AdConversion

Transcript: Module 5 - Lesson 2

Rules of Testing Engagement

(Each transcript is manually proofread for typos, time stamped, and highlighted for key insights – hope you enjoy it!)

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Welcome to Module 5 - Lesson 2, Rules of Testing Engagement. Without clearly defined rules for testing, you're either going to pause things prematurely or you're going to scale too early. Your emotions will be driving your decisions and not logic. And remember going back to lesson two, Secrets of the Top 1% of Advertisers, the best advertisers think like investors and they execute like scientists. So, rational thinking is key.

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Now, the first step for figuring out your rules of testing engagement is to find your breakeven costs because ultimately every marketer's goal is to drive more pipeline and revenue, so we want to start by working backwards from revenue to find our breakeven costs. So, for breakeven cost per lead, the way this works is you're going to take your average deal size and you're going to multiply that towards your lead to close won rate. So, for example, if I have an average deal size of $3,000, I'll multiply that by 10%, which is my lead to close won rate, and I'll have a $300 break even cost per lead. This is really helpful. So, I know now when I'm making my optimization decisions, I can spend up to $300 to break even. So anything after 300, now I'm going to start to lose money.

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You could even take it a step further if needed, and you can figure out your break even cost per click. So now if you're using certain bid strategies, if you're using manual bidding, this can inform what you're willing to pay the channel. So, when it comes to figuring out your breakeven cost per click, you're going to take that breakeven cost per lead target, and you're going to multiply it times your landing page conversion rate or your form conversion rate if you're using lead gen forms. So for example, we'll take $300, we'll multiply that times 5%, and we'll have a $15 breakeven cost per click. And with these breakeven costs in hand, now you are ready to set your rules of testing engagement.

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So, when it comes to creating your rules, there's no shortage of rules, there's all kinds of rules, but really there's two that I wanted to cover in this course that I use all the time. And the first one is our non-performer rule. So the non-performer rule is how you're going to make decisions on whether you're going to pause an ad if it's not performing. So, the rule works like this. You're going to pause the ad if it's spent 2-3x, your target cost per lead with zero conversions. So, going back to our example, if our ad has spent all time $300 and that's the target and we spent 600 and $900 and we've gotten zero leads, zero conversions, whatever it might be, we're going to go ahead and pause that.

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So again, this removes the emotional bias, right? So I know my breakeven is 300, I'm allowed to spend 2-3x. It spends 600 and $900 max. It had its fair shot. It's getting paused. Again, this helps remove the bias, which is so incredibly important because most of us, we log into our ads manager one day, our spend is up. We haven't gotten anything. We freak out. We pause it too soon. Or on the flip side, we think it's going to work because we have bias and we just let it run too long and we're just bleeding money.

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The second rule is your maintenance rule. So, this is going to help you when you had an ad that was performing good at one point, but then it started to reduce its performance over time, maybe because of fatigue, but it's no longer performing. So, the way this one works is you're going to pause the ad if your cost per lead, your target is 1.5-2x over what you're trying to go for. So, for example, over the last seven to 14 days, depending on your volume, is the current ad cost per lead between 450 or $600? If it is, we're going to pause it, because if our goal is 300, 450 is 1.5x, 600 is 2x. So, the main takeaway here is I'm using this to ground my decision making. So, if somebody asked me why did I pause that ad, it is based on logic and not just emotion.

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Now, this isn't statistically significant, but it is an easy approach that you can follow repeatedly that will prevent pausing ads prematurely or scaling out of emotion and not logic. Now, you can even automate some of these actions for certain channels with automated rules, but we'll have more on that in future courses when we go over certain channels. And if you want to help us prioritize which courses we should create, go ahead and submit your feedback in our public roadmap, which you can find in your course resource section. So, your action item for this lesson is to create your rules of testing engagement by first figuring out your breakeven cost per lead and breakeven cost per click. If you found value from this course or this lesson, please help us out by sharing it with a friend or a colleague or leave us a testimonial. Thank you so much. See you in the next one.

P.S. If you find value from this course, share it with your colleagues or leave a testimonial. 100% optional but we appreciate all the support!❤️

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