converts in a small pond, but isn't good enough to convert in a large.

- Top 1% of FB advertising vs remaining 99%, they split test 11 times more content. This is why they're able to scale 10x & 100x more.

A callout *is whatever you do to get the attention of your audience.*

- Labels
- Yes-Questions
- If-Then Statements
- Ridiculous Results

Labels = are you a ... (homeowner?)

Labels

A word or set of words putting people into a *group*. These include features, traits, titles, places, and other descriptors.

Ex: *Clark County Moms* *Gym Owners* *Remote Workers* *I'm looking for XYZ* etc.
To be most effective, *your ideal customers need to identify with the label.*

(LOCAL AD HACK)

Yes-Questions = do you sweat at night? do you toss and turn? do you snore a lot? do you sleep with a glass of water by your bed?

Yes-Questions:

Questions where if people answer "yes, that's me" they qualify themselves for the offer.

Ex: *Do you wake up to pee more than once a night?* *Do you have trouble tying your shoes?* *Do you have a home worth over \$400,000?*

If-then statement = if you're born between 1984 and 1975 then you may qualify for...

If-Then Statements:

If they meet your conditions *then* you help them make a decision.

*If you run over \$10,000 per month in ads, we can save you 20% or more... *If you were born between 1978 and 1986 in Muskogee Oklahoma, you may qualify for a class action lawsuit... *If you want to XYZ, then pay attention...*

Ridiculous Results = Gym in Colorado opens and overfills first day and has to refund customers because they can't fit them all

Ridiculous Results:

Bizarre, rare, or out of the ordinary stuff someone would want.

Massage studio books out two years in advance. Clients furious. *This woman lost 50 pounds eating pizza and fired her trainer* *The government is handing out thousand dollar checks to anyone who can answer three questions* Etc.

Callouts don't have to be just words. They can also be noises or visuals in the environment.

1. CONTRAST

2. LIKENESS

3. THE SCENE



Contrast:

Any stuff that “sticks out” in the first few seconds. The colors. The sounds. The movements etc. Note what catches your attention. Ex:

- a) A bright shirt almost always gets more attention than a black or dull shirt.
- b) Attractive people almost always get more attention than plain looking people.
- c) Moving stuff almost always gets more attention than still stuff.

Likeness:

Think visually *showing* labels–features, traits, titles, places, and other descriptors that people identify with.

- a) People want to work with people who look, talk, and act in ways familiar to them (and you may not look, talk, or act in ways familiar to them). So if you serve a broad customer base use more ethnicities, ages, genders, personalities etc. in your ads. If you serve a narrow customer base (ex: medical devices for seniors), then use people who look like them.

The Scene:

Think *showing* the Yes-Questions and If-Then statements.

Ex: An ad with...

- i) A person tossing and turning in bed calls out people with sleep troubles.
- ii) A pear next to an hourglass can call out people with a pear shaped body.
- iii) A room full of stuff stacked to the ceiling calls out people with too much junk.
- iv) A rock hitting a window calls out people with broken windows.
- v) A local landmark. Locals think - “Hey, I know that place!” and pay attention.

Difference between 1million dollar ad campaign and 100m dollar is nailing the contrast, likeness and scene.

Action Step: I'm always impressed with the clever and innovative ways advertisers call out their prospects. So instead of muting or hitting "skip ad" *look for the call outs*. Become a student of the game. My goal is that for the rest of your life when you see an ad *you turn up the volume*.

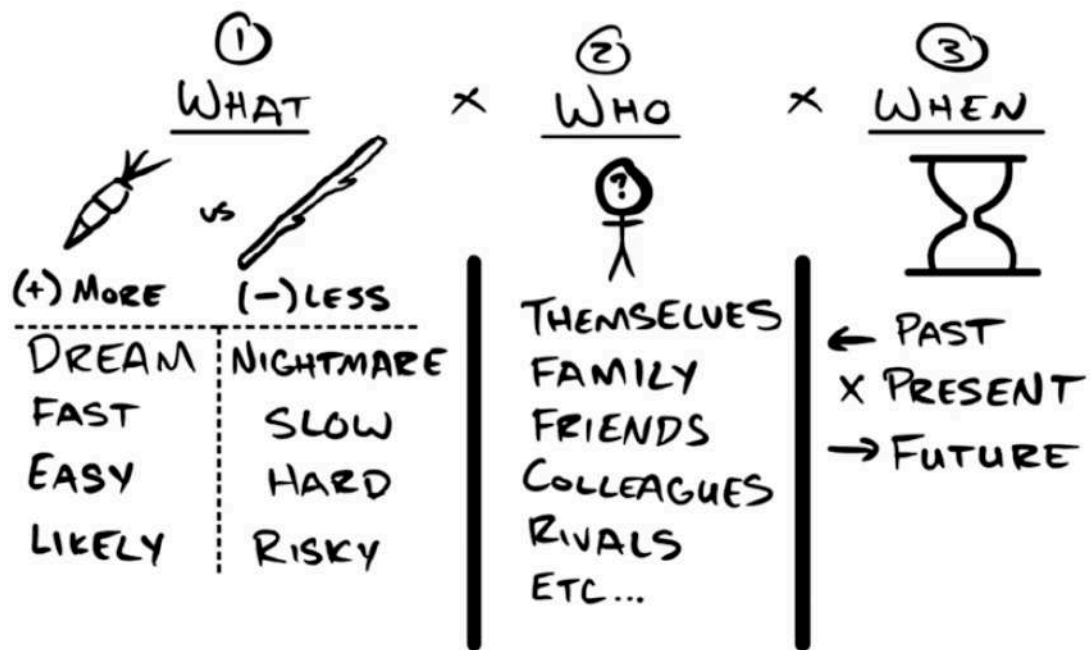
2) Get Them Interested. If people think an offer or lead magnet has big benefits and tiny costs, they value it.

- if the cost outweighs the benefits, they don't value it
- *the best ads make the benefits look as big as possible and the costs look as small as possible.*



A)

WHAT-WHO-WHEN FRAMEWORK



- Ideation framework

The What: Eight Key Elements

- Dream Outcome
 - Opposite – Nightmare
- Perceived Likelihood of Achievement
 - Opposite – Risk
- Time Delay
 - Opposite – Speed
- Effort and Sacrifice
 - Opposite – Ease

Dream Outcome:

A good ad will show and tell the maximum benefit the prospect can achieve using the thing you sell. It should align with the ideal prospect's dream outcome for that sort of product or service. These are the results they experience after buying the thing.

Opposite – Nightmare:

A good ad will also show them the worst possible hassles, pain, etc. of going without your solution. In short – the bad stuff they'll experience if they don't buy.

Perceived Likelihood of Achievement:

Because of past failures, we assume that even when we buy, there's a *risk* we don't get what we want.

- Lower perceived risk by minimizing or explaining away past failures, emphasizing the success of people like them, giving assurances by authority, guarantees, and how what you have to offer will at least give them a better chance of success than what they currently do, etc.

Opposite – Risk:

A good ad will also show them how risky it is to *not* act. What will their life be like if they carried on as they always have? Show how they will repeat their past failures and how their problems will get bigger and worse...

Time Delay:

A good ad will also show them how slow their current trajectory is or that they'll *never* get what they want at their current rate...

Opposite – Speed:

To get things we want – we know we have to spend time getting them. A good ad will *show and tell* how much faster they will get the thing they want.

Effort and Sacrifice: A good ad will also show them the amount of work and skill they'll need to get the result *without* your solution.

- How they'll be forced to keep giving up the things they love and continue suffering from the things they hate.
- Or worse, that they work hard and sacrifice a ton right now... and have gotten...*nowhere*.

Opposite – Ease:

To get things we want – we know we have to change *something*. But we then assume we have to do stuff we hate and give up stuff we love. And ease comes from a lack of needed *work* or *skill*.

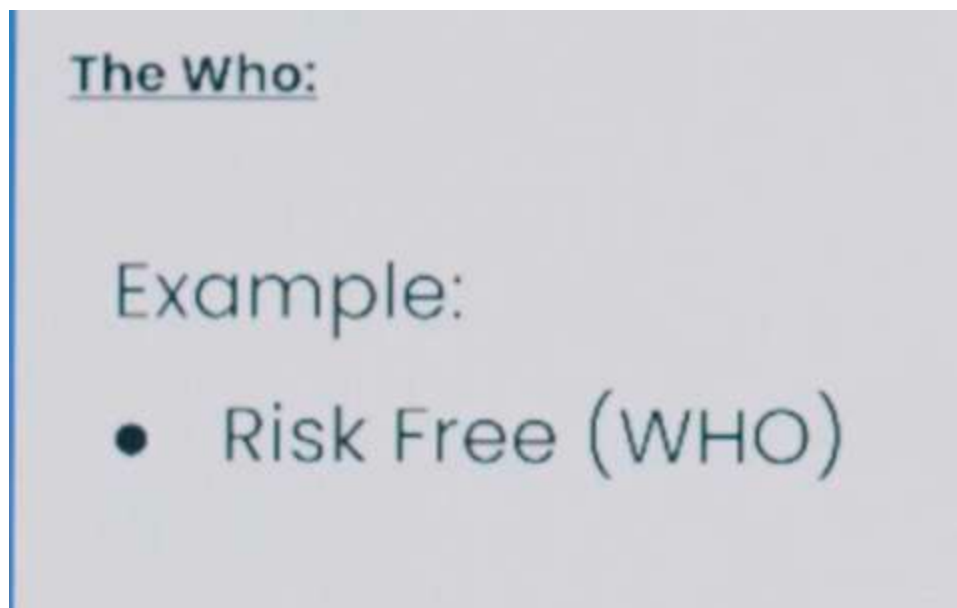
- A good ad disproves the assumption. It tells and shows how you can avoid the stuff you hate doing, do more of the stuff you love doing, without working hard, or having a lot of skill and still get the dream outcome.

- **Ease comes from a lack of need of work or skill**
 - Doesn't take a lot of effort or qualification it will feel easy for them

The Who:

Humans are primarily status driven. And the status of one human comes from how the other humans treat them.

- People gaining status, your customers.
- People giving it to them: Spouse, Kids, Parents, Extended Family, Colleagues, Bosses, Friends, Rivals, Competitors, etc.



Think of the benefit of the eight key variables (identified above) and describe it in every possible way that we can (all the different perspectives: wife's, friends etc) → plays into our need for status. You're selling that status.

Motivation comes from deprivation

- The more hungrier you are the more motivated you are to eat

We don't know what people are most hungry for → hunger being status They might have a happy marriage, but get beat up at work so we want to play the wife card and friends at work card, plus the boss card, kid card, rival dad card etc → we don't where they're lacking status, so we don't know which card will land so we play them all.

The When :

People often only think of how their decisions affect the here and now. But if we want to be extra compelling (and we do), we should also explain what their decisions led to in the past *and* what their decisions *could* lead to in the future. We do this by getting them to visualize through their own timeline (past–present–future).

- Past-present-future both positive and negative visualisations

To summarise:

- 8 "What" Elements
 - Dream outcome

- Perceived likelihood of achievement
- Time delay
- Effort and sacrifice
- Multiple perspective "Who" elements
 - Wife
 - Kids
 - Colleagues
 - Boss
 - Friends
 - etc
- 3 "When" elements
 - Past
 - Present
 - Future

Challenge is:

- making more of the good stuff (the what), from all the different perspectives, for the past, present, future.
- minimising the bad stuff (the what) from all the different perspectives for the past, present, future.

Then you have a compelling ad

- You can't hit all of them in one ad, but gives you a variety to endlessly choose from

Putting the What, the Who, and the When together, we answer ***WHY they should be interested.***

Their spouse (WHO) will perceive how fast (WHAT) they fit into 'that suit your wife loves that didn't fit but does now' in the future (WHEN). Or, how their kids (WHO) month after month (WHEN) got more interested in eating healthy and tagging along during workouts (WHAT). Or, how they (WHO) catch a look at themselves in a reflection in the mall in a few months (WHEN) and realize 'stuff actually fits me in this store' (WHAT).

- This gives you endless variety

Pro Tip: Make Your Ads As Specific As You Can But No Specific-er

The more specific your copy the more efficient it can get, but also the longer it tends to get. And if it gets too long for the platform it lowers efficiency. So make the *ad in its entirety* as specific as you can in the most efficient space you've got. If you've got audio and visuals at your disposal then use *contrast, likeness, and the scene itself* to match your copy – It becomes more specific without getting any longer. And this makes your ad even more efficient and profitable.

When we combine:

- everything we can to get the prospect going *toward* the four value drivers, while also getting them *away from* their opposites
- the many perspectives we can show them gaining status, *and*
- different timelines for each...

Action Steps: Get as many advertising angles with your offer as you can with the What-Who-When framework.

- **What:** Know the eight key things about your own product or service. How it fulfills each element of value, and how it helps avoid their opposites.
- **Who:** Show how the eight key things about your product or service can change *your prospect's* status. Then, show how *the people they know* give status to the prospect when they buy your thing or take status away if they don't.
- **When:** Get the prospect to see the consequences of buying and not buying through their past, present, and future. Especially through their change in status with people they know. This way, we help them to see the value of their decision (or indecision) at this very moment.

3) CTA - Tell Them What To Do Next

If your ad got them interested, then your audience will have huge motivation... for a tiny time. Take advantage. Tell them *exactly* what to do next. S-P-E-L-L it out: Click this button. Call this number. Reply with "YES." Go to this website.

Make CTAs quick and easy. Easy phone numbers, obvious buttons, simple websites. For example, a common CTA is to direct the audience to a website. So make your web address short and memorable:

Instead of... alexsprivateequityfirm.com/free-book-and-course2782

3) CTA - Tell Them What To Do Next



Alex Hormozi ✓
@AlexHormozi

...

Assume the audience has no idea who you are, what you do, how it works, they're in a rush, and they have a 3rd grade education.

Get their information:

After they take the action—Get. Their. Contact. Information. My favorite way to get contact information is a simple landing page. Don't overthink it.



Action Step: Build your first landing page.

I wasted four years feeling too scared to make a landing page. When I finally tried, I finished before lunch.

→Now, you have engaged leads from paid ads! Hooray! We did it!

Run Paid Ads Part I Conclusion

- 1) Callouts (for them to notice it)
- 2) Value Elements (to give them reason to do something)
- 3) Calls to action (to give them a way to do it)



Now... only one question remains...how efficient are we? Let's talk about money stuff.

Paid Ads Playbook Pt II

Monetize Ads

1. What matters most
2. How much to spend
3. How well you are doing
4. How to fix ads
5. What I wish I knew

03

$$LTGP > CAC = \$+ \quad \text{😊}$$
$$LTGP < CAC = \$- \quad \text{😞}$$
$$\frac{LTGP}{CAC} > 3 \quad \text{😄}$$



1. What matters most

What Matters Most

Efficiency matters more than creativity. All advertising works. The only thing that differs between advertisements is how *well* they work.

What Matters Most

Paid ads it gets clear as day because you **put X dollars in for people to see the ad and get Y dollars out** if they buy your stuff. So if you want a *\$100M leads* machine, you just need to get it "good enough" to scale.



Key to \$100m lead machine: Not to be the most creative but most effective and scale the shit out of them

LTAP/CAC = Less than 3

You're going to lose money when you create ads. You have to spend money before you make money. And most your ads aren't going to see massive returns. But the one's that do, will make it all back.

- Get used to losing a lot, to win big.

There are three stages to spending money on ads as I see it.

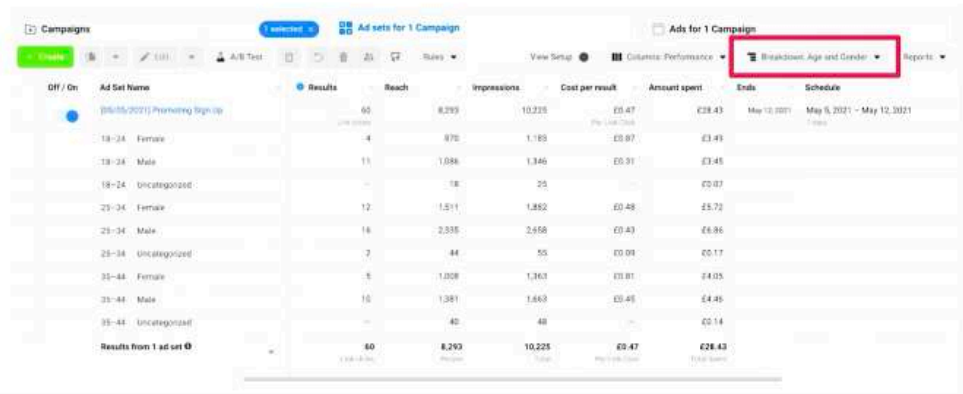
Phase One: Track Money

Phase Two: Lose Money

Phase Three: Print Money



Phase One: Track Money



Off / On	Ad Set Name	Results	Reach	Impressions	Cost per result	Amount spent	Ends	Schedule
On	9/6/2021 Promoting Sign-Up	60	8,293	10,225	£0.47	£28.43	May 12, 2021	May 5, 2021 - May 12, 2021
	18-24 Female	4	970	1,189	£0.97	£3.41		
	18-24 Male	11	1,086	1,346	£0.91	£3.45		
	18-24 Uncategorized	—	18	25	—	£0.07		
	25-34 Female	12	1,511	1,852	£0.48	£5.72		
	25-34 Male	16	2,335	2,658	£0.43	£6.86		
	25-34 Uncategorized	7	84	55	£0.09	£0.17		
	35-44 Female	5	1,008	1,363	£0.81	£4.05		
	35-44 Male	10	1,381	1,663	£0.45	£4.46		
	35-44 Uncategorized	—	40	48	—	£0.14		
	Results from 1 ad set	60	8,293	10,225	£0.47	£28.43		

Phase Two: Lose Money

Imagine I spend \$100 on ten ads - \$1,000 in total. Nine of them lose all \$100. Then, one of them makes \$500 back for the \$100 I spent.

I'm still down \$500. Many people stop here because they see a \$500 dollar loss. But not us. We see a winner.

So now we buckle up and 100x down

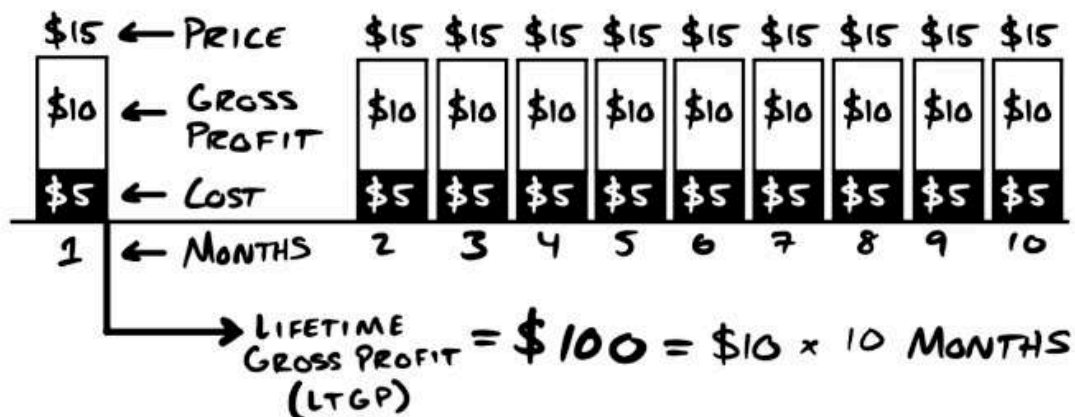
Phase Three: Print Money

If you're making back more money than you spend - the answer is simple - *spend as much as you can*. After all, if you had a magic machine that gave you \$10 for every \$1 you put into it, what would your budget be?



If you do advertising right, when you put a dollar in, you get a dollar + more back. Having an "advertising budget" is foolish and shows you're not doing ads right. If you were you budget would be uncapped because you're making it all back.

Paid ads is higher risk but nothing scales faster.



Product (price) = \$15

Average customers buys this 10 times. Lifetime Gross Profit = \$100.

Lifetime Gross Profit is more accurate reflection that Lifetime Value of customer.

- Gross profit considers in all your costs - shows your true gross margins
- Value of customer doesn't

You have two big levers to improving

LTGP:CAC:

- 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.

$$\begin{aligned} \text{LTGP} > \text{CAC} &= \$+ \quad \text{😊} \\ \text{LTGP} < \text{CAC} &= \$- \quad \text{😞} \\ \frac{\text{LTGP}}{\text{CAC}} > 3 &\quad \text{😄} \end{aligned}$$

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

$\text{LTGP} / \text{CAC} > 3$ - home run - something you can scale to the moon

- You can go way higher than 3:1, Alex targets 10:1, has achieved 36:1

You can have the best advertising in the world but if your business model doesn't make money. You don't have a customer problem, you have a business model problem.

Strategy: Deliberately drive up CPM to price out all other competitors and dominate and industry

For many businesses, LTGP is bigger than CAC. Yay. But *not after the first purchase*. Boo.

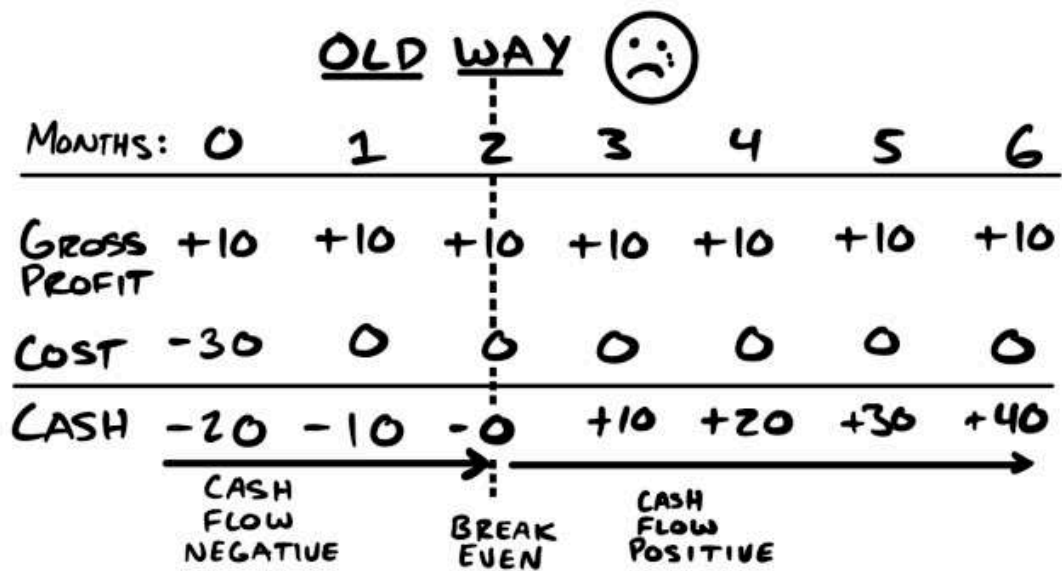
The profit from the customer's *first purchase* is often less than the cost to get them. It can take many months to collect the full LTGP.

So you get your money later instead of now. This cash flow problem cripples your ability to scale ads and get more customers..

Let's see client financed acquisition in action:

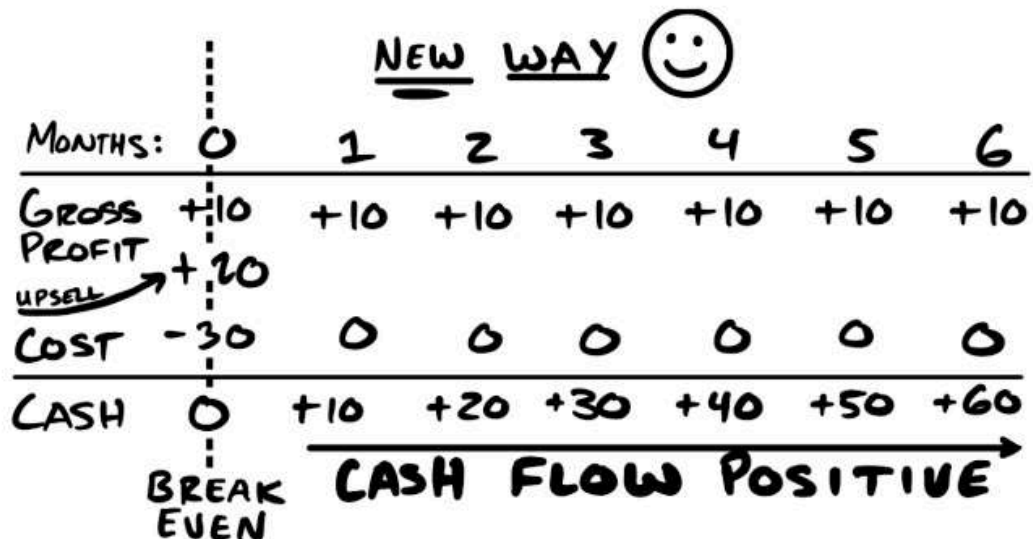
- Say we have a \$15 per month membership that costs us \$5 to deliver. That leaves us \$10 gross profit left over.
$$(\$15 \text{ membership}) - (\$5 \text{ cost}) = \$10 \text{ gross profit per month}$$
- And let's say our average member stays for ten months. That makes our lifetime gross profit \$100.
$$(\$10 \text{ gross profit per month}) \times (10 \text{ months}) = \$100 \text{ LTGP.}$$
- If the cost to get a customer is \$30 (CAC = \$30), we have a 3.3:1 LTGP CAC ratio.
$$(\$100 \text{ LTGP}) / (\$30 \text{ CAC}) = 3.3 \text{ LTGP} / 1 \text{ CAC} \rightarrow 3.3:1 \text{ Our ads make money.}$$

Hooray.



- Forces you to take on debt while you wait the 3/4 months to be cashflow positive from that customers

How Alex has successfully scaled his businesses:



- Create a \$100 up sell that 20% of people take → this creates cash flow positivity from the first day, which allows you to re-invest and compound the play over and over
 - Rather than wait 3 months or take outside money, can do it straight away.
- If you can get 2 to 1, or 3 to 1 in the first 30 days than you compound at that multiple (after 1 month: 2x, 2 months: 4x, 3 months: 16x etc after 12 months: 4000x)

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.

$$(\$100 \text{ upsell}) / (5 \text{ customers}) = \$20 \text{ average upsell dollars per customer.}$$
- 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*.

$$\$10 + \$20 = \$30 \text{ gross profit per customer in less than 30 days.}$$
- And since it costs \$30 to acquire them, we break even. Great!

$$\$30 \text{ CAC} - \$30 \text{ cash collected within thirty days} = \text{free customers!}$$

Upsells:

- More of what you just offered them
- Better of what you just offered them

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.

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.

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

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

- Can create a budget based on your capacity to handle clients
- Paid ads = learning budget