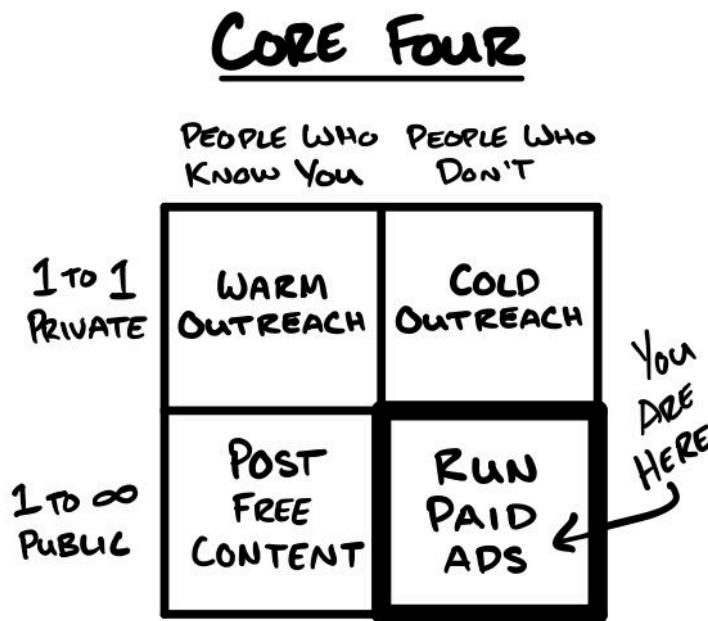


#4 Run Paid Ads Part I: Making An Ad

How To Publicly Advertise to Strangers

Advertising is the only casino where, with enough skill, you become the house.



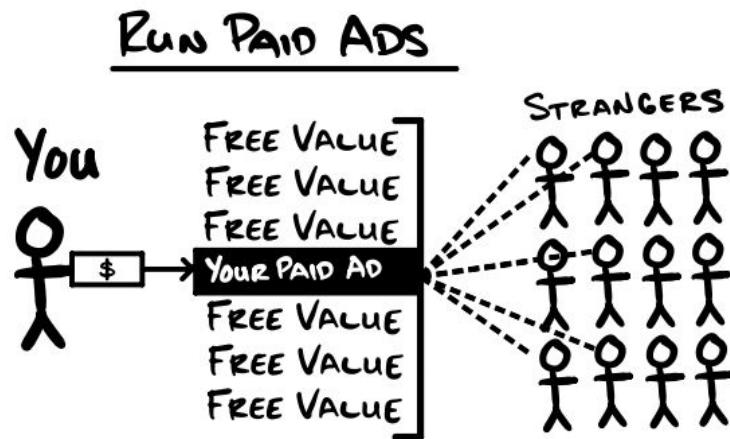
June 2013.

"Let's try some Facebook ads for the gym." I spouted.

Sam's eyebrow went up. "They don't work. I already tried."

Now this was the brief time between quitting my "real job" and starting my first gym. I wanted some experience. So I cold-emailed more than 40 gym owners for a chance to shadow them. Sam was the only one who responded to my pleas for

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. And because you don't need to spend time building an audience, paid ads are the fastest way to get the most people to see your stuff— You trade money for reach. *A considerable advantage when you know what you're doing.* Ads are riskier. But, when done right, they can get you more leads than any other method.

With warm and cold outreach we have to do more stuff to reach more people. To reach more people with free content, we depend on the platform or audience sharing it if they feel like it. Paid ads are different. The reach is *guaranteed*. But getting your money back isn't. So it's a game of efficiency rather than reach. Let me explain:

In principle, if you paid enough money, you could get every person in the world to see your ad. And, if every person in the world saw your ad, someone would buy. Even if only by

accident (ha). So the question isn't "do ads work?" it's "how well can you make them work?" In other words, it's a push and pull between how much you spend and how much they buy.

And like cold outreach, paid ads go to colder lower trust audiences. So even with good offers, a smaller percentage of people will respond. And like cold outreach, paid ads get over this hurdle by putting your offer in front of more people. And if an ad isn't profitable, most of the time, it's because the right people *never saw it*. So to make an ad profitable, the right people *have to see it*. This keeps our ads efficient.

This chapter reveals how I create more efficient paid ads by finding needles in the haystack. I start with the entire world as my audience (haystack) then narrow down to get a higher percentage of engaged leads (needles). First, I pick a platform that contains my ideal audience. Second, I use whatever targeting methods that exist within the platform to find them. Third, I craft my ad in a way that repels anyone else. Finally, I tell whoever's left standing to take the next step. People overcomplicate it. But that's it. That's all we're doing - narrowing down who sees our ad so we have the highest chance of getting the right type of people to respond.

Once we advertise profitably in a small puddle of an audience, we expand to a pond, then a lake, then an ocean. And as the audience gets bigger it does have more of the wrong people, but it has more of the right ones too. So ads decrease in efficiency, but at that point you can afford it. In other words, the ratio between what you spend and how much they buy goes down but the total amount of money you make goes up. So instead of spending \$1000 to make \$10,000 with \$9000 in profit, you spend \$100,000 to make \$300,000

with \$200,000 in profit. Your ratio goes down, but you make more money. So the risk is higher because you spend more. But so is the reward. This means we want to make the audience as big as possible while still turning a profit.

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

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



Platforms distribute content to an audience. If you're not familiar with any available platforms, I invite you to come join me on planet earth. If you've ever consumed content, which you have, you've directly or indirectly used a platform and been a member of its audience. And wherever there's an audience, you can usually advertise. So if you want to become a great entrepreneur, you have to learn about them. Here's what I look for in a platform I want to advertise on:

- I've used it and gotten value from it as a consumer. So I have some idea how it works.
- I can target people on the platform interested in my stuff.
- I know how to format ads specific to the platform (which I'll dive into in step three).
- I have the minimum amount of money to spend to place an ad.

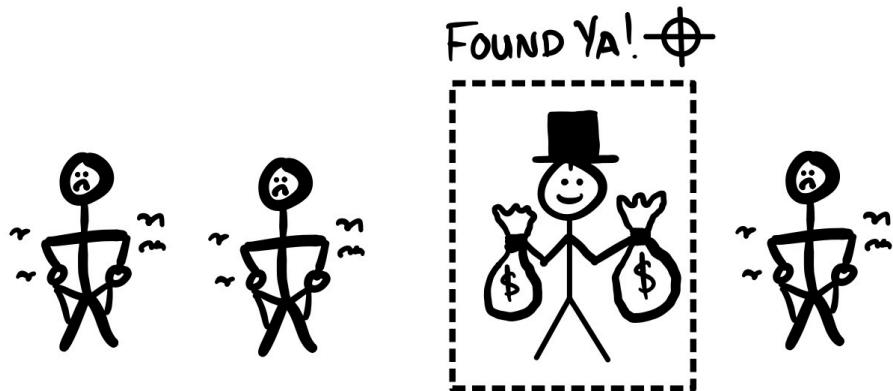
...And yes, platforms change all the time, but these principles stay the same.

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.

**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—right off the bat. And, if everyone who buys from you speaks English, you also want to *exclude* the audiences within the platform who don't. If that's half the platform's users, you're already at 99.5% of the world excluded. Specific is good.

The right message to the wrong audience will fall on deaf ears. It doesn't matter how good your ads are. If you're marketing to Florida residents about a local business in Iowa, it's probably not gonna work. So you have only one goal when targeting—get the highest number of people you think will buy your stuff to see your ad.

We did our first round of targeting by selecting our platform. We do the second round *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**. Modern platforms will make lookalike audiences for you so long as you upload their minimum list size. The bigger the list and the higher quality the contacts, the more responsive the lookalike audience will be. Start with your list of current and previous customers. If your customer list is big enough to meet the platform minimum, use it. If it's not big enough, add your warm reach out list. If it's still not big enough, add your cold reach out leads to hit the minimum. This is exactly what I do. Forcing the list to the right size sometimes makes the lookalike audience too broad. And that's OK because you can...
- 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. Basic filters on top of the platform-generated lookalike audience are a simple way to get more of the right people to see your ads. End result: more efficient ads.

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.

The more filters you use, the more specific the list. The more specific the list, the more efficient your ads but the faster you will "burn" through it. However, this specificity sets you up to get more wins early on. The wins from smaller specific audiences now give you the money to advertise to larger and broader audiences later. *This is how you scale.*

Action Steps: Bring all your lead lists together into one place. Separate them by past and previous customers, warm outreach, and cold outreach. Eventually, you'll have a list of people that engaged with your paid ads by giving you contact information but didn't buy. That'll come in handy. Then, if the platform allows, use these lists in order of quality to create your lookalike audience. Then, if the platform also allows, add filters on top of your lookalike audience to target an even higher percentage of people to engage with your ad. If you are incapable of making a lookalike audience, then simply start by targeting interests.

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

To this day, I don't change the channel when I see an ad. I rarely mute ads or skip ads. In fact, I have no premium subscriptions that remove ads on any media platforms either. Main reason: I *want* to consume the ads. I *want* to see how businesses do three things. 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. When I look at ads this way, it turns what was once an everyday nuisance (ads) into a continuous learning experience. Consuming ads on purpose, with the core elements in mind, makes me a better advertiser. And it will make you a better one too.

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. As David Ogilvy says "After you've written your headline, you've spent eighty cents of your advertising dollar." Focus your effort front to back. As crazy as this sounds (and all the pros are nodding their heads), my advertising became 20x more effective when I focused the majority of my effort on the first five seconds. We need the audience's eyes and ears just long enough for them to realize "this is for me, I'll keep paying attention." This "first impression" is the part of the ad I test the most.

Imagine you're at a cocktail party in a big ballroom. Lots of people talking in groups. Loud music playing in the background. In all that noise, a single sound pierces through it all and you turn around. Wanna know the sound? Your name. You hear it, and *instantly* look for the source.

Scientists call it the 'cocktail party effect'. In simple terms, even when there's tons of stuff going on, a single thing can still catch and hold our attention. So our goal with callouts is to harness the cocktail party effect and cut through *all* the noise. After all, if they never notice your ad, nothing else matters.

A **callout** is whatever you do to get the attention of your audience. Call outs go from hyperspecific - to get one person's attention - to not at all specific - to get everyone's attention. Let me explain. If someone drops a tray of dishes, *everyone* looks. If a child yells "MOM!", then the *moms* look. If someone says your name, *only you* look. But again, they all get attention. And I try to make my call outs specific enough to get the right people *and* broad enough to get as many of them as I can. So pay close attention to how advertisers use call outs, especially the ones targeting your audience.

Here's what I look for with verbal callouts- *using words to get attention:*

- 1) 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.*
 - a) People automatically identify with their local area. So with local ads, the more local, the better. A local ad with

“LOCAL AREA + TYPE OF PERSON” callout is *still* one of my all-time favorite ways to get someone’s attention. It worked two hundred years ago, it works today, and it’ll work tomorrow. So think: Americans < Texans < Dallas Residents < Irving Residents. If you live in Irving, you’ll immediately think this ad could affect you. So, it catches your attention.

- 2) **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?*
- 3) **If-Then Statements:** *If* they meet your conditions *then* you help them make a decision. *If you run over \$100,000 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...*
- 4) **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. Let’s go back to the cocktail party. Sure, a dropped tray of dishes would get everyone’s attention, but so would the *cling*cling*cling** of a knife against a champagne flute. They both get everyone’s attention for different reasons—one signals an embarrassing disaster and the other signals important news... *but, in either case, everyone still wants to know what happens next.* So if the

platform allows, good advertisers use verbal and nonverbal callouts *together*.

Here's what I look for with nonverbal callouts- *using the setting and spokesperson to get attention*:

- 1) 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.
- 2) 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.
 - i) Quack like a duck. If you want to attract ducks, look like a duck, walk like a duck, and quack like a duck. If you want to attract plumbers, dress like a plumber, talk like a plumber, be in a plumbing environment. Even

with the same message, your ad will do far better if you look the part (or find people who do).

- ii) If you see an ad for doctors, notice the spokesperson. What age are they? Gender? Ethnicity? Are they wearing a lab coat? A stethoscope? Are they in a medical facility? All these things get a specific type of person interested in health related products and services to pay more attention than they would have otherwise.
- iii) Mascots also work well because they don't age, never ask for more money, and never take days off. Think Micky Mouse for Disney. The Geico Gecko. Tony the Tiger for Kellogg's. The Michelin Man. etc. A mascot is a great way to create an enduring spokesperson for your business.
- iv) Advanced: Whichever likenesses you choose to use, if it's not you, the business becomes less dependent on you and therefore more sellable. You also may just be an ugly son of a gun. Plus, pretty people convert better anyways. Good news is, it doesn't cost much to get a pretty person to say stuff to a camera.

- 3) The Scene: Think *showing* the Yes-Questions and If-Then statements.

Ex: An ad with...

- a) A person tossing and turning in bed calls out people with sleep troubles.

- b) A pear next to an hourglass can call out people with a pear shaped body.
- c) A room full of stuff stacked to the ceiling calls out people with too much junk.
- d) A rock hitting a window calls out people with broken windows.
- e) A local landmark. Locals think - "*Hey, I know that place!*" and pay attention.

Now, this isn't an exhaustive list. *Far* from it. I show you these to pull back the curtain. This way, you can see the infinite ways advertisers cut through the noise, so you can too.

Pro Tip: Infinite Ads

Here's one of the highest ROI tips I can give you about making ads. Record ten or so new ads every week. But, record thirty or more first sentences or questions to begin the ad. Think five second clips. These are the call outs people consume before deciding to watch more. With thirty callouts and ten main ads you can make three hundred variations in a matter of hours. Once you know the best callout, you apply it to all ads.

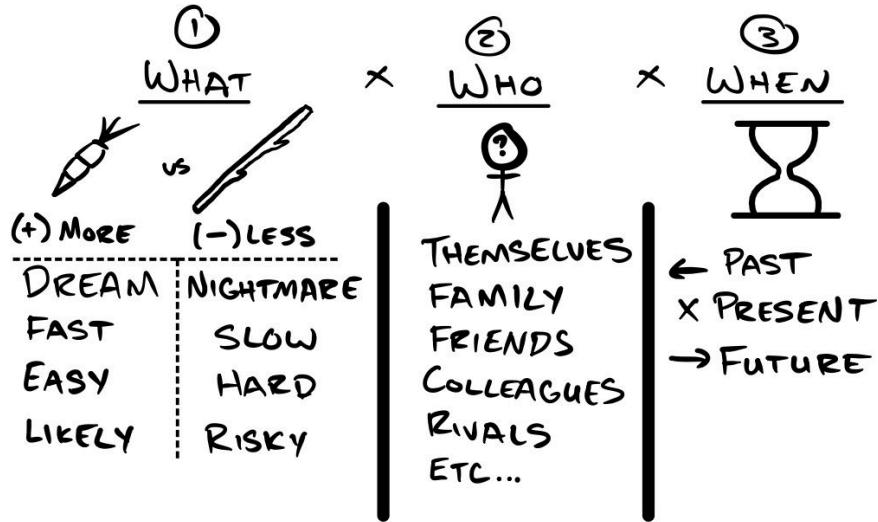
Action Step: I'm always impressed with the clever and innovative ways advertisers call out their prospects. So instead of muting or hitting "skip ad" *look for the call outs*. Become a student of the game. My goal is that for the rest of your life when you see an ad *you turn up the volume*.

Now, once they've noticed our ad, it leads us to the second chunk of the ad—we need to get them interested...

2) Get Them Interested. If people think an offer or lead magnet has big benefits and tiny costs, they value it. And they'll exchange money or contact information to get it. But if the cost outweighs the benefits, they don't value it, and they won't. *So the best ads make the benefits look as big as possible and the costs look as small as possible.* This makes an offer or lead magnet as valuable as it can be and gets the most engaged leads because of it.

A good advertisement, paid or not, uses clear and simple ways to answer the question: *why should I be interested in your thing?* It tells people why they should want your lead magnet or offer. Now, there are a million ways to do this, but I'll share with you my What-Who-When Framework. This mental framework hinges on knowing the value equation forwards *and backwards*. So all you have to do is know eight key things about your own product or service: how it fulfills each element of value for your prospect, and how it helps them avoid their hidden costs (remember those?). Think of them like carrots vs sticks. How your offer delivers more good stuff *and* less bad stuff. Then think of the perspectives of the people who would experience them (Who). And finally, what time period (When) they'd have these experiences (positive or negative).

WHAT - WHO - WHEN FRAMEWORK



In the words of David Ogilvy “The customer isn’t a moron. She’s your wife.” So you know what that means? *Write to her.* Ads cause the prospect to think questions to themselves. And a good ad answers those questions at precisely the time they think it. So if you can answer what they’re thinking with your ad, using the words they’d use, you’ve won.

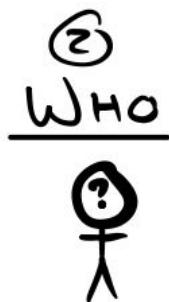
So let's start with The What: Eight Key Elements

- **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. And, 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*. In other words, they waste more time and money doing what they currently do than if they just bought our darn solution!
 - **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.

Those are the 8 key elements. Now we fully understand The What – how we deliver the four value elements, and how we avoid their four opposites. We now go to the next W - The Who.



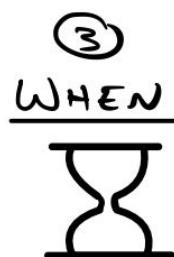
Who: Humans are primarily status driven. And the status of one human comes from how the other humans treat them. So if your product or service changes how other people treat your customer, which it does in some way, it *pays* to show how. And talking about the value elements from someone else's perspective shows all the ways it'll improve the status of your customer. So we want to outline two groups of people. The first group is the people gaining status, your customers. The second group is the people giving it to them: Spouse, Kids, Parents, Extended Family, Colleagues, Bosses, Friends, Rivals, Competitors, etc.

All of these perspectives give us different opportunities to show how the prospect's status may improve. And - they give us a *ton* of bonus benefits. As in, if you lose weight, do your kids have a new role model? Does your spouse now decide to get healthy too? Are you more likely to get promoted at work? Science says - yes. Does your frenemy no longer make those little jabs at dinner?

Let's do business examples. If I said something was risk free, I want to spell out how *their spouse* won't nag them about the purchase since there's no risk. I'd talk about how their kids would notice they weren't as stressed or distracted anymore about work. How their competitors notice their phones don't ring as much because all their customers are flowing to your new customer. How their business owner buddies say "business must be good" when they pull up in their new car at the golf range. You get the idea. These are all added benefits to the prospect we'd miss out on if we *only* looked at it from their own perspective.

And, we can apply each new who perspective to each value driver. This is how you get so many different stories, examples, angles, etc., to describe the benefits (more carrot and less stick).

That leads me to the third lens of the What-Who-When framework - The When.



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). This way, we help them to see the consequences of their decision (or indecision) *right now*.

Let's use the weight loss example from earlier *from their perspective*. We'd show them getting teased as a kid (past) struggling to button their favorite pair of jeans (present) or moving up *yet another* belt loop (future). What does that nightmare look like to their spouse? To their rivals? How embarrassing!

Remember, we can also run the same timeline through *someone else's* perspective. Their kid asking why other kids make fun of them (because they passed on bad food habits) (past), or how their kids complain now that the other kids' dads participate at practice when they don't (present), or how their doctor said they might not walk their daughter down the aisle at her wedding (future). Note: this is all the *bad stuff* they want to avoid. Our next copy elements would contrast those with the good stuff that could happen (present and future) *if they buy our thing*.

We use both towards good stuff and away from bad stuff then combine it with the past, present, and future of the prospect's life to create *powerful* motivators in our copy.

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

If I continued on with the weight loss thing, I might talk about how:

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).

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...

...This adds up to *why* they should be interested. And now we have a lot of ways to get them interested! And - the more angles we cover, the more interested they'll become.

Also - since you asked - the only difference between long ads and short ads is how many angles we have time to cover from the copywriting framework. Longer ads use more. Shorter ads use fewer. So add or take away based on the platform, but keep the callouts (the first few seconds) and CTAs (what to do next) the same.

Pro Tip: Get Unlimited Inspiration.

Many platforms have a database of ads past and present. As of this moment, if you search “[PLATFORM] ad library” in a search engine, in a few clicks you will find them. If you see an ad that runs for a long time (a month or more), assume it’s profitable. Then, take notes on the callouts they use, how they illustrate the value elements, and their CTAs. Look for the words they use *and* how they demonstrate them.

Break down fifty or so ads and you will have a massive head start to creating winners of your own.

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.

Author Note: You Don't Need to Become a Copywriting Expert.

I'm certainly not. And if I thought copy was the limiter for most, I'd have spent more time on it. Sure, world class entrepreneurs have copywriting skills. But, world class copywriters don't necessarily have entrepreneurial skills. *Don't sacrifice one for the other.* If you explain your offer clearly using the What-Who-When framework, you'll have enough skill to remove copywriting as a limiter on your growth. And that's all you have to do—get good enough to grow. After all, if you call out the right people and have an amazing offer, you barely need any copy to begin with. *You just gotta explain your offer.* Get good enough to make your ads profitable, then scale and see what breaks next.

I also include a few more ad tips and tricks that have served me well in the lessons at the end of the chapter. But even if you never use them, there's only one more thing you'll need to turn these interested folks into engaged leads...

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. Scan this QR Code (wink). So many ads *still* don't do this. Your audience can only know what to do if you tell them.

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... alexspriateequityfirm.com/free-book-and-course2782

Use.. acquisition.com/training

Note: This comes from a guy who spent \$370,000 on a single word domain Acquisition.com. So, I may overvalue easy domains, but I don't think I do. I think everyone else *undervalues* them. Just my two cents.



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.

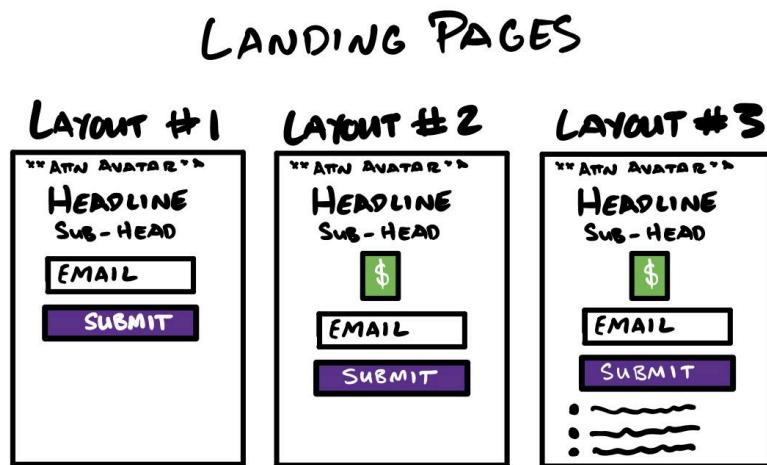
Beyond these basics which most still forget, you can also use all the tactics like urgency, scarcity, and bonuses from "Step 7" from the "engage your leads" chapter to make even stronger CTAs. They apply here, and everywhere else you tell your audience to do something.

So we can now pick a platform to advertise on, target who we show our ads to, make the ads they see, and tell them what

to do next. All we have to do now is get their contact information.

Step #4 “How do I get their info?” → Get Permission To Contact Them

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. The simpler your landing page, the easier it is to test. Focus on the words and the image. Here are my three favorite templates. Pick one and start testing.



And make your landing pages match your ads. People click an ad because you promised them some benefit. So carry that same look and language over to your landing page. Make sure what you promised in your ad is what you deliver. This sounds simple, but a lot of people forget, and waste money until they remember it. You don’t want to end up with some Frankenstein experience where everything looks different. You want a continuous experience from “click to close.”

Get more people through more steps. In Robert Cialdini's seminal work, *Influence*, he shows that people like to think of themselves as consistent. So, if you remind them of the action they just took (CTA), and show how taking the next action aligns with it, you'll get more people to take the second action (Contact Info). For example, "Now that you just did A, you need to do B to get the most of A." Or "Doing A makes you a 'doing A' kind of person. Doing A kind of people, do B."

To be clear, we aren't selling anything. We are asking if they're interested in the stuff we sell. And if they're interested, they'll give us a way to tell them more about it. And when they do, they become engaged leads. Woo!

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. Nowadays there are tons of "drag and drop" tools to build websites in minutes. And if you're still worried about it, freelancers will build a site, probably using those same drag and drop tools, on the cheap. So just get it done.

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

Run Paid Ads Part I Conclusion

What *has to* happen for advertising to work? Well, we have to show our ad to the right people. So, we pick the right platform and target the people within that platform that have the highest percentage of our audience. Once we do that, we

have to get them to notice our ad. Once they notice it, they have to consume it to get a reason to take action now rather than later. We do that using the value equation. And demonstrate it in the past, present and future, from their perspective and the perspectives of the people they know. And once they have a reason to take action, they have to have a way to give us permission to contact them. *That action turns them into an engaged lead.* And since those things gotta happen, they slowly but surely became the three core elements of every ad I create:

- 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.

#4 Run Paid Ads Part II: Money Stuff

"I'm just trying to buy a dolla' and sell it for two" - Proposition Joe, The Wire

We focus on efficiency with paid ads throughout this chapter and the last one because *efficiency matters more than creativity*. All advertising works. The only thing that differs between advertisements is how *well* they work. Maybe people get crazy about making paid ads because they have words like “copy” and “creative” and “media” then get hyper-focused on getting all that stuff “perfect” (as if you can). You can tweak all day and night... until the cows come home! The reality is that paid ads, any advertising really, is all about *the return on your investment*. And with 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. Why? Because good enough is good enough.

Since efficiency matters most, we want to be as efficient as possible so we can scale as much as possible. That way, we get as many leads as our little heart's desire.

That being said, there's enough nuance to scaling paid ads that it felt better to break it into its own chapter. This chapter answers four big questions about ads as I understand them:

- How much do I spend? →Three Phases of Scaling Ads
- How do I know how well I'm doing? →Cost & Benchmarks

- If my ads aren't profitable, how do I fix it? → Client Financed Acquisition.
- What do I wish I had known before I ran my first paid ad? → Lessons

“But how much do I spend on paid ads?” → The Three Phases of Scaling Paid Ads

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

Let's break them down together.

Phase One: Track Money. Before spending a dollar on ads, set everything up so you can accurately track your returns. If you don't track, you're gonna get cleaned out. It would be like going to a casino and playing your favorite game for as long as you felt like it rather than for as long as you could afford it. But, once you have tracking, you can do more of the stuff that makes you money and less of the stuff that doesn't. It rigs the game in your favor. So get a consultant, watch tutorials, and get it set up. End of story. Once you have the tracking, you can start losing money like a pro (wink).

Phase Two: *Lose money* (half-joking). I prefer to call it ‘investing in a money printing machine.’ After all, when running paid ads, you pay first. So your bank account has to go down before it comes up.

I emphasize this because I'd rather prepare you: *you're gonna lose money*. In fact, I've lost money more *times* than I've made money running paid ads. But every time I make money with paid ads, I make back everything I lost, *and then a bunch more*. So the number of times I lose is high but the amount I lose is low because I know when to shut it down. And my number of wins is low but the amount I win is very high because I know when to hit the gas. So, think of it like this.

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. We spend \$10,000 on the winning ad and make \$50,000 back.

Note: I still lost *nine times*, but the *one time* I won, I won big. And this is important, because you might lose, nine or ninety-nine times in a row before you win big. But, to win big, you have to see the winners and *double, triple, quadruple, 10x down on them*. This is why paid advertising is a lot like a casino. You'll often lose in the beginning to learn the game. But - with enough skill - you eventually become the house. That being said, during this “lose money” phase, you can still be smart about it. Here's how I do it.

I budget two times the cash I collect from a customer in thirty days (not LTGP) when testing new ads. I wasted

tons of money letting ads run too long before I realized they sucked. But on the flipside, I've lost even more money by giving up on ads before I gave them a chance. Eventually, I hit a sweet spot by budgeting two times the cash I collected from a new customer in the first thirty days to test a new ad. For example, if I know I make \$100 in profit from a customer in the first thirty days, I'll let an ad go up to \$200 in spend before shutting it off (as long as I'm getting leads). If I'm not getting any leads from an ad at all, before I spend 1x thirty-day cash I shut it off (\$100 in the example).

It costs money to build an advertising machine. I worked with a business that took a year to get paid ads profitable. It was tough. But other businesses in their space ran profitable ads which meant *we could too*. Once they were profitable, they made their year's worth of 'wasted' money back in the *next month*. It costs money to build an advertising machine... and that's *normal*. Just make sure you measure the returns over a long time horizon, not next week. Can you think of anything more valuable than a machine that prints money? It would be unreasonable for it be cheap (or easy). Once you start making more money than it costs you to make it, you're in phase three.

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? Right. All the money. But realistically, you probably have some other constraint on your business that prevents you from unlimited customers coming in. So here's how I scale my budget.

Instead of asking “How much money should I spend on an ad?” I ask “How many customers do I want?” or “How many customers can I handle?” So once ads break even or better, I reverse my budget from my sales goals. If I can only handle 100 customers next month, and customers cost me \$100 to get, I’d need to spend \$10,000 to get them ($100 \times \100). But since ads get less efficient as they scale, I usually pad the budget by twenty percent. So that means \$12,000 over thirty days, or \$400 per day in ad spend. I reverse my daily ad budget from my lead-getting goal. Then, *I commit to it*. If the number terrifies you, then you’re doing it right. Trust the data. This is how you scale. And that’s why most people never do.

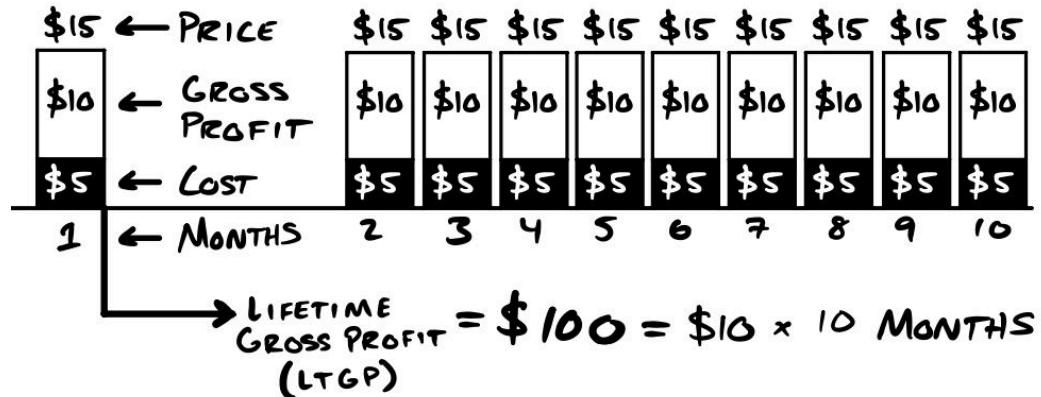
“How well am I doing?” - Cost & Returns - Efficiency Benchmarks

Efficient paid ads make more money than they cost. If that sounds painfully obvious, good. You’ve already got most people beat. I measure paid ad efficiency by comparing the lifetime gross profit of a customer (LTGP) with the cost to acquire a customer (CAC). I express this ratio as LTGP to CAC.

I Measure LTGP Instead of “Lifetime Value” or “LTV”

Lifetime gross profit is all the money a customer ever spends on your stuff minus all the money it takes to deliver it. For example, if a customer buys something for \$15 and it costs \$5 to deliver it, your gross profit is \$10. So if that customer buys ten things over their lifetime, then they bought a total of \$150 in stuff. But it cost you a total of \$50 to deliver that stuff. That makes the lifetime gross profit \$100.

Gross profit is important in general because it's the actual money you use to acquire customers, pay rent, cover payroll, and... everything else to run your business.



So if you've ever heard me say "I'm getting 3 to 1 on this" I refer to my LTGP-to-CAC ratio. I compare how much I made against how much I spent. So if LTGP is greater than CAC, you have profitable advertising. If it's lower than CAC, you're losing money.

What's a good LTGP to CAC ratio? Every business I invest in that struggles to scale has at least one thing in common - their LTGP to CAC ratio was *less than* 3 to 1. As soon as I get it above 3 to 1 (either through decreasing CAC or increasing LTGP), they take off. *This is a pattern I personally observed, not a rule.*

$LTGP > CAC = \$+$ ☺

$LTGP < CAC = \$-$ ☹

$\frac{LTGP}{CAC} > 3$ \$\$\$

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.

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 much closer than you'd think. 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).

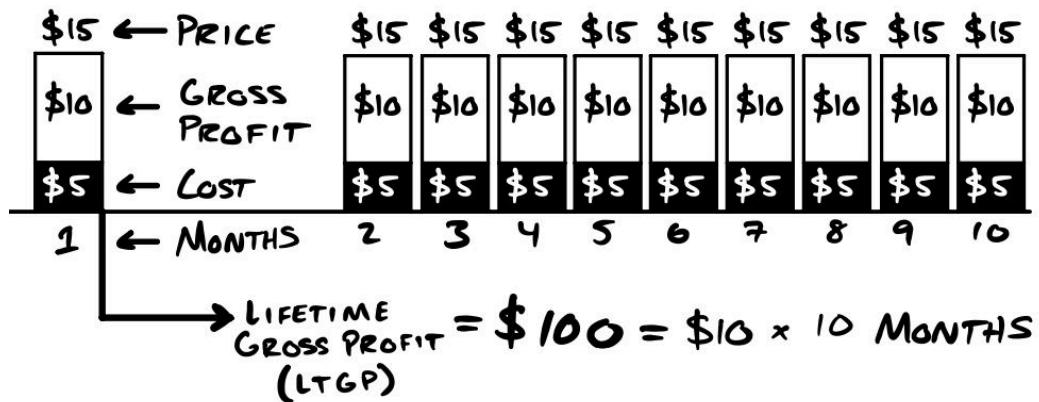
Things can only get so cheap. Eventually you just gotta make more. Think about it like this— lowering the cost of getting a customer by \$100 will eventually take more work than making an extra \$100 from them. So once your cost is low enough, focus on your business model. Costs can only approach zero 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.

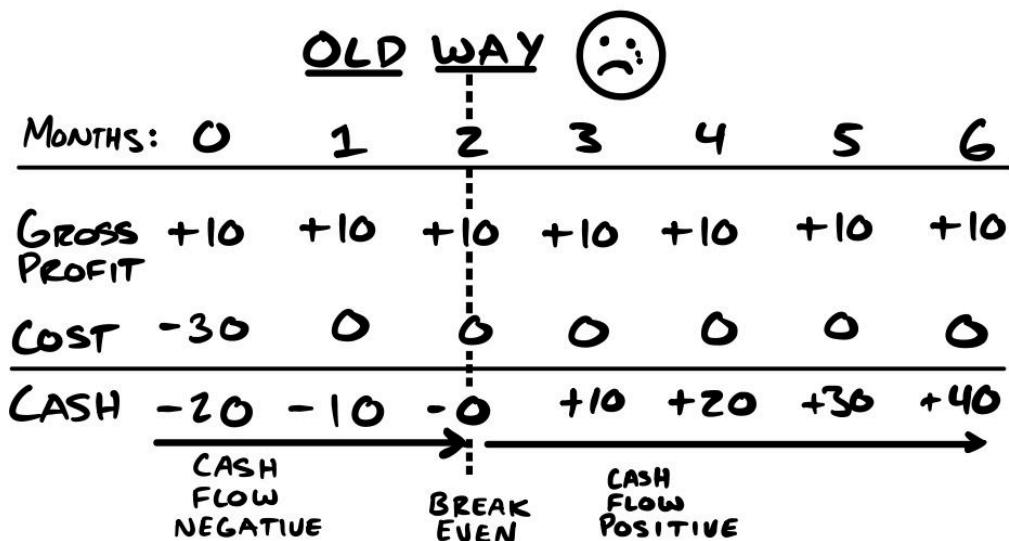
$$(\$15 \text{ membership}) - (\$5 \text{ cost}) = \$10 \text{ gross profit per month}$$

- 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 LTGP.

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

$(\$100 \text{ LTGP}) / (\$30 \text{ CAC}) = 3.3 \text{ LTGP} / 1 \text{ CAC} \rightarrow 3.3:1$
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.

MONTHS:	0	1	2	3	4	5	6
Gross Profit	+10	+10	+10	+10	+10	+10	+10
UPSELL	+20						
COST	-30	0	0	0	0	0	0
CASH	0	+10	+20	+30	+40	+50	+60
BREAK EVEN							
	CASH FLOW POSITIVE						

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*.

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

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

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

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.